



A resilient network for an evolving energy system

National Gas Transmission plc
for the year ended 31 March 2026
Company number 02006000



Contents

Strategic report

Our business at a glance	5
Chair’s foreword	7
CEO’s review	9
Gas market landscape	11
Business model	13
Performance measures	14
Strategic direction	20
Innovation in motion	22
Operating in a regulated environment	26
Stakeholder engagement	28
Being a responsible business	31
Risk management	51
Section 172 statement	55
Non-financial and sustainability information statement	57
Financial review	58

Governance report

Chair’s message	65
Group structure	66
Governance framework	67
Our Board	68
Our Executive team	71
Governance principles	72
Audit and Risk Committee	79
Remuneration and Nominations Committee	83
Safety, Security and Sustainability Committee	86
Regulation Committee	88
Directors’ Report	89
Statement of Directors’ responsibilities	91

Financial statements

Auditor’s report	93
Consolidated financial statements	98
Notes to consolidated financial statements	101
Company financial statements	131
Notes to the Company financial statements	132

Other information

Glossary	140
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About this report

This report has been produced in landscape format to optimise the reading experience online. The information contained in this report is relevant for the Company’s reporting period which is from 1 April 2025 to 31 March 2026.

Cover

Sunrise at Peterborough Compressor Station

Photo credit:Jonathan Hunt, Process Safety Continuous Improvement Lead.

Navigation, links, and URLs

This PDF contains internal links to sections within the report, as well as URL links to external sites. Both are indicated by underlined text. The navigation across the top of the pages includes:

- In bold and underlined: the current section
- In grey: the previous or next section

[Download a pdf of the annual report](#)

The National Gas app

Our app provides near real-time insight into Britain’s gas network. Scan the QR to download the app on iOS and Android devices.

iOS



Android



Business highlights

UK electricity generated from gas

~26%

2024/25: ~26% | 2023/24: ~33.1%

Gas used in GB transported by the NTS

99%

2024/25: 99% | 2023/24: 99%

Managed gas meters

c. 4.6m

2024/25: 5.4m | 2023/24: 6m

UK primary energy demand from gas

~35%

2024/25: ~36% | 2023/24: ~36%

Network reliability across the NTS

99.99%

2024/25: 100% | 2023/24: 100%

Mean gender pay gap

2.7%

2024/25: 1.6% | 2023/24: 5.5%



0.04

2024/25: 0.02
2023/24: 0.01

Lost Time Injury Frequency Rate (LTIFR) per 100,000 hours



2,245

2024/25: 2,124
2023/24: 1,800

Total number of employees, including directors (at 31 March 2026)



£12.55*

2024/25: £7.95
2023/24: £9.52

Contribution to consumer energy bill

*This year's consumer bill is based on a revised methodology and will be used going forward. Using the previous methodology the consumer bill impact would have been £10.04.

READ MORE: about National Gas in ‘Our business at a glance’ on page 5.

Financial highlights

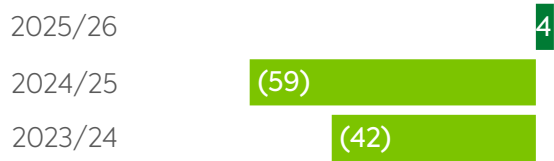
Revenue (£m)

£1,625m



Exceptional items (£m)

£4m



Profit before tax (£m)

£713m



Capital expenditure (£m)

£690m



READ MORE: in our ‘Financial statements’ report from page 92.

Operating profit before exceptionals (£m)

£691m



Total operating profit (£m)

£695m



Cash generated from operations (£m)

£956m



Regulated asset value (£m)

£7,953m



Strategic report

Our business at a glance	5
Chair’s foreword	7
CEO’s review	9
Gas market landscape	11
Business model	13
Strategic direction	20
Innovation in motion	22
Operating in a regulated environment	26
Stakeholder engagement	28
Being a responsible business	31
Environmental, social and governance strategy	31
Safe every day	32
Securing our people, assets and data	33
Running our business ethically	35
Our environmental commitments	36
Climate-related financial disclosures	40
Powering our people	45
Partnering with our communities	48
Risk management	51
Section 172 statement	55
Non-financial and sustainability information statement	57
Financial review	58



Our business at a glance

National Gas is the backbone of Britain's energy system

About National Gas

We are Britain's national gas network, providing secure energy to power the country, achieve net zero, and maintain our industrial competitiveness. National Gas is the backbone of Britain's energy system. We transport gas across Great Britain through nearly 5,000 miles of pipes, repair and maintain gas pipelines, and manage the meters that allow power stations, businesses and millions of homes to access the energy they need.

We are responsible for transporting gas to more than 30 power stations, major industries, storage facilities, interconnectors supplying the island of Ireland and connecting with continental Europe, and to the Gas Distribution Networks (GDNs) that take gas into more than half a million businesses and around 24 million homes.

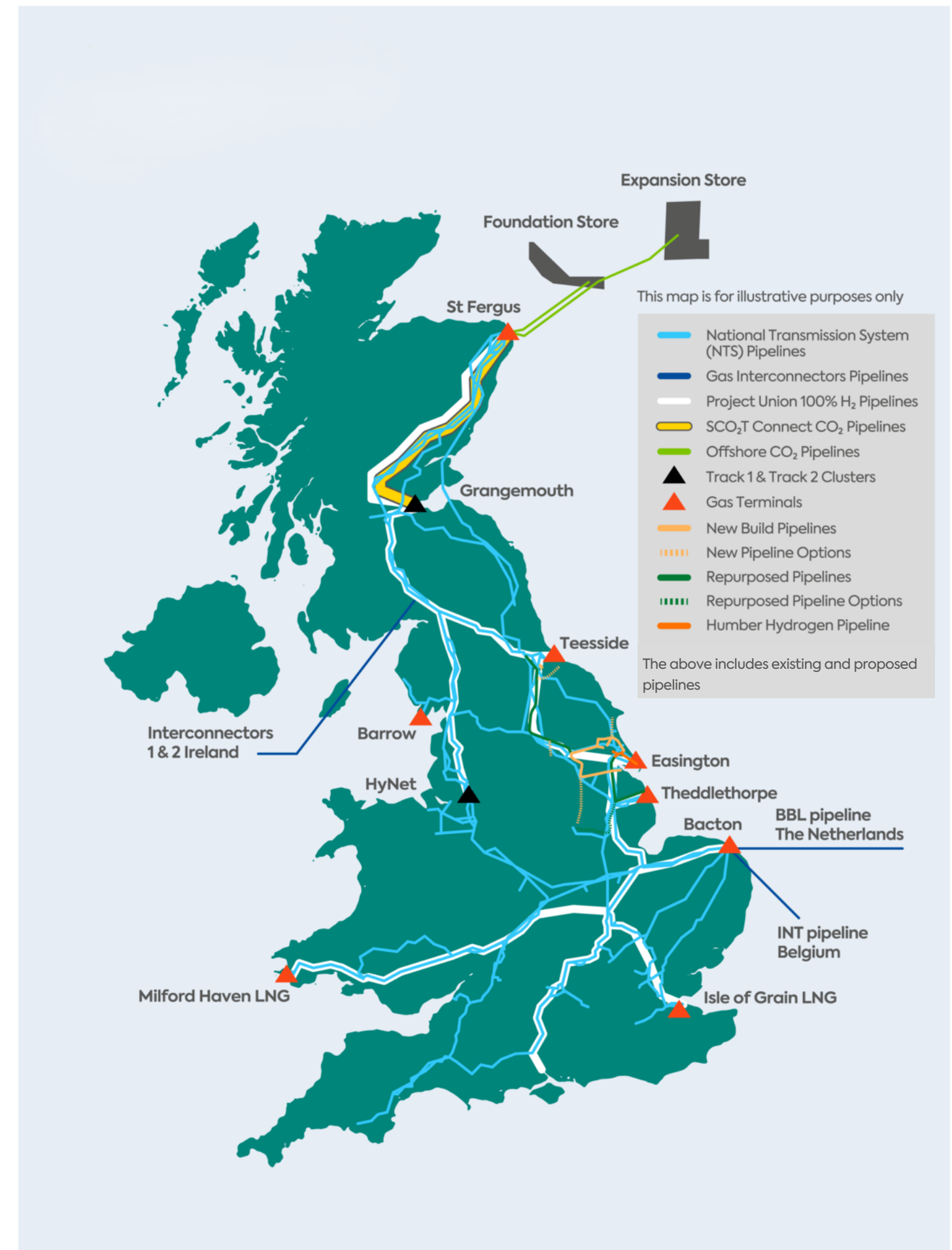
Gas is an essential part of a secure energy supply in Britain, and will continue to play a vital role for decades to come. More than ever, we need the security that gas brings to keep the lights on, businesses running, and homes warm. National Gas provides that security.

National Gas is also proud to lead the way in transforming the energy network for a clean energy future. Gas provides the energy security to support renewable electricity generation, and we are developing our infrastructure to transport hydrogen and carbon dioxide across the country.

READ MORE: about the 'Gas market landscape' on [page 11](#).

NTS operations and connections

129	Distribution offtakes
30+	Power stations
15	Industrial users
9	Storage sites
3	Interconnectors
3	LNG terminals



Our business at a glance continued

Our business operations

Our organisation comprises three National Gas businesses and Premtech:

- **National Gas Transmission** owns and operates the high-pressure national gas network (the National Transmission System) that transports gas reliably to wherever it's needed in Britain.
- **National Gas Metering** manages and maintains millions of traditional gas meters throughout Great Britain.
- **National Gas Services** provides nationally important emergency and planned pipeline repair and maintenance services to ensure the gas keeps flowing across the UK.
- **Premtech** provides multi-disciplinary engineering design services for high-pressure onshore pipelines and associated infrastructure.



Our business operates as a regulated monopoly. We are regulated by the Gas and Electricity Markets Authority (GEMA), whose functions are carried out in practice by the Office of Gas and Electricity Markets (Ofgem). Ofgem oversees an incentive regime to ensure our interests are aligned with those of consumers. As both the Transmission Owner (TO) and System Operator (SO), we own, build and operate the high pressure gas National Transmission System (NTS) that transports gas around Great Britain. We have day-to-day responsibility for balancing supply and demand on the NTS.



Our National Gas Services business is the UK's leading specialist provider of planned and emergency gas pipeline inspection, repair, maintenance and replacement services. Our network of depots provides a rapid response to gas pipeline emergencies anywhere in the UK.



National Gas Metering is one of the largest meter equipment managers in Great Britain, enabling power stations, businesses and millions of homes to access the energy they need safely and reliably. We manage approximately five million diverse and, in some cases, significantly complex gas metering installations, delivering consistently high performance and outstanding levels of customer satisfaction. To support the transition to a clean energy future, we are applying our skills and expertise to develop the essential hydrogen metering and infrastructure of tomorrow.



Premtech is one of the UK's foremost engineering design consultancies specialising in high-pressure onshore pipelines and associated infrastructure for the energy sector. It has more than 15 years' experience in designing complex pipelines and associated infrastructure for gas transmission and distribution networks across the country.



Chair's foreword



National Gas is well positioned both to invest in our network so that it can continue to serve the country's evolving energy needs reliably, while also helping to enable the transition to a net zero energy system.

Mark Russell, Chair

Driving reliable energy leadership

It was an honour to have been asked to serve as Chair of National Gas, and to take on the reins from Dr. Phil Nolan in January 2026. I am grateful to Phil for his advice, support and diligent handover, all of which has helped to ensure a smooth transition. On behalf of the Board, Executive and wider staff, I would like to record our thanks to Phil for his stewardship of the company and for his invaluable guidance as National Gas has firmly established itself in its own right.

I am delighted to introduce this report, which is the first of my tenure as Chair.

I see a key part of my role – and that of my Board colleagues – as being a critical friend, both supporting and challenging the Chief Executive and Executive Committee on performance, delivery and the management of the company. Since taking on the role of Chair, I have been impressed with the way in which the Executive works together as a well-functioning and complementary unit, leading a diverse workforce with passion and purpose.

It has been good to find an energised and enthusiastic workforce, with people committed to the mission, driven by purpose and ready to step up to deliver. I have thoroughly enjoyed getting to know people from across the company as I have visited our offices and operations and undertaken Employee Listening Forums. I look forward to hearing from more staff about what is important to them, in the year ahead.

Our performance

Without doubt, the commitment of National Gas staff is reflected in our operational achievements and strong performance this year.

From a financial perspective, we have made a return on equity of 9.0%, compared to 9.4% in 2024/25. We have enjoyed a successful year in respect of customer satisfaction scoring 9.00 (out of 10), and, through the operation of the National Transmission System (NTS), we have delivered world-class levels of reliability (99.99%).

It is evident that, from the Executive down through the organisation, there is a culture of wanting to ensure everyone who works for us, or with us, stays safe every day. Our safety performance for 2025/26 is testament to that safety-first culture, with strong performance in respect of our Lost Time Injury Frequency Rate (LTIFR) – 0.04 injuries per 100,000 hours worked. But when it comes to safety, we must never take our performance for granted, and we must guard against complacency. As Chair, I will make sure that the Board and I leave no stone unturned when it comes to reinforcing the importance of embedding and enhancing a safe everyday culture.

I have been pleased to visit some of our sites across the country. It has been good to see our assets in operation and to meet the teams who are out in the field, come rain, snow or shine, making sure that our compressors, valves and pipelines are well-maintained, reliable and available when the country needs them.

Visiting our sites has brought home to me the magnitude of the critical role we play. I have been struck not only by the need to keep our workforce, partners and communities safe, but also the importance of keeping these sites – places classified as Critical National Infrastructure – secure. Of course, a focus on safety and security is not new. But with the volatility in the world around us, we must be alive to the potential new threats and risks to our infrastructure and strive to strengthen our ability to deter bad actors and protect our assets.

Security of supply

This year, against a backdrop of heightened geopolitical tensions, and in the context of rising conflict and market turbulence, we have sought not only to sharpen our focus, but also that of our key stakeholders, on security of supply.

We very much welcomed the Government's consultation on the Gas System in Transition: Security of Supply, and in our response, we made clear our commitment to playing our part in safeguarding the country's energy security. I have been encouraged by the way in which we have spoken with authority and credibility on matters relating to security of supply, including matters that go beyond our direct control and beyond our legal and regulatory responsibility. We have also demonstrated how, as the Gas System Operator, we can act as an informed yet impartial, trusted advisor.

Navigating the energy transition

It is important to me, as I discharge my role as Chair, that I am informed about the challenges National Gas faces, and that I understand the demands, sometimes conflicting, that the company encounters. I have taken on the task of educating myself, and I am grateful for the knowledge and patience of those members of staff who have spent time explaining the intricacies of what it means to be charged with operating the country's primary energy system.

Chair’s foreword continued

As I have come to know more, so I have come to appreciate the complex balance we face as we navigate what can only be described as a once-in-a-lifetime energy transition, with continuing to deliver an uninterrupted, secure source of energy. It is clear to me that in whatever way we choose to transition to a decarbonised energy system and meet the country’s net zero ambitions, it must be done in the safest, most responsible and secure way possible.

For our part, with the £3.2bn of baseline funding agreed by Ofgem in our RIIO–GT3 Final Determination in December 2025, alongside the potential for additional funding through Uncertainty Mechanisms, National Gas is well-positioned both to invest in our network so that it can continue to serve the country’s evolving energy needs reliably, while also helping to enable the transition to a net zero energy system.

We have continued to take steps this year to ensure that our network will be key to the deployment of innovative technologies, such as hydrogen and carbon capture, into the future. The £165m of funding to enable early design works for the first three phases of Project Union and our partnership with Centrica, Equinor and SSE Thermal to develop Britain’s first ‘hydrogen heartland’ in the Humber, demonstrate our commitment to playing a role in the energy system of tomorrow.

Looking ahead
In the report that follows, you will be able to read about successes in FY26 of which, I am pleased to reflect, there are many. But as we look ahead, I am keen to ensure that we keep focused on improving our performance where we can, and that we are open and honest about where we might need, or want, to do things differently.

In FY27, we will close out RIIO–T2, effectively and diligently, submitting a high-quality, well-articulated submission to Ofgem. With the support of our supply chain, and our partners across the sector, we are well positioned to make a strong start to the delivery of RIIO–GT3. I also look forward to strengthening our relationship, with our regulator, Ofgem, as well as with key stakeholders across government.

We will also continue to harness the collective expertise, passion and skill of our people, to ensure that we not only meet our critical obligations but also continue to maintain and improve our network, making it cleaner and even more safe and secure.

Thank you
On behalf of the National Gas Board, I would like to acknowledge the hard work and determination of our staff throughout the year, all of which has culminated in a strong set of results. Our people have been the driving force behind the success of National Gas in 2025/26; I thank each and every member of staff for their contribution to the company’s performance this year.

As we enter the FY27 performance year, I look forward to continuing to work together as we strive to keep Britain’s energy system safe, secure and reliable.

Mark Russell
Chair

CEO's review



We invested significantly in our network and supporting systems this year, delivering record levels of capex investment of £690m.

Jon Butterworth, Chief Executive Officer

Securing the future of Britain's energy supply

In many ways 2025/26 will, for me, be defined by two dominant themes: first, our work to secure a RIIO-GT3 outcome that enables us to maintain, improve and invest in the National Transmission System (NTS) to ensure its ongoing resilience for the future; and second, our ongoing pursuit to secure Britain's energy, particularly in the face of growing global tensions and continued uncertainty in the world around us.

It has been an enormously demanding year, but one on which I reflect with a good deal of pride. National Gas staff have risen to every challenge that has come our way, demonstrating passion for and commitment to our mission in everything they do. In the last year, I believe we have shown that we are now a genuinely purpose-led, performance-focused and innovative organisation. Each member of our staff has played a role in our success this year, and I thank them all for their contributions and determination to deliver, sometimes in the face of adversity.

Our year was shaped by five strategic priorities:

- Build our foundations
- Deliver and close RIIO-T2
- Secure and prepare for RIIO-GT3
- Earn a seat at the table
- Shape the future

READ MORE: about these on page [13](#) and about performance against these priorities from page [14](#).

Securing RIIO-GT3

In July 2025, we received our Draft Determination (DD) from Ofgem, following the submission of our RIIO-GT3 business plan the previous year. The receipt of DD was a defining moment and shaped much of our activity in the months that followed. In the DD, Ofgem awarded us baseline funding of £2.46bn, against our original request for £3.97bn. In doing so, they set us a challenge to improve our proposals ahead of Final Determination (FD). We fully engaged with that challenge, and worked hard to improve our proposals, collating additional evidence and constructively engaging with the teams at Ofgem. In August 2025, we submitted our formal response, in which we set out why the investment we had proposed was needed, and what was required to achieve the efficient funding of that investment. In December 2025, we received our FD for RIIO-GT3, securing baseline funding of £3.2bn, with the scope for significant further allowances to be granted during the regulatory period.

We now need to make good on the trust, confidence and support Ofgem, our supply chain partners and customers have shown in us. There should be no doubt that as we begin the RIIO-GT3 price control period, we do so with enthusiasm and drive, ready to deliver efficiently, effectively and professionally from day one.

But securing the funding outcome our network required was only one part of the puzzle. Over the year, we also implemented an internal transformation programme aimed at setting ourselves up to deliver in as efficient and agile a way as possible. Through 'Building for Growth', we designed and implemented a new regional delivery model. We established three regions – in the East, Scotland and the North, and the West – alongside a Major Programmes function and supported by central enabling teams. By early 2026, we had stood up the new regional delivery model, and in doing so had taken steps to improve end-to-end accountability for delivery and performance, moving decision-making closer to the point of delivery.

Putting safety and security first

Our ambition is to be 'safe every day' and our firm commitment is never to compromise on the safety of our people, our customers, the public and our assets. This year's exceptional safety performance, with our Lost Time Injury Frequency Rate an impressive 0.04 per 100,000 hours worked, is testament to that commitment. Alongside this, we have operated the NTS to the highest safety standards by maintaining the health of our assets, applying robust controls to manage workplace hazards, and complying with all relevant legislation. All our people understand that – whatever it is they are doing – their safety, and that of the communities within which we work, is non-negotiable.

We have further strengthened our focus on the physical and cyber security of our assets, as befits our network's status as Critical National Infrastructure (CNI). As the world around us has grown ever-more volatile, we know that we are a target for malicious actors and cyber threats. In 2025/26, we are on track to maintain our basic Cyber Assessment Framework (CAF) compliance, and have taken steps towards achieving enhanced CAF compliance. Our compliance with these important lines of defence is essential to ensuring our critical systems and the overall integrity of the gas network remain secure.

READ MORE: about our 'Safe every day' programme from page [32](#).

CEO’s review continued

A reliable and resilient network

Over the year, we have ensured the NTS has remained resilient and reliable, achieving near 100% (99.99%) reliability in our network.

We invested significantly in our network and supporting systems this year, enabling an unprecedented number of outages on our system to deliver record levels of capex investment of £690m. I am proud of the work of our operational and delivery teams, not least in completing the construction and commissioning of the largest-ever compressor unit on our network at Hatton.

Over the summer months, our dedicated teams were out in the field undertaking a significant maintenance programme, which saw them work on more than 550 miles of pipeline, undertake work at all 21 compressor stations and conduct inspections on more than 430 miles of pipeline. Completing this programme of maintenance ensured we were ready and resilient when it came to winter 2025, enabling us to continue to safeguard the country’s energy security.

Securing Britain’s energy

Securing the country’s energy has once again been front and centre of our work this year. From an external perspective, the ongoing conflict in Ukraine and the more recent conflict in Iran and the wider Middle East region have resulted in high geopolitical tensions, uncertainty and unease, as well as turbulence in the global markets. This volatility, coupled with the unprecedented, rapid deployment of intermittent renewables, continues to remind us how critical the security of our energy supply is, and how integral energy diversity is to that security.

During the year, we published a policy paper – ‘Securing Britain’s Energy’ – which summarised our response to the Government consultation on the Gas System in Transition: Security of Supply. This paper was our opportunity to set out our assessment of the risks to gas security of supply and to outline a range of policy options to safeguard Britain’s future energy security – making it clear that gas will continue to play a vital role for years to come. It was important for us, as Britain’s primary energy system, to have our say in this critical debate, particularly at a time of such global instability and in the midst of a generational energy transition.

READ MORE: about ‘Securing our people, assets and data’ from page [33](#).

Enabling a low-carbon future

Over FY26, we progressed with the delivery of our ‘three-molecule’ (methane including biomethane, hydrogen and carbon dioxide) strategy. Throughout the year, we not only maintained and sought to improve the existing methane network, but took further steps towards building our capability for hydrogen, carbon capture and storage, and biomethane.

In June 2025, we received confirmation of funding for Project Union: East Coast of £43.26m (2018/19 prices). This award was followed in November 2025 with confirmation of funding for Project Union: St Fergus to Teesside of £51.03m (2018/19 prices) and Project Union: Northwest of £30.13m (2018/19 prices). Together this represents funding of £165m (2025/26 prices), and enables Front End Engineering Design (FEED) delivery for over 50% of the entire length of the proposed Project Union network.

We were delighted to partner with Centrica, in October 2025, for a landmark trial at Brigg Power Station. The trial saw us inject a 2% blend of green hydrogen into the NTS, which was then used by Centrica’s Brigg Power Station to generate electricity for the grid. The trial demonstrated the end-to-end potential for hydrogen to decarbonise critical energy infrastructure, as well as showcasing how blending can be effectively implemented at scale. We also welcomed the publication of the Government consultation in July 2025, which set out a ‘minded-to’ position to accept blends of 2% hydrogen into the NTS.

We pursued our aspirations in respect of carbon capture and storage, working closely with our partners in Scotland to further our SCO₂T Connect project. We were pleased to receive government backing, through the Comprehensive Spending Review in June 2025, for the Scottish Cluster (of which SCO₂T Connect is a part). This award of £200m of development funding was extremely welcome, and we continue to work with government to secure the release of the funding.

We continued to focus our attention on biomethane, and specifically on how we can enable quicker, cheaper and standardised NTS connections for our customers. In May 2025, working with Premtech, we launched the ‘Standardised biomethane connection designs’ project, looking at connection options to reduce detailed design timescales and to identify ways of streamlining the overall connections process. In the year ahead, I look forward to us implementing the new standardised designs and self-lay process that we have developed with our customers.

Delivering with our people for our communities, shareholders and customers

Everything we have achieved this year has been down to the drive, hard work and passion of our people. The 2,245 people we employ have shown up time and time again, from braving the wintry conditions in Aberdeen to keep the gas flowing, to providing a warm welcome to the apprentices and graduates who joined us in September 2025, and working to deliver new and innovative projects that underpin the energy transition.

Throughout the year, our people have also continued to drive positive community impact, raising over £132k for our corporate charity partner (Barnardo’s), delivering our ‘Tackling Loneliness’ initiative, and committing more than 3,350 hours to volunteering.

From a financial perspective, our performance in 2025/26 has been strong. We delivered profit before tax of £713 million (compared with £710 million in 2024/25). We made a return on equity (RoE) of 9.0%, compared to 9.4% in 2024/25.

We continued to put customers at the heart of our business, by listening to and acting upon their feedback. I am pleased that we have maintained the momentum of previous years and delivered further improvement on our already high satisfaction rating, achieving a customer satisfaction score of 9.00 this year.

From securing our RIIO-GT3 outcome and establishing our position within the national energy debate, to delivering unprecedented levels of capex work and developing the diversity of our workforce, there is much for us to be pleased with. But for all the progress we have made, we cannot and will not rest on our laurels.

Looking ahead

Last year, I noted that the year ahead would be a busy one for National Gas, and it most certainly was. I am in no doubt that the coming year will be just as busy.

In 2026/27, we will be laser-focused on executing the close out of RIIO-T2 to a high-standard, ensuring delivery of a well-evidenced, robust submission to Ofgem, supported by constructive engagement with our regulator. At the same time, we will make sure that we start RIIO-GT3 in a disciplined and controlled manner.

We will drive forward to ensure that we are delivering on all our commitments, effectively, efficiently and safely. We will continue to deftly navigate the ever-evolving world around us, all whilst making sure that our network operates securely and reliably – helping to secure Britain’s energy in what are, and will continue to be, undoubtedly challenging times.

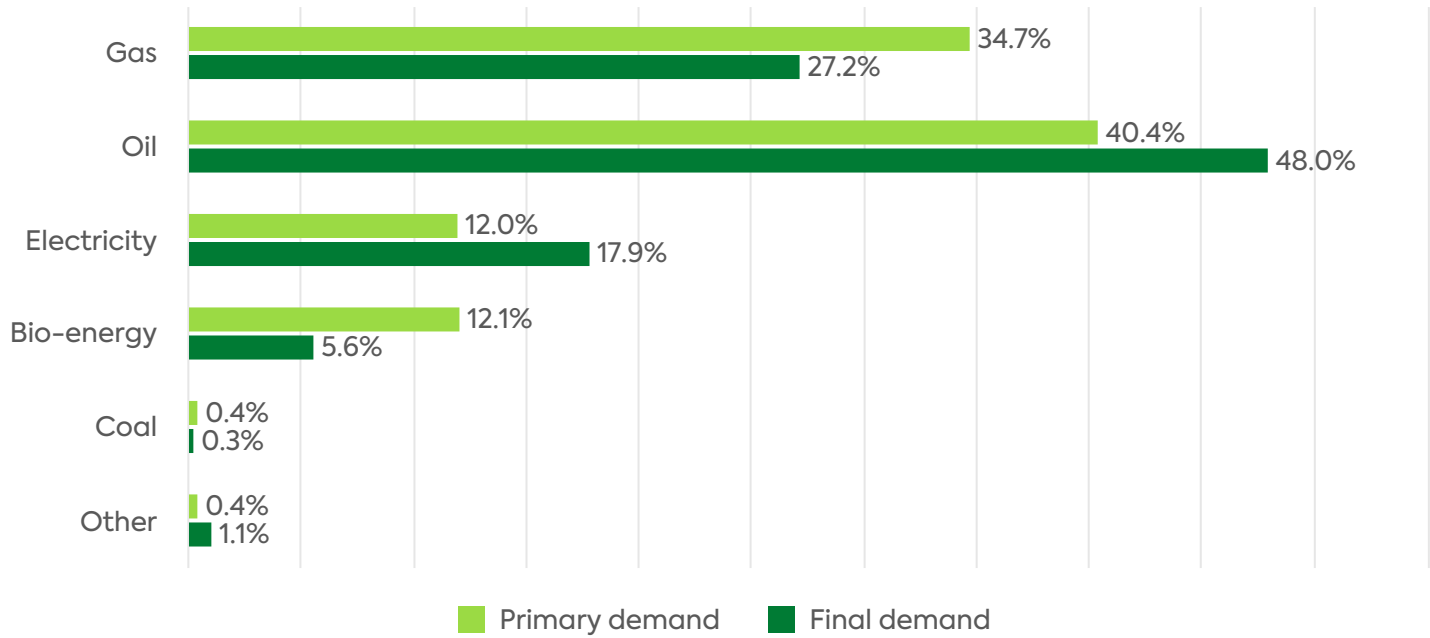
Jon Butterworth
Chief Executive Officer

Gas market landscape

Value of gas to the UK

The UK’s energy sector is critical to economic growth, is deeply interlinked, and must be considered as a holistic system. Natural gas makes up ~35% of total UK primary energy consumption and ~27% of final demand. Gas was also used to generate ~26% of Great Britain’s electricity in 2025, and for several days contributed to more than 60% of all electricity generated. During 2025, the UK saw 178 periods when gas generation ramped up 4–5GW over a period of six hours, more than double what was observed in 2024. In 2025, there would have been 92 equivalent full days where without gas in the electricity power mix, Britain would have had insufficient electricity supply to meet demand, leading to potential rolling blackouts.

Energy demand in Great Britain 2025



Great Britain’s gas grid system

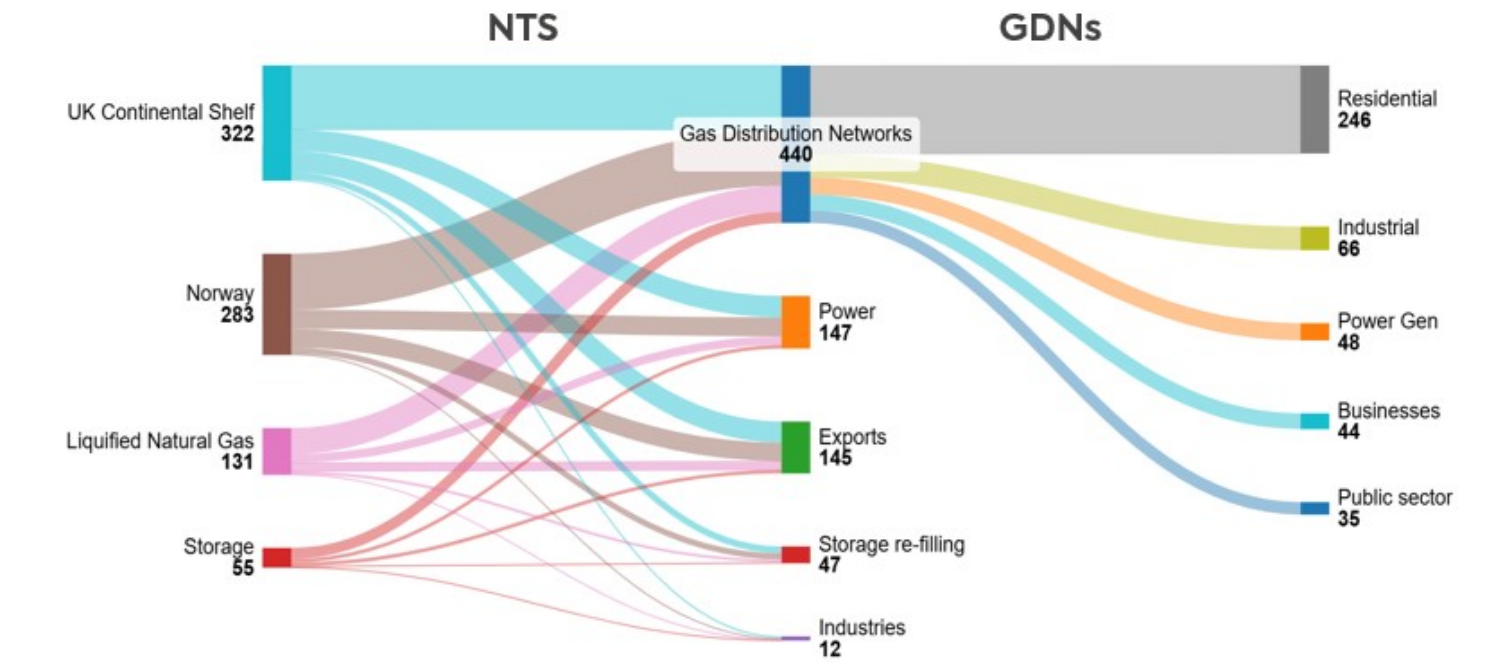
National Transmission System (NTS)

The NTS consists of nearly 5,000 miles of large, high-quality steel pipes that can transport large volumes of gas at high speed. Gas is fed into the NTS at any of eight gas terminals across Britain. National Gas is the sole owner and operator of this entire system. The NTS is the only gas system with compression facilities – there are 60 compressors across the country that transport gas through the network.

Gas Distribution Networks (GDNs)

The GDNs are the smaller pipes that run underneath streets and feed gas directly into homes and small businesses. The NTS feeds gas into these networks, which then distribute it through their pipes at much lower pressure and volume to their customers. There are eight separate gas distribution regions across Britain operated by four separate GDN companies: Cadent, SGN, Wales & West Utilities, and Northern Gas Networks. The NTS acts as the ‘motorway’ of the gas network, transporting large volumes of gas at high speed across the country.

NTS gas flows for 2025



The NTS transports gas into five sectors

- 1. Gas Distribution Networks (GDNs)**
Approximately 50% of the gas in the NTS goes into GDNs. This gas then goes into homes and businesses, including smaller power stations and industrial users. Around 24 million homes and 500,000 businesses receive gas via GDNs.
- 2. Power stations**
Around 20% of the gas in the NTS is fed into directly connected power stations. There are 35 power stations across Great Britain that are directly connected to the NTS and rely on high volumes of gas to generate electricity.
- 3. Exports**
Gas exported out of the UK into mainland Europe goes through the Bacton Gas Terminal in Norfolk, from where it reaches Belgium and the Netherlands. This has been a particular feature since 2022, owing to a jump in exports to re-fill European gas storage following Russia’s invasion of Ukraine. A smaller proportion, typically less than 10%, is exported to the island of Ireland via the Moffatt interconnector. In 2025, ~18% of the gas from the NTS was exported, though this has fallen from 2022 highs, when ~270TWh or ~27% of NTS gas flows were exported.
- 4. Storage**
Approximately 6% of the gas in the NTS was fed into storage sites in 2025, a slight year-on-year drop due to the closure of some storage capacity. There are nine storage sites in Great Britain that are directly connected to the NTS. They act as a form of gas supply for several days per year during cold periods. We can also store gas within the NTS pipes themselves, referred to as ‘linepack’.
- 5. Industry**
Less than 2% of the gas in the NTS in 2025 was fed directly into large industrial plants, such as those manufacturing glass, paper, ceramics and chemicals. These industries require high levels of thermal energy for both space and process heat, easily provided by burning natural gas. While this can only be supplied by methane today, it will be possible to use hydrogen in the future.

Gas market landscape continued

Key energy market developments

1

Middle East conflict creates global energy shock and brings back volatility

A renewed global energy crisis, triggered by Middle East conflict, has removed significant energy volumes, including LNG, from the market, with flows through the critical Strait of Hormuz halted. Despite limited physical exposure to Qatari LNG (<10 % of UK LNG imports in 2025), wholesale gas prices in the UK have increased, due to the highly interconnected nature of the global gas market.

Implications for National Gas

While we are not directly exposed to commodity price movements, global supply disruptions can materially affect gas flow patterns and network usage. We continue to monitor international market developments and maintain operational readiness to respond to changing supply dynamics. Through ongoing coordination with government, Ofgem, NESO and industry partners, we are ensuring the resilience of the network as market conditions evolve.

2

Domestic gas production back in spotlight

The recurrence of another energy market disruption has put energy security right back at the top of the agenda and put a spotlight on domestic gas production. The continued decline in UK Continental Shelf (UKCS) production has increased dependence on imports, especially LNG, which was a key theme in the Government’s recent consultation on the GB gas system. Gas production from the UKCS has been in structural decline since the early 2000s, with the Great Britain becoming a net importer of gas around 2004. Given the high field decline rates and maturity of the UKCS, significant production growth is unlikely, even if the investment environment drastically improves.

Implications for National Gas

As import dependency grows, our role in facilitating diverse and flexible sources of supply becomes increasingly important. We are focused on maintaining and optimising network capability to transport gas from key entry points, including LNG terminals and interconnectors, ensuring that Great Britain can efficiently access enough supply to meet demand at any time of the year.

3

Energy affordability remains top political priority

Rising energy costs following the latest crisis have intensified policy efforts to protect consumers and businesses. Several measures announced in response to higher consumer bills include expanding the existing support scheme for larger industrial customers, removing the carbon price support (an additional carbon tax) for power generators and shifting some electricity policy costs from consumer bills to general taxation. These measures reflect the growing emphasis on affordability – a theme also playing out across European member countries.

Implications for National Gas

We support efforts to improve energy affordability by maintaining an efficient and reliable transmission network. By enabling competitive gas supply and supporting market flexibility, we play a role in underpinning secure and cost-effective energy delivery. We continue to engage constructively with policymakers and regulators as market frameworks evolve.

4

Energy security front and centre of national security

While the conflict in the Middle East makes the headlines, the war in Ukraine continues in the background, with energy infrastructure on both sides specifically targeted in recent months. This has sharpened the focus on energy infrastructure security and system resilience across Western Europe, especially after the impacts of the Iberian blackout and Heathrow power outage in 2025. The UK Government undertook a Strategic Defence Review in 2025, which will inform the upcoming Defence Readiness Bill, with energy system resilience a core component.

Implications for National Gas

The National Transmission System is Critical National Infrastructure, transporting energy from import terminals to consumption points in a secure and reliable way. National Gas worked closely with the Department for Energy Security and Net Zero (DESNZ) and Ministry of Defence (MoD) on the Strategic Defence Review.

5

Government accelerates electrification in response to energy crisis

The current crisis has strengthened policy momentum behind electrification as a route to better energy security. At the end of last year, the Government made considerable progress in its annual Contracts for Difference (CfD) round for offshore wind, AR7, clearing a record 8.4GW of new capacity. It has also brought forward the auction for the next CfD allocation round earlier this year. Despite this notable progress, meeting the Clean Power 2030 (CP30) targets appears increasingly unlikely.

Implications for National Gas

We recognise the long-term shift towards a more electrified energy system and are actively supporting the transition through the evolution of our network to support CP30 targets. This includes maintaining today’s transmission system to allow the functioning of the gas generation fleet for security of supply. While gas will continue to play a role in supporting system flexibility and security, we are preparing our network for a lower-carbon future, including enabling the transportation of cleaner molecules for end-use sectors and applications that cannot easily electrify.

6

Renewables growth weakens link between gas and electricity prices

Structural changes in Great Britain’s power mix, particularly the growth of renewables, are gradually reducing the influence of gas in setting wholesale electricity prices, which has played a key part in reducing the impact of the Middle East conflict on consumers to date. Growth in the share of renewables in the power mix has reduced the share of gas in the mix, leading to a higher number of lower prices and even negative wholesale electricity prices. This has led to the amount of time gas sets the wholesale electricity price falling to around 60%, down from ~95% of the time in 2021.

Implications for National Gas

As the role of gas in power price formation evolves, its importance as a flexible and responsive energy source remains critical. National Gas continues to ensure that the transmission system can respond to fluctuations in demand, particularly during periods of low renewable output, maintaining system reliability in a changing energy mix. The importance of gas to Britain’s power mix is evolving from ‘volume’ to ‘value’.

Business model

Our purpose

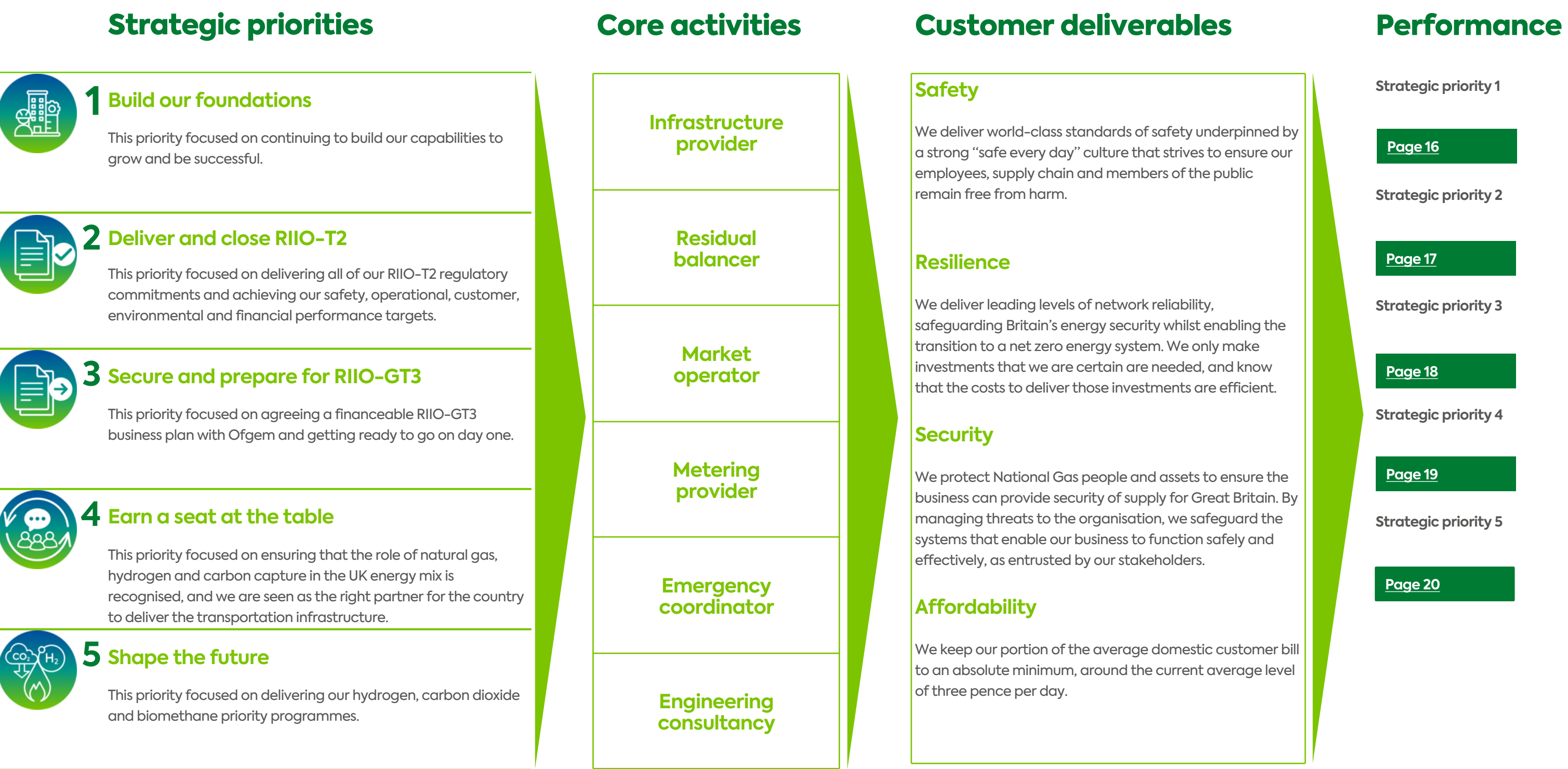
Securing Britain’s Energy

We are Britain’s national gas network, providing secure energy to power the country, achieve net zero, and maintain our industrial competitiveness.

Our values

Simplicity | Ownership | Progress

We work with simplicity, by showing ownership, and by choosing progress over perfection where it’s safe to do so. These are our values.



Performance measures

Build our foundations

During 2025/26, we made strong progress to deliver this priority by developing the capabilities and strengthening the capacity of our people, embedding a purpose-led culture and implementing systems to support our long-term success. Together, these actions demonstrate how we are ensuring that the foundations of our organisation enable our sustainable growth and long-term success.

Key achievements

1. Developing future capability has been an important area of progress. We gained external recognition as a top graduate and apprentice employer reflects the strength of our early careers programmes.
2. On track to maintain compliance with the Cyber Assessment Framework (CAF) while making significant progress towards enhanced compliance.
3. Sustained our focus on a proactive safety culture, reflecting our determination to keep our people, partners and the communities we serve safe from harm.
4. Continued to invest in our people, recognising that a strong, engaged workforce underpins our success.
5. Achieved Disability Confident Level 2 status, reinforcing our commitment to supporting disabled colleagues.
6. Achieved the Defence Employer Recognition Scheme Silver Award, highlighting our support for the armed forces community and our broader role as a responsible employer.

0.04

LOST TIME INJURY FREQUENCY RATE (2024/25: 0.02)

+26

EMPLOYEE NET PROMOTER SCORE (2024/25: +29)

£132,784

DONATIONS TO OUR CORPORATE CHARITY BARNADO'S SINCE 2022

3,385

EMPLOYEE VOLUNTEERING HOURS (2024/25: 3,401)

Key activities

Building future capability

In September 2025, we welcomed 57 new graduates and apprentices into the company. The 21 graduates took up roles in our Commercial, Finance, Engineering, Major Programmes and Cyber teams, while the 36 apprentices joined our Operations, People, Finance and Technology teams. We were also named by The Job Crowd as one of the top four graduate employers and one of the top ten apprentice employers this year.

Keeping our critical systems secure

During 2025/26, we remained vigilant and alive to the threats posed by malicious actors to our critical systems. We are on track to maintain our basic Cyber Assurance Framework (CAF) compliance and have taken significant steps towards achieving enhanced CAF compliance. The CAF is a framework developed by the UK National Cyber Security Centre to assess and improve cyber security and resilience, particularly for organisations that deliver critical or essential services.

READ MORE: about 'Securing our people, assets and data' from page [33](#).

Staying safe every day

Throughout the year, we continued to champion our 'safe every day' ethos by seeking to embed a proactive safety culture. Our Lost Time Injury Frequency Rate (LTIFR) was 0.04 for 2025/26 (compared to 0.02 in 2024/25), a testament to our continued efforts to keep our people and the communities we operate in, safe from harm.

READ MORE: in 'Safe every day' from page [32](#).

Engaging with our people

In 2025/26, a record 86% of staff took the time to complete our annual Culture and Engagement Survey. Our resulting Employee Net Promoter Score (eNPS) was +26 (compared to +29 in 2024/25). Whilst dropping slightly, this still represents a 'favourable' score.

Strengthening diversity and inclusion

At the start of 2026, we achieved Disability Confident Level 2 status, which recognises our efforts and commitment to employing and supporting disabled colleagues in the workplace. We have continued to focus on improving the diversity of our workforce, with 27.9% of workforce now female (27.3% in 2024/25), and 20.5% identifying as being racially or ethnically diverse (20% in 2024/25). From a gender pay perspective, our gender pay gap for 2025 was 2.7%, lower than the UK average of 6.9%.

READ MORE: in 'Powering our people' from page [45](#).

Supporting communities

As a national business, we are well positioned to offer support to our local communities across Britain. Our range of social impact activities ensures we give back to our neighbours and tackle inequalities for vulnerable consumers. In October 2025, we were awarded the Defence Employer Recognition Scheme Silver Award, in recognition of our work to implement armed forces-friendly policies and proactively support members of the armed forces, including reservists, veterans, cadets and military families.

READ MORE: in 'Partnering with others' from page [48](#).

Performance measures continued

Deliver and close RIIO-T2

In 2025/26, under this priority, we focused on delivering our RIIO-T2 commitments in what has been the final year of the current price control period. We not only sought to meet those regulatory commitments but also to ensure we are meeting our customers’ expectations, and maintaining a safe, secure and reliable network.

Key achievements

- 1. Submitted our penultimate Regulatory Reporting Pack (RRP) in July 2025.
- 2. Continued to deliver at pace and scale, focusing on executing the final phase of RIIO-T2, including record capital investment of £686 million while delivering an unprecedented volume of work.
- 3. Completed a new compressor unit at Hatton – the largest on our network and the biggest of its kind in Europe.
- 4. Over the year, the NTS achieved near-perfect reliability at 99.99%.
- 5. Continued to prioritise our customers, delivering high-quality service and achieving improved satisfaction for the third consecutive year.
- 6. Reduced compressor nitrogen oxide (NO_x) emissions and significantly outperformed our targets for venting emissions.

£690m

RECORD LEVEL OF CAPEX INVESTMENT (2024/25: £576M)

99.99%

NETWORK RELIABILITY (2024/25: 100%)

9.0

CUSTOMER SATISFACTION SCORE (2024/25: 8.89)

358.1 ktCO₂e

ABSOLUTE SCOPE 1 AND 2 EMISSIONS (2024/25: 328.1)

Key activities

Submitting our penultimate Regulatory Reporting Pack for RIIO-T2

In July 2025, we submitted our penultimate Regulatory Reporting Pack (RRP) for the RIIO-T2 price control period. The RRP set out information on our performance over 2024/25 and looked ahead to the final year of RIIO-T2, identifying the key areas for us to focus on.

MORE INFO: [click for more about our RRP for RIIO-T2.](#)

Delivery of our RIIO-T2 commitments

This year, we focused on executing the delivery for the final year of the price control period. We delivered record levels of capex investment (£690m), and completed an unprecedented volume of work, all with the aim of reducing compressor emissions, enhancing the physical security of our sites and the cyber security of our systems, and strengthening the resilience of our assets.

Strong financial performance

In 2025/26, we continued to deliver strong financial performance. We made a return on equity (RoE) of 9.0%, which is 1.4% higher than the 7.6% allowed return on equity. Our capital investment during the year totalled £690 million, compared with £576 million in 2024/25. We delivered profit before tax of £713 million, compared with £710 million in 2024/25.

READ MORE: [about our ‘Financial statements’ from page 92.](#)

A new compressor for Hatton

In 2025/26, we completed the work to deliver a new compressor unit at Hatton. This unit is the largest on our network, and the biggest of its type in Europe, and replaces two existing units. With the completion of the works, we have successfully achieved compliance with the Industrial Emissions Directive. This new compressor will play a vital role in ensuring gas continues to get to where it is needed.

Delivering a reliable network

Throughout the year, we have delivered a secure and reliable supply of energy for the country. The National Transmission System (NTS) delivered world-class levels of reliability at 99.99% while the availability of our critical compressor fleet was 97% (98.9% in 2024/25), with start rate reliability at an average of 96% (against a target of 90%).

Improved customer satisfaction score

We worked hard over the year to provide a high-quality service for all our customers, making sure the gas continued to flow – keeping lights shining, industry powered and electricity generated. For the third year in succession, we achieved an improved customer satisfaction score of 9.0 in 2025/26 (compared with 8.89 in 2024/25).

Reducing our environmental impact

Through the delivery of our Environmental Action Plan (EAP), we continued to do what we can to reduce the environmental impact of our activities. This year, our compressor nitrogen oxide (NO_x) emissions were 4.5kg/hour compared with 4.74kg/hour the previous year. Pig trap and pipeline venting for the year was 24.4ktCO₂e, below the target of 37.9ktCO₂e. Meanwhile, absolute Scope 1 and 2 emissions were 358.1 ktCO₂e, although these were slightly higher than in 2024/25, they were still below our target of 443ktCO₂e.

READ MORE: [about our ‘Environmental commitments’ from page 36.](#)

Performance measures continued

Secure and prepare for RIIO-GT3

In 2025/26, we delivered against this priority by securing a regulatory settlement that enables us to invest in the gas transmission system and ensure it continues to play a critical role in the country’s energy security in the years ahead. We also made progress against the priority by readying ourselves to deliver from day one of the new price control period.

Key achievements

1. A key moment in the year was our response to Ofgem’s Draft Determination, which set out the case for efficient, future-focused funding aligned to maintaining system resilience, supporting energy security and enabling the transition to net zero.
2. The outcomes in the Final Determination secured baseline funding of £3.2 billion, alongside the potential for additional allowances across the RIIO-GT3 period.
3. In readiness for RIIO-GT3, we implemented a new regional delivery model, designed to enhance accountability, improve delivery efficiency and bring decision-making closer to our assets and stakeholders.

81%

PERCENTAGE FUNDING GRANTED FROM OUR SUBMISSION

£3.2bn

FINAL DETERMINATION BASELINE FUNDING

3

NEW REGIONAL DIRECTORS APPOINTED

Key activities

Responding to Draft Determination

In July 2025, we received our Draft Determination in response to our RIIO-GT3 business plan submission, with Ofgem awarding baseline funding of £2.46bn. In response, we engaged with the challenge Ofgem set us, and worked hard to improve our proposals, collating additional evidence and constructively engaging with the teams at Ofgem. In August 2025, we submitted our formal response to Ofgem, in which we set out why the investment we had proposed was needed, and what was required to achieve the efficient funding of that investment.

MORE INFO: [click for more about RIIO-GT3.](#)

Securing Final Determination

On 4 December 2025, we received our Final Determination for RIIO-GT3 from Ofgem. We secured baseline funding of £3.2bn (81% of the baseline funding requested in our submission), with the scope for significant further allowances to be granted during the regulatory period. The funding outcome confirmed the critical role the gas transmission system will continue to play in energy security for decades to come.

MORE INFO: [click for more about RIIO-GT3.](#)

Setting ourselves up to deliver

As we looked ahead to the start of the RIIO-GT3 price control period, we wanted to ensure that we were set up to deliver the increased investment from the very start of that period. A key part of this was to implement a new regional delivery model, creating three regions (East, North and Scotland, and West) alongside a Major Programmes function, supported by central enabling functions. We launched the regional delivery model in the summer of 2025, appointing three new Regional Directors to lead the establishment of these regions. We successfully completed the transition to the new regional delivery model in January 2026, with all our regional teams fully stood up and ready to deliver.

Performance measures continued

Earn a seat at the table

In 2025/26, we made good progress against this priority. Through our communications and engagement activity, we helped to ensure that the role of natural gas, hydrogen and carbon capture is clearly recognised within the UK’s evolving energy mix, and that we are seen as a credible and authoritative voice in the energy debate.

Key achievements

- 1. Demonstrated the resilience and reliability of the National Transmission System (NTS) through our market and operational insights.
- 2. Successfully delivered Exercise Glacier – one of the sector’s largest emergency exercises.
- 3. In February 2026, we published Securing Britain’s Energy, our response to the Government’s consultation on The Gas System in Transition: Security of Supply.
- 4. Sustained engagement across the political landscape and with key stakeholders to help build understanding of our role and to influence national energy discussions.
- 5. Continued to create a platform for collaboration across the energy sector through the National Gas Energy Forum (NGEF).

50+

PARTICIPATING ORGANISATIONS IN EXERCISE GLACIER

1,000+

NATIONAL GAS ENERGY FORUM PARTICIPANTS

36

HOSTED SITE VISITS FOR MPS AND MSPS

Key activities

Publishing our Summer Outlook for 2025

Our Summer Outlook was published in April 2025, setting out our expectation that we would meet the country’s gas demand for that summer. It also detailed the significant levels of maintenance activity across the NTS to be delivered in summer 2025. The programme of work to ensure readiness for winter 2025/26 took in 550 miles of pipeline, saw work at all our 21 compressor stations, with inspections also taking place on around 430 miles of pipeline.

MORE INFO: click to read our [Summer Outlook 2025](#).

Publishing our Winter Outlook for 2025

In October 2025, we published our Winter Outlook, setting out our analysis that the country had sufficient supply capability to meet peak demand in winter 2025/26, and that a positive supply margin under both intact and N-1 network conditions would be maintained for the coming winter.

MORE INFO: click to read our [Winter Outlook 2025](#).

Emergency planning: completing Exercise Glacier

We successfully completed ‘Exercise Glacier’ in October 2025. This year’s emergency exercise demonstrated that the gas industry is prepared and ready to meet its obligations in the event of Network Gas Supply Emergency. Around 400 individuals from across the industry took part, with over 50 organisations – ranging from government to terminal operators and Gas Distribution Networks – being represented. The post-exercise report was published in early 2026.

MORE INFO: click to read the [Post Exercise Report](#).

Publishing ‘Securing Britain’s Energy’

In February 2026, we published a policy paper summarising our response to the Government’s Gas System in Transition: Security of Supply consultation. In ‘Securing Britain’s Energy’, we set out our assessment of the risks to gas security of supply and took the opportunity to outline a range of policy options to safeguard Britain’s future energy security.

MORE INFO: click to read the [policy paper](#).

Shaping the debate

Over the year, we engaged across the political spectrum to ensure that representatives of all parties, as well as policy and decision-makers, were aware of National Gas and understood the critical role we play in the country’s energy security. In 2025/26, we hosted 36 site visits for Members of Parliament (MPs) and Members of the Scottish Parliament (MSPs). We also led four parliamentary roundtables and secured 21 direct mentions of National Gas and our work in Parliament.

Growing our social media presence

This year, we have grown our social media presence, with more than 35.5k followers on LinkedIn, representing a 55% increase year-on-year. According to LinkedIn analytics, we were the fastest-growing gas network in Great Britain by follower growth and the most engaging channel by total engagements.

National Gas Energy Forum

Through the National Gas Energy Forum (NGEF) we brought together more than 1,200 stakeholders from across the energy sector, at five events, over the year. NGEF has provided the opportunity for stakeholders to share insights and operational information, as well as to explore opportunities for collaboration.

MORE INFO: click to see more [NGEF details](#).

Performance measures continued

Shape the future

In 2025/26, we made strong progress against our priority to shape the future, advancing our hydrogen, carbon capture and biomethane work – all with the aim of playing our part in supporting the transition to a low-carbon energy system.

Key achievements

1. Secured funding to develop a core hydrogen network.
2. Unveiled our plans for Project Union: East Coast.
3. Secured additional funding for our SCO₂T Connect project to develop an offshore pipeline to transport captured carbon dioxide to secure storage.
4. Achieved a significant industry first through the successful completion of the Brigg trial, working in partnership with Centrica.
5. Progressed plans to develop regional hydrogen hubs – in collaboration with Centrica, Equinor and SSE Thermal – to develop the Humber Hydrogen Pipeline.
6. Signed Memoranda of Understanding with GASCADE and Gasunie to explore cross-border hydrogen infrastructure and wider decarbonised energy solutions.
7. Continued to support the growth of biomethane, alongside hydrogen and CCS.

£124m

AWARDED TO PURSUE CORE HYDROGEN NETWORK

2%

GREEN HYDROGEN INJECTED INTO THE NTS

300 miles

PROPOSED HYDROGEN PIPELINE

Key activities

Funding for a core hydrogen network

In 2025/26, we secured £124m (2018/19 prices) in funding to pursue our core hydrogen network ambitions. This amounted to £43.26m (2018/19 prices) for Project Union: East Coast, £51.03m for Project Union: St Fergus to Teesside, and £30.13m for Project Union: Northwest.

Launching Project Union: East Coast

In March 2026, we unveiled our plans for Project Union: East Coast, setting out our proposals for more than 300 miles of hydrogen pipeline on the East Coast of England, representing the first phase of a national hydrogen network.

Securing support for carbon capture and storage

As part of the Comprehensive Spending Review (CSR) in June 2025, the Government announced around £200m in development funding for Acorn and the Scottish Cluster. The funding announced included funding for our SCO₂T Connect project, which is focused on developing an onshore pipeline designed to transport carbon dioxide from major industrial sites in Scotland to a permanent geological storage facility located under the North Sea.

A blending first

In July 2025, we welcomed the publication of the Government consultation which set out a ‘minded-to’ position to accept blends of 2% hydrogen into the National Transmission System (NTS). In October 2025, we worked with Centrica to successfully complete a landmark trial, marking the first time hydrogen had been blended into the NTS. The Brigg trial saw us inject a 2% blend of green hydrogen into the NTS, which was then used at Centrica’s Brigg Power Station to generate electricity for the grid.

Humber Hydrogen Pipeline

We announced, in February 2026, that we would be joining forces with Centrica, Equinor and SSE Thermal in a bid to develop Britain’s first ‘hydrogen heartland’ in the Humber. The Humber Hydrogen Pipeline is a proposed underground pipeline to transport hydrogen between local scale production, usage and storage locations in the Humber region.

Collaborating with our European counterparts

In April 2025, we announced a partnership with Germany’s national gas transmission operator, GASCADE, to create the UK-Germany Hydrogen Corridor. We signed a Memorandum of Understanding (MOU) with GASCADE to explore the feasibility of a hydrogen pipeline between the two countries. In the same month, we also formalised our collaboration with Gasunie (the Netherlands and Northern Germany’s national gas transmission operator). This MOU establishes a framework to work together to advance decarbonised energy solutions across multiple sources – from natural gas to hydrogen, biomethane and carbon capture and storage (CCS).

Improving the connections process for biomethane

Throughout the year, we have been working to improve the connections process for biomethane producers. In May 2025, working with Premtech, we launched the ‘Standardised biomethane connection designs’ project, looking at connection options to reduce detailed design timescales and to identify ways of streamlining the overall connections process. We have now developed standardised designs and developed a self-lay process, which we will implement in the coming year. In 2025/26, we also relaunched the National Gas Biomethane Forum, bringing together stakeholders from across the biomethane sector.

Performance measures continued

National Gas Metering

Key achievements

- Achieved and retained our accreditation as ‘A Great Place to Work’.
- Met all 20 service standards measured.
- Maintained external accreditations: ISO55001 and ISO14001, and recertification of GIRS and REC Combined Metering Code of Practice (COMCOP).
- Achieved a customer satisfaction score of +89.
- Delivered over 650 hours of employee volunteering.
- Achieved 86.7% compliance with Leading measures and 100% with Lagging measures.
- 100% of all waste from meters reused or recycled.
- Achieved an eNPS of +39.
- Completed more than 170,000 engineering jobs.

National Gas Services

Key achievements

- Improved resource utilisation to 90%, increasing operational efficiency.
- Secured a position on Wales & West Utilities framework.
- Digitalisation programme began to deliver measurable efficiency gains.
- Delivered over £60m of capex works.
- Achieved a customer satisfaction score of 9.54, exceeding the target of 9.0.
- Refreshed regional operational management to strengthen leadership and customer focus.
- Introduced a new safety team to enhance consistency and embed a strong safety culture.
- Won the Gas Industry Business Innovation Award for iDetect365.
- Awarded Pipeline Industries Guild iICE Award (Innovation, Cost-Saving & Efficiency).
- Awarded Pipeline Industries Guild Net Zero Transition Award for Mobile Gas Compression.
- Delivered over 200 hours of community engagement activity.
- Completed 34 high-pressure emergency callouts
- Achieved an eNPS of +34.

Premtech

Key achievements

- Focused recruitment has increased capacity across all engineering disciplines.
- Expansion of resources across all three office locations.
- Strengthened in-house technical capability with new Process Engineering team.
- Increased In-house Gas Design Approver and Appraisers across a variety of engineering disciplines.
- Supported several engineers to achieve an MSc in Professional Engineering and Chartered Engineer status
- Development of internal AI Knowledge hub “PAIGE” – Premtech Artificial Intelligence for Gas Engineering.
- 950 projects completed since the company was founded in 2010.
- Maintained ISO 9001, ISO 14001 and ISO 45001 accreditations.
- Maintained Achilles accreditation.
- Maintained Cyber Essentials Plus accreditation.

Strategic direction

Playing a pivotal role in securing energy for today and for the future

Natural gas is the largest primary source of energy in the UK, meeting a third of the country’s annual energy needs. Annually, we transport an average of 72 billion cubic metres (791TWh) of gas through our network. This is about three times the volume of energy transported through the country’s power networks.

While we are not responsible for the procurement of Britain’s gas supply, as the Gas System Operator we control the flow of gas from our National Control Centre (NCC), making sure it is moved safely and efficiently to more than half a million businesses, 24 million homes and more than 30 power stations. When demand is high or supply from wind and solar power is low, gas-fired power generators are needed to support the electricity system. These gas-fired power stations are directly supplied by our transmission system, and provide flexible and secure electricity generation to complement renewable power production.

Our role in the gas market

Infrastructure provider

We provide a reliable and secure network, efficiently transporting gas from supply points to our customers; heating homes, keeping businesses running and keeping the lights on.

Residual balancer

We balance supply and demand every gas day to minimise impacts on the gas market and our customers.

Market operator

We provide market services, including critical systems, information provision and market facilitation services.

Metering provider

We maintain and oversee millions of metering assets across Great Britain, from connection and installation to ongoing management and maintenance.

Emergency coordinator

We develop, coordinate and exercise emergency arrangements on behalf of the industry, whilst providing an independent authority via the Office of the Network Emergency Coordinator (NEC).

Engineering consultancy

We provide engineering consultancy and design management services for clients involved in the development and ownership of infrastructure projects in the energy sector.

Securing energy for today and for the future

The UK is committed to achieving net zero greenhouse gas emissions by 2050. While the destination is clear, the pathways, technologies and timelines remain uncertain. Delivering net zero will require transformational change across multiple sectors, including home heating, industry, power generation and transport. Given the complexity of the challenge, no single solution will be sufficient. A diverse mix of decarbonisation technologies will be required.

Clean power by 2030

This Government has set a milestone of ‘95% clean power by 2030’. This means that ‘unabated’ gas generation (where there is no technology installed to capture emissions) should make up a maximum of 5% of annual generation in an average year. The National Energy System Operator (NESO) has advised the Government on how to achieve this milestone. Delivering this level of infrastructure within the decade will be highly challenging.

NESO advice highlights the scale of change required by 2030

Technology	Offshore wind	Onshore wind	Solar power
Current capacity	16.6 GW	16.4 GW	21.7 GW
Required capacity	43–50 GW	27–29 GW	45–47 GW

A clean but secure system

Alongside other organisations, such as the Climate Change Committee and the National Infrastructure Commission, NESO recognises that a clean power system must also be secure and resilient. In its advice, it states:

- Gas generation will reduce but remains essential as dispatchable power.
- Long duration energy storage is not yet available at sufficient scale.

As a result, during periods of low wind and solar generation, which are expected to remain a feature of the UK system, the gap between electricity demand and renewable output is likely to continue to be met by conventional, dispatchable generation, fuelled by natural gas today and potentially by hydrogen or natural gas with carbon capture and storage in the future. Over time, this generation will increasingly act as strategic reserve capacity, rather than a primary source of power.

Gas as an insurance policy

Gas generation is increasingly comparable to an insurance policy, used less often, but which must be available, reliable and fast-responding when needed. NESO states that the country will need similar levels of unabated gas capacity in 2030 as we have today, as it will continue to be of vital importance to the operation and security of the energy system. Crucially, NESO’s advice also recognises that the networks supplying these power stations, such as the NTS, must remain reliable and flexible in order for the system to operate securely.

Beyond 2030: pathways to net zero

There are a range of whole-energy-system pathways that the UK could take. Each will likely use combinations of gas, electricity, demand management services, biomethane and emerging technologies, such as hydrogen and carbon capture and storage. In all pathways, it will be essential that energy security is maintained, at an affordable price for consumers.

Our role and commitment

The reliable connectivity of the NTS will remain critical in every credible pathway to net zero. Achieving this requires:

- Continued investment in national energy infrastructure.
- Systems that support secure supplies today while enabling future decarbonisation.

We are committed to supporting the UK’s emissions targets while ensuring energy remains secure, reliable and affordable. This is reflected in our updated purpose of ‘Securing Britain’s Energy’.

Strategic direction continued

Our strategy

Our strategy sets a clear, long-term direction, while retaining flexibility in the uncertain future energy landscape. Rather than relying on a single forecast for the future, we develop our strategy using a scenario-based approach, which considers a range of plausible energy-system outcomes, reflecting uncertainty in key ‘megatrends’.

These include the global economy and its impact on co-operation between countries, government policy, technology development, and consumer sentiment. In combination, these megatrends will influence the scale and pace of decarbonisation and the future role of gas.

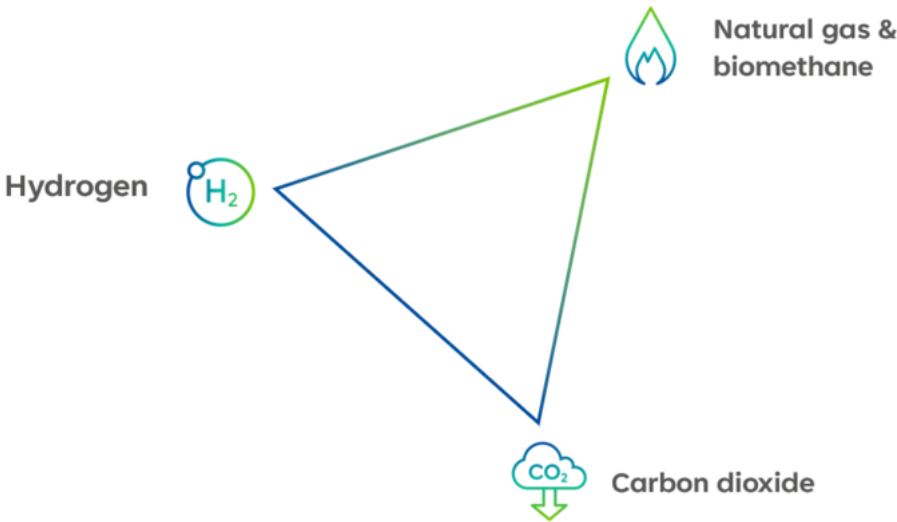
This approach enables us to identify strategic initiatives that are resilient across scenarios and to adapt our priorities as the UK’s pathway to net zero evolves. Using this framework, we continue to pursue a strategy focused on opportunities across three molecules, growing our business to transport green gases such as biomethane and hydrogen, as well as carbon dioxide, alongside natural gas.

Our scenarios

Increasing change compared to present day	
Status quo	Where the scaling back of energy transition pace leads to an energy system similar to today.
Hybrid	Where the role of electrification and molecules are balanced to secure supply and retain industrial competitiveness.
High electrification	Where electrons dominate and clean industry accelerates.
Decentralised	Where technology and consumer action reshape the UK energy system.

Three-molecule strategy

Delivering our ‘three-molecule strategy’ enables us to continue to provide a critical part of Britain’s energy needs today, and maintain reliable energy supplies for power stations, major industries (including data centres) and for the distribution networks that take gas into homes and businesses. It means working with our partners from across the energy landscape to create the policy, infrastructure and market conditions to develop the hydrogen and carbon dioxide transportation networks of tomorrow, connecting production sites, industrial clusters and storage facilities – supporting a whole-energy-system approach to decarbonisation.



By pursuing opportunities across all these molecules, we can continue to provide the secure energy the UK relies on today, while developing the infrastructure needed to enable a range of future decarbonisation pathways.

LOOKING AHEAD

For the financial year FY27 we will continue to adapt our priorities to ensure we deliver the key initiatives required to achieve our strategic goals. With this in mind, we will focus on a revised set of priorities for the coming year.

Strategic priorities 2026/27

- 1 Deliver energy security**
Ensure a safe, secure and resilient energy system and strengthen security.
- 2 Enable a low-carbon future**
Innovate and create the infrastructure needed for low-carbon molecules.
- 3 Champion an ambitious and inclusive culture**
Foster a culture that is purpose-led and enables everyone to thrive.
- 4 Embed a customer-first mindset**
Listen and understand our customers’ needs and shape our decisions around them.
- 5 Lead and influence as a trusted advisor**
Use our influence to shape the decisions that impact our work and the wider energy transition.

Innovation in motion

Innovation guided by robust evidence

Throughout RIIO-T2, our innovation focused on preparing the network for a low-carbon future. Our project portfolio has played a critical role in preparing the network for the energy transition by generating practical evidence, reducing uncertainty and enabling better decision making for the business.

Innovation projects have gathered robust evidence on how hydrogen and carbon dioxide can be safely transported, how existing assets could be repurposed, and what changes may be required to systems, standards and processes. This work has helped to reduce technical and commercial risk, inform strategic programmes such as Project Union and SCO₂T Connect, and helped ensure National Gas is ready to support the future of energy, as policy and market needs evolve.

Alongside this, a consistent focus throughout RIIO-T2 has been on the transition from research to implementation. The team has focused on embedding solutions identified through RIIO-T1 projects into business-as-usual activity and, where appropriate, learnings from across the innovation portfolio have fed into follow-on projects.

Overall, the RIIO-T2 innovation portfolio has supported the business to strengthen network performance today, reduce future uncertainty and ensure National Gas is well positioned to operate a safe, efficient and flexible transmission system in the future energy landscape.

MORE INFO: read more about our [‘Innovation Strategy’](#).

Funding mechanisms used to deliver innovation projects

There are two main funding mechanisms :

1. The Network Innovation Allowance (NIA)

The NIA is a set allowance received as part of our price control allowed revenue. The NIA provides funding for smaller technical, commercial or operational projects related to our network. A total of 69 NIA projects were run across 2025/26, bringing the final total of NIA projects to 152 across the RIIO-T2 period.

2. The Strategic Innovation Fund (SIF)

The SIF supports large-scale transformational research and development projects. Funding is provided for projects that can address the innovation challenges set by Ofgem.



Example of a biomethane plant. The Standardised Biomethane Connection Design project is looking to enable faster and cheaper biomethane connections.

Innovation in motion continued

Network Innovation Allowance

The Asset Cortex project

A core focus throughout RIIO–T2 was on strengthening our data and improving data collection methods, by exploring automated tools and processes and the applicability of Artificial Intelligence (AI) solutions. The Asset Cortex project tested whether AI can generate detailed asset information using existing system data, reducing the need for time-consuming manual surveys. By trialling the approach at two live sites, the work demonstrated how AI could support better asset visibility, smarter maintenance and future digital tools, such as digital twins. The findings provide a clear foundation for scaling up the approach and shaping future data and IT requirements, supporting long-term improvements to the efficiency and resilience of the network.

The Standardised Biomethane Connection Design project

To support the transition to a net zero future, green gases such as biomethane will play a key role, by reducing the carbon intensity of the gas we transport. The Standardised Biomethane Connection Design project focused on making it easier and more affordable for biomethane producers to connect to the National Transmission System (NTS). Working with industry partners, a low-impact alternative to traditional above-ground installations was developed, significantly reducing construction complexity, planning requirements and costs, while maintaining safety and technical standards. The new standardised approach offers quicker delivery and greater cost certainty, and we’re looking to run a follow-up project exploring how these designs could be rolled out for future connections. (See image on previous page)

Other projects preparing for the energy transition

Another fundamental consideration when preparing for the energy transition is how existing processes, policies and procedures may need to change. This was the focus of several of the projects within the innovation portfolio:

The hydrogen site safety systems project

This project assessed whether existing fire and gas safety systems remain suitable for a blended natural gas/hydrogen network. It was initiated following feedback from the Health and Safety Executive (HSE), which highlighted the possibility of hydrogen leakage through compressor seals inside compressor enclosures. The project examined whether current protection systems were fit for purpose and where changes may be needed. The project showed that blends of up to 5% hydrogen can be accommodated with minimal change. If higher hydrogen blends are introduced, this work has ensured that National Gas is ready to adapt, having given us a good understanding of the likely cost and effort required to ensure that enclosed assets and complex terminals remain safe and resilient.

The engineering analysis and risk assessment of enclosed hydrogen assets has also been used in the development of design philosophies for ~100% hydrogen pipelines for East Coast Hydrogen. Many of the ignition risks, and detection and suppression solutions, can be carried over due to the potential for hydrogen to accumulate in elevated spaces.

This project will contribute to the safe introduction of hydrogen to the NTS should transmission-level blending be approved. It gives a clearer view of potential upgrades, costs and future safety requirements across the network.

The high-pressure venting and flaring project

The high-pressure venting and flaring project addressed a critical and previously under-explored challenge for the hydrogen transition: how excess hydrogen can be safely managed during high-pressure transmission and operational scenarios. From an innovation perspective, the project broke new ground for the gas transmission industry by developing one of the first structured, evidence-based comparisons of transmission pressure hydrogen and hydrogen blends venting and flaring. It moved beyond qualitative assumptions, combining safety analysis, regulatory review and environmental assessments to provide defensible technical, safety and environmental insights, while identifying where existing natural gas practices, standards and regulatory frameworks are not sufficient for hydrogen.

The project delivered strong strategic value by addressing high-consequence risks early and reducing uncertainty for future hydrogen infrastructure development. The outputs provide a robust evidence base to inform future design choices, operational strategies and policy discussions, including clearer visibility of regulatory gaps and environmental trade-offs between venting and flaring under different scenarios. By doing this work, the project provides greater confidence in how high-pressure hydrogen can be managed safely, strengthening the evidence base needed for informed engineering decisions, regulatory engagement and emergency planning as hydrogen systems develop.

The integrity management of hydrogen pipelines project

This project assessed whether existing pipeline inspection, defect assessment and repair methods would remain suitable if hydrogen was introduced into the gas transmission network. It reviewed current approaches across both pipelines and non-pipeline assets, examining how hydrogen could affect different types of defects and where changes to standards or practices may be required. The findings provide essential evidence to support the repurposing strategy for the NTS. Most defect repair methods in the relevant procedures are likely to be acceptable for hydrogen service, with minor design or procedural changes and additional validation of material compatibility. This project provides inspection guidance for those defect types not covered in existing procedures when considering high-pressure hydrogen. Literature indicates that hydrogen has a negligible effect on yield and tensile strength (typically <5%), which supports existing corrosion assessment methods. Further testing is recommended to establish lower bound hydrogen fracture toughness for NTS pipelines and to update defect limits where necessary.

In addition to this, a complementary carbon dioxide integrity management project was also completed. This focused on similar themes with some of the major findings being that the specification of carbon dioxide streams entering National Gas pipelines must be pure enough to stop corrosion (through carbonic acid/sulphuric/nitric acid) or other integrity threats, such as environmentally assisted cracking. The specification chosen for a carbon dioxide stream must undergo validation to show that it will not cause a continuous upset situation and should be monitored closely at each entry point. Additionally, while carbon dioxide carries a different risk profile to that of natural gas, similar repair methodologies and defect assessment criteria can be used to maintain pipelines and assets.

Innovation in motion continued

The Strategic Innovation Fund

SIF projects are split into three project phases:

1. **Discovery:** feasibility studies.
2. **Alpha:** for experimental development.
3. **Beta:** for building, operating and/or demonstrating.

Across RIIO-T2, a total of 70 SIF projects were carried out, including Discovery, Alpha and Beta projects. Alongside delivering our own SIF projects, we collaborated with other organisations, such as the National Energy System Operator (NESO), National Grid Electricity Transmission (NGET) and the Gas Distribution Networks, to support their SIF projects and provide input and expertise.

Throughout 2025/26, we saw the successful delivery of three Discovery projects: RemO₂val, AI opportunities for consumer-centric engagement, and quantum optimisation; two Alpha projects: B-Linepack+ and future operability of gas for system integration (FOGSI), and the successful application and launch of the FutureGrid CO₂ Beta project.

The completed SIF projects focused on several key topics supporting the energy transition, including potentially increasing biomethane entry to the network, improving consumer engagement and improving future energy planning, as well as strengthening network and maintenance planning and improving asset inspection challenges.

Discovery projects

Project RemO₂val

Project RemO₂val explored whether we can safely enable higher oxygen limits in the gas system, to support increased biomethane entry. The project explored solutions to protect underground storage assets from corrosion risks associated with elevated oxygen levels, and strengthened our understanding of the technical feasibility and commercial considerations. This work aligns with the broader ambition to enable greater biomethane volumes onto the National Transmission System (NTS).

AI opportunities for consumer-centric engagement

This project focused on understanding consumer engagement needs and explored how using innovative, AI-powered engagement tools could support this. We recently applied for the next Alpha phase which will assess the top solutions and select one for detailed prototyping and controlled testing. This work directly supports our RIIO-GT3 priorities by fostering trust, strengthening dialogue and enabling timely delivery of multi-molecule network upgrades, while improving accessibility for communities across the country.

Quantum optimisation

Quantum optimisation assessed the potential applicability of quantum and quantum-inspired optimisation techniques for future gas network planning. The work identified that quantum optimisation approaches are at an early stage of maturity and are currently most relevant for research and option exploration purposes, rather than operational or investment decision making. The project has contributed to improved understanding of where quantum optimisation may, or may not, be relevant to future gas system challenges.

Alpha projects

Future operability of gas for system integration (FOGSI)

FOGSI examined how future gas system operability could be affected by changing demand patterns, flexibility needs and coordination requirements with the electricity system. The project highlighted areas where closer alignment between gas and electricity planning may be required, including differences in operational timescales, forecasting approaches and decision-making processes. The outcomes have strengthened our ability to hold informed, evidence-led discussions about the potential future role of gas infrastructure. The insights from the project will support future innovation and strategic planning, helping to ensure that gas system considerations are appropriately reflected in the transition to an integrated, resilient and net-zero-ready energy system.

B-Linepack+

B-Linepack+ explored whether underground Lined Rock Shaft (LRS) hydrogen storage can replace lost pipeline linepack flexibility, as the system transitions from natural gas to hydrogen. The project delivered a mature concept design for a first-of-a-kind LRS demonstrator, supported by whole-system energy modelling, cost-benefit analysis and deployability studies across Britain. Detailed engineering confirmed that high-pressure hydrogen storage in lined rock shafts is technically feasible and scalable, with quantified safety, constructability and regulatory pathways. The project has materially de-risked a new class of operational hydrogen storage, providing a strong evidence base for a Beta demonstrator and informing future hydrogen network design, resilience and regulatory frameworks.

Beta projects

There are two ongoing Beta projects that are focused on identifying future opportunities for the UK's gas networks.

FutureGrid CO₂

This project is addressing key technical challenges associated with transporting carbon dioxide within the gaseous phase, by observing how carbon dioxide behaves when transported in repurposed pipelines and assets.

The project outcomes will contribute to Carbon Capture and Storage (CCS) projects such as SCO₂T Connect, helping to realise the goal of net zero by 2050 and the decarbonisation of hard-to-abate sectors.

CCS is the only viable way for some hard-to-abate sectors to decarbonise and is a crucial path to clean power and hydrogen production. For the UK, CCS paves the way for decoupling economic growth from emissions, enabling us to keep industry and jobs without failing to hit our legally binding environmental targets.

The project is making great progress and is currently moving ahead of the original schedule. The outputs include a range of areas to help critically analyse and validate theoretical models of gaseous CO₂ behaviour, contributing to safety and regulatory compliance, as well as helping to increase confidence for all stakeholders across the CO₂ transport value chain. Activities include routine operational studies, such as observation of CO₂ behaviour within the flow loop and venting operations. Hazard-focused testing is also a key focus, with pipeline integrity, impurities and corrosion management all being examined to reduce risk and support the safe deployment of CO₂ transport infrastructure.

The results from this project are key to building the evidence forming a major component of our safety case. This is especially important since CO₂ pipelines now fall under Pipeline Safety Regulations (PSR) as Major Accident Hazard pipelines. The team is fully focused on delivering valuable insights, in close collaboration with project partners, to support the safe and timely deployment of future CO₂ transport infrastructure.

Innovation in motion continued



FutureGrid deblanding

FutureGrid deblanding for transport is a pioneering initiative demonstrating how Great Britain’s existing gas infrastructure can be repurposed to deliver pipeline-fed hydrogen for transport and mobile power applications.

This project is a critical step in enabling zero-emission transport by showcasing how hydrogen can be separated, purified and compressed for use in fuel-cell vehicles and other clean energy systems.

Hydrogen blending into the NTS offers a scalable route to decarbonisation. However, many transport applications require high-purity hydrogen. Deblending technology allows hydrogen to be separated from natural gas blends and purified to fuel-cell grade, enabling reliable supplies for refuelling stations and mobile power.

Without deblanding, hydrogen refuelling stations are limited to local production or tube trailers, which often leads to supply constraints. This project aims to solve that, by demonstrating a pipeline-connected hydrogen refuelling solution whilst also working with stakeholders across the full supply chain to produce a rollout and commercialisation strategy to understand the future potential of this demonstration.

The programme for the FutureGrid test facility has been revised to allow testing for the FutureGrid CO₂ project to be accelerated, to meet key milestones related to the deployment of CCS in Scotland. The deblanding project timeline has been updated, with delivery now expected to extend by around 12 months. Installation and commissioning of the deblanding equipment will commence once CO₂ testing is complete, with operations expected to start in early 2027.

During this period, we will continue to provide hydrogen refuelling capability and welcome further vehicle demonstrations, alongside continued stakeholder engagement. In parallel, we’re advancing our commercialisation strategy to define key requirements and outline the roadmap for hydrogen deblanding beyond the testing phase.

Innovation in summary

Throughout RIIO-GT3, innovation will be central to maintaining a safe, resilient and efficient transmission network while supporting the transition to net zero. Building on the strong evidence base developed through RIIO-T2, our innovation programme will focus on improving network resilience and safety, reducing operational and construction emissions, and accelerating the use of digital and data-led solutions. Activity will increasingly be aligned to clear business outcomes, supporting the move from research into practical implementation.

Operating in a regulated environment

Ensuring reliable energy resilience

We are regulated by several regulators, and we work collaboratively with them to ensure our network is operated in a way that delivers the best outcomes for consumers by keeping energy affordable, reliable and environmentally responsible.

Our licence to participate in transmission activities is established under the Gas Act 1986, as amended (the Act). This requires us to develop, maintain and operate economic and efficient networks and to facilitate competition in the supply of gas in Britain. It also gives us statutory powers, including the ability to use compulsory powers, to purchase land so we can conduct our business. should this be required.

Our licensed activities are regulated by Ofgem, whose statutory duty under the Act is to protect the interests of consumers. To ensure people pay a fair price for the essential services we provide, Ofgem sets price controls that limit the revenues monopoly network companies can earn and simulate the effect of competition. These controls provide a framework in which we can recover efficient costs of running and maintaining the network, helping to ensure that the UK remains energy resilient. Agreeing each price control is a collaborative process between us and the regulator, ensuring that we are held to account for how we use consumers’ money and that consumer needs remain central to every decision we make. We also own and operate another gas metering business which Ofgem deregulated on 1 January 2026. However, National Gas has undertaken a voluntary agreement to continue to operate under similar conditions until 1 January 2027, as gas suppliers agree binding targets against the Government’s smart metering policy framework post-2020.

Ofgem has multiple responsibilities as a regulator, please visit its [website](#) for more information.

MORE INFO: learn more about ‘[How we are regulated](#)’.

RIO framework
Revenue = Incentives + Innovation + Outputs

RIO price controls

The RIO-T1 price control came into effect on 1 April 2013 for the eight-year period until 31 March 2021. The next price control, called RIO-T2, came into effect on 1 April 2021 and ran for five years ending 31 March 2026. We’re now embarking on RIO-GT3 which started on 1 April 2026 and runs until 31 March 2031. Each of RIO-T1, T2 and GT3 follow the RIO framework established by Ofgem. This framework is designed to ensure consumers receive a safe and reliable energy system at the lowest efficient cost.

To help achieve these objectives, the RIO framework includes incentives that encourage us to:

- Efficiently and safely deliver our activities to minimise our impacts and meet our customers’ requirements, for example by agreeing maintenance plans/outages, releasing additional capacity to enable customers to supply additional gas, minimising our environmental impact and providing accurate forecasts to support the operation of the market.
- Innovate so we can continuously improve the services we give our customers and stakeholders.
- Minimise our impact on the gas market when taking commercial actions to effectively balance the network.

Our gas transmission and system operator businesses operate under a single price control. These cover our roles as Transmission Owner (TO) and System Operator (SO).

The building blocks of the RIO price control are broadly similar to the price controls historically used in the UK. There are, however, some significant differences in the mechanics of the calculations.

Under RIO, the outputs we are funded to deliver are specified in our licence and are called ‘Price Control Deliverables’ (PCDs).These mechanisms allow the regulator to hold us to account for the delivery of outputs linked to price control funding. Our allowed revenues are linked to their delivery in some cases. In others, a reputational rather than financial incentive is used to drive our performance. The outputs reflect the attributes of network services that are of most value to our stakeholders, as determined through consultation.

Ofgem sets allowances which ensure that we have sufficient, but not excessive, funding to deliver our outputs and other deliverables. Under RIO, this is known as total expenditure (totex), which covers both the cost of operating the network (operating expenditure) and the cost of developing the network (capital expenditure).

Where costs can be forecast with a reasonable degree of accuracy, ‘baseline’ allowances are set ex ante for the period of the price control. Where this is not the case, Ofgem permits allowances to be adjusted within period, once there is greater certainty, using so-called ‘uncertainty mechanisms’. Requests we make for additional funding using these mechanisms are assessed by Ofgem to ensure that consumer interests are protected and that only efficient costs are funded.

In the event that we under- or over-spend against the allowed totex, a portion is shared with consumers through an adjustment to allowed revenues in future years in accordance with the Totex Incentive Mechanism. The sharing arrangement provides an incentive for us to deliver efficiently, as we can keep a portion of savings we make, with the remainder benefiting consumers. Likewise, it provides a level of protection if we need to spend more than our allowances.

We can also increase or decrease our allowed revenue, depending on how we perform against a number of specified Output Delivery Incentives (ODI). Rewards and penalties are capped, meaning that the maximum upside potentially available is £20.5 million of allowed revenue each year across the RIO-GT3 regulatory period (2026-2031), with a potential downside of £23.4 million (2023/24 prices). This excludes the Business Plan Incentive (an award for submitting a robust, well-justified business plan) that we achieved of £9.6 million, to be claimed over the RIO-GT3 period.

Operating in a regulated environment continued

Allowed revenue to fund totex costs is split between RIIO ‘fast’ and ‘slow’ money categories, using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex we are able to recover in the year of expenditure. Slow money is added to our Regulatory Asset Value (RAV) – effectively the regulatory IOU.

In addition to fast money, each year we are allowed to recover regulatory depreciation, i.e. a portion of the RAV, and a return on the outstanding RAV balance. For RIIO–GT3, this return consists of a real return for the notional proportions of RAV that relate to equity and index-linked debt and a nominal return for fixed-rate debt, referred to by Ofgem as a ‘semi nominal’ return. The allowed return is calibrated by Ofgem for the RIIO–GT3 period, but is updated each year for certain inputs derived from market indices, such as debt markets or the cost of government borrowing. The equity and index-linked elements of RAV (a total of 58%) are indexed by actual inflation each March, with the fixed debt element no longer being indexed in RIIO–GT3. Consumer Price Index with Housing Costs (CPIH) continues as the inflation index for RIIO–GT3. In respect of depreciation, both the regulatory asset lives applied and depreciation methodology remain consistent with RIIO–T2 and, as such, continue on a sum-of-digits basis, so that depreciation is front loaded but then lower in the later years of the asset’s life. We are also allowed to collect additional revenues related to non-controllable costs and incentives.

RIIO–GT3 price control

After submitting our RIIO–GT3 business plan in December 2024, we engaged with Ofgem and received its Draft Determination in July 2025. We responded in August 2025 with further evidence to support our proposals. Ofgem published its Final Determination in December 2025, and we subsequently collaborated with Ofgem to finalise our licence, which was published in February 2026. We are now focused on embedding our regulatory outputs and obligations for the 2026–2031 period through ongoing internal engagement and education.

The RIIO–GT3 licence includes additional measures designed to ensure networks remain financially resilient, enhancing the requirements and obligations already in place in the RIIO–T2 licence. These measures include the requirement for regulated entities to hold more than one investment-grade credit rating, to consider a longer period of time when providing assurance to Ofgem that entities are set up to deliver their obligations while remaining financially resilient, and measures to block the payment of dividends to shareholders under certain circumstances.

Financial resilience is at the core of our own financing strategy; credibility in the financial markets is essential for performing our duties and investing in the network at a reasonable financing cost. As such, we already hold two investment-grade credit ratings (Moody’s Baa1 (stable outlook) and Fitch BBB+ issuer rating (stable outlook))¹ and our lending agreements and agreed financing policies include similar dividend lock-up thresholds to those contained in the RIIO–GT3 licence.

We continue to work with Ofgem to ensure financial resilience measures included in the licence remain relevant and achieve an appropriate balance between consumer protection and allowing networks to operate efficiently in financial markets.

MORE INFO: learn more about our [RIIO–GT3 business plan](#).

Totex allowances

The following key parameters from Ofgem’s RIIO–GT3 determination are applicable from 1 April 2026 (the start of the RIIO–GT3 period).

Gas Transmission	
Allowed return on equity*	6.12% (real, relative to CPIH at 60% gearing)
Allowed debt funding	Calculated and updated each year using a 14-year trailing average of iBoxx GBP A and BBB non-Financials 10+ corporate indices, plus a 61 bps calibration adjustment and 32 bps additional borrowing costs
Depreciation of RAV	TO: 45-year sum of digits SO: seven-year straight line
Notional gearing	60%
Split between fast/slow money	Fast: TO baseline 41%; SO baseline 61%; TO uncertainty mechanisms 10% Slow: TO baseline 59%; SO baseline 39%; TO uncertainty mechanisms 90%
Sharing factor	39% NGT element
Core baseline allowances in 2023/24 prices (cumulative for the five years of RIIO–GT3)	£3.2 billion

*The cost of equity in RIIO–GT3 is subject to annual adjustments that are calculated using the Capital Asset Pricing Model, through indexation of the ‘risk-free rate’ parameter.

RIIO–GT3 commitments

Our plan sets out 12 bold commitments. These commitments support our ambition to deliver a resilient network, whilst keeping bill increases and impacts on consumers and our customers as low as possible.

MORE INFO: learn more about our [RIIO–GT3 commitments](#).

¹ Moody’s issued February 2026, Fitch issued March 2026.

Stakeholder engagement

Maintaining high-performance relationships

As the backbone of Britain’s energy system, we strive to align our ambitions with those of our key stakeholders: consumers, customers, employees, investors, local communities, regulators and suppliers, the wider energy industry and government.

As we conclude RIIO-T2 and transition into RIIO-GT3, we remain committed to meaningful and proportionate engagement that ensures our plans and delivery reflect the needs of those who rely on, regulate and are impacted by the National Transmission System (NTS). Our engagement approach is aligned with the AccountAbility 1000 Stakeholder Engagement Standard (AA1000SES) and is embedded across our governance, planning and decision-making processes. During the year, we have increased our focus on engaging with new and emerging stakeholders, strengthened relationships through in-person engagement, and continued to use feedback to improve performance, transparency and outcomes.

Engagement outcomes

Stakeholder insights gathered throughout RIIO-T2 and into RIIO-GT3 will continue to inform our priorities, investments and delivery as we work collaboratively to meet the evolving needs of Britain’s energy system.

Across all our stakeholder groups, meaningful engagement enables National Gas to:

- Deliver safe, reliable and resilient network operations.
- Improve service delivery and customer satisfaction.
- Co-design solutions to complex system challenges.
- Shape regulation and policy through evidence-based dialogue.
- Support the transition to a secure, net zero energy system.

Read our [S172 statement](#) for more detail on how the Board engaged and balanced the needs of different stakeholders to inform principal decisions, from page [55](#).

100+

MEETINGS AND WORKSHOPS WITH SUPPLIERS

9.00

CUSTOMER SATISFACTION SCORE VS 8.89 LAST YEAR

Consumers

Gas consumers play a key role in driving demand, providing key revenue streams, influencing regulatory priorities and providing valuable insights that shape our future development.

Our engagement activities

Consumers who benefit indirectly from the NTS are represented through a combination of targeted engagement, consumer bodies and our Independent Stakeholder Group (ISG). Consumer perspectives are also reflected through public consultations supporting major infrastructure and decarbonisation projects.

Value and outcomes

Consumer insights inform our service priorities, environmental, social and governance (ESG) programmes and long-term network planning. Feedback gathered through stakeholder and materiality assessments has helped shape our approach to security, climate resilience and environmental impact, and ensuring consumer interests remain central to RIIO-GT3 delivery.

Key priorities and engagement topics

- Consumer interests and affordability of energy bills
- Access to energy as and when required
- Security of supply, resilience and reliability
- Environmental performance, methane emissions and delivery of a sustainable energy system
- Transparency, trust and provision of good service

Customers

Our customers play a key role in driving demand, shaping infrastructure development and supporting the overall efficiency and resilience of our network.

Our engagement activities

We engage with NTS-connected customers (shippers, storage operators, Gas Distribution Networks, interconnectors, power stations and large industrial users) through regular and ad-hoc meetings, webinars, site visits, control room visits and forums. This year, we engaged over 1,200 attendees through our National Gas Energy Forum (NGEF). We have used customer engagement to improve our data provision through the National Gas Data Portal. We also engage with future customers as part of the new connections process and to feed into development and routing for Project Union.

Value and outcomes

Customer feedback has driven improvements in transparency, data accessibility and operational coordination. Our average customer satisfaction score reached 9.00, reflecting strong performance in communication, responsiveness and issue resolution. Customer engagement supported a strong close-out of RIIO-T2 and improved the alignment of RIIO-GT3 investment and incentives with customer needs.

MORE INFO: find out more about the [NGEF](#).

Key priorities and engagement topics

- Security of supply, capacity, outages, resilience to disruption and operational coordination
- Fair and transparent pricing
- RIIO-T2 delivery, RIIO-GT3 planning, and inputs into future developments and innovation
- Gas quality transparency and data access
- New connections: carbon capture and storage, streamlining biomethane connections, Project Union and hydrogen-blend readiness

Stakeholder engagement continued

Employees

The delivery of our business plan commitments and longer-term strategic objectives are dependent on the talent, innovation and values of the people we employ.

Our engagement activities

We engage employees through internal forums, leadership communications, training programmes and direct involvement in stakeholder engagement activities. Employees play a central role in customer interactions, regulatory engagement, community outreach and innovation delivery, supported by learning and development aligned with future skills needs.

- Key priorities and engagement topics
- Fostering a safe, supportive and inclusive culture where everyone is heard, valued and supported to reach their full potential
 - Flexibility, opportunities for growth and development and fair remuneration
 - Safety, health and wellbeing
 - Skills for net zero and digital transformation
 - Innovation and continuous improvement
 - Community and stakeholder engagement

Value and outcomes

Employee engagement supports safe, reliable operations and high-quality stakeholder relationships. Internal insights have contributed to improvements in ESG performance, innovation delivery and customer service, while targeted skills programmes help ensure our workforce is prepared for the energy transition.

READ MORE: about our engagement activities in ‘Powering our people’ from page [45](#).

Investors

Our investors provide essential funding to support our longer-term investments and planning. They enhance our credit and overall financial resilience, alongside robust strategic planning and governance.

Our engagement activities

We engage investors through structured regulatory processes, performance reporting, governance disclosures and targeted engagement supporting RIIO-GT3. This includes interaction on regulatory returns, resilience, sustainability and long-term value creation.

- Key priorities and engagement topics
- Regulatory performance and compliance
 - Reliable and consistent revenue streams
 - Input into innovation and development
 - Long-term network resilience
 - ESG, climate adaptation and decarbonisation
 - Capital investment and efficiency
 - Strong governance and risk management

Value and outcomes

Clear engagement supports investor confidence, regulatory transparency and delivery certainty. Our engagement through the RIIO-GT3 consultation process contributed to increased investment allowances between Draft and Final Determinations and reinforced confidence in our governance and evidence-led approach.

Local communities

The cooperation of the local communities in which we operate is key to our ability to deliver major infrastructure works.

Our engagement activities

We engage communities affected by our assets and projects through early consultation, local authority briefings and ‘behind-the-fence’ site visits. Community engagement is supported by our Community Grant Fund (CGF), volunteering initiatives and educational outreach programmes. This year, activities included community engagement at local sites, social funding, partnerships addressing loneliness, and educational outreach.

- Key priorities and engagement topics
- Safe and minimal local impacts of construction and operations, including emergency preparedness
 - Transparency in communication, with contribution into community planning and development
 - Social value, including employment opportunities, local economic benefits, education and skills
 - Environmental stewardship

Values and outcomes

Engagement helps us build trust and long-term relationships with communities, supporting safe operations and successful project delivery.

READ MORE: about our engagement activities in ‘Partnering with others’ from page [48](#).

Wider industry and supply chain

Our wider stakeholders play a key role in ensuring the delivery of energy to our consumers and customers. They help forecast demand and can influence regulatory frameworks and market stability. Maintaining strong relationships with our supply chain and innovator community helps to streamline work, improve delivery efficiency and build confidence in our delivery strategies.

Our engagement activities

We engage through regular performance and planning meetings, supplier surveys, innovation programmes, cross-sector working groups (such as UNC Workgroup) and international forums, as well as via direct engagement on CCS, hydrogen, biomethane and security of supply. This year, we also held over 100 meetings with suppliers and innovators.

- Key priorities and engagement topics
- Security of supply and our critical infrastructure
 - Fair and transparent pricing
 - Innovation, CCS and hydrogen development
 - Biomethane and new connections
 - Supply chain capability and opportunities to input into development of new work

Value and outcomes

Supplier and industry engagement supports innovation, resilience and efficient delivery. Feedback has informed improvements to our processes, innovation strategies and our approach to collaborating with our supply chain .

READ MORE: about innovation in ‘Strategy in action’ from page [22](#).

Stakeholder engagement continued

Government and regulators

Regulatory bodies monitor our operations to ensure they are reliable, and that our infrastructure offers value for money. They ensure we work with due regard to the environment and support investment in innovative development. Our compliance with their standards enforces public trust in our operations. Engagement with government enables us to help shape the regulation that will underpin net zero projects, resilience and security of supply, and unlock funding for projects that support decarbonisation efforts, such as SCO₂T Connect and Project Union.

Key priorities and engagement topics

- Security of energy supply, network planning, network resilience and emergency preparedness
- RIIO-T2 close out and RIIO-GT3 delivery
- Providing fair value to customers, financial resilience and compliance with price control frameworks
- Safety of our infrastructure and operations
- Environmental performance, including emissions management, climate resilience and adaptation
- Supporting Britain’s net zero ambitions
- Customer engagement and support

Our engagement activities

We maintain constructive and transparent relationships with regulators, including Ofgem, the Health and Safety Executive (HSE) and environmental regulators, governmental departments including the Department for Energy Security and Net Zero (DESNZ) and the Department for Business and Trade (DBT), as well as 10 Downing Street, HM Treasury and the Cabinet Office. Our engagement includes regular bilateral meetings, involvement in industry working groups, hosting site visits, formal reporting and consultation responses. This year, we have hosted more than 30 politicians – including constituency MPs and ministers – on site visits as part of party-wide engagement to help explain the vital role we play. We also have obligations to engage with government and NESO on our long-term system planning to ensure that we are investing in the appropriate measures to protect gas security of supply for our customers and consumers. We engage with our environmental regulators, as well as with cross-sector industry forums, to support our approach to climate resilience, safety and environmental performance.

Value and outcomes

Regulatory engagement supports compliance, informs policy development and ensures our plans align with future regulatory requirements. Through ongoing engagement we have helped shape guidance on climate resilience, secured agreement on our RIIO-GT3 licence and supported a robust transition between price controls. Collaboration with government and industry partners will continue to unlock decarbonisation and security-of-supply opportunities.

1. Industry Minister Sarah Jones MP, Andrew Pakes MP and Sam Carling MP at Peterborough Compressor Station (April 2025).
2. Shadow Energy Minister Andrew Bowie MP, Shadow Energy Minister Harriet Cross MP and Leader of the Scottish Conservatives Russell Findlay MSP at Aberdeen Compressor Station (November 2025).
3. Welsh Government Cabinet Secretary Rebecca Evans MS at Felindre Compressor Station (November 2025).
4. Industry Minister Chris McDonald MP, Andrew Pakes MP and Sam Carling MP at Peterborough Compressor Station (January 2026).
5. Scottish Government Cabinet Secretary Fiona Hyslop MSP at Avonbridge Compressor Station (February 2026).
6. First Minister of Scotland John Swinney MSP and Karen Adam MSP at St Fergus Gas Terminal (March 2026).

Stakeholder snapshots

Below is a selection photos from a host of stakeholder engagement events – through site visits we are able to showcase our initiatives and innovations, the vital role that our infrastructure plays in Securing Britain’s Energy, and bring to life major investments on critical parts of our network.



Being a responsible business

Environmental, social and governance strategy

Continued delivery of sustainable value

By recognising environmental, social and governance (ESG) factors that are important to our business, we can proactively manage commercial risks and embrace opportunities beyond statutory and regulatory compliance to create sustainable value.

ESG strategy

Our ESG strategy is aligned to our purpose, priorities and values, and sets out how we identify, manage and report on the environmental, social and governance issues most relevant to National Gas. Supported by clear governance, performance metrics and time-bound targets, it is embedded into decision-making across the organisation and enables transparent oversight and accountability.

Reflecting significant regulatory, political and stakeholder developments, the strategy was reviewed in FY25 using a double materiality assessment to confirm its continued relevance for the final year of RIIO-T2 and ahead of RIIO-GT3. A subsequent internal stakeholder review in January 2026 confirmed the robustness of the framework, recommending limited refinements, including the reclassification of pollution and communities as high importance topics, alongside the identification of several emerging risks requiring monitoring (biodiversity, waste, working conditions and supply chain management).

Pollution	●
Safety, health and wellbeing	
Security (cyber and physical)	
Business ethics	●
Climate change	
Communities	
Equal treatment	
Stakeholder management	
Supply chain management	
Training and development	
Working conditions	
Biodiversity	●
Waste	
Water	●
● Very high importance	
● High importance	
● Medium importance	
● Low importance	

Overall, the strategy continues to provide a comprehensive and future-focused framework to manage material ESG risks and opportunities, and to support our long-term role at the heart of Britain’s energy system.

READ MORE: in our ‘Risk management’ section from page [51](#).

Our framework pillars

Environmental

Improving the environment: We strive to achieve minimal adverse environmental impacts across all our operations whilst also seeking ways to enhance the local environment.

- Key environmental pillars
- Air quality
 - Caring for the natural environment
 - Climate change
 - Leadership for change
 - Responsible asset use

Social

Acting with a social conscience: We deliver sustainable social impact, promoting the wellbeing of our people and adding value to both the communities within which we operate, and wider society.

- Key social pillars
- Charitable giving
 - Community engagement
 - Customer engagement and protection
 - Employee health and wellbeing
 - Future skills and education

Governance

Running our business ethically: We have a robust internal system of practices and procedures that allow us to make effective decisions, comply with the law, and provide assurance to our stakeholders.

- Key governance pillars
- Ethics and compliance
 - Financial and operational risk
 - Structure and oversight
 - Supply chain management
 - Transparency and reporting

Being a responsible business continued

Safe every day

Safety, health and wellbeing remain fundamental to our purpose and central to how we operate. Throughout FY26, we reinforced our safety culture and continued to enhance occupational health and wellbeing support available to our people.

Our ‘safe every day’ ambition is delivered through four core pillars, which underpin our transition towards a proactive, learning-led safety culture and support sustained, high-quality performance across our operations. These include:

1. Keeping our assets and processes safe every day.
2. Demonstrating safe behaviours every day.
3. Supporting health and wellbeing every day.
4. Improving safety every day.

Key deliverables to close out RIIO-T2

- Continued delivery of a consistent Safe Every Day strategy, with annual plans addressing priority risks and improvement areas
- Ongoing rollout and embedding of the Seven Deadly Risks programme to reinforce critical risk controls
- Continued simplification of the Safety Management System, improving content availability and accessibility
- Updated safety governance structure to ensure escalation opportunities and an increased focus on value-add safety, health and wellbeing conversations at all levels
- Strengthened health surveillance processes and enhanced wellbeing support, including improved case management, new working groups and updated resources
- Focused review of supply chain safety performance, confirming consistency with internal performance and strong responsiveness to learning
- Work towards our next safety culture survey in Autumn 2026, for which our ambition is to be proactive on the Hudson Safety Culture Model

0.04

LOST TIME INJURY FREQUENCY RATE (2024/25: 0.02)

53%

INCREASE IN SAFETY, HEALTH AND ENVIRONMENT LEADERSHIP SITE VISITS

Safety performance and regulatory engagement

Lagging safety performance

Lagging safety performance remained strong, with low levels of lost time injuries (LTIs). Three LTIs were recorded during the year, resulting in a 12-month rolling LTIFR of 0.04 per 100,000 hours worked (0.44 per million). While slightly higher than FY25, performance remains within stretch targets.

High Potential Controllable Events (HPCEs)

Nine HPCEs were reported and investigated across risk areas including temporary works, driving, lifting operations, fatigue management and operational readiness. Reporting reflects a mature learning culture and supports early risk identification. No tier-one process safety events occurred, and there were no public safety injuries linked to operations.

Reporting of leading indicators

Reporting of leading indicators remains a key focus. Safety, Health and Environment (SHE) leadership visits increased by 53%, improving site visibility and strengthening two-way communication between teams and leadership. Progress continues on action closure and investigation quality through new incident templates, Local Incident Review Panels, and planned improvements to the incident management system.

System and process improvements

We continue to invest in improving core systems and processes that support safety performance:

- Progress on the Electronic Permit to Work programme.
- Improved governance and assurance over operational drawings.
- Strengthening of incident investigations and action management.

LOOKING AHEAD

We remain steadfast in our commitment to providing safe, secure and reliable operations, protecting our people and the public, and continually strengthening the systems, culture and leadership that underpins our safety, health and wellbeing at National Gas.

Safe every day priorities 2026/27

- 1

Deliver core safety initiatives
These include Seven Deadly Risks, Back to Basics, Safety Compliance and Maturity
- 2

Enhance systems and processes
Priorities include organisational learning, and safety and incident management systems
- 3

Improve quality, assurance and compliance
Enhance investigation quality, improve assurance and compliance, and develop leading indicators
- 4

Promote health and wellbeing
Focus on mental health and wellbeing and occupational hygiene

Being a responsible business continued

Securing our people, assets and data

Strengthened security foundations

Protecting our people, assets and data ensures we can secure energy supply, drive a clean energy future and maintain industrial competitiveness.

In 2025/26, we strengthened the security foundations that underpin the safe and reliable operation of Britain’s National Transmission System (NTS), while preparing for a future defined by energy transition, accelerating digitalisation and a more contested global security environment. We approach security in the same way we approach safety – as a core discipline that protects people, enables operations and sustains confidence among customers, regulators, government and industry stakeholders. Security is not a static end-state, it is a continuous cycle of understanding threats and assets, designing proportionate controls and adapting as risks evolve.

Key focus areas

- Reduce risk to National Gas.
- Protect security of supply.
- Meet and exceed regulatory expectations.
- Enable innovation and productivity through trusted data, technology and partnerships.

Delivering in challenging security contexts

Threat landscape

The threat environment for Critical National Infrastructure continues to intensify. The energy sector’s growing strategic significance has increased the attention of a wide spectrum of adversaries, from cybercriminals through to hostile state and state-aligned actors, as well as disruptive climate and political activists. We plan on the basis that hybrid activity – combining cyber, physical, insider and supply chain campaigns – will remain a defining feature of the security landscape. Our response is to prioritise intelligence-led, threat-informed security to strengthen situational awareness and decision-making.

Legal and regulatory landscape

Security expectations for essential services are rising. New and evolving policy and regulatory developments, including reforms intended to update the UK’s cyber security regime, are increasing governance, assurance and accountability expectations on critical operators, while also creating uncertainty as secondary legislation develops. We proactively assess implications, engage with stakeholders and invest to keep pace with compliance expectations.

Technology landscape

Technology is increasingly embedded, distributed and interconnected across modern operations. At the same time, the rapid acceleration of advanced technologies creates both opportunity and complexity – exemplified by the role of artificial intelligence. We have therefore prioritised secure digitalisation: ensuring data foundations are trusted, security is designed into change, and controls evolve alongside technology.

Economic landscape

We have focused on targeted, risk-based investment and strong governance to ensure security spend is efficient, accountable and tied to outcomes. Our rigorous technology choices and prioritisation ensure resilient outcomes while demonstrating prudent cost management.

Political and geopolitical landscape

A broad-based change in the international order, conflict dynamics and heightened focus on national resilience continue to shape expectations on UK critical infrastructure. We strengthened collaboration with UK government partners and sector bodies, supporting shared resilience objectives and ensuring National Gas has the relationships and insight needed to operate confidently in a more contested environment.

Strength and dependability

Our approach is encapsulated by eight inter-linked capabilities. These are:

1. **Understanding the threat:** We maintained a threat-led security posture, combining intelligence-driven assessment with operational reporting and governance. This enables prioritisation of the risks that matter most to the security of supply and the safe running of the network.
2. **Understanding our assets (people, data, systems, infrastructure) and supply chains:** We continued to strengthen our security foundations, particularly where legacy technology, complex operational environments or third-party dependencies can introduce vulnerabilities. This includes improvements to asset lifecycle governance and structured approaches to understanding where sensitive information resides and how it flows.
3. **Understanding risk to National Gas and security of supply:** We have maintained our threat-informed, risk-based approach aligned to regulatory expectations and national resilience priorities, with governance mechanisms to ensure risks, issues and mitigations are visible, owned and progressed. This supports consistent risk-informed security decision-making across cyber, physical, personnel and supply chains.

Being a responsible business continued

Securing our people, assets and data continued

4. **Designing and implementing relevant and effective controls:** We continued to invest in controls that materially reduce risk, including:
- Enhanced security measures (e.g. detection, access control and monitoring), including delivery that exceeded original scope in some areas.
 - Modernisation and resilience improvements in operational technology, addressing obsolescence and strengthening security capabilities over time.
 - Secure-by-design assurance, embedding security across change programmes and ensuring security considerations are built into delivery frameworks and stage gates.
5. **Monitoring and adapting as threats, assets and risks evolve:** We strengthened ongoing oversight through structured operational and steering governance, enabling trend-based insight and timely escalation where needed. This helps ensure our controls remain effective as our environment changes.
6. **Meeting and exceeding Cyber Assessment Framework (CAF) contributing outcomes:** We aligned security outcomes to the National Cyber Security Centre (NCSC) CAF, supporting consistent practice across governance, risk management, culture and technical controls, and sustaining progress across baseline and enhanced profiles.
7. **Automation where possible – working smarter:** We are progressing towards smarter, more automated security operations and reporting; reducing manual effort, improving consistency and focusing expert time on higher-value risk-reduction activities.
8. **Defence in depth:** Given the breadth of modern threats, we continued to apply layered protection – ensuring that the failure of any single control does not result in unacceptable risk. This principle remains central to protecting security of supply and maintaining operational confidence.

Ambitious future commitments aligned to the energy transition

The energy transition will increase reliance on data, connected operations and collaboration across the value chain. Our future security commitments are designed to enable that transition safely – supporting innovation and productivity while protecting the network Britain relies on.

Building on post-separation success and RIIO-T2 investments: We will build on the foundations strengthened through RIIO-T2 investments, using evidence of delivery and risk reduction to guide the next phase of security investments.

Investing for success in RIIO-GT3 (targeted and efficient investments): We will pursue targeted investment that is clearly tied to measurable outcomes: risk reduction, resilience improvement and regulatory assurance – supported by strengthened investment governance and programme discipline.

Strengthening partnerships with government and industry (UK and internationally): Security is a shared national endeavour. We will continue strengthening relationships with government and sector partners to support shared situational awareness, coordinated security planning and credible national preparedness.

Security on par with safety: We will continue to strengthen the alignment between security and safety mindsets, ensuring security requirements are understood, practical and embedded into everyday operations.

Measure and demonstrate value and risk reduction: We will continue evolving the way we measure security performance and risk reduction, focusing on transparent, decision-useful metrics that demonstrate control effectiveness and good security outcomes.

Leverage technology and collaboration to drive security excellence and productivity: We will use secure digitalisation to enable the next chapter of National Gas performance – protecting the systems and data that power efficient operations and improved decision-making. Security sits at the heart of:

- Data-driven decision-making.
- World-leading operations.
- Innovation through advanced technologies.
- A culture of collaboration.
- Trusted data, AI and automation.
- Asset management and lifecycle optimisation.

A clear purpose guiding decisions

- Protect National Gas and reduce risk by prioritising controls and investments that have the greatest impact on protecting security of supply and safe operations.
- Ensure appropriate partners and funding (for sustainable, efficient operation) through strong investment governance and outcome-based delivery discipline.
- Remain compliant through close alignment to regulatory expectations and CAF outcomes, and prepare for evolving legislation and accountability requirements.
- Support digitalisation strategy by enabling secure progress across: data foundations, data sharing, digital twins and enhanced decision-making tools.

A focus on people behind the performance

Security excellence depends on people: their skills, their judgement and their confidence to act.

- We invest in people – security skills and careers. We continued to strengthen capability through structured and targeted training to support sustained competence in critical security roles.
- We protect and empower people – security awareness and training. We continued to build a culture where security is part of everyday work, strengthening security awareness, training and engagement across the business.
- We motivate and reward people – clear security objectives and strategy. We set clear objectives focused on performance and achievement, whilst equipping people with the resources and skills they need under strong leadership.
- We foster trusted and sustainable relationships – across teams and external stakeholders. Security is delivered through collaboration across operational teams, technology teams and external partners. We will continue to build trusted relationships that improve understanding, accelerate decisions and strengthen security for National Gas and the UK.

Being a responsible business continued

Running our business ethically

Upholding and demonstrating high standards of conduct are critical to maintaining business confidence.

We have established policies and governance that set and monitor our approach to preventing financial crimes, fraud, bribery and corruption, including our Anti-Bribery and Corruption Policy (the ABC Policy) and our Code of Ethics (the Code).

Ethical business standards

These are reviewed annually and are supported by a company-wide framework of controls designed to prevent and detect bribery or corruption. Our Code sets out the standards and behaviours we expect from all our employees. The ABC Policy applies to all employees and those working on our behalf and sets out our zero-tolerance approach to bribery, fraud, money laundering, tax evasion and other corrupt business practices. These policies are supported by communication and training programmes, including mandatory e-learning for all employees and direct contractors, to promote a strong ethical culture. To ensure compliance with the UK Bribery Act 2010 and other relevant legislation, we operate an anti-financial crime risk assessment process across the business to identify higher-risk areas and act on the results to make sure adequate procedures are in place to address them. The Audit and Risk Committee oversees the policies, systems and controls in place for the areas covered by the Code and the ABC Policy. We investigate all allegations of ethical misconduct thoroughly and take corrective action, and share learnings and trends where appropriate, which are reported to the Audit and Risk Committee.

Whistleblowing

It is important that everyone who works for us can raise any concerns they might have, without fear of retaliation, and that they can do so anonymously. We have augmented our Code of Ethics with a Speak-Up Policy to encourage open reporting, and we have a confidential, externally managed ‘Speak-Up’ helpline, which is available 24 hours a day, 365 days a year. We publicise the contact information to all colleagues on our intranet and through direct engagement, particularly with those teams identified as higher risk through our anti-financial crime risk assessment process.

We use an annual anonymous colleague listening survey to measure our ethical culture and the confidence that our employees have in raising ethical concerns. We target actions based on the survey outcomes.



Being a responsible business continued

Our environmental commitments

Protecting our environment in a sustainable way

Gas is, and will be for decades to come, a major contributor to the blend of energy sources powering the country. At any one time, up to 50% of the nation’s energy could be supplied by gas.

Security of energy supply is something many of us take for granted, and delivering it is a responsibility we take extremely seriously. But we know it is important to balance this with our environmental obligations. We are aware of the critical role we play in solving current and future challenges for energy, and we ensure that we are flexible in how we provide and use energy. A gas like hydrogen, for example, is expected to be an integral part of the UK’s future energy mix and we want to be at the forefront of delivering the benefits of connecting supply and demand. We strive to achieve minimal adverse environmental impacts across all our operations, while also seeking ways to enhance the local environment. Our overall ambition is to protect the environment and act sustainably every day:

Key achievements

- Halved nitrogen oxide (NOx) emissions from our compressor stations over the five-year period of RIIO-T2
- Recertified to ISO 14001 for Environmental Management, demonstrating sustained commitment to best practice and leadership in addressing our environmental risks and opportunities
- Published our RIIO-GT3 business plan which includes a network decarbonisation reopener investment mechanism and our Environmental Action Plan
- Successfully tested the first set of our new pipeline recompression machines that will significantly reduce our pipeline venting emissions
- Expanded our fugitive leak-detection programme, which is on track to deliver a measurement-based fugitive emission performance baseline for the NTS

Environmental Action Plan

Our Environmental Action Plan explains how we are working with our employees and stakeholders to reduce our impact on the environment. Our approach focuses on five key pillars, and 30 commitments that help us track our progress and understand how well we are performing. They have remained in place throughout the regulatory period (RIIO-T2). The section below highlights the progress we have made.

Key environmental pillars

1. Air quality

We have worked to reduce nitrogen oxide (NOx) emissions throughout RIIO-T2. This includes replacing some of the older compressors on our network with cleaner technology. We have seen a consistent improvement over five years, with NOx intensity halving from 8.09 kg/h in 2021/22 to 4.06 kg/h in 2025/26. This demonstrates the tangible impact of modernising our asset base.

2. Climate change

Since 2023, we have had a Science Based Targets initiative (SBTi)–aligned pathway in place to reduce our Scope 1 and 2 emissions, with a commitment to reach net zero by 2050 and an ambition to do so by 2040. Supporting this, we rolled out some key initiatives, including a methane leak-detection and repair (LDAR) process, which has helped us better understand fugitive emissions across all sites. This work is also helping to establish a robust RIIO-GT3 baseline, with two of the three planned years of monitoring now complete.

3. Responsible asset use

A programme has been in place to decommission our redundant assets responsibly, refurbishing them for reuse when viable or, where possible, changing their purpose. At the same time, we have partnered with suppliers to adopt more sustainable procurement practices, while focusing on reducing the waste we produce and increasing levels of recycling and reuse.

4. Caring for the natural environment

We have developed an approach to protecting and enhancing biodiversity during construction and decommissioning, through targeted effort and community engagement. The Hatton Compressor Station upgrade project met its biodiversity net gain (BNG) commitment of 10%, while a new strategy was created that will embed biodiversity into all major projects going forward. At the same time, we increased the environmental value of our non-operational land by 16%, through habitat enhancements and educational initiatives.

5. Leadership for change

We have been working to ensure that sustainability becomes part of everyday decision-making. A major milestone has been strengthening our internal capability through an online training programme, equipping 98% of our workforce with environmental sustainability knowledge. We have also played an active role in driving progress across the wider industry.

Energy efficiency

The most energy-intensive activity within National Gas is operating our gas-fuelled compressors, which are operated in line with supply and demand. To ensure that we improve energy efficiency, in the period covered by this report, we have upgraded LED lighting, installed solar PV panels at two compressor stations and disconnected unused units at two other compressor stations, saving energy on cab ventilation and lube oil heating.

Being a responsible business continued

Our environmental commitments continued

Leading the way to a net zero future

We are looking to the future by helping to develop the hydrogen transmission system of tomorrow – building the capability and flexibility required for a clean energy future.

Our gas transmission specialists are designing the infrastructure which could, in the future, transport low-carbon hydrogen as a replacement for natural gas, and transport carbon dioxide for carbon capture and storage (CCS). By applying our expertise to develop the potential energy systems of the future, we are proud to play a leading role in supporting the UK’s net zero ambitions.

Net zero pathway

Natural gas contributes a third of the UK’s carbon budget and, as such, in our role as gas transporter, we have a key part to play in supporting the UK Government’s net zero goals. We are committed to developing a business model that is consistent with the objectives of the Paris Agreement, which includes expanding our measurement and reporting of indirect Scope 3 emissions. While we expand our Scope 3 reporting, we are committed to achieving net zero for Scope 1 direct and Scope 2 indirect emissions by 2050, with an ambition of 2040, for scope 1 direct and 2 indirect emissions.

To achieve our commitment of net zero by 2050 we have initially focused on reducing Scope 1 methane emissions from our operations. This has included expanding our fugitive leak-detection programme and its associated defect management, and reducing operational venting by approving pilots of vent-capture technology during RIIO-GT3. National Gas Services has also taken new recompression machines into operation, currently under testing, which are designed to reduce pipeline pressure prior to venting, thereby supporting further reductions in methane emissions and improving network efficiency. This could cut greenhouse gas emissions from these activities by up to 90%,

We have also implemented Scope 2 emission-reduction opportunities, including procuring renewable energy at our Warrington archive offices and installing photovoltaic (PV) panels to generate electricity at two of our sites. In addition, we are reducing transport-related emissions by transitioning our company car fleet towards electric and hybrid vehicles. Electric vehicles (EVs) now account for over 70% of the company car fleet, significantly lowering CO₂e emissions from business mileage.

A bespoke decarbonisation strategy and glidepath to net zero were completed in October 2023. The glidepath is aligned to the Science Based Target initiative (SBTi) Corporate Standard methodology (v1.1) which was the applicable framework in place at the time. While the SBTi has since indefinitely paused its development of a sector-specific standard for oil and gas, National Gas remains committed to progressing its decarbonisation strategy in line with best practice and scientific evidence.

As part of our RIIO-GT3 plan, we have included a network decarbonisation reopener investment mechanism and our Environmental Action Plan for the next five years.

Greenhouse gas (GHG) reporting

Our baseline for greenhouse gas (GHG) reporting as National Gas was set for 2022/23 when we separated from National Grid Group. Therefore, historical data prior to this year is not provided, due to differences in the emissions inventory. During 2025/26, we strengthened our internal GHG assurance processes to enhance data quality, consistency and governance across our carbon reporting. This included the appointment of a dedicated carbon specialist to provide additional oversight and assurance of validated data.

We also updated our Standard Operational Procedures (SOPs) across all emission scopes and categories to improve clarity, control effectiveness and assurance. Our reporting methodology remains aligned to the GHG Protocol Corporate Standard. To further prioritise improvement efforts, we developed a risk-based assurance framework that combines the magnitude of emissions with process risk to generate a combined risk score. This has enabled us to identify and focus on the highest-risk areas within our business carbon footprint (BCF), supporting improvements in data quality and internal controls.

The Scope 1 and 2 emission sources included within our 2025/26 BCF are below:

Scope	Emission	Category
Scope 1	Energy consumption (excluding electricity)	Energy consumption
	Transport	Direct commercial vehicle Business mileage
	Fugitive emissions	Leak detection and repair Pipeline and above-ground installations (AGIs)
	Venting emissions	Venting (compressor only) Venting (others) Incidents
	Fuel combustion	Diesel Natural gas Other minor combustion
Scope 2	Electricity consumption	Electricity consumption and generation (including PV generation, fleet and company EVs)

Venting (others) includes maintenance venting, gas using devices, pipeline venting, PIG trap venting and NRO vents. Emissions from ‘incidents’ and ‘other minor combustion’ have been calculated and included in our BCF from 2023/24 onwards.

Data sources

Our 2025/26 BCF data sources include a combination of direct measurements and calculated estimates. Primary data has been obtained from meter readings, on-site emissions surveys, internal records, supplier emission reports and invoice data. In addition, modelled data has been applied using recognised industry methodologies alongside National Gas-specific measurements. Where actual data has not been available, estimates have been calculated using a combination of operational activity data, historical trends and established calculation methodologies to ensure accurate reporting. All data sources and estimation methods are documented in our SOPs.

Being a responsible business continued

Our environmental commitments continued

Greenhouse gas (GHG) emissions

The table below details our BCF inclusive of additional categories added to our emission inventory from 2022/23:

Business carbon footprint (BCF)					
Scope of emissions	Units	2025/26	2024/25	2023/24	2022/23
Scope 1* ■	ktCO ₂ e	329.3	296.7 (correct for 2024/25) [†]	343.1	443.3
Scope 2 (Location based) ■	ktCO ₂ e	28.8	33.5	37.4	37.7
Scope 3** ■	ktCO ₂ e	0.7	0.8	0.9	0.6
Total BCF ***	ktCO ₂ e	358.9	331.1 (correct for 2024/25) ^{††}	381.4	481.6

*This total includes two estimated components of other venting (maintenance venting and gas-using devices) totalling 37.3ktCO₂e, as well as a predominantly estimated category for Pipelines and AGIs, amounting to 28.73 ktCO₂e. Excluding these categories, total Scope 1 emissions are 263.3 ktCO₂e.

**Based on two reported Scope 3 categories

***Totals are reported on a rounded basis and are considered accurate. As a result, the aggregation of individual scope values may not precisely reconcile to the total BCF due to rounding.

[†]294.6 (reported for 2024/25) amended for this report.

^{††}329 (reported for 2024/25) amended for this report.

■Refer to the independent assurance statement below.

Independent assurance statement

Deloitte has provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 (ISAE 3000) and Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) issued by the International Auditing and Assurance Standards Board (IAASB) over the selected information, identified by this symbol (■) in the above table.

Deloitte’s full unqualified assurance opinions, which includes details of the selected information assured in FY26, can be found on our website at www.nationalgas.com/responsibility/environment/environmental-action-plan.



Being a responsible business continued

Our environmental commitments continued

Streamlined Energy and Carbon Reporting (SECR)

To effectively manage and monitor our greenhouse gas (GHG) emissions, we report our business carbon footprint (BCF) on an annual basis, with internal performance tracked monthly. Our BCF currently focuses on Scope 1 and Scope 2 emissions, measured in kilotonnes of CO₂ equivalent (ktCO₂e), providing a clear view of emissions from our direct operations and purchased energy.

We also disclose selected Scope 3 emissions, including business travel and operational waste. During RIIO-GT3, we are expanding the reporting of Scope 3 emissions by identifying material categories, developing methodologies and enhancing data collection. Additional categories will be incorporated into future BCF disclosures to improve transparency.

Streamlined Energy and Carbon Reporting	2025/26	2024/25	2023/24	2022/23
Energy consumption used to calculate emissions (kWh)	Invoiced gas: 1,821,920 Invoiced electricity: 161,892,653 Fuel for operational fleet: 8,246,284 Compressor fleet and minor combustion plant: 709,006,493	Invoiced gas: 1,751,892 Invoiced electricity: 159,820,501 Fuel for operational fleet: 7,585,284 Compressor fleet and minor combustion plant: 743,103,086	Invoiced gas: 2,170,454 Invoiced electricity: 180,157,031 Fuel for operational fleet: 6,969,106 Compressor fleet and minor combustion plant (diesel and natural gas): 1,033,197,428	Invoiced gas: 2,643,978 Invoiced electricity: 194,875,629 Fuel for operational fleet: 7,042,563 Compressor fleet and diesel minor combustion plant: 1,545,780,863
Emissions from combustion of gas (Scope 1) (includes invoiced gas in buildings and compressor fleet combustion, and natural gas minor combustion plant from 2023/24 onwards) (tCO ₂ e)	175,249	*156,113 (correct for 2024/25)†	192,322	308,470
Emissions from combustion of fuel for transport purposes (Scope 1) (includes operational fleet and business mileage) (tCO ₂ e)	2,512	2,314	2,276	2,392
Emissions from business travel in rental cars or employee-owned vehicles, where company is responsible for purchasing the fuel (Scope 3) (tCO ₂ e)	273	238	233	207
Emissions from purchased electricity (Scope 2, location-based) (excluding EVs) (tCO ₂ e)	28,655	33,398	37,306	37,695
Total gross tCO ₂ e based on above	206,689	**192,063 (correct for 2024/25)†	232,137	348,764
Intensity ratio: tCO ₂ e gross figure based on mandatory fields above /mcm throughput of natural gas	2.88	2.6	3.05	3.7
Methodology	Data sources aligned to comparison years with use of 2025 DESNZ/BEIS conversion factors for tCO ₂ e conversions and the UK Greenhouse Gas Inventory carbon emission factors and calorific values for compressor combustion.	Data sources aligned to comparison years with use of 2024 DESNZ/BEIS conversion factors for tCO ₂ e conversions and the UK Greenhouse Gas Inventory carbon emission factors and calorific values for compressor combustion. The emissions from the combustion of gas and resulting total emissions have been restated due to previous year’s underreporting of tCO ₂ e.	Data sources aligned to comparison year with use of 2023 DESNZ/BEIS conversion factors for tCO ₂ e conversions. There is a minor difference between the reporting and comparison year with inclusion of natural gas minor combustion plant data for 2023/24.	Data sources include energy invoices, meter reads, run hours and supplier reports. The above figures have been converted into kWh from litres or TJ or from activity data to tCO ₂ e using the 2022 DESNZ/BEIS conversion factors.

*156,022 (reported for 2024/25) amended for this report.
**191,972 (reported for 2024/25) amended for this report.

Being a responsible business continued

Climate-related financial disclosures

Managing our climate-related risks and opportunities

Effective for periods commencing on or after 6 April 2022, the Climate-related Financial Disclosures (CFD) Regulations 2022 have been introduced in the UK to report on material climate-related matters.

For the year ended 31 March 2026, the Group met the relevant threshold of having more than 500 employees and a turnover of more than £500m. The Group has therefore set out below the disclosures covering how climate change is addressed in corporate governance, the principal climate risks and opportunities and their potential impacts, how climate-related risks and opportunities are identified, assessed and managed, and the performance metrics and targets applied in managing these issues in compliance with CFD disclosure requirements.

In our third full year as a stand-alone business, we have achieved greater maturity in the management of climate-related issues. This report builds on previous disclosures and provides details on our approach to understanding and managing climate-related risks. This includes governance, strategy, risk management, metrics and targets.

We are actively preparing for upcoming changes to UK law, most significantly the introduction of the UK Sustainability Reporting Standards, to ensure that we are ready to report on new regulations when required to do so. Climate change remains a core issue in our double materiality ESG framework, and we continue to work on mitigating the risks against the business, whilst lowering our impact on the environment.

Governance

Board

Board composition

As of the date of this report, the Board is made up of five Shareholder Appointed Directors, two Sufficiently Independent Directors (SIDS), our Chief Executive Officer, Jon Butterworth, and Chief Financial Officer, Nick Hooper. The full composition of the Board can be seen on page [68](#). The Board has six scheduled Board meetings a year, with a particular focus on overseeing operational performance and the strategic direction of our business as agreed by the Board.

The Board has overall responsibility for setting the long-term strategic direction of the Group, and in doing this considers factors related to climate change. The Board has delegated the setting of the Group’s climate-related strategy and achievement of associated initiatives and targets to the Safety, Security and Sustainability Committee. The role of Board committees in managing climate-related issues is detailed below:

- Safety, Security and Sustainability Committee (SSSC or the Committee): Assists and supports the Board in fulfilling its responsibilities and commitments to climate initiatives. Responsible for assessing climate-related risks and opportunities, and managing them alongside the Audit and Risk Committee. Assists the Board in providing guidance and direction to the Group’s safety, health and sustainability strategies and monitoring performance against the Group’s safety, health and sustainability ambitions, including climate-related risks and opportunities and monitoring the Group’s pathway to achieving its net zero carbon ambitions. The SSSC reviews climate-related risk and recommends any changes to risk profiles to the Board.

- Audit and Risk Committee (ARC): Supports the Board in ensuring that the sustainability and climate-related risks and opportunities are effectively managed by overseeing the risk management framework and ensuring principal risks are comprehensive and mapped to key business priorities. Responsible for identifying risks and opportunities, and jointly managing them alongside the SSSC.
- Remuneration and Nominations Committee: Ensures alignment of the executives’ remuneration to the Group’s climate-related targets by incorporating environmental measures into their short and long-term incentives.
- Regulation Committee: Oversees the Group’s compliance with its licence and other regulatory obligations. Through its work in overseeing the development of the Group’s business plan, it ensures commitments in the plan support the Group’s ambitions.

Management

National Gas operates a ‘three-lines’ approach to risk management. Responsibility for managing risk rests with each separate, first-line business function. The executives own and maintain risk for their function; they are responsible for conducting regular risk assessment reviews and ensuring the adequacy of their controls and mitigations to manage the risks. First-line executive committees manage oversight of the individual business functions.

The process is underpinned by our Risk and Assurance functions in the second line, with additional governance from the Executive Risk Committee (ERC) who escalate to the ARC and SSSC. A third line of defence is provided by our internal audit function.

The CEO has day-to-day responsibility for sustainability and climate-related matters and is responsible for executing the Company’s climate change strategy, supported by the Executive Committee. Oversight of the delivery of our ESG metrics is considered by the Executive Committee on a monthly basis, ensuring management is fully aware of our progress against our commitments, including climate-related metrics.

The SSSC met three times during the year. Progress against our climate change related commitments, as set out in our RIIO-T2 Environmental Action Plan, was an integral part of the Committee’s agenda throughout the year. The Committee also reviewed and recommended commitments for our RIIO-GT3 Environmental Action Plan, and will continue to perform this function in the new regulatory period.

The membership of the SSSC consists of non-executive Shareholder Nominated Directors or members appointed by the shareholders. The Committee is chaired by one of our Shareholder Nominated Directors, and all Board members can attend the meetings. The Chief Executive Officer, the Chief Financial Officer, the Engineering & Asset Management Director, the Head of Safety, Health and Wellbeing, the Head of Risk, Internal Audit and Assurance, and the General Counsel attend meetings and provide management oversight. The Committee Chair reports back to the Board after every meeting on key discussions and decisions taken.

The Board has overall responsibility for oversight of risk and for maintaining a robust risk-management and internal control system. It monitors our strategic, reputational, financial and operational risks, and other longer-term threats, trends and challenges facing us. Climate change is a consideration in the Environmental and Net Zero strategic risks. This is reviewed as part of the Board’s annual review of the Group’s risk profile.

The SSSC considers the impact of the Group’s operations on the environment, workforce, communities and other stakeholders with whom it interfaces, and how it adapts its business with respect to climate change. It provides guidance and recommendations to the Board and ensures that the safety and sustainability strategy is embedded in both business-as-usual practices and the Group’s overall business strategy.

The Chair of the SSSC updates the Board, as required, on the following areas with regards to climate change:

Being a responsible business continued

Climate-related financial disclosures continued

- Strategy: challenge and approve the Group’s sustainability strategy, including associated Key Performance Indicators (KPIs).
- Performance: review delivery against agreed KPIs and other reporting measures in relation to climate-related risks and opportunities.
- Emissions: consider and challenge the Group’s climate-related performance, including the reduction of carbon emissions target and the progress made against the ambition to reach net zero.
- Risk: review climate-related risks and recommend any changes to the risks and the risk profiles to the ARC.
- Legislation: report on forthcoming legislation and other requirements relating to climate-related risks and opportunities likely to affect the Group, and consider how it will comply.
- Investigations: oversee key issues relating to material environmental incidents as a result of the Group’s business operations.

Strategy

Risks and opportunities

In addition to the climate-related risks encompassed within our strategic risks, National Gas has a further four climate-related risks which are considered to have a potentially material impact on the business. These risks consider the impact the Group has on the environment and reducing the carbon emissions associated with operating our business, and the impact a changing climate may have on our assets.

When considering the assessment of physical climate risks, the Group defines the time period associated with these to be in alignment with the availability of UK climate-projection scenarios and the frequency with which these are updated.

It considers risks associated with changing climate up to 2030 to be short-term, up to 2050 medium-term and 2100 long-term. In consideration of physical climate risk, we have also taken account of the return period included within the climate projections, i.e. the likelihood of a climate-related extreme weather event occurring.

Transition technological risk (short and medium-term)

There is a risk that the Group fails to manage the impacts of climate change and to meet its net zero targets because of complex systems, ageing assets and inadequate adaptation of the National Transmission System to meet Britain’s future energy requirements – leading to reputational damage, falling investor confidence, legislation non-compliance, enforcement actions and fines.

Since the last disclosure, the Group has received allowances from Ofgem for the next regulatory period, RIIO-GT3. Although no baseline allowances were requested in the business plan submission for Scope 1 and 2 reduction initiatives, Ofgem agreed with our request for an opportunity to submit a reopener application to the regulator to secure investment for decarbonisation initiatives. The investment mechanism is known as the Network Decarbonisation and Emissions Compliance reopener.

Transition reputational and policy risk (short and medium-term)

There is a risk that the Group fails to meet its net zero by 2040 ambition (2050 commitment) because of no clear glidepath to net zero Scope 1 and 2 emissions or associated decarbonisation strategy – leading to reputational damage and a fall in investor confidence, legislation non-compliance, enforcement actions and fines.

As a regulated utility, this is linked to our ability to secure investment from the regulator in assets and equipment to reduce operational carbon emissions. The regulator now has supporting net zero ambitions within its mandate, but initiatives will only be funded if they demonstrate good value for consumers. This uncertainty increases the likeliness of the risk occurring. The Group has a Science Based Target Initiative (SBTi) corporate standard v1.1 aligned Scope 1 and 2 emission reduction glidepath, however this glidepath cannot be validated due to the SBTi not accepting applications from oil and gas sector organisations. Oil and gas sector guidance from the SBTi is paused with no date set for resumption. The three-molecule strategy discussed below in the Business Strategy section provides an additional mitigation action against the net zero risk, as hydrogen and carbon dioxide transport assets can assist in the decarbonisation of the transmission system.

Transition market risk (short and medium-term)

There is a risk that market demand for the usage of the National Transmission System decreases due to the political and regulatory environment favouring alternative energy sources over gas, leading to reduced revenue and asset value.

Our three-molecule strategy, detailed in the Business Strategy and Scenario Analysis sections, provides mitigation against this risk by allowing National Gas to maintain agility in a dynamic market, maximising our core methane businesses and entering adjacent sectors to support mid- and long-term growth. Rather than committing the business to a single future pathway, the strategy defines a set of four credible scenarios across the methane, hydrogen and carbon dioxide networks, each with different operational, regulatory, technological and market implications.

Physical acute and chronic risk (short, medium and long-term)

There is a risk that acute and chronic changes to climate patterns will cause harm (damage) to a National Gas asset because of a failure to respond to known climate hazards and appropriately manage asset vulnerabilities, based on asset type characteristics and location of assets in relation to the hazard. This could lead to loss of supply, increased maintenance and asset-replacement costs. This could result in reputational damage, legislation non-compliance, enforcement actions, fines and safety/health/environment incidents.

As part of our Climate Adaptation Report, published in 2024, we identified two high risks (raised temperatures and erosion) and seven moderate risks (flooding from rivers and rainfall, tidal flooding, ground movement, wind damage, vegetation growth, lightning and snow). We completed site-specific climate change risk assessments of our compressor stations in 2024 to identify the locations that have the highest exposure to physical climate risk. We have secured investment to undertake detailed flood survey and design assessments at 19 sites, and temperature risk assessments at 27 sites, in the RIIO-GT3 period – enabling us to assess these risks at a site level, and develop long-term mitigation strategies.

Opportunities

The business has various climate-related opportunities associated with our three-molecule approach. This involves the use of our network for the transportation of hydrogen and carbon dioxide, as well as natural gas. More details can be found in the Business Strategy section.

The National Gas Innovation Strategy includes a number of climate-related opportunities.

Being a responsible business continued

Climate-related financial disclosures continued

Asset development (short and medium-term): Developing net zero ready, resilient assets with optimised maintenance systems, including developing novel hydrogen and carbon dioxide assets, waste heat recovery and electrochemical compression.

Business development (short and medium-term): Enabling future markets and customers of the gas network by ensuring business systems and processes are relevant for net zero, including developing new employee skills for operating our three-molecule network, exploring alternative uses for pipes to support a decarbonised energy system, and increasing biomethane connections.

MORE INFO: read about our [Innovation Strategy](#).

Business strategy

Consideration of physical climate risk and the potential impact on the safe and resilient operation of the transmission system has been embedded within the Strategic Asset Management Plan for the Group. Dedicated asset-management objectives associated with environmental impact and the energy transition are within our RIIO-T2 commitments. Within the RIIO-GT3 business plan, a Climate Resilience Strategy (CRS) was submitted to Ofgem. The CRS sets out our holistic approach to maintaining an appropriate level of climate resilience for our current natural gas network, and includes investments to address the climate hazards scoring highest in our Adaptation Reporting Power (ARP) report to the Department for Environment, Food & Rural Affairs (DEFRA) in December 2024. These are listed in the physical acute and chronic risks above. For the regulated business, strategy and financial planning is linked to the regulatory process with Ofgem which is a five-yearly cycle.

MORE INFO: read about our [RIIO-GT3 Climate Resilience Strategy](#).

National Gas is using a three-molecule approach to ensure the business is resilient in relation to transition risks in our sector. The three-molecule approach encompasses the continuation of natural gas delivery, while reducing the carbon content through biomethane and hydrogen blending and the use of carbon capture and storage (CCS) to capture emissions; alongside the rollout of 100% hydrogen pipelines as we transition to net zero.

Our flagship projects:

- Project Union: repurposing existing gas transmission pipelines and building new pipelines to create a core hydrogen network for the UK.
- FutureGrid: providing vital insights into hydrogen transporting and blending, to support the full-scale conversion to hydrogen.
- SCO₂T Connect: supporting the development of CCS in the Scottish cluster.

For more details on our business model and strategic direction, see pages [13](#) and [20](#).

National Gas believes our business model and strategy is resilient to the identified climate-related risks over the short- and medium-term time horizons identified as 2030 and 2050.

Scenario analysis

Transition risk

To understand the climate-related risks and opportunities that could impact our business in the future, we have carried out transition risk scenario analysis. This analysis was updated in March 2026. We have considered scenarios up to 2050, aligning with our net zero pathway and our medium-term risk timescale. The scenarios are bespoke and based on our scenario-based business strategy, approved by the Board in FY26, and have been selected to show a range of possibilities for the future usage of the National Transmission System. They align with our short and medium-term risk timelines as these are relevant to our transition risks listed in the section above, and our current strategy runs until 2050. Whilst all scenarios present significant risks to the business, which must be appropriately managed, there are also opportunities to adapt our network and operations to support the net zero transition.

Rapid decarbonisation scenario (low temperature increase) – 1.5 degrees

In this scenario, the UK operates within a growing global economy with low interest rates, stable inflation and minimal trade barriers. Governments prioritise globalisation, free trade and devolved policymaking.

Industrial competitiveness remains low, but the UK shifts towards battery manufacturing and clean energy technologies, supported by high carbon prices. Society enjoys high living standards and low energy costs, as energy demand declines due to strong consumer-led efficiency measures and a shrinking population.

Technological progress accelerates, driving down renewable costs and fuelling a boom in behind-the-meter solutions and distributed energy systems. Regulatory frameworks decentralise, with Independent Distribution Network Operators proliferating and transmission networks losing value as local generation grows. Carbon budgets are strictly enforced.

Wholesale energy prices fall amid declining demand, widespread demand-side response (DSR) and growth in off-grid solutions. Fossil fuel demand plummets, reducing imports significantly. Consumers exhibit very high engagement, embracing DSR, vehicle-to-grid and energy-efficiency measures, while prioritising clean energy and environmental goals over affordability.

Likely business impacts:

- Methane sees a significant reduction in domestic, industrial and power generation demand. Roughly two-thirds of compressor stations will be decommissioned by 2050.
- Hydrogen sees some growth, but it is limited to transport and power sectors. Limited infrastructure is developed beyond initial clusters.
- CCS infrastructure will be used to decarbonise industry, with large-scale opportunities associated with early clusters. However, energy-efficiency gains reduce the need to store carbon in the long-term.
- Due to the large reduction in methane demand and limited growth in the hydrogen and CCS sectors, National Gas will see a significant reduction in revenue and asset value.

Hybrid scenario (medium temperature increase) – 2.5 degrees

In this scenario, the UK operates within a strong global economy characterised by robust growth, low interest rates and stable inflation. Governments look to strike a balance between achieving net zero goals and sustaining economic growth, with energy supply diversification as a top priority.

The industrial landscape is highly competitive across the UK and EU, driven by high carbon prices that incentivise emissions reduction while supporting strategies to retain and grow heavy industry. Society enjoys high living standards, stable energy costs and strong energy demand, even as the population gradually declines.

Being a responsible business continued

Climate-related financial disclosures continued

Technological progress accelerates across sectors, making low-carbon hydrogen more affordable and pushing CCS into the mainstream. Regulatory frameworks tighten, with centralised energy policy and stricter adherence to carbon budgets, while regulators focus on building a diversified energy network spanning both molecules and electrons.

Wholesale energy costs fall due to abundant global production, and the UK prioritises reducing energy imports to limit price exposure. Consumers remain relatively disengaged and resistant to behavioural change, placing security of supply above environmental considerations.

Likely business impacts:

- Methane sees a reduction in domestic and industrial demand, but plays an increasing role in power generation. Roughly one-third of compressor stations will be decommissioned by 2050.
- Hydrogen plays a significant role in power generation and transport. Multiple clusters and interconnections are needed.
- CCS infrastructure supports carbon dioxide use across several sectors and is supported by high carbon prices.
- Continued methane usage along with significant roles for hydrogen and CCS result in a diversified and resilient business model for National Gas, providing strong revenue for the business.

Slow decarbonisation scenario (high temperature increase) – 4 degrees

In this scenario, the global economy faces a recession, marked by high inflation, elevated interest rates and trade tariffs between major economies. Governments prioritise energy security and domestic resource maximisation over climate commitments.

Industrial competitiveness declines, with carbon pricing removed and fossil fuel subsidies sustaining demand. Governing bodies and regulators pull back on net zero commitments.

Socio-economic conditions worsen, with lower living standards. Energy costs fall due to cheap fossil fuels and the removal of renewable subsidies, keeping energy demand stable. Technological progress slows as material costs rise, halting reductions in renewable costs and limiting innovation.

Wholesale energy prices remain low due to global oil and gas oversupply, while the UK prioritises domestic production but still relies on imports. Consumers show minimal engagement, sticking with gas heating as heat pumps lose favour. Electricity demand grows modestly due to electric vehicle adoption and low energy efficiency, but affordability becomes the overriding priority.

Likely business impacts:

- Methane sees continued domestic and industrial usage and is still required for power generation.
- Hydrogen infrastructure has limited development beyond initial clusters due to unfavourable economics.
- CCS infrastructure has limited development due to lack of environmental concern limiting build out.
- High methane usage offsets limited growth in hydrogen and CCS, and the National Gas business model and revenue remains resilient.

Overall, National Gas remains resilient in the hybrid and slow decarbonisation scenarios, with regards to transition risk. However, the rapid decarbonisation scenario results in a much lower usage of the National Transmission System.

Physical risk

National Gas undertook its last physical climate risk assessment as part of the fourth round Adaptation Reporting Power (ARP4) report to the Department for Environment, Food & Rural Affairs (DEFRA) in December 2024. As a Critical National Infrastructure (CNI) owner, we are invited to report through this process, typically on a five-yearly cycle. This is in addition to the assessment of physical climate risk to assets, which is undertaken annually. The Climate Change Act 2008 gives the Secretary of State the power to direct reporting authorities (bodies with ‘functions of a public nature’ and ‘statutory undertakers’) to produce reports on what they are doing to adapt to climate change. The power is referred to as the ‘Adaptation Reporting Power’. The Government’s Adaptation Sub-Committee reviews the outputs of the ARP process, which in turn supports the Government’s National Adaptation Programme (NAP) and future UK Climate Change Risk Assessments. The ARP4 reporting round took place two years early, following a recommendation from the Climate Change Committee (CCC) that the Adaptation Reporting Power cycle should be synchronised with the NAP.

In the 2024 report, we formally assessed 26 climate-related risks and scored these on a likelihood/impact matrix, which was common and agreed amongst Great Britain’s gas networks during the ARP3 reporting round. In the development of our ARP4 report, the Group reviewed the ARP3 risks and removed those linked to previous ownership. In undertaking this review, four additional National Gas specific risks were added to the 22 gas-sector specific risks considered by the gas transmission and distribution networks in ARP3. In ARP4, reporters were asked by DEFRA to consider a present-day risk score, plus a 2050 and 2100 risk score, based on business as usual.

The ARP4 assessment found that since ARP3, the considered present day risk from erosion (specifically pipeline crossings) has increased. There has however, been minimal change in the remaining risks. The view to 2050 sees the continued impact of raised temperatures alongside increased impacts from flooding and erosion. Our 2100 assessment sees the impact from these climate risks continuing, but their likelihood and overall risk score slightly increasing, consistent with UKCP18 projections of increasingly warmer and drier summers, wetter winters, sea level rises and increased frequency of weather extremes.

The site-specific climate change risk assessments for all compressor stations on the transmission system were completed in 2024, to fulfil a specific requirement set by the Environment Agency, and used to inform the updated ARP4 risk assessment.

National Gas is committed to continuing activities linked to reviewing standards and specifications, flood risk assessment and river scour modelling, to help mitigate the present and anticipated impacts of climate change.

As with the previous round of reporting, climate risk scores for 2050 and 2100 are based on the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 8.5. RCP8.5 assumes an increase in global mean surface temperature of 4.3°C over 2081 to 2100, compared to the pre-industrial period (average between 1850–1900). The RCP8.5 scenario is expected to occur by the close of the current century, if global emissions continue unabated at their current rate. Electricity and gas systems justify the decision to omit the 2°C degree projections (RCP 2.6, RCP 4.5 and RCP 6.0) as the industry adapts to worse-case scenarios and any adaptation and mitigation progress towards the 4°C scenario will encompass 2°C scenarios by default. However, a 2°C degree scenario will be explored by National Gas and risk scores reported as part of our second annual reporting submission to Ofgem for RIIO-GT3 and in ARP5.

While high and medium risks have been identified, the National Gas assessment is consistent with previous reports and those of the gas and electricity distribution and transmission sector, detailed in the Energy Networks Association (ENA) sector report. National Gas and Britain’s gas transmission system remain inherently resilient to physical risk, but we recognise the need to continually reappraise our climate risks and engage with regulators on financing adaptation measures to ensure this remains the case. More information can be found in our [Climate Adaptation Report](#).

Being a responsible business continued

Climate-related financial disclosures continued

Risk identification

The potential risks of climate change to the business are taken extremely seriously. National Gas is committed to assessing these risks on an ongoing basis and taking appropriate mitigation and adaptation action, where necessary. These risks and associated mitigations are managed through our risk-management framework, with appropriate executive oversight via the Executive Risk Committee (ERC) and line of sight to the National Gas Board via the Safety, Security and Sustainability Committee (SSSC).

To further support the development of our risk capability and improve transparency, we have implemented operational risk taxonomies. The environmental and climate change taxonomies have been rolled out to the business in line with ongoing improvements to the risk-management process. As part of the rollout, business areas have been asked to review their risks and raise any additional risks, including climate-related risks, where appropriate.

Through a new system, we are implementing process markers to support the identification of environmental, social and governance (ESG) risks as part of ongoing refinements to our risk-management process.

In accordance with the Enterprise Risk Management (ERM) system and the three-lines approach to risk management, each business area is responsible for identifying relevant risks. For climate-related risks, these are primarily identified by the Environment and ESG teams, using the ESG Steering Committee to discuss emerging issues with members of the Executive Committee. The risks are managed at a local level using the ERM, with oversight from the Executive function owner. Regular review occurs through the Executive Risk Committee (ERC), with relevant issues raised to the SSSC for assessment as deemed necessary. In turn, these will be escalated to the Board as required. A third line of defence is provided by internal and external audit functions.

Furthermore, at the January 2025 ERC meeting, the decision was taken to incorporate climate-related risk as a factor within each individual principal risk, to ensure robust assessment across key strategic business areas. This remains the focus of the strategic risk review for FY27.

Risk management

Climate change risks are considered as part of our ERM process. This process is the framework through which National Gas identifies, assesses, manages, monitors and reports risks. More details on our ERM can be found on page 53. It is refreshed annually, and climate-related risks undergo the same process as all other risk categories in the ERM system. This process includes identifying a series of company-wide controls and actions to mitigate the climate-related risks.

The environmental risks are owned by the Engineering and Asset Management Director. These risks form the foundation of our climate risk adaptation and mitigation, which we are continually assessing and updating. Emerging risks are managed under our risk-management framework, with results reviewed by senior leadership through the Horizon Scanning and Emerging Risk Forum, which reports into the ERC and SSSC as required.

Climate-related risks are an integrated part of the operational risk framework and are allocated against the climate change taxonomy.

The risk assessment process has been designed to be clear and practical, giving the business readily measurable principles aligned with our purpose and values. It enables us to assess what we are, and are not, willing to do to deliver on our strategy, so that we can provide robust assessments of the risk – including environmental and climate risks. These processes are refreshed annually.

Metric	Target FY26	Achieved FY26	Target FY27	Related risk/opportunity
NO _x from compressor unit combustion*	6 kg/hour	4.50 kg/hour	6 kg/hour	All transition risks
Scope 1 and Scope 2 carbon emissions	443 ktCO ₂ e	358.1 ktCO ₂ e	430.1 ktCO ₂ e	All transition risks
Percentage of top-50 suppliers with carbon-reduction targets in place	75%	82%	N/A, metric for RIIO-T2 only	Transition reputational and policy risk
Percentage of employees who have completed environmental training	95%	99%	95%	All

Risk integration

We operate an integrated risk-management framework, which manages all categories of risk across the business, i.e. strategic, financial, operational and emerging. Business taxonomies integrate climate considerations into the overall risk-management framework.

Metrics and targets

Risk metrics and targets

National Gas has 21 environmental, social and governance (ESG) metrics used in the business across all three pillars of environment, social and governance. Each metric has a business process owner and an accountable lead on the Executive team. Four out of 21 metrics are deemed to be related to climate-related risks and opportunities. These are detailed in the table below:

GHG emissions

National Gas measures and reports on its Scope 1, 2 and 3 emissions on an annual basis, these can be found in our [SECR report](#).

Nitrogen oxide (NO_x) emissions dropped from 4.74 kg/hour in the previous financial year, the percentage of our top-50 suppliers with a carbon-reduction target fell slightly from 84% to 82%, and the percentage of employees who have completed environmental training increased from 97% to 99%. More details on the trends in Scope 1 and 2 emissions can be seen in our [SECR report](#).

*The NO_x emissions are calculated for each unit by the Predictive Emissions Monitoring System (PEMS) which is installed at each site. An extractive emissions measurement test is completed on each unit by our UKAS certified lab, which covers the full operating range of the compressor unit. These emissions are then used with a number of gas turbine and compressor train parameters (such as exhaust temperature, unit speed and fuel flow) to produce an emissions model of the unit. This model is then loaded in to the PEMS and, when the unit runs at the specific run parameters, the model calculates the relative NO_x emissions.

National Gas set out 30 targets in our RIIO-T2 Environmental Action Plan (EAP) across the pillars of climate, leadership, air quality, resources and nature. Updates on these targets can be read in our [Annual Environmental Report](#). Additionally, we are currently investigating the possibility of creating and publishing a climate transition plan.

Being a responsible business continued

Powering our people

Encouraging employees to be the energy behind the change

We believe that our future success is predicated on our ability to attract, recruit, develop and engage a capable, diverse, safe and healthy workforce who will deliver our business strategy and maximise the opportunities ahead of us.

During the year, we continued to focus on the four pillars of our employee value proposition (EVP): flexibility, growth, inclusivity and caring – empowering colleagues to excel and build rewarding careers. With these pillars in mind, and guided by our ambition to be known as an employer of choice, we delivered a range of initiatives to lead us forward.

READ MORE: about activities for value from page [46](#).

Key achievements

- Advanced workforce capability through expanded development programmes, leadership acceleration and early careers pathways, strengthening succession and internal progression
- Maintained high employee engagement during organisational change, with a favourable eNPS score of +26, while also achieving strong cultural inclusion
- Strengthened our employee offering, introducing more flexible and competitive benefits aligned to colleague needs
- Deepened employee voice and collaboration, supporting responsive action and stronger alignment with business priorities

+26

EMPLOYEE NET PROMOTER SCORE (2024/25: +29)

2.7%

MEAN GENDER PAY GAP (2024/25: 1.6%)

Five-year People Strategy

Over the next five years, our people will remain a critical lever for organisational resilience, growth and delivery against the RIIO-GT3 business plan. Aligned with our purpose to ‘Secure Britain’s Energy’ our People Strategy builds on existing strengths whilst addressing ongoing challenges.

Our People Strategy, developed and launched in FY26, is shaped around four priorities which will be critical to the success of the RIIO-GT3 period. These priorities are designed to ensure that we have a skilled and flexible workforce who are inspired to contribute fully to our business.

People Strategy priorities

1. **A skill-based approach to capability:** We will build a future-ready, agile workforce equipped with the skills to deliver the business strategy.
2. **Leaders who inspire performance at all levels:** Inspirational leaders who role model our values and drive performance through coaching and accountability.
3. **A purpose-led and inclusive culture:** People who feel connected and committed to the work we do and feel valued for their contribution.
4. **Maximising human impact through digital:** Simple and effective HR systems, that drive operational efficiency and real-time decision making.

To ensure the successful delivery of our five-year People Strategy, we have established a clear framework for tracking progress and measuring impact. Strategic milestones are aligned to each priority area and supported by a focused set of KPIs that reflect both operational effectiveness and cultural outcomes.

Progress will be monitored through a mix of quantitative and qualitative data, including engagement scores, retention rates, leadership effectiveness and employee feedback. This will be presented through a strategic dashboard to support informed decision-making and transparent reporting.

This disciplined approach will ensure our People Strategy remains dynamic, relevant and impactful, driving measurable improvements in workforce capability, culture and business performance. This is about creating clarity and connecting our people at an individual level to our purpose to ‘Secure Britain’s Energy’.

Being a responsible business continued

Powering our people continued

Flexibility: balancing work and life

Having some flexibility around when, where and how we work helps us all manage the demands of our lives at home and work, whether that’s hybrid working, varying shift patterns or more formal adjustments to our working hours.

Flexible working

We recognise that everyone has different responsibilities, priorities and ways of working, so we aim to provide the freedom for colleagues to shape how they work day to day. This includes options such as hybrid and flexible working to enable colleagues to balance personal and professional commitments, while ensuring business needs are met.

Regionalised operating model

We are evolving how we organise our workforce through our regional operating model, which brings people closer to where they live and work, reducing commuting time and strengthening connections to local communities.

This helps create a more supportive and inclusive environment, where individuals feel trusted, valued and able to bring their whole selves to work.

Family provisions policy

To support health and wellbeing, we undertook a full review of our family provisions policy to ensure it continues to meet the needs of colleagues and their families. Our ambition is to go beyond statutory requirements by providing greater security, flexibility and reassurance at important moments in our colleagues’ lives, reinforcing our commitment to being a supportive employer.

Key outcomes

- Enhanced flexibility and autonomy through hybrid and flexible options
- More locally connected workforce through new regional operating hubs
- Full review of family provisions policies to go beyond statutory requirements



Growth: developing our people

We want everyone to have the opportunity to develop, both personally and professionally. That means providing room for growth through clear pathways, development programmes and opportunities for our people to build their careers on their terms.

Learning and development

Employee development is critical to delivering our ambition, as well as to enriching our employee experience. Our established programmes develop talent at all levels, from graduates and apprentices through to leaders and executive successors.

LinkedIn Learning provides opportunities to learn for every employee. This year, the addition of curated learning around building commercial awareness and capability, as well as enhancing project management, have been a priority in preparation for RIIO-GT3. We also focused on inclusive development through initiatives like Ascend (women’s development) and Elevate (for ethnically diverse colleagues), enabling individuals to maximise their potential while supporting a more diverse leadership pipeline.

To further accelerate capability, we introduced a Talent Accelerator programme and Leadership Excellence masterclasses, enhancing leadership effectiveness, supporting internal progression and increasing succession readiness across critical roles. Recognising the impact of leadership on engagement and performance, we are prioritising building coaching capability across our leadership population. This will support improved performance, unlock innovation and create a more empowering employee experience in the year ahead.

Early careers

Our early careers programmes remain a vital source of future talent and capability. Established graduate, and operational and functional apprenticeship programmes were expanded this year to include internships, broadening access and entry routes into the organisation. We also introduced a new collaboration with the National Energy System Operator (NESO), enabling System Operator graduates to undertake exchange placements and build broader industry insight and capability.

Key outcomes

- Increased access to career pathways through new entry routes
- Strengthened future capability through cross-industry collaboration
- Increased internal progression and succession readiness
- Enhanced diversity within development pipelines



Being a responsible business continued

Powering our people continued

Caring: looking out for each other

We work towards our important goals together, while looking out for each other. Caring deeply about the reward and recognition of our employees, we make sure we have a diverse range of benefits that support our colleagues inside and outside of work.

Employee engagement and voice

Creating meaningful two-way dialogue remains central to how we support our people. Our senior leadership team regularly engages directly with colleagues through local sessions, as well as in larger forums such as our leadership summit and quarterly town halls, ensuring open and transparent communication across the organisation.

We continue to maintain constructive relationships with our Trade Union representatives, working collaboratively on key areas such as terms and conditions, as well as future-focused topics including hydrogen, skills development and the transition to green jobs.

Employee insight is gathered through a combination of agile quarterly eNPS surveys and our enhanced annual culture and engagement survey, enabling both rapid response and deeper analysis of the employee experience. During the year, we achieved an eNPS score of +26, maintaining a favourable rating despite a year of significant organisational change, including the transition to a regional operating model. Feedback insights have been used to drive targeted improvements.

In response to colleague feedback on leadership consistency and decision-making, we introduced a manager toolkit and training to strengthen one-to-one conversations, alongside embedding more localised decision-making within our new operating model to improve pace and accountability.

Reward and benefits

We continue to evolve our reward and benefits offering to meet the changing needs of our workforce and remain competitive in attracting and retaining talent. This year, enhancements included the introduction of new benefits such as technology schemes, ISA savings options and bonus sacrifice arrangements, providing greater flexibility and choice for colleagues.

Key outcomes

- Progress towards a more balanced and inclusive workforce
- Improved inclusion practices embedded into processes and leadership expectations
- External recognition of our commitment to inclusion
- Improved workforce insights enabling effective interventions



Inclusivity: a supportive culture

We have a supportive and inclusive culture where everyone is heard, valued and supported to reach their full potential. The introduction of our ‘Belonging’ survey in 2024 helps us develop an environment where we can connect, collaborate and be the best we can be.

Diversity, equity and inclusion

We continue to strengthen our inclusive culture through targeted actions, robust governance and clear accountability. Oversight is provided by the Remuneration and Nominations Committee, which monitors progress against our diversity, equity and inclusion (DEI) commitments, including transparency through our gender pay gap reporting.

We enhanced our understanding of colleague experience by integrating our Belonging survey into our annual Culture and Engagement survey. This delivered an 86% response rate (2,422 responses) and a Belonging Index of 75%, exceeding the Gartner inclusive benchmark of 70%.

To further strengthen inclusion across National Gas, we launched a five-year DEI strategy aligned to our broader People Strategy and the RIIO-GT3 period. This focuses on:

- Embedding inclusion to prepare for future workforce challenges.
- Strengthening visible leadership accountability for DEI.
- Integrating inclusive practices into everyday business processes.
- Expanding collaboration across our sector, supply chain and communities.

We also made tangible progress through key initiatives, including targeted engagement campaigns, continued investment in inclusive leadership capabilities, our second Women in Leadership Conference, and increased focus on LGBTQ+ inclusion and allyship, including participation in Birmingham Pride. External recognition included achieving Silver status in the Armed Forces Employer Recognition Scheme and attaining Disability Confident Employer (Level 2) status.

Representation and gender pay

This year our gender pay gap has remained broadly stable and we are pleased that our pay gap remains lower than the UK average. Our mean gender pay gap increased to 2.7% (from 1.6%), whilst our median pay gap improved to 0.1% (from -3.33%). While our workforce remains 72.7% male and 27.3% female, we remain focused on improving gender balance and are encouraged by the direction of travel, particularly in leadership where 31% of our leadership population are female.

MORE INFO: read about our [‘Gender Pay Gap Report’](#).

Key outcomes

- Sustained employee advocacy, reflecting positive engagement during a period of change
- Improved leadership effectiveness through capability building
- Collaborative employee relations supporting business priorities and workforce transition



Being a responsible business continued

Partnering with our communities

Supporting communities and tackling loneliness

As a national business, we’re well positioned to offer support to our local communities across Britain. Our range of social impact activities ensure we’re giving back to our neighbours and tackling inequalities for vulnerable consumers.

Our four areas of social impact activity

Community Grant Fund (CGF)

Business plan commitment to fund grants of up to £100,000 per year for causes located close to our operational and construction sites, which deliver positive social, economic and environmental impact in line with our ESG strategy.

Education and skills

Engaging the next generation in net zero and the energy transition, and inspiring those from diverse and under-represented backgrounds to consider careers in the energy sector.

Charitable giving and employee volunteering

Our approach to corporate citizenship, including charitable partnerships, employee fundraising and donations, and volunteering activities to support a range of good causes across the UK.

The Tackling Loneliness initiative

Our initiative aimed at proactively tackling loneliness in the communities where National Gas operates, with the aim of reaching isolated members of the community, engaging our employees and fostering a sense of belonging across the National Gas operational footprint.

£98,730

DONATIONS VIA OUR COMMUNITY GRANT FUND (2024/25: £93,072)

Community Grant Fund

Our Community Grant Fund allows us to support and invest in the local communities in which we operate, mitigating impacts caused by our presence, and establishing ourselves as a good neighbour. Causes and charities based near to our operational and construction sites can apply for funding of up to £20,000 to support projects that deliver positive social, environmental and economic impact in the area. We use a scaled approach to funding to ensure that any disruption caused by our activities is fairly mitigated:

- Up to £20,000 for projects based near to our construction sites.
 - Up to £10,000 for projects based near to our operational sites.
- In FY26 we provided almost £100,000 of grant funding to causes across the UK.

Social impact in action

Farm Urban

Farm Urban, located in Liverpool, is an environmental education charity empowering young people to engage with sustainable food, health and climate action through hands-on learning.

With £10,000 from the Community Grant Fund, Farm Urban delivered its Future Food Heroes programme to two primary schools in Kirkby, supporting pupils in areas of high deprivation through a six-session STEM-focused programme. Classrooms received zero-waste aquaponics produce pods, mushroom-growing kits and interactive workshops, enabling pupils to grow food while learning about circular economies and healthy choices. The project concluded with a celebration at Farm Urban’s headquarters, where pupils shared their learning, received certificates and toured Liverpool’s only vertical farm.



Peakirk Church Estate

The Peakirk Church Estate manages Foxcovert Newt Field, a 1.6-hectare area of informal open space on the edge of Werrington, Peterborough, with the aim of protecting and restoring biodiversity.

The space offers free access for walking, cycling and nature observation, and is also an important wildlife habitat, supporting grassland, hedgerows, ponds and great crested newts. Funding from the Community Grant Fund supported the Pathways and Ponds project, restoring overgrown paths, improving accessibility for wheelchairs, pushchairs and mobility scooters, and protecting sensitive habitats from invasive species. £17,000 was awarded to deliver initial restoration work with local conservation partners and to train volunteers to support ongoing maintenance, community action days and nature monitoring.



Being a responsible business continued

Partnering with our communities continued

Education and skills

We have been building national and local education and skills development partnerships and initiatives to engage the next generation in net zero, the energy transition and future career pathways.

Over the past year, we’ve continued to strengthen our educational outreach to inspire young people from diverse backgrounds into science, technology, engineering and maths (STEM), the energy sector and careers supporting the transition to net zero. By the end of RIIO-T2, we exceeded our Business Plan Commitment target, engaging more than 1,350 young people through school visits, careers events, work experience, panels and conferences.

Work experience

We welcomed 90 students from across the UK to our Warwick headquarters for a week-long work experience programme, developed with the support of the UK’s leading responsible business network, Business in the Community, and underpinned by the modern work experience standards outlined by the Careers and Enterprise Company (CEC). We use the CEC’s Universal Skills Builder Framework as the basis of our programme, and to assess our cohorts on their progress during their time with us. The Skills Builder Framework is a set of eight key employability skills that provide practical and personal development for students, applicable across all careers. The programme runs across two cohorts:

- **General business:** Providing a comprehensive, holistic view of the teams responsible for day-to-day business operations, and the variety of roles and opportunities available. The programme offers insight into core business functions including Finance, HR, Legal, Innovation and Corporate Affairs.
- **Physical and cyber security:** Built specifically to address one of our most material business areas, this programme takes a deep dive into physical and digital security. Students joined sessions on data defence, business and personal security, and created their own phishing emails. This year, students from the Sutton Trust accounted for 50% of the cohort. The Sutton Trust is a charity that champions social mobility, ensuring young people from diverse and disadvantaged backgrounds have equal access to opportunities. At least 50% of our FY26 work experience participants were from ethnically diverse backgrounds, supporting and promoting greater inclusion within engineering and business careers.

School engagement

As part of their early careers development, our graduates and apprentices developed curriculum-aligned education outreach resources through the Raising the Bar project, supporting employee-led school engagement across the UK. These resources provide relevant, ‘off-the-shelf’ activities that can be taken to schools and careers fairs, and used in-house for student visits. Colleagues also contributed to wider education outreach across the year, including joining Physics Partners for their annual Girls in STEM conference, visiting schools near our operational sites and hosting student visits at our national control centre – providing young people with real-world insights into careers leading the energy transition.

£132,784

DONATIONS TO OUR CORPORATE CHARITY BARNADO’S SINCE 2022

3,385

EMPLOYEE VOLUNTEERING HOURS (2024/25: 3,401)

Charitable giving, employee volunteering and community partnerships

We are committed to adding value to the communities where we operate, and to wider society. We enable our employees to do good work through ongoing fundraising – including up to £400 per individual per year in matched giving – dedicated community partnerships and the opportunity to take up to two days of paid annual leave for volunteering activity. Together these initiatives help ensure the impact we have on society is sustainable, meaningful and focused on tackling pressing social issues.

Barnardo’s partnership

FY26 marked the conclusion of our partnership with Barnardo’s, one of the UK’s leading children’s charities. The fundraising target of £100,000 was exceeded, with colleagues raising over £132,000 through coordinated fundraising, awareness-raising and donation campaigns delivered across National Gas. This outcome reflects strong levels of engagement and a shared commitment to social responsibility across the business. Colleagues delivered a wide range of activities throughout the year, including sponsored challenges, team-led fundraising and seasonal donation campaigns. In addition to financial contributions, colleagues provided in-kind support and helped raise awareness of key issues affecting vulnerable children and families. Initiatives included the Christmas ‘Tree of Joy’ appeal, Mother’s Day hamper creation, the ‘Safe in the Sun’ and ‘Back to School’ campaigns, and an Easter egg donation programme, collectively supporting children’s wellbeing, safety and access to essential items. The partnership concluded with a celebration event recognising the collective contribution and impact achieved. Overall, the collaboration demonstrates how colleague-led engagement can deliver meaningful, measurable social value and positive outcomes for communities across the UK.

Looking ahead: moving to a regional charity approach

From April 2026, National Gas will move from a single national charity partnership to a regionally led model, enabling deeper, more locally relevant social impact aligned to our operating structure. Building on the success of our Barnardo’s partnership, regions and central functions will each partner with a dedicated charity selected through a colleague-led nomination and voting process. Supported by fundraising, volunteering and awareness-raising activity within our established charitable-giving framework, this approach strengthens employee voice, enhances governance and helps deliver lasting impact in the communities where our people live and work.

£29,556

MATCHED GIVING VIA BENEVITY (2024/25: £16,831)

£12,200

COMPANY GIFTING VIA BENEVITY (2024/25: £5,575)

Being a responsible business continued

Partnering with our communities continued

The Tackling Loneliness initiative

The National Gas Tackling Loneliness initiative addresses a significant social challenge by strengthening connection, reducing isolation and supporting community resilience in the areas where we operate.

Launched in 2024, the initiative is delivered through locally led community hubs, strategic charity partnerships and colleague volunteering, which enables activities to respond directly to local needs and contribute to national social impact. The initiative focused on supporting people at different life stages, including young people, older individuals and those experiencing digital exclusion, with colleagues providing time, skills and local insight. The initiative was shortlisted for the edie Awards 2026 in the Social Sustainability: Funding and Livelihoods category, which reflects its robust delivery model and measurable social value.

Working with charities

Working with UK Youth, National Gas supported 237 young people to participate in Adventure Away Days, providing day and residential outdoor learning experiences that help build confidence, resilience and social connections. In partnership with Age UK, colleagues supported the Telephone Friendship programme, helping older people experiencing loneliness to build regular, meaningful connections. Through WaveLength, National Gas donated technological goods, such as tablets and televisions, to help people who are digitally excluded or socially isolated stay connected to the wider world.

Working with communities

Across the UK, colleagues delivered a diverse programme of locally led Tackling Loneliness initiatives, creating welcoming spaces and strengthening community connections. Activities ranged from community lunches, bingo events and seasonal celebrations, to creative workshops and hands-on volunteering. Together, these initiatives brought people of all ages and backgrounds together, particularly those who were living alone, new to an area or facing mental health challenges – demonstrating the scale, reach and human impact of the programme nationwide.

50

LOCALLY LED COMMUNITY EVENTS

2,101

ENGAGED COMMUNITY MEMBERS

1,300

EMPLOYEE VOLUNTEERING HOURS FOR THIS INITIATIVE

Tackling Loneliness: social value

The Tackling Loneliness initiative delivers social value by aligning colleague inputs with targeted activity and measurable community outcomes.

- Financial and in-kind support for delivery partners, including funding, facilities, refreshments and donated technology.
- Partnerships with specialist organisations, including UK Youth, Age UK and WaveLength, providing expertise and delivery capability.
- Technological equipment donated to support digital inclusion and sustained connection.
- Strong external engagement, with 39,967 views and impressions across social media during the year.
- Reduced social isolation and increased opportunities for meaningful connection across different life stages.
- Improved confidence, resilience and social skills among young people.
- Regular, trusted social contact for older people experiencing loneliness.
- Increased digital access for people who are socially or digitally isolated.
- Stronger community relationships and enhanced colleague engagement in social impact delivery.

Social impact in action

Helping Hands

We held multiple soup kitchen takeovers and community support events with Helping Hands, located in Leamington Spa, Warwickshire.

Colleagues partnered with Helping Hands to support people experiencing homelessness, isolation and hardship. Volunteers contributed more than 100 hours to soup kitchen takeovers, meal preparation and cleaning. The activity supported service users, providing food and conversation. Feedback from Helping Hands highlighted the tangible positive impact on both the space and the experience of those supported.



Tackling Loneliness at St Fergus

St Fergus in Aberdeenshire has become a flagship example of grassroots community engagement through Tackling Loneliness.

Colleagues have partnered with local organisations, including the Mission Café, to host monthly ‘Claik and Mait’ community meals, bingo nights and a range of seasonal activities. During the festive period, volunteers wrapped 120 gifts and hosted Christmas parties for older community members. Collectively, the site hosted 12 events, welcomed 711 attendees and contributed 123 volunteering hours.



Risk management

Continuous enhancement of risk management

Our strategic vision and ambition have been created and are now embedding. Since National Gas became a stand-alone business, the Board and Executive have focused on creating a strong risk culture which is aligned with our strategic vision and values. This starts with a solid tone from the top, a proactive approach to managing our risks, and clarity of roles and responsibilities within National Gas. Our risk culture will continue to develop within the organisation through focused risk training and the implementation of a new governance, risk and compliance tool within the next financial year.

Board responsibility

The Board has overall responsibility for the Company’s system of risk management and internal control: ‘Enterprise Risk Management’ (ERM). The Board’s key functions with regards to ERM include:

- to promote the interests of our shareholders, stakeholders, employees and the public.
- to set and monitor the amount of risk we are prepared to seek and accept in pursuing our strategic and operational priorities; this is our risk appetite and tolerance.
- to delegate the oversight of ERM to the Audit and Risk Committee (ARC) and the Safety, Security and Sustainability Committee (SSSC). The ARC and SSSC support the Board by regularly reviewing and monitoring the Company’s strategic risks.

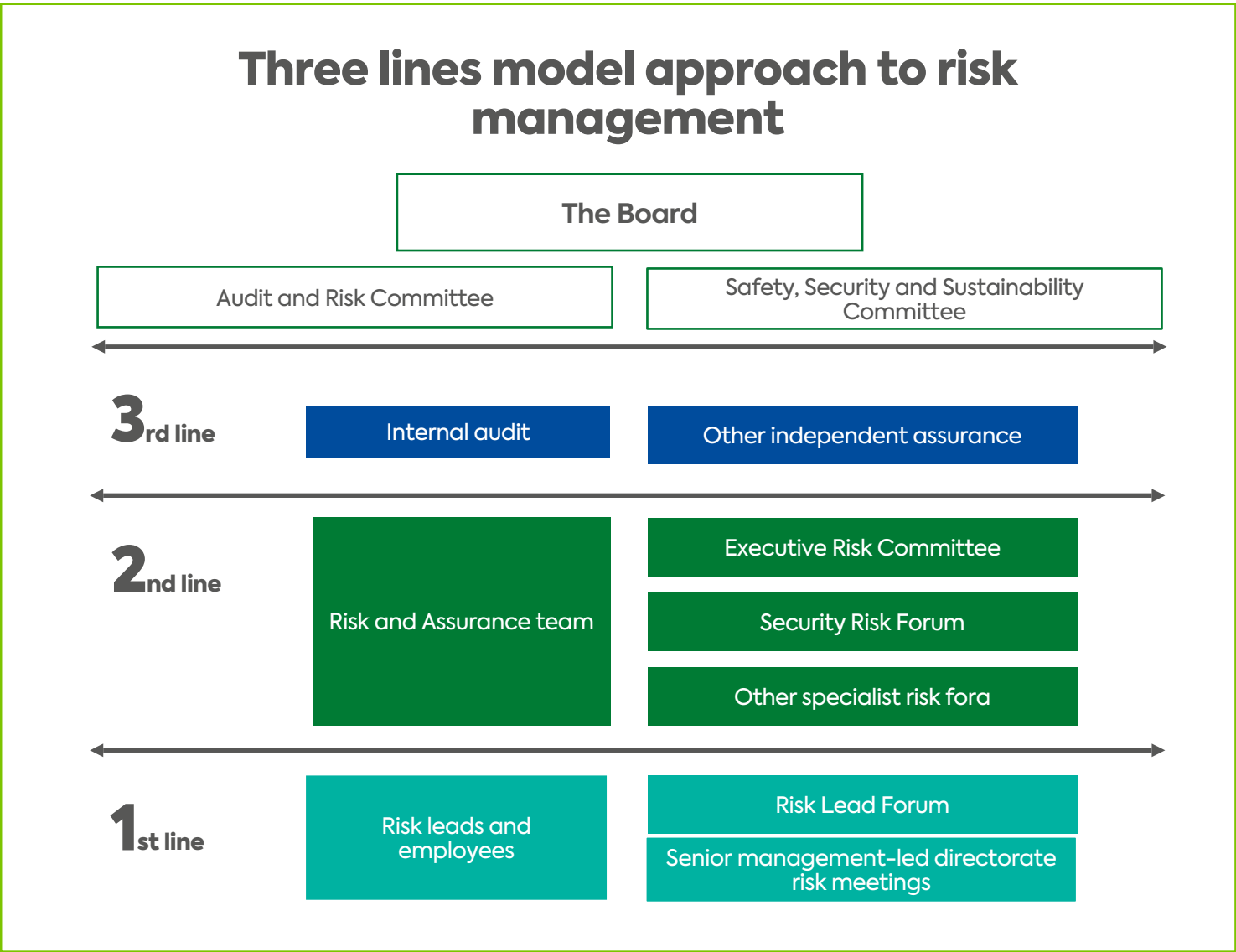
Risk management

National Gas operates a three lines approach to risk management. Responsibility for the day-to-day management of risk rests with each first-line business function. The Executive own those risks within their areas of accountability; they are responsible for conducting regular risk assessments and ensuring the adequacy of their controls and the mitigations in place to manage the risks.

The risk-management process is underpinned by our Risk, Assurance and Compliance (RAC) function in the second line. The RAC function designs, develops and oversees the implementation of the risk-management framework and provides oversight, monitoring and targeted assurance in relation to the Company’s material risks. This is supplemented by other second-line assurance activities embedded within individual business functions.

The Internal Audit function provides our third line through the delivery of its risk-based internal audit plan, alongside other independent assurance, such as our accredited ISO management systems.

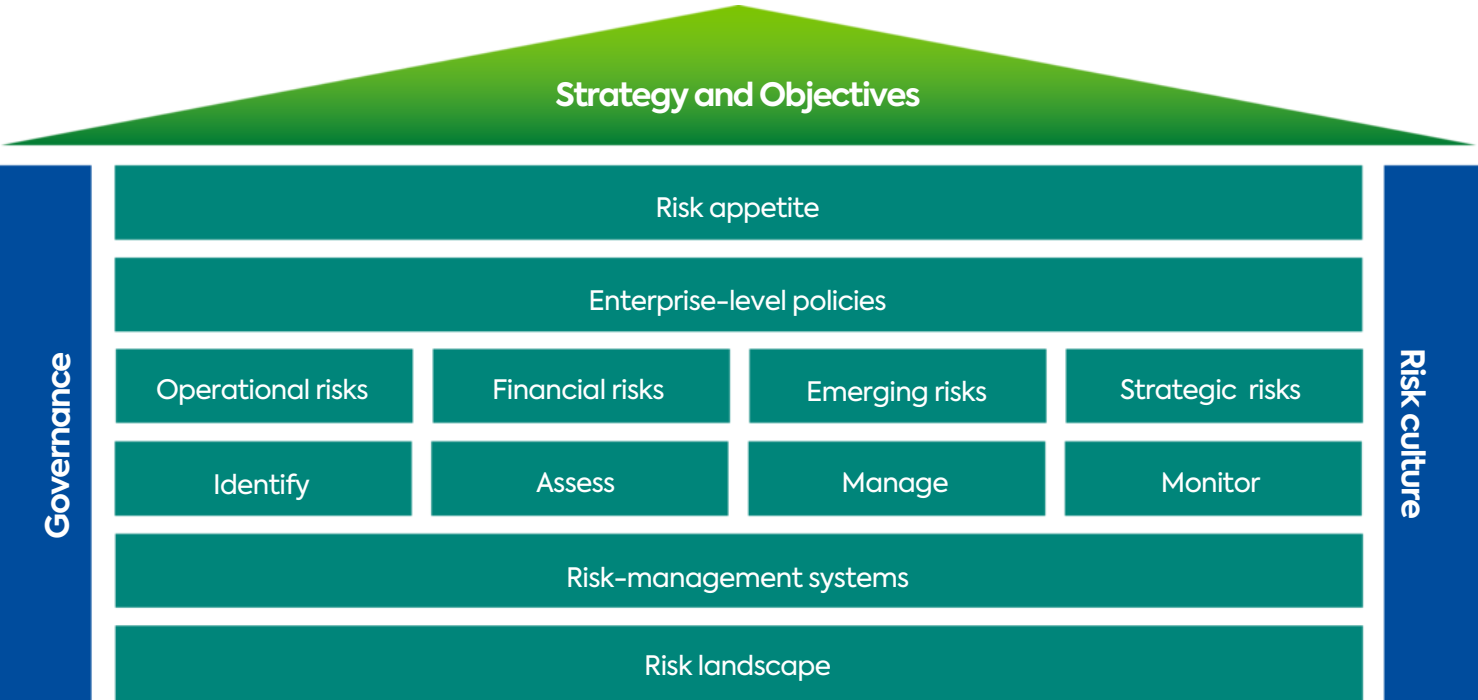
The Company’s strategic risk profile, related significant operational risks and emerging risks are presented to the Executive Risk Committee (ERC), SSSC and ARC on a quarterly basis. The SSSC and ARC will also receive the outcomes from assurance activities over the effectiveness of controls to manage strategic, operational and financial risks.



Risk management continued

Risk-management framework

Our ERM framework provides a structure for National Gas to identify, assess, manage, monitor and report risks across operational, financial, emerging and strategic risk. Risk is an inherent part of doing business, and our ERM framework is designed to be comprehensive and consistent with our broader criteria for success (especially as it is not possible to identify, anticipate or eliminate every risk that may arise).



Operational risk

Our operational risks are the risks of doing business. Understanding the specifics of our operational risks is vital to help us achieve our strategic objectives. We proactively identify and manage threats and vulnerabilities that could impact the business. A framework of operational risk categories enables improved reporting and analysis, and provides the business with a clear, consistent overview of our operational threats and opportunities.

We identify, assess, manage and monitor risks that we face in delivering our strategic and operational priorities. Risks are assessed based on their inherent, residual and target position, applying consistent impact and likelihood criteria that incorporate legal and regulatory, financial, reputational and occupational people impacts. Risks exceeding the target position have action plans setting out additional mitigating actions and timelines.

Controls are implemented by first-line business areas and monitored across first-line, second-line assurance and third-line audits. Metrics in the form of key risk indicators (KRIs), key control indicators (KCIs) and key performance indicators (KPIs) support our understanding of our risk and control environment, and ensure effective monitoring. Enterprise-level policies set consistent direction for National Gas, helping to inform our culture and provide high-level control.

A key focus for FY27 will be the new Governance, Risk and Compliance (GRC) system, which has been scoped and will be embedded to enhance reporting and insight capabilities. This will be supported by training and a new suite of documents to upskill those in the business who actively manage risk. We will continue to develop our tools and training to support the risk-management framework and ensure it remains appropriate for the business.

Financial risk

Our suite of financial risk management measures enables us to address the risk of insufficient oversight of our financing activities and exposure to financial uncertainties.

READ MORE: about our financial statements from page [92](#).

Emerging risk

Emerging risks remain an area of focus for National Gas. Looking to the horizon is important for understanding where we may experience impacts to our strategic planning. Our process identifies and monitors emerging risks based on impact and proximity, and aligns them to the categories captured below. The Horizon Scanning and Emerging Risk Forum supports the discussion and monitoring of emerging risks across the business. Emerging risk is a key theme for discussion at ERC and ARC meetings. Through identification, proactive steps can be taken to manage the potential impact of emerging risks.

Emerging risk categories

Our business is exposed to a variety of uncertainties that could have a material adverse effect on its financial, operational and reputational position. Geopolitical changes can create instability and unexpected consequences. The dynamic and increasingly sophisticated nature of cyber threats increases levels of uncertainty. Technological advancements around quantum cryptography pose an increased level of risk. Climate and biodiversity requirements are increasing and could impact our ability to create value, but can also provide us with opportunities to grow value and support positive reputational outcomes. Other emerging risk categories include:

- Economic
- Environmental
- Legal
- Political
- Sociological
- Technological

Strategic risk profile

Our strategic risks provide an overarching picture of our risk landscape, aligned to our key strategic objectives. The Board has completed a comprehensive review of the Company’s strategic risks for FY26. The Company’s eight strategic risks remain consistent with FY25. Further details on each strategic risk are set out on the next two pages.

Following the transition into the RIIO-GT3 regulatory period and our refreshed strategic priorities for FY27, a comprehensive review of the Company’s strategic risks is currently underway. This process will include a detailed assessment process to determine the risk exposure, controls in place and any further mitigation required. Once finalised, the FY27 risks will be approved by the Board and reported to the Audit and Risk Committee, in line with our governance processes, and reflected in the FY27 Annual Report and Accounts.

READ MORE: about our strategic objectives in our ‘Business Model’ on page [13](#).

Risk management continued

Strategic risks and narrative

Overview	Changes	Mitigation	Impact
Process safety			
There is a potential that we suffer a significant process safety event. Leading to a significant safety event, asset damage, lasting reputational impact (legal, regulatory and stakeholder), damage to shareholder confidence and potential disruption to GB energy supplies, financial impact and enforcement action by the regulator up to and including prohibition notices and prosecution.	Process safety is well managed, and work is always underway to identify ways to strengthen our processes. Overall, while the risk landscape has become more challenging, we have strengthened governance and established new working groups to accelerate improvement. As such, current mitigations are considered effective in managing the risk.	• Workforce competence • Permit to work • Asset design, modification and operational readiness • Records management • Third-party protection • Audit, investigation and close out	Risk trend Link to strategic objectives: 1, 2, 3 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
Occupational safety			
There is a potential we suffer a significant occupational safety or health event. Leading to significant ill health/injury, lasting reputational impact (legal, regulatory, and stakeholder), damage to shareholder confidence, a financial impact and enforcement action by the regulator up to and including prohibition notices and prosecution.	The year saw continued strengthening of occupational safety through our Building for Growth programmes, improving clarity of roles, responsibilities and accountability. We remain vigilant and continue to work to enhance health and wellbeing through occupational health surveillance and longer-term prevention.	• Health management • Workforce competence • Standards / procedures / work instructions • Audit, investigation and close out	Risk trend Link to strategic objectives: 1, 2, 3 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
Environment			
There is a potential that we fail to protect the environment. Leading to significant environmental damage, lasting reputational impact (legal, regulatory, and stakeholder), poor investor confidence and potential prosecution/financial impact.	We strengthened our environmental risk management through improved governance, training, data quality and environmental processes, with a focus on embedding responsibilities, workforce planning and fugitive emissions management.	• Environmental Action Plan delivery • Contract management	Risk trend Link to strategic objectives: 1,2, 3 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
Energy disruption			
There is a potential of significant disruption to GB energy supply. Leading to customer harm, loss of life, lasting reputational damage with regulators, politicians and customers, material financial losses, damage to investor confidence and possible loss of licence.	During the year, we continued to strengthen the control environment, supporting ongoing stability in our risk profile. Our understanding of key risk barriers has improved, alongside the development of a more robust governance framework for managing this strategic risk.	• RIIO-T2 investment programme • RIIO-GT3 business plan and investments • Resilience Summit with DESNZ/Ofgem • Energy Resilience Leadership Board • Gas Systems Programme Board • Document and policy review	Risk trend Link to strategic objectives: 1, 2, 3, 4 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH

Risk management continued

Strategic risks and narrative

Overview	Changes	Mitigation	Impact
RIIO-T2 delivery			
There is a potential that we are unable to achieve the financial commitments that the business has made for RIIO-T2 regarding underlying operating profit, asset growth, controllable cost reductions and return on equity (ROE) outperformance. Leading to financial underperformance, including potentially credit metric impacts, shareholder dissatisfaction and reputational impact.	The RIIO-T2 period closed on 31 March 2026, meaning this risk has now evolved into a closure-focused one. The overall risk assessment remains unchanged, and the existing control framework continues to operate effectively, providing confidence in the successful delivery of closure.	• RIIO-T2 project war room to oversee capital projects • RIIO-T2 close-out reviews across regulation, finance and business teams • Monthly business and financial performance reviews of tactical mitigations	Risk trend Link to strategic objectives: 2 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
Security			
There is a potential that a security breach or failure of cyber, physical or personnel security controls could lead to a loss of confidentiality, availability or integrity of IT systems and operational data, reduced safety, reliability (disruption to gas supply) or productivity of operational technology, and potential physical damage or harm to property or personnel. Impacts also include environmental, reputational, regulatory sanctions, and potential financial loss.	We have carried out a deep dive of the security risk in response to the evolving threat landscape. The assessment of this risk has been updated in line with this piece of work.	• Continual testing and review of our defences (security controls) • Delivery of the Network and Information Systems (NIS) improvement plan underpinned by the cyber and physical security RIIO-T3 portfolio of work	Risk trend Link to strategic objectives: 1, 2, 3, 4 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
Net zero transition			
There is a potential that National Gas fails to maximise the use of and return from its transmission network and onshore gas transmission knowledge in the transition to net zero. Leading to a reduced opportunity for a net zero transmission network; therefore reduced business scale and income.	Whilst there have been steps towards a net zero transmission network, uncertainty from government policy setting and delays to the formal launch of key frameworks and decisions mean that the risk continues. However, our assessment of the risk has reduced.	• Hydrogen and CCS project delivery • Development of Humber Hydrogen Pipeline • Development of Hydrogen blending options	Risk trend Link to strategic objectives: 1, 4, 5 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
RIIO-GT3 deal			
There is a potential that we fail to secure an acceptable RIIO-GT3 regulated settlement. Leading to failure to deliver the strategic and financial ambitions agreed with our shareholders, levels of network reliability and delivery through the energy transition (including climate change commitments).	We received our Final Determination for RIIO-GT3 from Ofgem on 4 December 2025, setting out the investment and outcomes we will deliver through to March 2031. Consequently, the Board has approved the closure of this risk.	Not applicable (N/A)	Risk trend Link to strategic objectives: 3, 5 N/A Impact/Likelihood: N/A

Section 172 statement

Our directors fulfil their duties under section 172 of the Companies Act 2006 to act in good faith to promote the long-term success of the Company through a well-established governance framework.

The Board recognises that stakeholder engagement is essential to the development and execution of our strategy and our ability to create long-term value whilst ensuring that business is conducted ethically and responsibly. The governance framework (outlined from page 67) underpins decision-making across the Company and the belief that stakeholder views should be considered when making long-term plans and day-to-day decisions.

The Board has identified seven stakeholder groups: our people, our regulators and the Government, our customers, suppliers, end consumers, investors and our local communities. More information about our stakeholder groups and engagement activity can be found from page 28.

The Board considers that, in the decisions taken during the year ended 31 March 2026, it has done so in accordance with section 172 of the Companies Act. In reaching these decisions, the directors carefully considered the differing priorities of stakeholders, seeking to promote and protect the long-term success and reputation of National Gas.

The different interests of our stakeholder groups are also embedded in everyday decisions made across the business and are reflected in our purpose, strategic priorities and values.

This section outlines how the Board discharges its duty under section 172, followed by some specific examples of how stakeholder factors have been considered for some of the decisions made by the Board during the year. A list of key items considered by the Board and its committees can be found in the Governance report from page 64 and for further detail on our approach to engaging with our various stakeholders, please see page 28.

S172 factors		
Consider the likely consequences of any decision in the long term		- Gas energy landscape: page 11 - Business model: page 13 - Strategic direction: page 20 - Risk management: page 51 - Finance risk management: page 122
Consider the wellbeing and interest of the Company’s employees		- Strategic direction: page 20 - CEO review: page 9 - Operating in a regulated environment: page 26 - Stakeholder engagement: page 28 - Powering our people: page 45
The need to foster relationships with suppliers, customers and others		- Stakeholder engagement: page 28 - Partnering with our communities: page 48
Consider the impact of the Company’s operations on the communities in which it operates and the environment		- Our environmental commitments: page 36 - Climate-related financial disclosure: page 40 - Partnering with our communities: page 48
Act in a way that maintains a reputation for high standards of business conduct		- Running our business ethically: page 35 - Powering our people: page 45
Act fairly between the shareholders of the Company		- Highlights at a glance: page 5 - Business model: page 13 - Dividends: page 108

How the Board is involved and has oversight of stakeholder engagement	
Our employees	- The Board leads and monitors the Company’s culture by setting the tone and framework for the Company’s values and behaviours. - The Board reviews the annual employee engagement survey results and the actions taken in response. - The Remuneration and Nominations Committee takes employee remuneration into account when determining Executive pay. - During the year, the Board approved the employee strategy for the RIIO-GT3 regulatory period. - The Board engages with employees throughout the year through site visits, Board dinners and visits to offices. - At each Board meeting, the Board receives an update on performance against people-related KPIs. - The Audit and Risk Committee oversees the policies and processes in place to ensure the Company and its employees uphold the highest standards of business integrity and receives regular updates on any significant ethics and compliance cases.
End consumers	Impact on end consumers informs Board discussions on security of supply and energy resilience.
Our customers	- At each Board meeting, the Board receives updates on meetings, site visits and forums held with our customers, including shippers, storage operators and gas distribution networks. - The Board reviews performance against the customer satisfaction score throughout the year.
Our local communities	- The Chief Executive’s report provides the Board with regular updates on corporate responsibility, community and volunteering activities. - Performance against the agreed social ESG metrics is reported to the Safety, Security and Sustainability Committee. - The Safety, Security and Sustainability Committee oversees performance against initiatives to reduce controllable Scope 1 and 2 emissions from the use of our assets and progress against the net zero decarbonisation strategy.
Our suppliers	The Board receives regular updates on suppliers and contractor performance, including summits and other engagement activity.
Our regulators and the Government	- The Board discusses engagement with the regulators and the Government at each Board meeting and relevant Board Committee meetings on matters affecting the business. - The Chair engages with the key officials from regulators and the Government. - Responses to regulatory consultations and calls for evidence are considered regularly by the Board.
Our investors	- The Shareholder Nominated Directors represent our investors and help to ensure their perspectives and interests are appropriately reflected in the Board’s decision-making. - Finance and Treasury Steering Group meetings provide the Shareholder Nominated Directors with the opportunity to consider and contribute to the development of financial and treasury proposals, as well as longer-term financial priorities.

Section 172 statement continued

Key Board decisions

The Board considers the needs and priorities of stakeholders when making decisions. Below are some examples of how the Board demonstrated due regard to the matters set out in section 172(1).

Stakeholders	Considerations	Decisions and outcomes
RIIO-GT3 business plan		
• Our employees • End consumers • Our customers • Our local communities • Our regulators and the Government • Our investors	In December 2025, we received the Final Determination from Ofgem in response to our RIIO-GT3 business plan submission. The Board carefully considered the Draft and Final Determination, including the deliverability of the plan within the total expenditure allowance and the potential opportunities for additional funding through uncertainty mechanisms to deliver major programmes that will improve the resilience of our operations and network. Customers, end consumers, our local communities, the impact on our employees and our investors were taken into account during the development of the business plan and in formulating responses to the draft and final determinations. The Board recognises the importance of keeping bills affordable for end consumers, ensuring energy security for our customers, considering the impact of our operations on our local communities and the impact of delivery of the business plan on our employees. The Board also carefully considered the deliverability of the plan and the impact on our investors. The Company also held frequent meetings with Ofgem throughout the process to ensure that its views and perceptions were factored into the Board’s deliberations and the development of the engagement strategy to respond to the draft and final determinations.	The Board invested considerable time in reviewing the consequences of accepting the Final Determination, taking into account the impact that the delivery of the RIIO-GT3 business plan will have on all stakeholders, and in February 2026 agreed to accept the form published by Ofgem. In reaching its decision, the Board reviewed the consequences of accepting the Final Determination and considered the RIIO-GT3 business plan to be deliverable, encompassing an appropriate range of activities and investments that will bring value for all the stakeholder groups. It will ensure that National Gas continues to serve the country’s energy needs reliably and affordably, while also helping to enable the nation to transition to a net zero energy system.
Digital strategy		
• Our employees • End consumers • Our customers • Our suppliers • Our regulators and Government • Our investors	Targeted and indiscriminate threats to the security and resilience of our digital infrastructure, and that of third parties, continue to evolve rapidly and are becoming increasingly prevalent across industries globally. In light of this, the Board considered a refreshed digital strategy aimed at strengthening our resilience against threats but also leveraging digital technologies to drive engineering and operational excellence. The Board considered the specific initiatives, priorities and opportunities and the importance for ongoing investment, diligence and responsiveness to the increase in associated risks. The digital strategy is heavily dependent on investment opportunities in RIIO-GT3, and insights gained from various stakeholder groups were reflected in the IT and cyber sections of the RIIO-GT3 business plan. In considering the updated strategy, the Board explored value leavers and took into account the perspectives of various stakeholder groups, including our customers, suppliers, investors and employees.	The Board approved the refreshed digital strategy aimed at strengthening the Company’s management of data, and its ability to respond rapidly to advancements in artificial technology and cyber threats. The Board believes that the strategy will support opportunities for National Gas to protect itself against increases in threats, and underpins the Company’s commitment to play a part in safeguarding the country’s energy security.
Humber Hydrogen Pipeline project		
• Our employees • End consumers • Our customers • Our suppliers • Our local communities • Our regulators and Government • Our investors	The Board considered the Company’s involvement in the Humber Hydrogen Pipeline project, a proposal to build a network to transfer hydrogen between local-scale production, usage and storage in the Humber region. In considering approval of a joint development agreement with the project partners, the directors considered the long-term strategic benefits of participation in the project, including strengthening the Company’s position in hydrogen transport, supporting future growth opportunities and enhancing its competitive position. The Board also considered the financial exposure and associated risks, including staged decision gates, together with the broader impact on stakeholders, government engagement and the Company’s reputation in supporting the energy transition.	The Board approved the Company’s continued participation in the Humber Hydrogen Pipeline project. In reaching its decision, the Board considered the potential benefits that the project will have for all stakeholder groups, including the opportunity for the Company to strengthen hydrogen infrastructure capability, support lower-carbon energy development, improve network resilience and optionality, create future supplier opportunities, enhance the Company’s strategic position in a government-backed growth area, and contribute to wider decarbonisation, energy resilience and regional industrial growth objectives.

Non-financial and sustainability information statement

Our Annual Report contains a range of non-financial and sustainability information. To comply with the non-financial reporting requirements (NFR) contained in sections 414CA and 414CB of the Companies Act 2006, we are providing the details below to help stakeholders understand our key non-financial and sustainability matters.

Subject matter	Reference in 2025/26 Annual Report and Accounts	Our policies and other relevant documents
a. Environmental matters	Our environmental commitments: page 43 Climate-related financial disclosure: page 47	National Gas Environmental Action Plan National Gas Annual Environmental Report Climate Change Adaptation Report 2024
b. Our people	Being a responsible business: page 36 Powering our people: page 56 Diversity, equity and inclusion: page 58 Our Board: page 80 Our Executive team: page 83	National Gas Gender Pay Gap Report National Gas Code of Ethics and Speak-Up Policy DE&I at National Gas
c. Anti-bribery and corruption	Running our business ethically: page 42	National Gas Anti-Bribery and Corruption Policy National Gas Modern Slavery and Human Trafficking Statement
d. Social matters	Partnering with others to help our communities: page 52	National Gas Community Grant Fund
e. Risk	Risk management: page 60	
f. Other matters	Our business at a glance: page 5 Our business model: page 13 Innovation in motion: page 24 Operating in a regulated environment: page 27 Stakeholder engagement: page 30 Safe every day: page 38 Securing our people, assets and data: page 40 Our group structure: page 78	National Gas Supplier Code of Conduct National Gas Tax Strategy National Gas Privacy Policy National Gas Innovation Strategy 2025

Financial review



Our continued focus on operational outcomes and financial discipline delivered strong results, ensuring value for our stakeholders, providing a resilient platform to deliver our ambitious plans for the next price control.

Nick Hooper, Chief Financial Officer

Key highlights

We continued to deliver strong regulatory performance in 2025/26. 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 £695 million, growth of £100 million from £595 million in 2024/25. This was largely driven by a £74 million increase in revenue to £1,625 million and a reduction in operating costs by £26 million to £930 million. Operating costs decreased in 2025/26, largely reflecting £63 million lower exceptional costs following completion of our separation from National Grid. This was partly offset by a £37 million increase in non-exceptional operating costs, mainly due to other pass-through costs.

Adjusted operating profit increased by £37 million to £691 million in 2025/26 due to the revenue and non-exceptional operating cost movements referenced above.

The £74 million growth in revenue reflects:

- A £154 million net increase in allowed and other revenues reflecting higher activity levels in the final year of RIIO-T2, including additional work awarded under uncertainty mechanisms, and inflation;
- A £44 million increase in tax allowance revenue, primarily reflecting that the prior year was lower due to a £67 million return of revenue, arising from over-collection in 2023/24 following tax capital allowance legislative changes;
- Offset by a £124 million year-on-year timing¹ difference, largely due to the repayment of prior year over-recovery of collected revenue.

After adjusting for timing differences and exceptional items, operating profit improved by £161 million year-on-year, driven by higher totex allowances associated with increased activity during the final year of the price control period, and the impact of indexation.

¹For explanation on timing under/over recoveries, refer to the regulated financial performance section of the Financial Review and the glossary.

Financial highlights

£1,625m

(2024/25: £1,551m)

Revenue

£691m

(2024/25: £654m)

Operating profit before exceptional costs

£713m

(2024/25: £710m)

Profit before tax

£690m

(2024/25: £576m)

Total Capex additions

£7,953m

2024/25: £7,612m)

Regulatory closing asset value

4.5%

(2024/25: 4.2%)

Regulatory asset value growth percentage

9.0%

(2024/25: 9.4%)

RoE (return on equity)

£3,767m

(2024/25: £3,768m)

Net assets

Financial review continued

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.

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

Exceptional items were included within operating profit for the year ended 31 March 2025, relating to the establishment of a stand-alone operating model. These activities have now been completed, and no further separation-related costs incurred in 2025/26. Exceptional items for 2025/26 relate to cost recoveries following project cancellations. Further details can be found in note 5.

Unadjusted and adjusted profit figures are provided below:

Years ended 31 March		
	2026	2025
	£m	£m
Adjusted operating profit	691	654
Exceptional items ¹	4	(59)
Total operating profit	695	595

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		
	2026	2025
	£m	£m
Adjusted operating profit	691	654
Adjusted net finance income/(costs)	23	115
Adjusted profit before tax	714	769
Adjusted taxation	(180)	(194)
Adjusted profit after tax	534	575
Adjusted profit after tax (earnings)	534	575
Exceptional items after tax and remeasurements	(1)	(44)
Profit after tax (earnings)	533	531

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 in note 3 of the financial statements (Revenue).

Years ended 31 March		
	2026	2025
	£m	£m
Adjusted operating profit excluding timing differences	741	580
Timing differences	(50)	74
Adjusted operating profit	691	654
Exceptional items	4	(59)
Total operating profit	695	595

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 increased by £161 million. Adjusting the prior year for the impact of the tax capital allowance legislative changes of £67 million, profits are up by £94 million due to higher allowances reflecting increased activity levels in the final year of the price control period, including additional work awarded under uncertainty mechanisms, and year-on-year indexation.

Timing differences of £50 million for 2025/26 primarily relate to repayment of prior year over-recovery of collected revenue.

Financial review continued

Consolidated income statement

The commentary below describes the continuing business results for the year ending 31 March 2026.

Years ended 31 March		
	2026	2025
	£m	£m
Revenue	1,625	1,551
Operating costs before exceptionals	(934)	(897)
Adjusted operating profit	691	654
Exceptional items	4	(59)
Finance income	219	308
Finance costs:		
Before remeasurements	(196)	(193)
Remeasurements	(5)	0
Profit before tax	713	710
Taxation:		
Before exceptional items and remeasurements	(180)	(194)
Exceptional items and remeasurements	—	15
Profit after tax	533	531

Revenue

Revenue for the year ended 31 March 2026 increased by £74 million to £1,625 million, primarily due to higher regulated allowances under the PCFM (Price Control Finance Model) and 2024/25 included the one-off impact of tax capital allowance legislation changes announced in the Autumn Statement in November 2023 (after the PCFM was finalised for 2023/24).

Operating costs before exceptionals

Operating costs increased by £37 million to £934 million, driven by increased other pass-through costs and depreciation, partially offset by lower purchases of gas costs.

Operating profit

Adjusted operating profit for the year ended 31 March 2026 of £691 million represents an increase against last year of £37 million, primarily due to higher revenue, partially offset by increased operating costs, as explained in the 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 reduced from £59 million in 2024/25 to a credit of £4 million in 2025/26 mainly due to the completion of our separation from National Grid. The £4 million credit in 2025/26 represents cost recoveries from a customer, following the cancellation of a pipeline construction project.

Net finance costs

For the year ended 31 March 2026, net finance income before exceptional items and remeasurements decreased by £92 million from £115 million to £23 million net finance income. This is primarily due to lower interest income on a loan to our parent company and an increase in accretion on the RPI-linked debt, partly offset by higher capitalised interest. Remeasurements resulted in a £5 million cost in 2025/26 (2025: £nil) due to movements in unhedged derivatives.

Taxation

The 2025/26 tax charge on profits before exceptional items and remeasurements of £180 million is £14 million lower than 2024/25 due to the reduction in profit before tax, exceptional items and remeasurements. The tax credit in respect of exceptional costs decreased to £nil, reflecting the reduction in exceptional costs in the year. The overall income statement tax charge closely aligns with the statutory tax rate of 25%.

Consolidated statement of financial position

Years ended 31 March		
	2026	2025
	£m	£m
Non-current assets	9,584	9,204
Current assets	725	873
Total assets	10,309	10,077
Current liabilities	(673)	(889)
Non-current liabilities	(5,869)	(5,420)
Total liabilities	(6,542)	(6,309)
Net assets	3,767	3,768

Non-current assets

Non-current assets totalled £9,584 million (2025: £9,204 million), comprising property, plant and equipment of £5,718 million, financial and other investments of £3,426 million, a net pension asset of £284 million, intangible assets of £119 million, derivative financial assets of £25 million and non-current assets of £12 million.

The £380 million increase in the year was driven primarily by a £419 million rise in property, plant and equipment, partly offset by a £38 million decrease in the net pension asset and an £11 million decrease in intangible assets.

Further breakdown of non-current assets:

Property, plant and equipment

Property, plant and equipment increased by £419 million from £5,299 million in 2025 to £5,718 million in 2026, primarily driven by capital expenditure of £639 million, partly offset by £219 million of depreciation and net disposals of £14 million. Please see note 10 for details of our gas asset lives.

Intangible assets

Intangible assets decreased from £130 million in 2025 to £119 million in 2026, a reduction of £11 million in the year driven primarily by capital expenditure of £51 million, offset by depreciation of £48 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 (2025: £3,426 million).

Pension asset

Pension assets, based on the latest actuarial valuation, decreased by £38 million from £322 million in 2025 to £284 million in 2026.

Current assets

Current assets totalled £725 million (2025: £873 million), comprising £423 million of financial and other investments, £248 million of trade and other receivables, £37 million of cash and cash equivalents and £17 million of inventory assets.

Financial review continued

The £148 million reduction in the year was primarily driven by a £195 million reduction in financial and other investments, driven by lower investments in Money Market Funds, combined with a £17 million decrease in amounts due from other group companies. This was partly offset by £54 million higher trade and other receivables comprising customer-funded work that was billed in March.

Current liabilities

Current liabilities totalled £673 million (2025: £889 million), comprising £488 million trade and other payables, £70 million of borrowings, £57 million of contract liabilities, £38 million of current provisions and £20 million of current tax liabilities.

The £216 million reduction was mostly due to a decrease in borrowings of £223 million, partly offset by an increase in contract liabilities of £14 million and trade and other payables of £6 million.

Further breakdown of current liabilities:

Borrowings

Borrowings reduced by £223 million from £293 million in 2025 to £70 million in 2026, primarily due to the extension of a £211 million bank loan (reclassified to non-current borrowings in 2025/26) and the maturity of bonds in 2025/26.

Trade and other payables

Trade and other payables increased by £6 million during the year from £482 million in 2025 to £488 million in 2026, primarily driven by higher social security and other taxes of £17 million, and a total increase across amounts owed to National Gas Group Companies and other payables of £17 million. This was partly offset by reductions in trade payables and deferred income, which decreased by £12 million and £16 million respectively.

Contract liabilities

Contract liabilities increased by £14 million to £57 million in 2026, primarily due to increased advance payments for customer-funded diversions.

Non-current liabilities

Non-current liabilities totalled £5,869 million (2025: £5,420 million), primarily comprising borrowings of £4,710 million, deferred tax liabilities of £926 million, contract liabilities of £133 million and provisions of £47 million.

The £449 million increase in the year was driven primarily by a £317 million increase in borrowings, £62 million higher deferred tax liabilities and £48 million higher contract liabilities.

Further breakdown of non-current liabilities:

Borrowings

Borrowings increased by £317 million to £4,710 million in 2026, primarily due to the extension and reclassification of a £211 million bank loan from current to non-current borrowings, accretion on RPI-linked debt, and exchange rate movements.

Contract liabilities

Contract liabilities increased by £48 million to £133 million in 2026, primarily due to increased advance payments for customer-funded diversions.

Tax, Provisions and Net debt

Current and deferred tax liabilities

The net deferred tax liability increased by £62 million to £926 million. This was 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 £3 million in 2025/26 to £20 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.

Total provisions

Total provisions increased by £1 million to £85 million in 2026, primarily due to £15 million of additions, partly offset by £12 million utilisation in-year and £2 million of unwinding discount. Additions largely include £8 million relating to the expected costs of the Emissions Trading Scheme. For further details on provisions, please see note 23.

Net debt

Net debt increased by £292 million, from £4,043 million to £4,335 million, primarily reflecting higher capital investment to deliver our RIIO-T2 commitments. For detailed movements, see net debt note 26.

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	2026 £m	2025 £m
As at 1 April	322	312
Current service cost	(2)	(3)
Net interest credit	16	17
Administration costs	(3)	(4)
Actuarial gains/(losses):		
On plan assets	34	(308)
On plan liabilities	(89)	300
Employer contributions	6	8
At 31 March	284	322

The overall pension asset reduced by £38 million to a closing asset of £284 million, reflecting the latest valuation performed as at 31 March 2026. 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 2026. 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).

Financial review continued

Reconciliation of cash flow to net debt

	2026	2025
	£m	£m
Cash generated from operations	956	950
Capital expenditure	(609)	(519)
Business net cash flow	347	431
Interest received ¹	221	452
Net interest paid	(136)	(129)
Tax paid	(89)	(183)
Movement in short-term financial investments	177	186
Acquisition of investments (net of cash acquired)	—	(3)
Movements in loans, short term borrowings and leases	(27)	(107)
Interest paid on derivatives ²	(35)	(27)
Interest received on derivatives ²	29	16
Dividends paid to the parent ¹	(488)	(623)
Increase in cash and cash equivalents	(1)	13
Increase/(Decrease) in financial investments	(177)	(186)
Movement in borrowings and related derivatives	27	107
Net interest paid on the components of net debt	(79)	(312)
Changes in fair value of financial assets and liabilities and exchange movements	(10)	5
Other non-cash movements	(8)	(6)
Net interest charge on the components of net debt	(44)	55
Net debt increase	(292)	(324)
Opening net debt	(4,043)	(3,719)
Closing net debt	(4,335)	(4,043)

¹ The £488 million of dividends includes £174 million paid to the parent (NGTH), which was used to service interest on intercompany loan (£202 million) and is reflected within total interest received of £221 million.

² Interest paid and received on derivatives have been separately disclosed in the current year to enhance clarity, with prior year comparatives represented accordingly.

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 2026, cash generated from operations increased by £6 million to £956 million. This is largely due to higher operating profit before depreciation and exceptionals, offset by increased net cash outflows for changes in net working capital.

Capital cash expenditure

Capital expenditure in the year increased by £90 million to £609 million, driven by a £112 million increase in net property, plant and equipment expenditure, offset by a £22 million reduction in intangible assets capitalised.

Dividends paid

The Company declared and paid interim dividends: £145 million in July 2025, £174 million in October 2025, £49 million in January 2026 and £120 million in March 2026. The directors are not proposing a final dividend for 2025/26.

Dividends of £488 million were paid to the parent company (NGTH). £174 million of this was used by NGTH to settle interest on intercompany loans and was therefore immediately returned to the Company.

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 under-recovery of £50 million (2024/25: £74 million over-recovery). Our closing balance at 31 March 2026 was a £71 million over-recovery (2024/25: over-recovery of £106 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. Pass-through costs (such as shrinkage and transmission owner licence fees) can also create timing differences, when actual costs differ from amounts recovered. 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 2025/26 was 9.0%, which is 1.4% higher than the 7.6% allowed return on equity. We met our customer satisfaction targets, achieving a score of 9.00 and therefore earned the maximum financial performance, and performed well against other incentives in the RIIO-T2 price control.

Years ended 31 March	2026	2025
	%	%
Allowed return (including avg. 2% long-run inflation)	7.6	7.7
Totex incentive mechanism	0.8	0.9
Other revenue incentives	0.5	0.5
Unlicenced income	0.3	0.5
Return including in-year incentive performance	9.2	9.6
Pre-determined additional allowances	(0.2)	(0.2)
Return on equity	9.0	9.4

Our return on equity has remained robust in 2025/26, primarily due to consistent unlicenced revenues and performance against our incentives, 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.

Financial review continued

Regulatory asset value (RAV)

In the year, RAV has grown by 4.5% (compared with the prior year growth rate of 4.2%) due to increased asset additions, offset by a decrease in inflation-linked RAV growth and higher regulatory depreciation.

Years ended 31 March	2026	2025
	£m	£m
Opening Regulated Asset Value (RAV)	7,612	7,304
Adjustments to Opening RAV	(21)	0
Asset additions (slow money) (actual)	573	485
Performance RAV or assets created	12	14
Inflation adjustment (actual CPIH)	240	248
Regulatory depreciation	(463)	(439)
Closing RAV	7,953	7,612

The Strategic Report was approved by the Board on 15 July 2026 and signed on its behalf by:

Jon Butterworth
Chief Executive Officer
15 July 2026

Governance report

Chair’s message	65
Group structure	66
Governance framework	67
Our Board	68
Our Executive team	71
Governance principles	72
Audit and Risk Committee	79
Remuneration and Nominations Committee	83
Safety, Security and Sustainability Committee	86
Regulation Committee	88
Directors’ Report	89
Statement of Directors’ responsibilities	91



Chair's message



On behalf of the Board, I am delighted to introduce our governance report for the financial year ended 31 March 2026. This report explains how we have discharged our responsibilities as a Board in overseeing the strategy and performance of National Gas, as well as supporting the long-term sustainable success of the Company.

Your Board

This is my first governance report as Chair of the Board, having succeeded Dr Phil Nolan when he stepped down at the end of December 2025. On behalf of the Board, I would like to thank Phil for his invaluable contribution to the Board and to the Company as a whole.

I am looking forward to leading the Board through the next stage of our journey. This will include overseeing the execution of the next regulatory price control period RIIO-GT3, and the delivery of our wider three-molecule strategy. Together with my fellow Board members, we will ensure that we continue to build on our strong foundations, making sure that there are the right resources and appropriate risk-management and internal controls in place to ensure long-term sustainable growth for the benefit of all of our stakeholders.

Our governance

Our governance framework provides the foundation on which the Board guides and appropriately challenges the Executive in delivering our short- and long-term priorities. It is designed to be dynamic, flexible and resilient and, during the year, we made a number of changes to committee terms of reference to reflect the continuing evolution of the business and the environment in which we are operating. We established an additional informal working group, the Capex Steering Group, to provide strategic oversight of the planning and delivery of the Company's regulatory capital investment programmes. In addition, we also created a Board Emergency Committee, with delegated powers from the Board to make decisions in the event of a Company-wide emergency incident.

As Chair, I am responsible for ensuring the Board's effectiveness, for fostering an open and inclusive culture, and enabling every director to contribute fully so that we benefit from the breadth of skills and experience of the Board.

During the year, an independent external performance review of the Board and its committees was undertaken. The review concluded that the Board and its committees are operating effectively, while also identifying opportunities to further strengthen the Board's overall effectiveness and the governance framework. I will work closely with the Board and the Executive to implement the agreed recommendations, further details of which are set out on pages 72-73.

Board activities

In December 2025, we received the Final Determination from Ofgem for the next five-year regulatory period, our RIIO-GT3 business plan. We carefully considered the Final Determination, including the deliverability of the plan within the total expenditure allowance and the potential opportunities for additional funding through uncertainty mechanisms to deliver major programmes that will improve the resilience of our operations and network, and the supply of energy to the UK. The Board concluded that accepting the Final Determination as published by Ofgem would most likely promote the long-term success of the Company for the benefit of all stakeholders.

Throughout the year, we continued to provide constructive challenge and support in the execution of our three-molecule strategy. In March, at the Board strategy day, we considered our overall strategy in the context of longer-term macroeconomic and geopolitical factors that could affect our medium- to long-term strategic priorities.

We have continued to pay close attention to meeting our core responsibility in overseeing financial and operational performance, corporate controls and risk management, and the strengthening of our corporate culture. Our Safety, Security and Sustainability Committee maintains an unwavering focus on the safety and wellbeing of our people and the risks associated with our operations and assets. During the year, we agreed to expand this committee's remit to include oversight of cyber and physical security, reflecting our continued focus on the safe, secure and sustainable operation of the Company.

Looking forward

The Board places significant importance on the culture of the organisation. We were very pleased that our annual employee engagement survey demonstrated the continuing progress we are making in our cultural ambition to be a performance-driven, purpose-led and caring organisation. In the year ahead, I will be looking to embed further opportunities for my fellow Board members and I to further connect with our people.

As we begin RIIO-GT3, the scale of required investment and the volume of work to be delivered will increase significantly. I am encouraged by the resilience and adaptability demonstrated across the business to date, and by the progress already made in delivering against the commitments set out in our business plan. On behalf of the Board, I would like to sincerely thank everyone across the business for everything achieved during the year, your hard work and continued commitment to National Gas.

I also want to thank all our stakeholders, including our customers, investors, regulators, suppliers and communities for their continued engagement and contribution to our business.

Mark Russell
Chair

Group structure

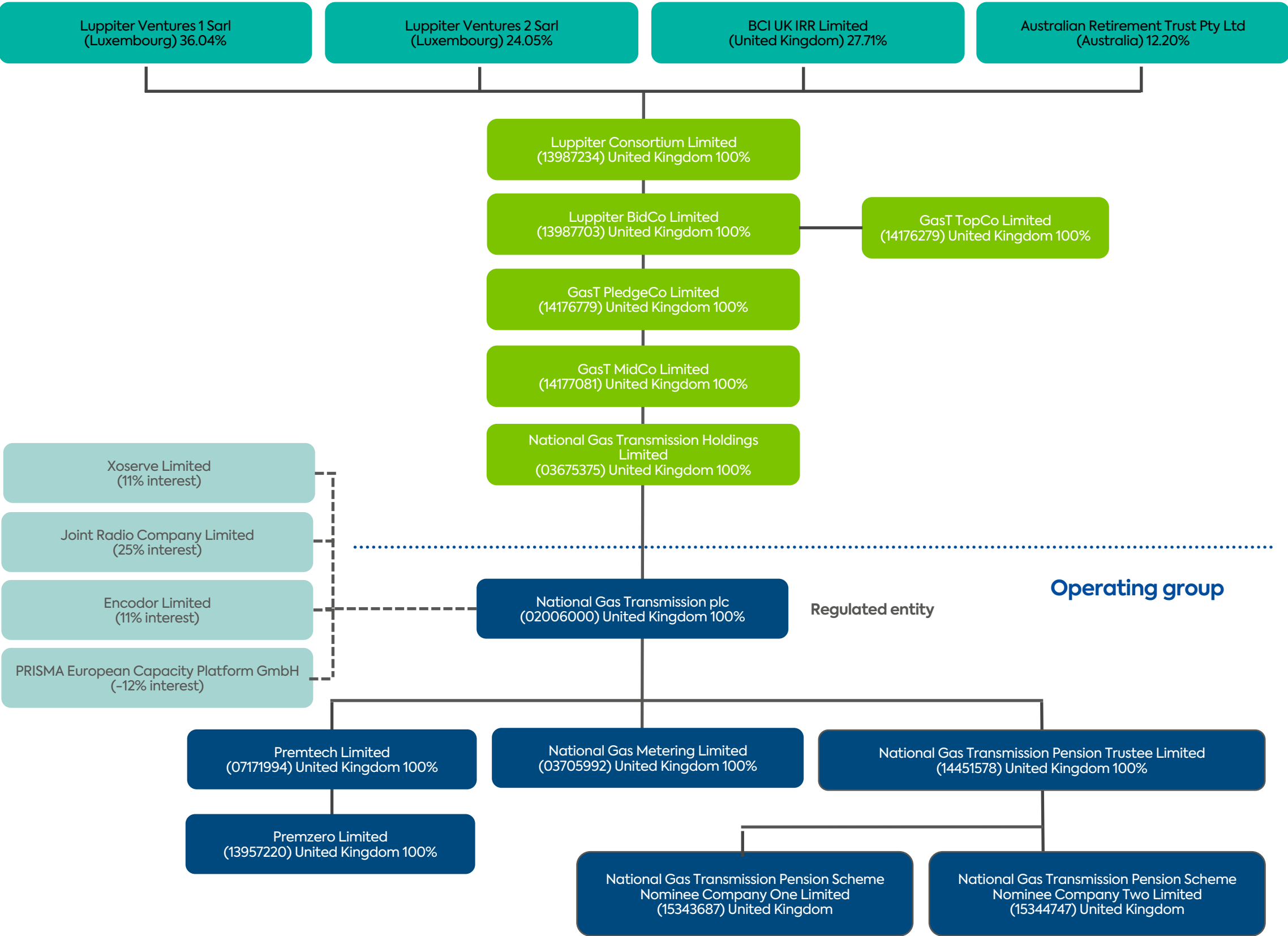
The parent company of the National Gas Group is Luppiter Consortium Limited, and the chart opposite sets out the structure of the National Gas group of companies as at 31 March 2026. During the year, GasT TopCo Limited was placed into members’ voluntary liquidation (MVL).

The National Gas Group is owned by the shareholders of Luppiter Consortium Limited, 60.09% of which is owned by a consortium of investors led by Macquarie Asset Management (through investments in the Luppiter Venture entities), 27.71% by British Columbia Investment Management Corporation, with the remaining 12.20% of shares held by Australian Retirement Trust.

Shareholders’ Agreement

National Gas is party to a private agreement between the shareholders of Luppiter Consortium Limited (the Shareholders’ Agreement) and each of the Group entities, which governs how the shareholders manage their investment in the National Gas business.

This includes a schedule of matters reserved for final decision by the Board of Luppiter Consortium Limited and shareholders, respectively. These matters include areas such as the annual business plan and budget, financial and treasury-related transactions and substantial changes to the business and the Group.



Governance framework

As a large private company, we are guided in our approach to corporate governance by the application of the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles). For the year ended 31 March 2026, the Board is satisfied that it considered and effectively applied the six Wates Principles throughout its business and conduct. An overview of the Wates Principles is provided below, with further detail on how the Board aligned to these principles on pages 72-78.

Wates principles

- 1 Purpose and leadership**
See page 72
- 2 Board composition**
See page 73
- 3 Director responsibility**
See page 75
- 4 Opportunity and risk**
See page 77
- 5 Remuneration**
See page 78
- 6 Stakeholder relationships**
See page 78

Board of Directors

Our Board is currently made up of two Sufficiently Independent Directors (SIDs), one of whom is the Chair, five Shareholder Nominated Directors and two Executive Directors. From a governance perspective, the Sufficiently Independent Directors and the Shareholder Nominated Directors are non-executive directors. The Board has also determined that Robin Watson is an independent non-executive director, notwithstanding that he is appointed by a significant shareholder, see page 73 for more detail.

Executive Committee

The Executive Committee comprises our leadership team, established and led by our Chief Executive (the Executives). They are collectively responsible for the day-to-day management of the Company and leading the execution of our strategic priorities. The team provides regular updates to the Board and maintains a regular dialogue with individual members of the Board. See page [71](#) for further details on the composition of the Executive team as of the date of this report. Their biographies are available on the [corporate website](#).

Committee structure

The Board has delegated certain responsibilities to its Committees and the diagram opposite outlines our governance framework as of 31 March 2026. Further details can be found from page [79](#).

The Board is also supported by two informal steering groups, which do not have any delegated authorities but provide strategic oversight of areas within their respective remits.

During the year, the Board also established an ad-hoc committee, the Board Emergency Committee, with delegated powers from the Board to make decisions in the event of a Company-wide emergency incident.

Committee structure

Board of Directors

The role of the Board is to promote the long-term success of National Gas by setting the Company's purpose, strategy and values and monitoring its implementation by the Executives, and ensuring that the Company maintains an effective system of risk management and internal control. The Board delegates certain matters to its four principal committees, which report to the Board at every meeting.

Audit and Risk Committee

Assists the Board in reviewing the integrity of the Company's financial reporting, financial and regulatory compliance, the systems of internal control and risk management, and the external and internal audit processes.

From page 89

Remuneration and Nominations Committee

Assists the Board by determining the Company's remuneration policy for Executive Directors, other members of the Executive Committee and the Sufficiently Independent Directors. Reviews and makes recommendations in relation to Board appointments and Executive Director succession planning.

From page 93

Safety, Security and Sustainability Committee

Assists the Board in providing assurance that the Company meets its legal, regulatory and moral obligations in respect of safety, security and sustainability.

From page 96

Regulation Committee

Assists the Board by overseeing the Company's compliance with its licence and other regulatory obligations. Oversees the development of new regulatory obligations and progress against the Company's hydrogen and carbon capture strategies.

From page 98

Chief Executive

The Chief Executive is responsible for the day-to-day management of the Company and for the implementation of the National Gas strategy, as agreed by the Board. He has established an Executive Committee to support him with the operational management of the business and delivery of the long-term strategy, with each Executive having clearly defined accountabilities and responsibilities.

Steering Groups

The Board is supported by two informal steering groups, the Finance and Treasury Steering Group and the Capex Steering Group.

The Finance and Treasury Steering Group provides oversight of the financial position across the Group and develops proposals in relation to financial and treasury activities.

The Capex Steering Group provides strategic oversight of the planning and delivery of the Company's regulatory capital investment programmes.

Management committees/groups

The Executive Committee is in turn assisted by a number of management committees and groups.

Our Board

as of 15 July 2026



Mark Russell CBE

Chair and Sufficiently Independent Director

Appointment

Joined in July 2024 and was appointed Chair as of 1 January 2026.

Committee membership

Remuneration and Nominations Committee and Audit and Risk Committee

Skills and experience

Mark has an extensive background in corporate finance and in government. He was a partner in the corporate finance departments of KPMG London and KPMG Frankfurt, and worked at PwC Corporate Finance and Robert Fleming & Co., Lazard Brothers and A.T. Kearney. Most recently, Mark was CEO of UK Government Investments. Previous non-executive director roles include that of the Submarine Delivery Agency, Eurostar International Limited, DP World, London Continental Railways and Great British Nuclear. Mark was also Chair of Defence Equipment and Support, the procurement organisation of the Ministry of Defence.

Other appointments

Mark is the Chair of Angel Trains Group and non-executive member on the Executive Committee of the Army Board.



Jon Butterworth

Chief Executive Officer

Appointment

Joined in May 2021

Skills and experience

Jon has over 47 years' experience in the gas and electricity industry and a strong track record of building successful businesses in regulated and competitive energy markets across the UK, Europe and the US. He was previously the Chief Executive of National Grid Ventures, leading, amongst other things, the construction of the electricity interconnector fleet across the North Sea – connecting enough carbon-free energy from Europe to power 7.8 million homes in the UK. Jon was awarded the MBE in 2009 for services to Britain's gas industry.

Other appointments

Jon is a Fellow of the Institute of Directors, and a Companion of the Institute of Gas Engineers and Managers (IGEM), and was previously President of the Pipeline Industries Guild. He is a non-executive director of Pennon Group and chairs the Pennon Health & Safety Committee.



Nick Hooper

Chief Financial Officer

Appointment

Joined in August 2021

Skills and experience

Nick joined National Grid in 2014. He was the Chief Financial Officer for National Grid Ventures before taking on the role of Chief Finance Officer for the National Gas and Metering business in August 2021. Nick became ACA qualified with Ernst & Young. Throughout his career, he has held a number of senior finance roles, including eight years in finance director roles at Capita plc.

Other appointments



Cathryn Ross

Sufficiently Independent Director

Appointment

Joined in June 2019

Committee membership

Chair of the Regulation Committee

Skills and experience

Cathryn is the Strategy and External Affairs Director at Thames Water. She is an experienced regulatory and competition economist, having worked in both the public and private sectors, including at BT Group plc, Ofwat, the Office of Rail Regulation (now the Office of Rail and Road) and the Competition Commission (now the Competition and Markets Authority). She has a proven background in advising on economic, regulatory and competition issues across a number of sectors.

Other appointments

Cathryn was a non-executive director of the Institute of Customer Service between 2020 and 2022. She was also the inaugural chair of the Regulatory Horizons Council, an independent committee established by the Department for Business, Energy and Industrial Strategy (BEIS).

Our Board continued

as of 15 July 2026



Liam Auer

Shareholder Nominated Director

Appointment

Joined in January 2025

Committee membership

Chair of the Remuneration and Nominations Committee and member of the Regulation Committee

Skills and experience

Liam is a Managing Director for the Diversified Utilities team at Macquarie Asset Management. He has considerable investment experience, having been involved in the acquisitions of Cadent Gas, Elenia Oy, Viesgo, E-Redes, Reden Solar and Last Mile Infrastructure, as well as the strategic review of Macquarie Infrastructure Corporation. He joined Macquarie’s Sydney office in 2012 and worked on the unlisted Global Infrastructure Funds and Macquarie Special Situations Fund, and transferred to the London office in 2014.

Other appointments

Liam sits on a number of company boards within Macquarie Asset Management’s investment portfolio.



Howard Higgins

Shareholder Nominated Director

Appointment

Joined in January 2023

Committee membership

Chair of the Safety, Security and Sustainability Committee

Skills and experience

Howard is a Senior Advisor at Macquarie Infrastructure and Real Assets and has played a key role in global energy and utility transactions and transitions undertaken by Macquarie Asset Management since he joined in 2003. He also provides specialist support on the acquisition, transition and management of energy and utility businesses. Previous roles include CEO of BG Storage, Operations Director of Transco and Director of Cadent Gas Networks.

Other appointments

Howard sits on on a number of company boards within Macquarie Asset Management’s investment portfolio.



Robin Watson CBE

Shareholder Nominated Director*

Appointment

Joined in February 2025

Committee membership

Chair of the Audit and Risk Committee

Skills and experience

Robin has more than 35 years of business, industry and engineering experience, and over 20 years in executive and non-executive positions across a variety of market sectors around the globe. He has extensive experience of several government and industry bodies, most recently as a board member of the UK government’s Investment Council, and on the board of the Institute of Directors (IoD). Has previously served as Chief Executive of Wood plc, prior to which he held a number of senior positions at Petrofac, having started his professional career at ExxonMobil.

* Robin is considered an independent non-executive director, notwithstanding that he is appointed by a significant shareholder. See page 72 for more details.

Other appointments

Robin is a non-executive director of Honeywell Inc., the non-executive chair of Forth Ports Ltd, a senior advisor to McKinsey & Company and chair of Edinburgh Business School’s international advisory board. He is also a visiting professor at the University of Strathclyde.



Jerry Divoky

Shareholder Nominated Director

Appointment

Joined in January 2023

Committee memberships

Regulation Committee and Remuneration and Nominations Committee

Skills and experience

Jerry is the Senior Managing Director of British Columbia Investment Management Corporation’s (BCI) Global Infrastructure & Renewable Resources group, with investments across 30 countries and all major infrastructure sectors. He joined BCI in 2004 and is responsible for sourcing, executing and managing private direct investments in infrastructure with a focus on utilities, transportation and energy. He has experience in acquisitions, including 10 years in energy and banking. Prior board appointments include Transelec, Dalrymple Bay Coal Terminal, Isagen, NTS, Arteris, Endeavour Energy and GCT Global Container Terminals Inc.

Other appointments

Jerry sits on a number of company boards within BCI’s investment portfolio, including Pacific National and GasNet.

Our Board continued

as of 15 July 2026



Jenny Lyn Dela Cruz
Shareholder Nominated Director

Appointment

Joined in March 2025

Committee memberships

Safety, Security and Sustainability Committee and Audit and Risk Committee

Skills and experience

Jenny Lyn is a Principal in British Columbia Investment Management Corporation’s (BCI) Infrastructure & Renewable Resources group. She has spent the last seven years covering the infrastructure sector. Based in London, she is responsible for sourcing, executing and managing private direct investments across equity and credit in Europe. Jenny Lyn is a Chartered Professional Accountant (CPA) in Canada and worked in financial audit prior to joining BCI.

Directors who served part of the year or have stepped down from the Board since 31 March 2026



Dr Phil Nolan

Chair and Sufficiently Independent Director

Phil stepped down as Chair of the Board on 31 December 2025, having served as the Chair and Sufficiently Independent Director since 31 January 2023.



Mark Mathieson

Shareholder Nominated Director

Mark stepped down as a Shareholder Nominated Director on 15 May 2026, having served as a Director since 31 January 2023.



Will Price

Shareholder Nominated Director

Will stepped down as a Shareholder Nominated Director on 15 May 2026, having served as a Director since 31 January 2023.

Our Executive team



Jon Butterworth
Chief Executive Officer



Nick Hooper
Chief Financial Officer



Matt Steele
Chief Operating Officer



Ian Radley
Chief Commercial Officer



Emily Clark
Chief Strategy and Regulation Officer



Richard Murphy
Chief Information Officer



Sarah Stanton
Chief People Officer



David Byrne
General Counsel

Governance principles

Wates principle 1: Purpose and leadership

Principle 1: An effective Board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.

Purpose and strategy

Our purpose is to secure Britain's energy – for today and tomorrow. To achieve that we maintain and deliver a resilient network that enables the safe, secure and reliable transportation of gas across Great Britain, while developing the infrastructure needed to support the transition to a sustainable, net-zero energy future.

The Board's role in agreeing the Company's strategic priorities and overseeing the long-term success of National Gas is guided by our strategic model, the 'three-molecule strategy'. This strategy informs the Company's direction over the short, medium and long term, helping to create sustainable value for all stakeholder groups, now and in the future.

The Board reviewed progress against the strategy throughout the year, supported by an annual strategy review day. Maintaining a reliable gas transmission network and safeguarding security of supply remain key priorities, alongside enabling the transport of hydrogen as a long-term alternative to natural gas and supporting the transportation of carbon dioxide for safe storage. Together, these priorities underpin our ambition to provide a transportation system fit for the energy transition.

When considering the strategic direction and opportunities, the Board acknowledge that the external environment in which the Company operates presents complexity and challenge. The review of the 'three-molecule strategy' is therefore informed by updates on many factors, including macroeconomic and geopolitical, which could impact the strategy. This allows the Board to continuously develop the strategy to promote the long-term success of National Gas.

During the year, the Board spent considerable time reviewing and overseeing the strategy for responding to Ofgem's RIIO-GT3 Draft and Final Determinations, recognising the critical link between securing a successful RIIO-GT3 outcome and delivering long-term, sustainable value.

READ MORE: about our strategy in our 'Strategic direction' from page [20](#).

Values and culture

The Board continues to monitor the values and culture of the Company. Our values of simplicity, ownership and progress support and articulate the qualities we wish all employees to demonstrate as we work collectively towards achieving our business objectives and longer-term strategic ambitions. A variety of methods are used to assess and monitor the Company's overarching culture, including the use of an annual employee survey. The results from the 2025/26 employee culture and engagement survey remained positive, albeit with a slight reduction in scores compared to last year.

The Board demonstrates and encourages values-driven behaviour, setting the 'tone from the top' to support a healthy and inclusive culture. The Chair has recently introduced Board listening sessions, allowing Board members to hear directly from employees across the business.

The Anti-Bribery and Corruption Policy and Code of Ethics set out the expected ethical standards of our employees, with our Speak-Up Policy also in place to encourage open reporting of any concerns. Our Executives are responsible for ensuring that these policies and behaviours set at Board level are communicated and implemented effectively throughout the workforce.

Regular town hall events, led by the Executive Committee, provide the opportunity for all employees to engage with leadership and ask questions on key developments throughout the business.

Throughout the year, the town hall events have been held at various sites across the UK to improve visibility for all colleagues. Weekly newsletters to share business updates are also circulated to all employees and are an important method of disseminating information and embedding our expected culture and values. Regular regional site visits for directors also provide opportunities for our directors to engage with employees across the UK.

A strong safety culture is an important part of any organisation. At National Gas, a robust culture of proactively ensuring that our colleagues are safe every day is paramount. Three years ago, we launched our National Gas 'Safe Every Day' ambition, part of which is the successful Company-wide 'Seven Deadly Risks' campaign. Throughout this year, we have also continued to promote and deliver a consistent and coherent safety strategy through a bi-annual safety survey, improvements to the Incident Management System and a refresh of the Process Safety Performance group.

READ MORE: about safety in our 'Safe every day' section from page [32](#).

Another key aspect of the development of a positive, inclusive working culture at National Gas is ensuring that a demonstrable commitment to diversity, equity and inclusion (DEI) is embedded throughout the Company. More on our approach to diversity and inclusion can be found on page [47](#). The Remuneration and Nominations Committee monitors the diversity of the workforce, including reviewing gender pay gap reporting and overseeing remuneration arrangements for the wider workforce to ensure they are aligned with our purpose, values and strategy.

Governance principles continued

Wates principle 2: Board composition

Principle 2: Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

Size and structure

The composition of the Board is essential to its success in providing strong and effective leadership. The size and structure of the Board is determined by the Shareholders’ Agreement and our Gas Transporter licence and affords the necessary skillset required to meet the strategic needs and challenges of the business. It ensures that the Board is also not overly large, thereby retaining the agility required to enable effective decision-making.

In December 2025, Dr Phil Nolan stepped down as the Chair of the Board, with Mark Russell succeeding him from 1 January 2026.

At the date of publishing this report, our Board is made up of two Sufficiently Independent Directors (SIDs), one of whom is the Chair, five Shareholder Nominated Directors and two Executive Directors. From a governance perspective, the Sufficiently Independent Directors and the Shareholder Nominated Directors are non-executive directors. Together their roles are to support the Executives, while providing constructive challenge and rigour. The directors collectively bring a wide range of experience, skills and perspectives to the Board and Board Committee deliberations. They also lend sound judgement and objectivity to the Board’s and the Board Committees’ decision-making processes.

The Chief Executive Officer and the Chief Financial Officer are the Executive Directors on the Board.

Robin Watson assumed the role of Chair of the Audit and Risk Committee in January 2026. The Board has determined that Robin is an independent non-executive director, notwithstanding that he is appointed by a significant shareholder. The Board is satisfied that Robin acts with independence of character and judgement, as evidenced by the way in which he is discharging his duties as a director. The Board is therefore satisfied that the Company is compliant with the FCA’s Disclosure Guidance and Transparency Rule (DTR) 7.1.

The Chair and non-executive directors provide oversight and constructive challenge to the Executives, where appropriate. The strong mix of experience and knowledge amongst our Board members and the clear division of responsibilities between executive and non-executive roles provides accountability and outside perspective. The Board culture is one of openness and collaboration. The Chair ensures that all directors have an opportunity to contribute to discussions. The biographies of the Board members can be found on page [68](#).

Chair

Mark Russell was appointed as a SID in July 2024 and subsequently assumed the role of Chair in January 2026. He is responsible for the leadership of the Board and ensuring its effectiveness. He is assisted by the General Counsel and Company Secretary in ensuring adherence to high standards of corporate governance, setting the Board’s agenda and encouraging constructive debate and effective decision-making.

The Chair was viewed as independent upon his appointment. He is not a director of, nor otherwise involved in, any other company within the National Gas Group, and the Board is satisfied that he remains independent in his role as Chair.

Sufficiently Independent Directors (SIDs)

Our Gas Transporter Licence requires us to have at least two SIDs. Cathryn Ross was appointed in June 2019 and, together with Mark Russell, provides independent challenge and input into decision-making processes. Their letters of appointment set out their duties and our SIDs confirmed that they were able to devote sufficient time to their role upon appointment.

Shareholder Nominated Directors

Under the Shareholders’ Agreement, the shareholders have the right to nominate directors to the Board. Our Board currently comprises five Shareholder Nominated Directors, representing members of the consortium of investors in Luppiter Consortium Limited. As per the Shareholders’ Agreement, each Shareholder Nominated Director can appoint an Alternate Director to participate in meetings in the event of their absence.

The Shareholder Nominated Directors have the same powers, duties and liabilities as the other directors to act in accordance with the directors’ duties and promote the long-term success of the business as per the Companies Act 2006.

Neither the Shareholder Nominated Directors, nor their alternates, are remunerated for their services to the Board, or any of the other group entity Boards of which they are a member.

Balance and diversity

The composition of the Board is determined by the Shareholders’ Agreement. Whilst the Board recognises the importance of diversity, and the investors and the Board are encouraged to consider diversity when nominating directors to the Board, the Board has not adopted a formal Board Diversity Policy.

The composition of the Board is such that the directors collectively bring a wealth of experience, knowledge and expertise from a broad range of backgrounds, including from the energy sector and related industries. This depth and breadth of experience enables the Board to engage in constructive and challenging discussions, ensures a collective high-level understanding relevant to the business, and considers not only the interests of the shareholders but also those of the wider stakeholders.

Effectiveness

Development and training

The Board believes that continuous training and development play a key role in overall Board effectiveness. On joining the Board, each director completes a bespoke induction programme, building on the particular skill set, attributes and background of the individual. In addition, every induction covers a range of topics, and includes a series of meetings with fellow Board members and the Executives, as well as site visits.

With the ever-evolving regulatory external landscape in which the Company operates, it is critical that the Board remains abreast of developments that may impact the business. The Company is therefore committed to offering tailored ongoing training to provide each director with the necessary resources to refresh, update and enhance their skills, knowledge and capabilities. A number of teach-in sessions and deep dives from the Executive team are provided throughout the year. This is in addition to individual meetings with Executives and other senior managers, as well as regular scheduled site visits.

Board effectiveness review

In line with best practice, the Board held its first externally facilitated Board performance review during the year. The evaluation was undertaken by an independent external facilitator, Alison Gill of Bvalco Ltd. Alison held a series of one-to-one conversations with each director, the Executives and the Company Secretary, as well as shadowing a number of the Board and Committee meetings.

The Board reviewed the findings from the review, noting that the overall feedback reflected a high-calibre and well-performing Board that is supported effectively by the secretariat. Following the initial Board session, the Chair followed up individually with the directors to discuss their reflections.

Governance principles continued

The Board agreed that while it continues to operate well, there are a number of areas that can further strengthen the effectiveness of the Board and the governance framework. These include:

- Strengthening the Board’s agenda and forward-looking roadmap to ensure topics are aligned with the Board’s agreed strategic priorities and opportunities, with more regular horizon-scanning.
- Enhancing the oversight of strategic execution, including more regular deep dives on the progress of specific strategic initiatives.
- Enhancing the relationships between the Board and the Executives, and between members of the Board itself.
- Improving the openness in discussions, including allocating additional time for substantive debate and constructive challenge.
- Enhancing the flow of constructive feedback to the Executives in relation to Board and Committee papers, to ensure the directors are presented with high-quality and relevant information to inform their decision-making.
- Improving succession planning and the talent pipeline for the Executive Directors and the wider Executive team.
- Appointing an additional Sufficiently Independent Director, subject to approval by the shareholders of Luppiter Consortium Limited.
- Revising the remit of the Regulation Committee, focusing more on key regulatory matters and anticipated regulatory policy changes and/or trends, whilst maintaining oversight of preparations for regulatory price controls.



Governance principles continued

Wates principle 3: Director responsibility

Principle 3: The board and individual directors should have a clear understanding of their accountability and responsibilities. The board’s policies and procedures should support effective decision-making and independent challenge.

Accountability

Board responsibilities

Our governance framework and clear delineation of Board roles enables the Chair, SIDs and Shareholder Nominated Directors to provide oversight and appropriate constructive challenge and support to the Executives in delivering our strategy. The roles and responsibilities of Mark Russell, as our Chair, and Jon Butterworth, as our Chief Executive, are separate. The Chair is responsible for the leadership of the Board and the Chief Executive is responsible for the day-to-day management of the business.

The Shareholder Nominated Directors are appointed in accordance with the Shareholders’ Agreement and their role is that of a non-executive director. They, together with the SIDs, are responsible for assisting in the development of the strategy, for providing constructive challenge and holding the Executives to account for day-to-day operational performance and delivery of the agreed strategy. Their role is also to provide strategic guidance, advice and support.

The Board delegates all day-to-day operational matters to the Chief Executive. However, there are matters set out in the Shareholders’ Agreement that are specifically reserved to the Board of Luppiter Consortium Limited, the ultimate parent company of the Group, or matters that require approval by the shareholders of Luppiter Consortium Limited. Jon is also responsible for overseeing the development of business strategies for approval by the Board, and achieving the timely and effective implementation of the approved strategies.

The Board is supported by the General Counsel and Company Secretary, who provide advice on legal and corporate governance matters.

Internal governance

The Board has a ‘Matters reserved for the boards’ schedule, that outlines the matters which are required to be approved by the Board, the Luppiter Consortium Board or shareholders of Luppiter Consortium. The Board has also approved a Delegation of Authority, which is the document through which the Board delegates the day-to-day running of the Company to the Executives, up to certain financial limits, and through which the Executives further delegate to the organisation with lower limits.

Conflicts of interest

Under the Companies Act 2006, the directors have a statutory duty to avoid conflicts of interest with the Company. The Company’s Articles of Association allow the Board to authorise conflicts of interests where considered appropriate. With a number of Shareholder Nominated Directors on the Board, there are times when conflicts of interest, whether matter-specific or situational, arise and there are processes and procedures in place for all directors to identify and declare any such conflicts. The directors are aware of their statutory duties in relation to conflicts of interest and their duty to declare any situations which may create a conflict of interest. The General Counsel and Company Secretary maintain a register of directors’ interests, and the Board and Board Committee members are asked to declare any interests, direct or indirect, before the start of each meeting. Each year, the directors review their external appointments and any potential conflicts of interest and provide an annual confirmation of their independence.

Our governance processes

The Company Secretariat, together with the Chair, is responsible for reviewing governance processes to ensure they remain fit for purpose, implementing any new processes that strengthen the overall governance of the Company, as and when required.

All directors have access to the advice and services of the Company Secretariat to support them in fulfilling their duties and ensuring they adhere to best governance practice.

Policy oversight

The Shareholders’ Agreement governs the policies which the Board, or its Committees, are responsible for reviewing and approving. These include health and safety, ESG, financial, anti-bribery and corruption and whistleblowing policies, alongside the Company’s Code of Ethics. The Executive Committee is responsible for overseeing and approving other policies which govern Company practice across key business areas.

Committees

The Board has overall responsibility for ensuring the long-term success of the business. To support it discharging its responsibilities, the Board has delegated certain responsibilities to a number of our Committees.

The governance framework was introduced in January 2023, and we believe that it underpins good governance practices and supports the Board in exercising effective stewardship of the Company. The remit of each Committee is approved by the Board. During the year, the remits of each Committee were reviewed and updated to ensure that the delegated authorities remain appropriate, effective and aligned with the business’s strategic goals.

Each Committee reports to the Board on matters discussed, decisions taken and makes recommendations to the Board where Board approval is required.

During the year, the Board established the Capex Steering Group and the Board Emergency Committee. Further details about each of the Board Committees can be found from page [79](#).

Integrity of information

It is important that the Board receives accurate, clear and high-quality information. This allows the Board members to monitor and provide feedback on matters of importance, as well as to make informed decisions. Board and Committee members are provided with comprehensive papers and presentations.

In consultation with the Chair and the Chief Executive, the Company Secretary manages the provision of information to the Board, via a secure online board portal. The Company Secretary also ensures the timely and comprehensive follow-up on actions agreed by the Board or its Committees.

Each scheduled Board meeting includes a report from the Chief Executive, which covers performance and activity against our strategic priorities. The Board also considers a report from the Chief Financial Officer which covers all financial performance and other Group finance and treasury activities. During the year, the Board also introduced regular reporting from the Chief Operating Officer, which provides an overview of delivery of our capex programme and operational priorities.

At the start of each Board meeting, a ‘safety or security moment’ is presented to reinforce the safety and security culture that permeates everything the Company does. The Board and its Committees are also regularly kept abreast of meetings and discussions with the Company’s key stakeholders.

The Executives also keep the Board apprised of business developments through regular updates outside of the formal meeting cadence.

The Chair and the Chairs of each Committee separately engage with the Executives and other staff relevant to their roles, as well as meeting with relevant external advisers between meetings, when required.

Additionally, Board members devote time to their roles outside of scheduled meetings and meet with the Executives to discuss and support areas which are then formally considered at the Board or Board Committee meetings.

The next page provides an overview of the key items considered by the Board throughout the year.

Governance principles continued

Board activities

The Board held six scheduled meetings during the year, as well as a dedicated strategy day to consider the strategic direction of the Company for the short, medium and long term. Additional ad-hoc meetings were held throughout the year, primarily to provide oversight and guidance to the Company’s response to RIIO-GT3 Draft and Final Determinations. The Board also participated in a number of informal teach-in sessions. There was also a regular cadence of Committee meetings.

This page provides an overview of the key items discussed and decisions made this year by the Board.

Strategic objectives

- 1Build our foundations
- 2Deliver and close RIIO-T2
- 3Secure and prepare for RIIO-GT3
- 4Earn a seat at the table
- 5Shape the future

Board activities 2025/26			
MAY	JULY	AUGUST	OCTOBER
Approved - Strategic risks Discussed - Business continuity arrangements - Results from the annual culture and engagement survey - Progress update on the RIIO-GT3 business plan submission Deep dives - Market insight - Delivery of RIIO-T2 business plan - Security of supply and energy resilience 12345	Approved - Annual Report and Accounts - Ofgem compliance items - Digital strategy Discussed - RIIO-GT3 Draft Determination - Network performance and resilience 134	Approved - Response to the RIIO-GT3 Draft Determination Discussed - Business developments 1345	Approved - Business development projects - Deregulation of the Metering business - Defined benefit pension scheme Discussed - Update on the RIIO-GT3 Draft Determination Deep dive - Market insight 1345
DECEMBER	JANUARY	FEBRUARY	MARCH
Approved - Strategic options for the Metering business - Financing arrangements - Updates to the Euro Medium Term Note Programme - External audit tender Discussed - RIIO-GT3 Final Determination - RIIO-GT3 People Strategy - Security of supply and energy resilience 134	Discussed RIIO-GT3 Final Determination 13	Approved - Approach to the RIIO-GT3 Final Determination Discussed 5-year business plan - Security of supply and energy resilience - External Board effectiveness review 1345	Approved - FY27 annual budget and 5-year business plan - Financing strategy - Future Metering strategy - FEED stage for SCO₂T Connect Deep dive - Security of supply and energy resilience Strategy day: - Longer-term corporate strategy 1345

Governance principles continued

Wates principle 4: Opportunity and risk

Principle 4: A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

Opportunity

Throughout the year, the Board has assessed and challenged how the Company creates and preserves value, approving the strategic direction of the business and ensuring that long-term value is fostered and sustained. In addition to having oversight of the delivery of the RIIO-T2 business plan, the Board has also spent considerable time engaging in the negotiation of our RIIO-GT3 business plan through Draft to Final Determinations. Both plans are key to ensuring energy security today and the delivery of longer-term value. Alongside these, a number of regional and national projects supporting our mission to lead the UK towards a clean energy future were considered.

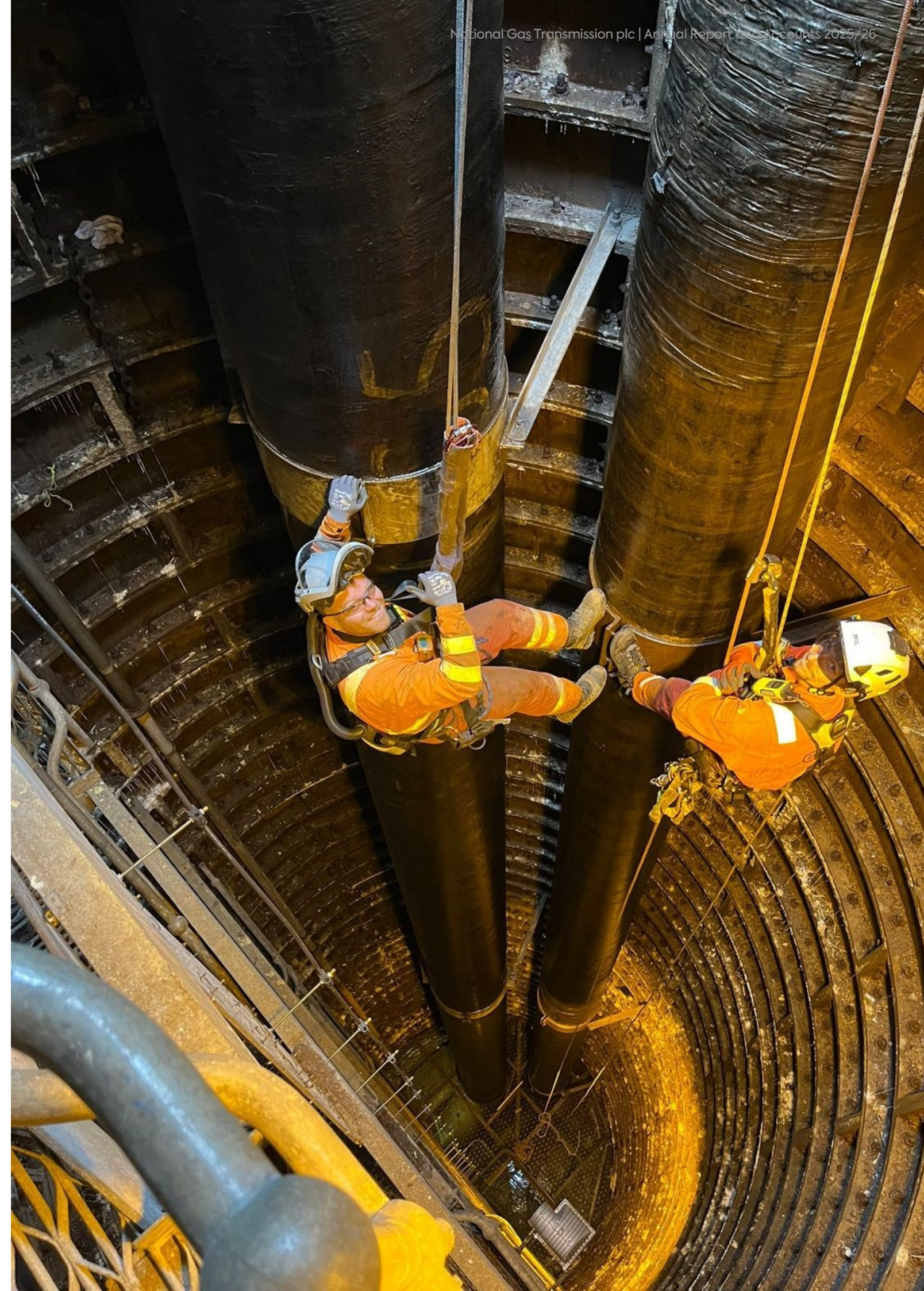
The ambition to support the transition to net zero remains a priority, and the Board will continue to closely monitor the Company's progress on its journey to do so. Further information on the business model and strategy is outlined from page 13 and an overview of our key hydrogen projects is detailed on page 22. Whilst the Board recognises that it needs to be future-focused, it also acknowledges its responsibilities today to ensure that the National Transmission System remains resilient and reliable, thereby ensuring best value for our customers, regulators and wider group of stakeholders.

The Board revisits the Company's longer-term priorities each year to satisfy themselves that our strategic priorities are still appropriate and allow for the identification and pursuit of new opportunities, as and when they may arise.

Risk

The Board has the overall responsibility for the management and oversight of the Company's risks. This includes determining risk appetite and ensuring that effective risk management and internal control frameworks are in place, with key roles and responsibilities clearly defined. The alignment of our strategic risks with the risk appetite informs Board deliberations, and the Board considers financial and non-financial risks, including reputational risks, when making decisions. More about our principal risks, their management, and emerging risks are detailed on page 51.

The Board has delegated the responsibility for oversight of the risk management and internal control frameworks to the Audit and Risk Committee, more information on which can be found on page 79.



Governance principles continued

Wates principle 5: Remuneration

Principle 5: A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

Remuneration and succession

The Remuneration and Nominations Committee is responsible for deciding Board and executive remuneration and has established remuneration practices that are designed to support our strategy and promote the long-term sustainable success of National Gas. Executive remuneration is aligned to our purpose and values, and is linked to the successful delivery of our business plan and longer-term strategy.

The Committee oversees appointments to the Board and to Executive Committee roles, ensuring there is a formal, rigorous and transparent procedure in place for these appointments. The Committee also seeks to ensure that there is a pipeline of talent and appropriate succession plans in place for senior roles. Further details can be found from page [83](#).

Wates principle 6: Stakeholder relationships

Principle 6: Directors should foster effective stakeholder relationships aligned to the company’s purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

Stakeholder engagement

Our directors foster effective relationships with our stakeholders that are aligned to the Company’s purpose and values. The Board is responsible for overseeing meaningful engagement with our stakeholders, and considers their views when making decisions.

Stakeholder engagement enables the Board to better understand what matters to each stakeholder group. In determining the Company’s strategic direction, the Board is conscious of its collective responsibilities to all stakeholders. Their views and different perspectives are taken into account as part of Board and Board Committee discussions and decisions. The Board also ensures that the corporate and management structures in place are such that stakeholder views feed in to the execution of day-to-day operations and practices: see from page [28](#) for further details. An overview of how the Board has engaged with key stakeholders and considered their responsibilities and duties under Section 172 of the Companies Act can be found on page [55](#).

Workforce

As part of the Board’s role in agreeing and overseeing the implementation of the Company’s long-term strategy and the delivery of the day-to-day business, it’s vital that the Board understands employees’ perspective on the strategy, performance and culture. During the year, the Board’s approach to employee engagement included direct engagement with employees through site visits and sessions between Board members and employees. The Chair has recently introduced Board listening sessions, allowing Board members to hear directly from employees across the business.

There are a number of channels through which management regularly engages with our employees and keeps them informed of important business developments. Further details can be found on page [29](#).

Audit and Risk Committee



Robin Watson
Chair of the Audit and Risk Committee

Role of the Committee

The Audit and Risk Committee plays a crucial role in ensuring there is a robust and transparent control environment in place at National Gas. It independently reviews and monitors the integrity of the Company’s financial reporting, including significant policies and judgements, and oversees the relationship with external auditors to maintain their independence and effectiveness. Additionally, the Committee reviews the effectiveness of risk management and internal control systems to ensure they align with the Company’s business needs.

Membership

The Committee consists of three non-executive directors and is chaired by Robin Watson. Together, the Committee members bring a wide range of financial experience across various industries and have the competence relevant to their remit. The Board is also satisfied that Robin Watson, notwithstanding his representation of a significant shareholder, discharges his responsibilities with independence of character and judgement. Other directors also regularly attend and contribute to meetings. The Chief Financial Officer, Financial Controller, Head of Risk, Audit and Assurance, General Counsel and external auditors attend the meetings, which are scheduled around key financial audit dates. The Committee met five times during the year and regularly concluded with a short session without management.

Key focus areas

- Reviewed the 2024/25 Annual Report and Accounts, ensuring that the information was fair, balanced and understandable.
- Examined the year-end financial statements, including key judgements, estimates and assumptions.
- Conducted a formal external audit tender for the statutory audit taking effect from 2027/28.
- Assessed the work of the external auditor, Deloitte, in relation to significant financial judgements made by management, and considered other findings from their 2024/25 audit.
- Considered and approved the statutory audit plan and the associated fee for 2025/26.
- Considered the key findings from completion of the 2025/26 internal audit plan and approved the plan for 2026/27.
- Reviewed the Company’s process for managing risk and changes to the key strategic risks.
- Examined key areas of the Company’s business integrity, including ethics, data security, and fraud and bribery.

Letter from the Chair

On behalf of the Committee, I am pleased to present my first Audit and Risk Committee report. I assumed the role as Chair of the Committee in January 2026, succeeding Mark Russell as the Chair of the Committee when he took on the role as the Chair of our Board. I would like to thank Mark for his leadership and contribution as the Committee Chair.

It was a busy year for the Committee, with particular focus on the re-tendering of the statutory audit services, and reviewing and monitoring the Company’s strategic risks through a combination of risk deep dives and supplementary sessions.

Following the conclusion of a formal and comprehensive competitive tender process, the Board approved the re-appointment of Deloitte LLP as our external statutory auditor, taking effect from, and including, the financial year ending 31 March 2028. We believe that their re-appointment provides an appropriate balance between retaining knowledge of the business, its controls and risks profile, while maintaining audit quality, objectivity and overall value.

One of our core duties is to monitor the integrity of our financial reporting, overseeing management’s control processes and procedures, and assessing the effectiveness of the framework of internal financial controls. We are pleased with the continued strengthening of the National Gas financial control framework and the leveraging of technology and automation to further enhance and drive greater efficiencies.

The Committee provides assurance that our financial reporting is fair, balanced and understandable, accurately reflecting the Company’s financial affairs. We reviewed significant accounting matters and management judgements, confirming to the Board that the 2024/25 Annual Report and Accounts met these standards.

One of the Committee’s key roles is to provide oversight and to support the Board in regard to the integrity of the Company’s procedure for the identification, assessment and reporting of risk. During the year, we reviewed continued improvements to risk-management processes and approved a refreshed risk framework, recognising that effective risk management is crucial to executing our strategy and safeguarding against the numerous risks our Company manages. We also supported the Board in reviewing the management of the Company’s strategic risks, including deep dives into specific areas of focus, and considered the outcomes of key assurance activities in line with the risk appetite set by the Board.

Our remit also includes non-financial controls and governance related to business integrity and compliance. We received updates on adherence to the Code of Ethics, Anti-Bribery and Corruption, and Fraud and Bribery policies. The improvements made this year included the implementation of a refreshed and bespoke mandatory culture of ethical conduct e-training, aimed at strengthening the Company’s approach to delivering its business activities in a responsible and transparent manner.

The Committee has also reviewed the Company’s insurance arrangements and remains confident that appropriate arrangements are in place.

Looking ahead, the Committee will support further strengthening of financial, internal control and risk-management frameworks. We continue to ensure robust, streamlined control processes enabling better ways of working while maintaining integrity.

Robin Watson
Chair of the Audit and Risk Committee

Audit and Risk Committee continued

Financial reporting

Our financial statements must be fair, balanced, understandable and provide all necessary information to assess the Company’s position, performance, business model and strategy. The Committee monitors this integrity, reviews the external auditor’s work, and considers management’s significant judgements and estimates. We review these statements before proposing them to the Board.

The Committee assessed management’s evaluation of the Company’s and Group’s ability to continue as a going concern, considering risks and uncertainties. Concluding that the financial statements could be adopted on this basis, the Committee recommended them to the Board.

We evaluated whether appropriate accounting policies were adopted and if significant judgements and estimates were properly applied. Regular updates on significant accounting judgements were provided throughout the year, and the Committee is satisfied with the decisions made (see significant reporting issues table).

Significant reporting issues	
Significant accounting judgements and estimates	The Committee reviewed the key accounting judgements and estimates applied in the preparation of the financial statements, including: • Classification of items as exceptional; • Asset lives, depreciation and impairment; • Pension assumptions; and • Provisions and contingent liabilities. The Committee considered papers from management setting out the basis for these judgements and estimates, including the key assumptions and sensitivities. It also considered reports from the external auditor on areas of significant judgement and the conclusions from its audit procedures. The Committee challenged management on the appropriateness of assumptions, consistency of accounting policy application, and the clarity of disclosures, with particular focus on areas of higher estimation uncertainty, including pension assumptions, which incorporate a range of actuarial and benefit-related judgements and estimates. In relation to asset lives, depreciation and impairment, the Committee revisited the judgement on the potential impact of the UK’s net zero commitments on asset utilisation beyond 2050, an area of ongoing focus. The Committee noted that Ofgem’s RIIO–GT3 Final Determinations confirm the continuation of regulatory depreciation based on a 45–year asset life, providing support for current assumptions. While this reduces estimation uncertainty, some residual risk remains given evolving decarbonisation pathways. The Committee concluded that asset life assumptions remain appropriate and will continue to be monitored. Based on this work, the Committee was satisfied that the judgements and estimates adopted were reasonable and that the related disclosures are appropriate.
Internal controls	The Committee received updates from management and the external auditor on the effectiveness of the control environment during the year, including key financial controls. As part of this oversight, a number of opportunities to enhance controls were identified, primarily relating to IT general controls. Actions to strengthen these areas have been implemented or are in progress, and the Committee continues to monitor progress as part of its ongoing review of the control framework.

External audit

The Committee oversees the relationship with external auditor, Deloitte LLP, who attend all meetings and meet privately with the Chair, and monitors their effectiveness throughout the year. The Committee members have the opportunity to meet with Deloitte after each meeting without management present, which provides an opportunity for the Committee to assess whether Deloitte appropriately challenges management and remains independent in its judgement and analysis. In assessing its independence and objectivity, the Committee also considered assurances provided by Deloitte, the level of non-audit fees and the re-tender of the audit services. The Committee was satisfied with the audit team’s effectiveness, insight from its audit work and the commitment of Deloitte. In support of this, the Committee recommended Deloitte’s reappointment for 2026/27 year-end audit, being satisfied of its independence and that the effectiveness of its audit process remains strong.

The policy governing non-audit services by Deloitte supports its independence and objectivity. Services exceeding £50,000 require Committee approval, while permissible services below this threshold can be approved by the Chief Financial Officer and reported to the Committee.

Further details on non-audit services provided by Deloitte can be found on page [105](#) of the financial statements. The total non-audit fees paid to Deloitte for the year were £0.2 million (2024/25: £0.1 million) and the majority of the spend was in relation to providing assurance services.

Tendering

Deloitte has been the Company’s auditor since April 2017, and the forthcoming year-end audit will mark its tenth consecutive year in office as statutory auditor. In line with the best practice requiring a competitive tender process for statutory audit services every ten years, the Committee conducted an external audit tender during the year. The tender was open to all audit firms, including incumbent auditors. In December 2025, at the recommendation of the Committee, the Board approved the re-appointment of Deloitte as the auditor of the Company and the Group from 1 April 2027.

Audit tender process

July 2025	July and August 2025	September and October 2025	November 2025	December 2025
The invitation to tender was opened to all audit firms to participate in the external audit tender. Request for Information (RFI) was issued to audit firms.	RFI responses were received in August. The Committee and management reviewed the RFI responses and shortlisted a number of firms.	A request for Proposal (RFP) was issued to the shortlisted firms. Evaluation of Request for Proposal (RFP) submissions by management. RFP responses and management scorecards submitted to Audit and Risk Committee.	Committee members attended the final presentations and interviews with shortlisted firms. The Committee considered the RFP responses and presentations against decisioning criteria, providing a ranking of the final preferred firm.	The Committee evaluated the final presentations using a scoring matrix and concluded the external audit tender process, and recommended to the Board the appointment of Deloitte as the Group’s external auditor for the financial year commencing 1 April 2027.

Audit and Risk Committee continued

Audit Committee oversight

In conducting the audit tender process, the Committee complied with Audit Committees and the External Audit: Minimum Standard, issued by the UK Financial Reporting Council (FRC). The Committee used existing and ad-hoc meetings to approve all key decisions in the process. This included:

- The overall project plan.
- The communication plan, both internally and externally.
- Invitations to firms to tender.
- Release of a Request for Information (RFI) and key decisioning criteria.
- Release of a Request for Proposal (RFP) and key decisioning criteria.
- Review of feedback from firms’ meetings with management.
- Down-selection of firms throughout the process.
- Presentations by firms to the full Committee.
- Recommendation to the Board.

Evaluation criteria

Both the RFI and RFP documents submitted by firms had clearly articulated decisioning criteria approved by the Committee. Submissions were analysed with a key focus on:

- Strength and experience of the team, particularly regulated utility experience.
- Understanding of our business and our industry.
- Audit approach.
- Communication and reporting.
- Value and insights.

Decision

The Committee members attended the presentations by firms that were accepted to the RFP stage. Having considered the presentations, and the relevant analysis of the proposals and earlier rounds in the process, the Committee recommended the re-appointment of Deloitte. Key factors in the decision included:

- Strong partner bench.
- Continuity of established business knowledge and processes.
- Proven audit quality.
- Reduced transition risk.

Internal control framework

The Board is responsible for the effective management of risk, determining its risk appetite and ensuring that each business area implements appropriate internal controls to manage its risks. The risk-management systems are designed to support the business in actively managing risk to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated responsibility for reviewing the effectiveness of the Company’s systems of internal control to the Committee, which include financial, operational and compliance controls and risk-management systems. The internal control environment in place enables a dynamic approach to our controls, policies and assurance activities, with the Committee overseeing improvement plans put in place where the strengthening of a particular area has been identified.

Internal audit

The internal audit function is a key part of the internal control and risk-management framework, providing independent assurance on risk management, controls and governance. It encourages continuous improvements and promotes enhancements to the Company’s governance, risk-management and internal control processes. It also assesses whether all significant risks and obligations under review have been identified, managed and appropriately reported.

The internal audit function’s work is governed by an internal audit charter, which is approved by the Committee annually. The work is conducted and managed in accordance with Global Internal Audit Standards (GIAS). The Committee keeps under review the function’s independence and effectiveness, and has reviewed the results from the annual internal audit quality assessment. The Committee is satisfied that the internal function is operating effectively.

The internal audit plan is structured to align with the Company’s strategy, risk profile, control environment and the assurance arrangements, and is set on a rolling six-month basis to ensure that it is sufficiently flexible to respond to changes and emerging risks. The Committee has overall responsibility for the delivery of the plan, but reporting of the findings of the audit reviews is split between the Committee and the Security, Safety and Sustainability Committee. External providers or internal support may be engaged to support the delivery of some of the audit reviews, where specific skill and experience is required to be co-sourced. Assurance mapping and planning is undertaken to ensure that the work is appropriately aligned, and coordinated with other assurance activities across the business.

The audit plan for 2025/26 included audits in relation to assurance of the RIIO-T2 close out, regionalisation, payroll, IT governance processes and cyber security. The Committee considered the internal audit plan on a rolling six-month basis, which included updates on the delivery of the plan as well as the progress and closure of actions resulting from the audits. The chart below outlines the numbers of audits undertaken in relation to the eight strategic risks tracked throughout FY26.



Risk-management systems

The Committee is responsible for reviewing the adequacy and effectiveness of the risk-management framework, to ensure that the controls in place are effective to identify and manage the risks facing National Gas. The Committee endorsed a refreshed risk framework during the year and also considered adjustments to the risk appetite tolerance levels, for consideration and approval by the Board. The Committee receives regular reports on significant risks and uncertainties facing the business, and assesses the overall control environment and risk mitigations in place to manage those risks. Further details can be found from page [51](#).

Audit and Risk Committee continued

Assurance reviews

In addition to the internal audit function, the Committee receives assurance from other internal and external sources to supplement its assessment of internal control and compliance processes to manage risk. The Company aims to ensure that a sound system of assurance and compliance processes is in place to support key risk areas across the business. This includes the outcomes from the second-line business assurance function, findings from the external audits of the Company's management systems, and outputs from the annual compliance declaration process. Where any failings or weaknesses are identified from this assurance activity, the completion of corrective actions is monitored by the Committee.

Business integrity

The Committee's remit includes oversight of non-financial controls and governance arrangements in respect of policies and assurance processes in place for business integrity and data protection. The Committee considered policies and procedures for detecting fraud, and the systems and controls for preventing other inappropriate behaviour. It was kept apprised on findings of investigations of cases in respect of ethical and business conduct concerns. It also considered initiatives undertaken by the Company to provide assurance on ethical business culture, including policies, training, whistleblowing arrangements and communication initiatives to strengthen awareness in these areas.



Remuneration and Nominations Committee



Liam Auer
Chair of the Remuneration and Nominations Committee

Role of committee

The primary role of the Remuneration and Nominations Committee is to approve the remuneration arrangements for the Chair, the Sufficiently Independent Directors (SIDs), the Executive Board Directors and members of the Executive Committee (the Executives). In doing this, it is responsible for ensuring that the Company’s remuneration arrangements support the Company’s strategy, values and purpose in a simple and transparent manner. The Committee is also responsible for overseeing Board and Executive succession planning to ensure that there is a good balance of skills, knowledge and experience aligned to the Company’s priorities and longer-term strategic direction.

Membership

The Committee consists of three non-executive directors, two of whom are Shareholder Nominated Directors. The other member is the Chair of the Board, who is also a SID. During the year, the Committee was chaired by William Price, one of our Shareholder Nominated Directors. Liam Auer took over as the chair of the Committee in May 2026. The Chief People Officer and the Chief Executive attend meetings (except when their own remuneration is being discussed) with regular presentations also received from the Chief Financial Officer. During the year, the Committee met three times.

Key focus areas

Remuneration-related items

- Commissioned a benchmarking exercise and reviewed the Executives’ salaries and the fees for the Chair and Sufficiently Independent Directors.
- Approved the outturns of the 2025/26 short-term incentive plan (STIP) and the 2023/26 long-term incentive plan (LTIP).
- Approved the structure and performance metrics for the 2026/27 STIP, including the Executives’ personal objectives, and the 2026/29 LTIP awards.

Nominations-related items

- Agreed the process for recruiting an additional Sufficiently Independent Director.
- Considered the outcome of an external assessment of the Executive Committee members.
- Executive succession planning.

Letter from the Chair

I am pleased to present the Remuneration and Nominations Committee (the Committee) report for the year ended 31 March 2026. This report provides an overview of the remuneration principles and details the key remuneration decisions taken in respect of the year. It also explains how the principles will be applied in the year ahead.

During the year, the Committee maintained oversight of, and provided support for, the development of the Executives and reviewed the succession and talent pipeline to ensure that the Company continues to have the capabilities and expertise required to lead the business effectively in the future.

Remuneration-related items

Remuneration principles

Our remuneration principles seek to strike a balance between best practice and alignment with the business plan and longer-term strategy. The principles are:

- Remuneration should include a mix of fixed and variable pay, comprising base salary and performance-related pay.
- Remuneration levels should be benchmarked against external companies of comparable size, complexity and scope, with positioning at market-competitive levels and generally around the median point.
- Performance targets should be stretching and linked to execution of the business strategy, with emphasis on providing sustainable, positive outcomes for our stakeholders.

The principles are designed to attract and retain high-calibre executives and to reward performance through short- and long-term variable pay arrangements. The Committee remains satisfied that the remuneration principles continue to appropriately reward and motivate our Executives by incentivising contributions to both the short- and long-term success of the Company, and in doing so support the creation of stakeholder value in a sustainable and responsible manner.

Incentive plans

There was no change to the incentive framework during the year.

The STIP, being our annual cash bonus scheme, rewards delivery of annual strategic business priorities, based on performance measures relating to both Company and individual performance. We review the performance conditions and their associated measures each year, and make adjustments as required to ensure that they remain appropriately challenging and align with our immediate business priorities.

The individual performance outturn for the Chief Executive is determined by the Committee, and the individual performance elements for the Chief Financial Officer and the other Executives are determined by the Chief Executive and approved by the Committee.

Awards under our cash-based long-term incentive plan, the LTIP, are made to Executives, senior leaders and a small number of other colleagues across the business. The performance conditions and their associated measures are based on longer-term business priorities and strategy.

In exceptional circumstances, malus and clawback provisions apply to both plans. The Committee also has discretion to exercise its judgement when selecting the performance measures and metrics and in determining the outcomes, in particular the individual performance objectives for each of the Executives under the STIP.

We are satisfied that these incentive plans drive appropriate behaviours that support the delivery of our strategy, values and culture.

Incentive outcomes for 2025/26

2025/26 STIP

We assessed the achievement of the various performance conditions and measures agreed for the 2025/26 STIP awards, including performance of the personal objectives for each of the Executives.

75% of the total maximum outturn of 80% of the business-related performance conditions were achieved, reflecting another year of strong operational performance across financial and operational measures and customer satisfaction, as well as progress against the net zero transition targets.

Remuneration and Nominations Committee continued

Whilst the lost time injury frequency rate (LTIFR) stretch measure was met, the Committee exercised discretion and reduced the safety-related element to reflect improvements identified in respect of oversight of process safety.

Financial	Underlying EBITA	●
	Operational RoE	●
Customer	Customer satisfaction	●
Safety	Lost Time Injury Frequency Rate	●
Net Zero	Emissions target	●
	RIIO-GT3 and net zero transition	●

- Stretch target achieved
- Achieved between target and stretch
- Below target performance

The remaining 20% relates to the achievement of individual objectives.

This resulted in a total bonus outcome of 142.5% (of a maximum of 150% of salary) for Jon Butterworth and 114% for Nick Hooper (of a maximum of 120% of salary).

2023/26 LTIP

The three-year LTIP award granted to Jon Butterworth and Nick Hooper in 2023 was subject to performance conditions measured over the financial years from 1 April 2023 to 31 March 2026. The vesting of the award was subject to financial, asset and safety measures, as well as a number of strategic targets, including securing a positive outcome for the RIIO-GT3 business plan and net zero transmission-related initiatives.

National Gas performance in respect of safety and emissions was strong throughout the three-year performance period. Financial performance was also strong during the first two financial years, but the average across the three-year period was slightly below the maximum target.

The biggest impact on the outcome of the award was in relation to the hydrogen-related performance conditions. National policy developments have progressed more slowly than anticipated, which has adversely affected the Company's ability to advance certain hydrogen initiatives.

Notwithstanding this, the Committee exercised discretion when determining the final outcome of the award, recognising the significant achievement in securing additional funding to strengthen the reliability and resilience of the network. Consistent with its approach to STIP vesting outcome, the Committee exercised discretion and reduced the safety-related element.

Based on the performance conditions set at the start of the performance period and discretion exercised by the Committee, the LTIP award vested at 85.5% of the total maximum measures of 100%.

Financial	Operational RoE	●
Asset	NARMs (£m)	●
Safety	Lost Time Injury Frequency Rate	●
	Generative Safety Maturity Curve survey	●
Net Zero	Emissions targets	●
Strategy	Hydrogen targets	●

- Stretch target achieved
- Achieved between target and stretch
- Below target performance

This resulted in payouts equal to 171% of salary in 2023 (of a maximum of 200%) for Jon Butterworth and 128.25% of salary in 2023 for Nick Hooper (of a maximum of 150%).

We are satisfied that the outcomes are in keeping with the overall performance of the business.

Looking ahead to 2026/27

Annual salary review

Ahead of the annual salary review, an external benchmarking exercise was carried out by the Committee's external remuneration advisors. It took into account market trends, data against two comparator groups and that of the wider workforce. We also considered delivery expectations of the business entering the first year of the next regulatory price control period, RIIO-GT3.

Following this exercise, we decided that our Chief Executive, Jon Butterworth, will receive a base salary increase of approximately 3.73%, increasing his annual salary to £695,000.

We also agreed that our Chief Financial Officer, Nick Hooper, will receive a base salary increase of approximately 6%, increasing his annual salary to £425,000, recognising that his salary level is below the market median for an individual of his experience and track record in similar organisations.

A large proportion of our employees' pay is negotiated under local collective bargaining agreements, and as a Committee we take this into consideration when considering Executive pay.

In respect of the remuneration of the Chair and the SID, taking into account external benchmarking data, the Committee concluded that the current fee of £270,000 for the Chair and the fee of £71,000 per annum for our other Sufficiently Independent Director remains appropriate. The Committee therefore agreed not to adjust their remuneration arrangements.

Incentive plans

We reviewed and agreed that the structure of the 2026/27 STIP and 2026/2029 LTIP remains appropriate, but that the performance conditions attached to the awards should be amended to ensure continued alignment between Company performance and the longer-term strategy.

For the STIP awards, we agreed to increase the weighting for the financial measures to put more emphasis on the overall financial performance. The customer satisfaction measure has been removed, but the weighting and measures for safety, net zero transmission targets and the strategic initiatives remain as in the previous year. As a Committee, we believe that these incentives and measures appropriately incentivise the Executives to deliver strong in-year performance, including delivery against key priorities for the first year of the RIIO-GT3 regulatory period.

The individual performance element remains the same, with the total weighting amounting to a maximum of 20% of the award, and the Committee reviewed and approved each Executive's individual objectives .

We decided to change the focus of some of the performance conditions for the three-year LTIP award, which will vest in 2029. The measures and associated targets continue to emphasise operational excellence, whilst supporting long-term sustainability of our asset reliability and resilience, and a continuing focus on safety and net zero transition.

30% of the award is also subject to the achievement of certain strategic initiatives that support delivery of key aspects of the RIIO-GT3 business plan and our three-molecule strategy. Performance against these measures will be based on target and maximum opportunities as a percentage of base pay.

Other areas of focus

During the year, the Committee considered employee diversity and approved the publication of our Gender Pay Gap report. The Committee was pleased that our mean pay gap continues to remain below the UK average.

The Committee reviewed progress being made to improve and strengthen our pipeline of women across the business through managed career paths, improved access to opportunities and removal of barriers for progression through our new women's development programme 'Ascend'.

We received an update on our 'Belonging' (DEI) strategy and initiatives targeted at ensuring the Company continues to recruit, retain and support the progression of diverse colleagues, recognising the positive impact a diverse workforce has on a business.

Although we did not review the appointment of our independent external remuneration adviser, Ellason LLP, we are satisfied that they continue to provide independent support to the Committee and ensure that the Company's remuneration practices remain in line with best practice.

Nominations-related items

The Committee is responsible for overseeing the size, structure and composition of the Board and the Executive Committee, to ensure that there is a good balance of skills, knowledge and experience that are aligned to the Company's priorities and longer-term strategic direction.

Remuneration and Nominations Committee continued

Board changes

During the year, Dr Phil Nolan retired as the Chair of the Board and as a Sufficiently Independent Director (SID). Mark Russell assumed the role as the Chair of the Board on 1 January 2026 and, with Cathryn Ross, they are the two current SIDs.

Following the external Board review, the Board agreed that it would benefit from a third SID, alongside the Chair and Cathryn Ross, and the Committee authorised the Chair of the Board to lead on the recruitment of a new SID during 2026/27.

Executive development and succession

Throughout the year, we continued our oversight of the Executives to ensure they have the skills, experience and attributes to lead the business today and in the longer term. To support this, we commissioned an externally led development review of the Executives' individual strengths and development areas, which was carried out by Georgina Cavaliere from GCLA. The Committee considered the recommendations from her review, which identified development opportunities to support the individual growth of each of the Executives, as well as collectively as a leadership team, to ensure they have the attributes to lead the business through the next price control period and beyond.

We reviewed the approach to Executive Committee member succession planning, including the succession planning process, which involves external benchmarking and assessments to ensure that the business has a strong and diverse pipeline of high-calibre individuals capable of discharging executive-level responsibilities. This process enables us to monitor and evaluate the strength of the talent pipeline, its composition and diversity, and the training and development needs within the senior leadership teams.

Looking ahead

We will continue to review Executive remuneration trends to ensure that our remuneration principles continue to drive the right behaviours, strive for operational excellence and reward performance. Board and Executive development and succession planning will also continue to be a priority for the Committee in the coming year.

Liam Auer

Chair of the Remuneration and Nominations Committee



Safety, Security and Sustainability Committee



Howard Higgins
Chair of the Safety, Security and Sustainability Committee

Role of the Committee

The role of the Safety, Security and Sustainability Committee (the Committee) is to assist the Board by overseeing safety, physical security, cyber security and sustainability performance and risks, alongside providing assurance that the Company is effectively managing its legal, regulatory and moral obligations in relation to these areas.

Membership

The Committee comprises two members, both of whom are non-executive Shareholder Nominated Directors, including the Chair, Howard Higgins. Other directors also regularly attend and contribute to meetings. The Chief Executive, Chief Financial Officer, Engineering and Asset Management Director, Head of Safety, Health and Wellbeing, and the General Counsel are in attendance at meetings, with regular presentations also received from the Chief Information Officer, Head of Risk, Audit and Assurance, and the Heads of Policy for Environment, Sustainability and Engineering. The Committee met three times during the year.

Key focus areas

- Safety and health performance and progress in delivering the Company’s safety strategy – our ambition to be ‘Safe Every Day’.
- Safety and health performance (Lost Time Injury Frequency Rate and High Potential Controllable Events).
- The current external threat landscape and the Company’s initiatives to strengthen physical and cyber security.
- Relevant strategic and operational risks.
- Delivery of the RIIO-T2 Environmental Action Plan (EAP) commitments.
- The approach to the delivery of the RIIO-GT3 EAP commitments.
- Delivery of the Company’s net zero decarbonisation strategy.
- Key findings from relevant 2025/26 internal audit reviews.
- Proposed audit reviews to be included in the 2026/27 internal audit plan.
- Key findings and actions arising from the third-party infringement investigation.
- Key findings from the annual assurance plan.
- Proposed updates to the process safety and environmental sustainability policies.

Letter from the Chair

I am pleased to present the report from the Safety, Security and Sustainability Committee for the year ended 31 March 2026. During the year, the remit of the Committee was extended to include oversight of the implementation of our physical security and cyber security strategies. As a Committee, we welcomed this change and I believe that the expanded remit appropriately captures priorities for the continued safe, secure and sustainable operation of the Company.

Safety performance

At National Gas, the safety, health and wellbeing of our workforce, supply chain partners and the public, alongside the safe utilisation and security of our assets, is a priority. Safety is a golden thread woven into all aspects of our business and operations, and this is reflected in the Committee’s overarching focus on safety performance, as well as in management’s approach to embedding a proactive safety culture throughout the Company.

The Committee’s agenda has a standing item at each meeting, which provides an overview of performance in respect of key safety metrics and highlights any areas of concern, should they arise. I am pleased to report that during the reporting period, there have been no public safety injuries attributable to the Company and no catastrophic or serious process safety events.

Throughout the reporting period, the number of high potential controllable events (HPCEs) occurring has consistently remained within our tolerated levels. As a Committee, we are reassured by the willingness of individuals to report near-miss incidents, especially those with the potential to have serious consequences, and this is testament to the positive safety culture embedded throughout the Company. Timely reporting of HPCEs allows a thorough investigation to commence promptly and any immediate enhancements to processes to be implemented to avoid similar incidents reoccurring. We maintain oversight of all such incidents, including the root causes, results of investigations and the actions taken to prevent reoccurrence.

Whilst the lost time injury frequency rate (LTIFR) during the year increased slightly to 0.44 per 1,000,000 hours worked towards the end of the period, action was taken to mitigate further risk and the Committee was kept informed of the outcome of investigative work.

This year has seen the successful delivery of year four of our safety ambition: ‘Safe Every Day’, with the Committee overseeing four key priorities that align with our Company values. These are: managing our assets, pipelines and processes; demonstrating safe behaviours every day; supporting health and wellbeing every day; and continually improving ways of working to ensure everyone goes home safe every day. Earlier in the year, the Committee also guided the development of the Safety and Health Plan for the year, with four key priorities namely: delivery of core safety initiatives, enhancing systems and processes, strengthening quality and supply chain management, and promoting health and wellbeing. Delivery against these areas ensures we are maintaining momentum towards continually strengthening our approach to safety in every aspect of our operations.

Good progress has been made this year in two key areas identified as part of a review of our management systems undertaken by ARUP, an independent external consultancy firm. The first focuses on the introduction of an electronic permit to work system and the second on the development of a system to enhance our drawings assurance processes. These workstreams will continue into next year and we will continue to monitor the implementation of these systems.

Safety, Security and Sustainability Committee continued

Environmental Action Plan and net zero ambitions

As a Company, we recognise the importance of protecting the environment and acting sustainably every day. This year saw the delivery and close out of our Environmental Action Plan (EAP) commitments under the RIIO-T2 price control period and planning for the 14 new targets set by Ofgem for RIIO-GT3. The EAP sets out how we will work together with our employees and stakeholders to decarbonise our network and reduce the impact of our activities on the environment. As such, the EAP commitments aim to mitigate and improve the environmental impact of our network, with the Committee receiving a report on progress against our targets at every meeting. As a Committee, we are pleased with the strong performance against our RIIO-T2 commitments reported during the year. We expect similar performance levels will be achieved during RIIO-GT3.

Over the year, progress has continued to be made in reducing controllable Scope 1 and 2 emissions from the use of our assets. We are pleased to report that total emissions performance was significantly below the 443 ktCO₂e target at 358.9 ktCO₂e. The Committee continued to oversee initiatives to decarbonise compressor combustion by 2050, including the deployment and testing of pipeline recompression units. These units have the potential to significantly reduce pipeline venting emissions and support the Company's pathway to net zero.

Physical and cyber security

We recognise that the external geopolitical environment is currently a volatile one and, as such, it is key that our approach to managing security threats is proactive and agile. At each Committee meeting, we receive a detailed overview of the current external threat landscape and the initiatives underway to enhance our response to these threats, including the use of new and innovative technologies. A summary of individual incidents and the actions arising from these are presented for discussion at each meeting, with security also defined as one of our strategic risks. As such, the Committee also considers security in terms of our controls framework, tolerance levels and management approach.

Increasingly sophisticated threats from cyber attacks are also a key focus for us as a Committee. Included within our RIIO-GT3 business plan is a comprehensive programme of cyber security initiatives, oversight of which will be provided by the Committee during the year ahead.

Environmental, Social and Governance (ESG)

At each meeting, we receive a summary of performance against our ESG targets as part of our wider ESG strategy. Performance has been consistently strong in this area, with 21 out of 22 targets met by the end of the reporting period and an action plan in place to address the one off-track target.

For the second consecutive year, in October we also took part in the annual Global Real Estate Sustainability Benchmark (GRESB) Infrastructure Asset Assessment. I am pleased to report that our results this year marked a significant improvement from our previous submission. With improvements demonstrated across nearly all categories, we saw particular success in leadership, health and safety, energy and air pollution, scoring 100% in these areas – with a score of 90% or over also achieved for policies, reporting, stakeholder engagement and employees.

Internal audit

The Committee is responsible for recommending to the Audit and Risk Committee the internal audit reviews that relate to our remit, and overseeing the findings from these reviews. Throughout the year, we considered the findings from the audit reviews relating to cyber and physical security, third-party infringement and Dangerous Substances and Explosive Atmospheres Regulations (DSEAR). We also monitored the completion of the agreed actions to improve internal controls and mitigations in these areas. We requested follow-up action plans in respect of two previous years' audit reviews: Corrosion Management and Asset Health and Preventative Maintenance, with the Committee monitoring the implementation of those actions.

Internal control and assurance

At each meeting, we consider the findings from assurance reviews relating to our remit. The business operates under the three lines of defence assurance model, where assurance sits within the second-line and supports the Company in meeting its legal and regulatory obligations and ultimately in delivering its key business priorities. In addition to considering the individual findings, overall themes and actions arising from these reviews, we also evaluated the effectiveness of the assurance model's implementation and delivery, to ensure it remains a robust means of maintaining our compliance and supporting our proactive approach to safety across the Company.

Risk and assurance

As a Committee, we are responsible for the oversight of risks that relate to our remit, with our main focus being on three of the Company's strategic risks: process safety, occupational safety (and health) and environmental protection. At each meeting, consideration is given to an update on the current status of each risk and the initiatives underway to enhance their management and control. We conducted a number of risk deep dives into these areas and maintained oversight of the implementation of any actions to further strengthen the controls in place to manage the risks. We also reviewed the security strategic risk, once added to the Committee's remit.

During the year, the Committee oversaw the Company's response to two improvement notices received from HSE in relation to a third-party interference incident and the TD1 pipeline validation process. This included reviewing progress in addressing the actions agreed with HSE and a wider review to strengthen compliance oversight, improve reporting and develop an integrated assurance framework.

Looking forward

Looking ahead to the next 12 months, the Committee will continue to receive regular reports from across the key areas of its remit and ensure that safety, security and sustainability remain a priority for the Company as a whole. With the business entering the RIIO-GT3 price control period and the associated increase in investments, it will become more important than ever for us to maintain the high standards of safety, security and sustainability we have in place for our workforce, supply chain partners, the public and our assets. We will provide guidance and challenge in areas that can be improved, and oversee the implementation of new initiatives and processes to further strengthen our safety, security and sustainability position.

Howard Higgins

Chair of the Safety, Security and Sustainability Committee

Regulation Committee



Cathryn Ross
Chair of the Regulation Committee

Role of the Committee

The role of the Regulation Committee (the Committee) is to assist the Board by overseeing the Company’s performance against, and compliance with, its licence and other regulatory obligations set by Ofgem. In doing so, it oversees the Company’s relationship with Ofgem, the delivery of business plan commitments and the development of the plan for the next regulatory framework. During the year, the Committee also supported the Board in overseeing progress against its hydrogen and carbon capture strategies.

Membership

The Committee consists of three non-executive directors, one of whom is a Sufficiently Independent Director (SID) and Chair of the Committee, Cathryn Ross. The other two Committee members are Shareholder Nominated Directors. Other directors also regularly attend and contribute to meetings.

The Chief Executive, Chief Financial Officer, General Counsel, Chief Strategy and Regulation Officer, and Chief Commercial Officer are also in attendance at meetings. During the year, the Committee met three times.

Key focus areas

- Oversight of the RIIO-GT3 business plan process, including the development of the Company’s responses to Ofgem’s Draft and Final Determinations.
- Delivery against the RIIO-T2 business plan.
- Engagement activities with Ofgem and DESNZ.
- Business development updates, including progress on Project Union, the Humber Hydrogen and SCO₂T Connect projects.
- Update on innovation activities (including FutureGrid).

Letter from the Chair

I am pleased to present the report from the Regulation Committee for the year ended 31 March 2026.

This year has been a significant one for the Company, with the closeout of the RIIO-T2 price control period and the work leading up to Ofgem’s Final Determination on our RIIO-GT3 business plan. As a Committee, we played a key role in overseeing the journey from Ofgem’s Draft Determination on our plan through to Final Determination, which was received in December 2025. Through the Committee’s support and strategic guidance, and the management team’s dedication and expertise, we achieved a final outcome with a baseline funding of £3.2 billion, with scope for significant further allowances to be granted within the regulatory period.

We considered regulatory assessments of the delivery of our RIIO-T2 business plan, with a focus on risks, the submissions of uncertainty mechanisms under the RIIO-T2 licence, and enhanced assurance processes in relation to our Price Control Deliverables.

Throughout the year, the Committee received regular updates on the progress of our key strategic and innovative programmes of work. Project Union is one such programme that has seen progress over the past year, with funding having been secured from Ofgem to deliver Front End Engineering Design (FEED) studies and early planning and consenting activities for the project’s first three phases.

Earlier in the year, the Committee oversaw the associated carbon dioxide strategy refresh, including plans for regional strategic engagement and the pursuit of broader funding opportunities to ensure the success of our carbon dioxide portfolio. The Committee also provided oversight of the strategy to secure development funding for the project.

At each meeting, an overview of any new and developing strategic business opportunities are presented, with these opportunities considered in terms of the Company’s risk appetite and tolerance, making recommendations to the Board as required.

Looking forward to the year ahead, we will continue to focus on regulatory matters and provide oversight of regulatory price control submissions.

Cathryn Ross
Chair of the Regulation Committee

Directors’ Report

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

National Gas Transmission plc is registered in England and Wales with company number 02006000 and registered office at Warwick Technology Park, Gallows Hill, Warwick CV34 6DA. The Company is a public limited company, however its shares are not publicly available for trading.

Where reference is made in this Directors’ Report to other sections of the Annual Report, those sections are incorporated by reference into this Directors’ Report. Certain disclosures required to be contained in the Directors’ Report have been incorporated into the Annual Report, as set out below:

Section / topic	Page reference
Diversity	47
Employee engagement and involvement	29 , 47
Greenhouse gas emissions and energy consumption	37
Financial risk management	From page 122
Future business developments	From page 20
Principal activities and business review	6 , 14 onwards
Strategic risks and uncertainties	From page 51
Relationship with customers and stakeholders	From page 28

Other specific disclosures on which the directors are required to report each year:	
Areas of operation	During the financial year the Company’s activities and operations were all in the UK.
Auditor	A resolution to reappoint Deloitte LLP as auditor of the Company will be proposed for shareholder approval.
Corporate governance	Corporate governance report, from page 64 .
Research and development	Expenditure on research and development was £19 million during the year (2024/25: £15 million).

Directors

The directors of the Company, who were in office during the year and up to the date of signing the financial statements, were:

Name	Position	Appointment date
Mark Russell	Sufficiently Independent Director	1 July 2024
Liam Auer	Shareholder Nominated Director	6 January 2025
Jon Butterworth	Chief Executive	1 May 2021
Jenny Lyn Dela Cruz*	Shareholder Nominated Director	21 March 2025
Jerry Divoky	Shareholder Nominated Director	31 January 2023
Howard Higgins	Shareholder Nominated Director	31 January 2023
Nick Hooper	Chief Financial Officer	1 August 2021
Cathryn Ross	Sufficiently Independent Director	21 June 2019
Robin Watson	Shareholder Nominated Director	5 February 2025
Abdul Moiz Qureshi	Alternate Director	21 July 2023

Former Directors	Position	Resignation date
Dr Phil Nolan	Chair and Sufficiently Independent Director	31 December 2025
Mark Mathieson	Shareholder Nominated Director	15 May 2026
William Price	Shareholder Nominated Director	15 May 2026

* Jenny Lyn Dela Cruz was an Alternate Director up to her appointment as a Shareholder Nominated Director.

Directors’ Report continued

Directors’ insurance and indemnities

The Company maintains directors’ and officers’ liability insurance for the benefit of its directors and officers. As permitted by the Company’s Articles of Association (the Articles), and to the extent permitted by law, Luppiter Consortium Limited indemnifies each of the directors and other officers of the Company and the National Gas Group against certain liabilities that may be incurred in connection with the execution of their duties. The indemnities were in force throughout the tenure of each director during the financial year and are currently in force.

Directors’ conflicts of interests

The Company has procedures in place for managing conflicts of interest. In the event that a director becomes aware that they, or any of their connected parties, have an interest in an existing or proposed transaction with the Company or any Group company, they notify the Board in writing or declare it at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving directors, or their connected parties, are conducted on an arm’s length basis. Directors have a continuing duty to update any changes to these conflicts.

Political donations and expenditure

It is the Company’s policy position that we do not support any political party and do not make what are commonly regarded as donations to any political party or other political organisations, including non-UK political parties. The wider definition of donations in the Political Parties, Elections and Referendums Act 2000, however, covers activities which form part of the necessary relationship between the Company and our political stakeholders. This can include promoting the Group’s activities at political events and forums, as well as stakeholder engagement in Westminster. During the year, the Group incurred qualifying expenditure of £0 (2024/25: £0) as part of these engagements.

Dividends

During the year, the Company paid ordinary dividends totalling £488 million (2024/25: £623 million). Of the dividend paid, £174 million (2024/25: £201.8 million) was to enable its parent company, National Gas Transmission Holdings Limited (NGTH), to pay the Company interest due on an inter-company loan from the Company to NGTH. This amount was immediately returned to the Company as an interest payment and therefore has no cash or profit impact on the Company. Total dividends paid to GasT Midco Limited (being the holding company of NGTH) therefore amounted to £314 million.

Share capital

As at 31 March 2026, the Company’s issued share capital comprised a single class of 3,944,133,594 ordinary shares of £0.01 each. See note 24 to the consolidated financial statements for further details.

Major shareholdings

As of 31 March 2026, the Company’s share capital was held by NGTH. The ultimate parent company is Luppiter Consortium Limited.

Modern Slavery

In accordance with the Modern Slavery Act 2015 (section 54 part 6), the Board has adopted and approved a statement on the prevention of slavery and human trafficking, a copy of which can be found on the National Gas website.

Going concern

The directors considered it appropriate to prepare the financial statements on a going concern basis, having considered the Company’s cash flow forecasts with respect to business planning and treasury management activities. The going concern basis presumes that the Group 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.

The Group closely monitors and manages impacts of changes in the regulatory, macroeconomic and geopolitical environment and the impact of these factors on the Group.

In establishing the going concern for the Company, the going concern position for the other entities within the Group has been taken into consideration and as to the Company’s position to meet its liabilities are dependent on distributions made throughout the Group. The Group is bound by certain financial covenants with regards to its debt agreements and banking facilities.

The directors have assessed the principal cash flow and covenant risks through modelling both a base case and a reasonable worst-case scenario. The main impacts identified in the reasonable worst-case scenario that could affect the Group’s liquidity and covenant position are:

- a. adverse impact on our own-use gas and balancing costs of prevailing market conditions;
- b. adverse impacts of inflation on our assets and liabilities;
- c. adverse impact from actual versus forecast variations on working capital requirements; and
- d. adverse fluctuations in interest rates.

As part of their analysis, the directors also considered the following potential levers to improve the financial and liquidity position identified by the reasonable worst-case scenario:

- adjustments to dividend plan; and
- access to £735 million of undrawn existing committed Revolving Credit Facility.

Having considered the reasonable worst-case scenario and further liquidity levers available to the Company, the directors concluded that the Company continues to have headroom against the available facilities under each scenario. The directors were able to conclude that the company is able to meet its obligations as and when they fall due for at least one year from the date the financial statements are signed.

Disclosure of information to the auditor

The directors, who hold office at the date of the approval of this Directors’ Report, confirm that, so far as they are aware, there is no relevant audit information of which the Company’s auditors is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

Post balance sheet events

On 15 July 2026, the Company declared an interim dividend amounting to £593 million, payable to its parent company, NGTH, on 20 July 2026. Of the £593 million dividend payment, £505 million will be returned to National Gas, comprising repayment of £380 million of principal and £125 million of accrued interest relating to the intercompany loan between the two entities. As this transaction occurred after the reporting date, it has been assessed as a non-adjusting event in accordance with IAS 10, Events after the Reporting Period and has therefore not been reflected in the financial statements as at the reporting date.

The Directors’ Report was approved by the Board on 15 July 2026 and signed on its behalf by:

Nick Hooper
Chief Financial Officer
15 July 2026

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the UK adopted International Financial Reporting Standards ("IFRS"). The directors have also chosen to prepare the parent company financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced disclosure Framework'. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed for the financial statements, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the financial statements, International Accounting Standard 1 requires that directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

- Make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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 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.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors' report was approved by the Board on 15 July 2026 and signed on its behalf by:

Nick Hooper
Chief Financial Officer
15 July 2026



Financial statements

Auditor’s report	93
Consolidated financial statements	98
Notes to consolidated financial statements	101
Company financial statements	131
Notes to the Company financial statements	132

Introduction to financial statements

Throughout these financial statements, we have provided explanations of the disclosures and why they are important to the understanding of our financial performance and position.

Notes
Notes to the financial statements provide additional information required by statute, accounting standards or other regulations to assist in a more detailed understanding of the primary financial statements. In many notes, we have included an accounting policy that describes how the transactions or balance in that note have been measured, recognised and disclosed. The basis of preparation section provides details of accounting policies that apply to transactions and balances in general.



Auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NATIONAL GAS TRANSMISSION PLC

Report on the audit of the financial statements

1. Opinion

- the financial statements of National Gas Transmission plc (the ‘company’, the ‘parent company’) and its subsidiaries (the ‘group’) give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 March 2026 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 33 to the consolidated financial statements.
- the company balance sheet;
- the company statement of changes in equity; and
- the related notes 1 to 23 to the company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard 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 group and the parent company for the year are disclosed in note 4(e) to the consolidated financial statements and note 2 to the company only financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC’s Ethical Standard to the group or the parent 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 matters

The key audit matter that we identified in the current year was the impact of climate change on property, plant and equipment.

Materiality

The materiality that we used for the group financial statements was £30.2m which represents 3.8% of three-year average adjusted profit before tax.

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 were no significant changes to our approach compared with 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.

Our evaluation of the directors’ assessment of the group’s and the parent company’s ability to continue to adopt the going concern basis of accounting included:

- assessment of the financing facilities including nature of facilities, repayment terms and covenants;
- assessment of assumptions used in the forecasts;
- assessment of the amount of headroom in the forecasts (cash and covenants)
- testing the clerical accuracy and appropriateness of the model used to prepare the forecasts;
- assessment of the historical accuracy of forecasts prepared by management;
- reperforming management’s sensitivity analysis; and
- evaluating the appropriateness of the disclosures in respect of going concern in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group’s and the parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Auditor’s report continued

5. Key audit matters

The key audit matter communicated below is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current year and included the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. This matter had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

This matter was 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 this matter.

5.1 Impact of climate change on property, plant and equipment

Key audit matter description

Account balance: Property, plant and equipment. Refer to note 1 and 10 in the financial statements.

The UK government have enacted legislation and established targets in respect of net zero carbon emissions by 2050. In addition, the Group has an ambition of net zero carbon emissions by 2040 for scope 1 and 2 emissions. When burned, natural gas emits carbon dioxide and is considered a greenhouse gas, therefore climate change represents a strategic challenge for the Group to meet targets for reducing greenhouse gas emissions. A key consideration for the Group is the potential future use of the Group’s gas assets to facilitate gas transmission services in the period approaching 2050 and beyond.

Management have considered Ofgem’s RIIO–GT3 Final Determinations and concluded that the regulatory depreciation of 45 years set by Ofgem supports the useful lives of the gas assets to approximately 2070.

The remaining useful economic life of the Group’s gas assets is up to 45 years, extending beyond the 2050 net zero commitment date. As the continued use of natural gas as a primary energy source beyond 2050 appears to be in conflict with net zero targets and the impact of shortening the useful lives of the gas assets to 2050 has a material impact on annual depreciation, there is an audit risk that management judgements taken to determine the useful lives of gas assets in the context of the net zero commitments are not reasonable.

As described in note 10 to the financial statements, the impact of changing the useful economic lives of all of the Group’s gas assets, such that they would be fully depreciated by 2050, would be an increase in the annual depreciation expense of £50 million; such that they would be fully depreciated by 2060 would be an increase in the annual depreciation expense of £16 million and such that they would be fully depreciated by 2070 would be an increase in the annual depreciation expense of £1 million.

Management have assessed the accounting impacts associated with climate change, including on the useful lives of the Group’s gas transmission assets, so that these are considered and reflected appropriately in the financial statements. We note that management have made no adjustments to the useful economic lives of its gas transmission assets. Management’s view is that whilst there is significant uncertainty around the future energy landscape, and there are multiple possible scenarios, based on current evidence there is likely to be a use of the existing infrastructure to transport methane gas, hydrogen and for carbon capture and storage, however, the exact form of the use remains uncertain.

Management have disclosed a key judgement in relation to the potential future use of gas assets post 2050 in note 1 to the financial statements, with sensitivity analysis in note 10 to the financial statements.

How the scope of our audit responded to the key audit matter

Our procedures for challenging the useful lives of the Group’s gas assets extend beyond 2050 in light of the different goals, commitments and legislation relating to net zero included the following:

- evaluating potential strategic pathways to achieve net zero target>;
- obtaining and reading government plans in the UK for achieving net zero targets which we compared to the potential strategic pathways;
- assessing information from the regulators, including price controls in the UK, to consider whether they presented any contradictory evidence;
- performing an assessment of the likelihood of occurrence of alternative scenarios for achieving net zero targets;
- considering the potential for re-purposing the Group’s gas network for alternative uses, and in particular for transporting hydrogen;
- reviewing a number of external reports on climate change and searched for contradictory evidence in respect of management’s judgements;
- assessing the consistency of management’s assumptions around continuity with the enterprise value and regulatory asset value (RAV) multiples for recent market transactions;
- engaged climate change specialists during our audit procedures to review the climate related disclosures against the Companies Act requirements and climate financial disclosure non-binding guidance; and
- assessing the disclosures included in the financial statements, including the critical judgements and sensitivity disclosures in Note 1 and Note 10 to the financial statements.

Key observations

Based on the work performed, we concur with management’s view that it is likely that there will be a use for the Group’s gas networks beyond 2050, albeit there is significant uncertainty related to the form of this use. It continues to be reasonable to use the useful economic lives of up to 45 years for the calculation of depreciation in accordance with IFRS. Furthermore, the emergence of a substantial hydrogen infrastructure could introduce another potential longer term role for gas assets past 2050.

We note that there is no alignment between the useful lives of the Group’s gas assets for IFRS depreciation purposes, and the period of recovery of the regulatory asset value under regulation. Nevertheless, we have concluded that management’s assumption that these assets will continue to have a valuable use until 2070 is reasonable.

We consider the disclosures in note 1 to the financial statements and the sensitivity analysis in note 10 to the financial statements to be appropriate.

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:

Auditor’s report continued

	Group financial statements	Parent company financial statements
Materiality	£30.2 million (2025: £27.5 million)	£27.1 million (2025: £26.1 million)
Basis for determining materiality	Group materiality represents to approximately 3.8% of adjusted profit before tax on a three-year average basis (2025: 4.0% of adjusted profit before tax on a three-year average basis). Adjusted profit before tax is profit before tax, certain exceptional items and remeasurements as disclosed in the consolidated income statement.	Our determined materiality represents 4.9% of adjusted profit before tax on a three-year average basis, capped at 90% of the group materiality. The prior year materiality was determined based on 3.9% of three-year average adjusted profit before tax, capped at 95% of the group materiality. Adjusted profit before tax is profit before tax, certain exceptional items and remeasurements.
Rationale for the benchmark applied	We consider adjusted profit before tax to be an important benchmark of the performance of the Group. We consider it appropriate to adjust for certain exceptional items as these are not reflective of the underlying performance of the Group. Using a three-year average basis removes volatility arising from regulatory timing differences which occur due to under- or over-collection of revenue in a financial year which arise due to differences in actual revenue and costs incurred in relation to transporting gas volumes across the National Transmission System and forecast revenue and costs included in Ofgem’s determination of Allowed Revenue.	

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.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2025: 70%) of group materiality	70% (2025: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • Our cumulative experience from prior year audits; • The level of corrected and uncorrected misstatements identified; • Our risk assessment, including our understanding of the entity and its environment; • Our assessment of the Group’s overall control environment and that we were able to rely on controls over certain business cycles; and • Our evaluation of the level of change in the business from the prior year.	

6.3 Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all audit differences in excess of £1.5 million (2025: £1.3 million), 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 identify when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

The Group audit was scoped by obtaining an understanding of the Group and its environment, including entity level controls, and assessing the risks of material misstatement. We identified two components in the group, being the two statutory entities. Both of these were subject to audits of their entire financial information. These were audited using component performance materiality ranging from £10.6 million to £19.0 million (2025: £9.6 million to £17.3 million).

Audit work to address the identified risks of material misstatement was performed directly by the audit engagement team and no component auditors were engaged. At the group level we also tested the consolidation process.

7.2 Our consideration of the control environment

In line with our audit plan we have relied on management’s controls in key business cycles, including in revenue, property, plant and equipment and intangible assets. We tested controls through a combination of inquiry, observation, inspection and re-performance. For any deficiencies identified in relation to controls operating in key financial processes we considered the impact, updated our audit plan and communicated to management.

The Group’s financial systems environment relies on a high number of applications. In the current year we identified two IT systems as relevant to the audit, which are all directly or indirectly relevant to the entity’s financial reporting process.

We relied on the General IT Controls (GITCs) associated with three applications where GITCs were appropriately designed and implemented and operated effectively. Our IT specialists tested the GITCs relating to access security, change management, data centre operations and network operations. We tested the remediations implemented from the prior year and for deficiencies identified in relation to GITCs, we considered the impact, updated our audit plan and communicated to management.

7.3 Our consideration of climate-related risks

Climate change impacts the business in a number of ways as set out in the strategic report of the annual report and accounts and note 1 of the financial statements. It represents a key strategic consideration of management.

We reviewed management’s climate change risk assessment and evaluated the completeness of identified risks and the impact on the financial statements. We also considered the impact of climate change in our own risk assessment procedures. Both management’s and our risk assessment identified the useful economic lives of the gas assets, as the key risk to the financial statements. Our response to the risk around property, plant and equipment is documented in our key audit matters in section 5.1 of this report.

In addition to the procedures in respect of the key audit matter mentioned above, we reviewed the climate-related statements made by management and other climate related disclosures as disclosed in the ‘Being a responsible business’ section in the strategic report. We assessed whether these were in line with our understanding of management’s approach to climate change, materially consistent with the financial statements and the knowledge obtained throughout the audit.

8. Other information

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

Auditor's report continued

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 statement of director responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error;

- results of our enquiries of directors, management, internal audit, and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group'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 including relevant internal specialists, including tax, valuations, pensions, IT, and industry 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 group 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 in the UK Companies Act, FRS 101, pensions, 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 group's ability to operate or to avoid a material penalty. These included the group's operating licences, health and safety executive ('HSE') and environmental regulations.

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;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and Ofgem.
-

In addressing the risk of fraud through management override of controls, our procedures included:

- Making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Using our data analytics tools, we selected and tested journal entries and other adjustments made at the end of a reporting period or which identified activity that exhibited certain characteristics of audit interest;

Auditor’s report continued

- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- Evaluating whether there were any significant transactions that are outside the normal course of business, or that otherwise appear to be unusual due to their nature, timing or size.

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 group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

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 or the part of the directors’ remuneration.

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 Shareholders at the Annual General Meeting on 31 July 2017 to audit the financial statements for the year ending March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is nine years, covering the years ending 31 March 2018 to 31 March 2026.

14.2 Consistency of the audit report with the additional report to the audit 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.

Jacqueline Holden FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
15 July 2026

Consolidated financial statements

Consolidated income statement

for the year ended 31 March 2026

		2026	2026	2025	2025
	Notes	£m	£m	£m	£m
Revenue	2 (a)		1,625		1,551
Operating costs before exceptionals	4		(934)		(897)
Operating profit before exceptional items	2 (b)	691		654	
Exceptional items	5	4		(59)	
Operating profit	2 (b)		695		595
Finance income	6		219		308
Finance costs					
Before remeasurements	6	(196)		(193)	
Remeasurements	5, 6	(5)		—	
Total finance costs	6		(201)		(193)
Profit before tax					
Before exceptional items and remeasurements		714		769	
Exceptional items and remeasurements	5	(1)		(59)	
Total profit before tax			713		710
Tax					
Before exceptional items and remeasurements	7	(180)		(194)	
Exceptional items and remeasurements	5, 7	—		15	
Total tax	7		(180)		(179)
Profit after tax					
Before exceptional items and remeasurements		534		575	
Exceptional items and remeasurements	5	(1)		(44)	
Total profit after tax			533		531

Consolidated statement of comprehensive income

for the year ended 31 March 2026

		2026	2025
	Notes	£m	£m
Profit for the period		533	531
Other comprehensive income:			
Items that will never be reclassified to profit/(loss)			
Remeasurement (losses)/gains on pension assets and post-retirement benefit obligations	22	(55)	(8)
Tax on items that will never be reclassified to profit/(loss)	7	14	2
Total items that will never be reclassified to (loss)/profit		(41)	(6)
Other comprehensive income:			
Items that may be reclassified subsequently to profit/(loss)			
Net (losses)/gains in respect of cash flow hedges and cost of hedging		(7)	6
Tax on items that may be reclassified subsequently to profit/(loss)		2	(1)
Total items that may be reclassified subsequently to profit/(loss)		(5)	5
Other comprehensive income/(loss) for the period, net of tax		(46)	(1)
Total comprehensive income for the year		487	530

Consolidated financial statements continued

Consolidated statement of financial position

as at 31 March 2026

	Notes	2026 £m	2025 £m
Non-current assets			
Intangible assets	9	119	130
Property, plant and equipment	10	5,718	5,299
Other non-current assets	11	12	7
Financial and other investments	12	3,426	3,426
Derivative financial assets	13	25	20
Pensions asset	22	284	322
Total non-current assets		9,584	9,204
Current assets			
Inventories and current intangible assets	14	17	16
Trade and other receivables	15	248	194
Financial and other investments	16	423	618
Derivative financial assets	13	—	7
Cash and cash equivalents	17	37	38
Total current assets		725	873
Total assets		10,309	10,077
Current liabilities			
Borrowings	18	(70)	(293)
Derivative financial liabilities	13	—	(18)
Trade and other payables	19	(488)	(482)
Contract liabilities	20	(57)	(43)
Current tax liabilities	7	(20)	(17)
Provisions	23	(38)	(36)
Total current liabilities		(673)	(889)
Non-current liabilities			
Borrowings	18	(4,710)	(4,393)
Derivative financial liabilities	13	(40)	(22)
Other non-current liabilities	21	(13)	(8)
Contract liabilities	20	(133)	(85)
Deferred tax liabilities	7	(926)	(864)
Provisions	23	(47)	(48)
Total non-current liabilities		(5,869)	(5,420)
Total liabilities		(6,542)	(6,309)
Net assets		3,767	3,768
Equity			
Share capital	24	45	45
Share premium account		204	204
Retained earnings		2,180	2,176
Other reserves	25	1,338	1,343
Shareholders' equity		3,767	3,768

The consolidated financial statements set out on pages [98](#) –130 were approved by the Board of Directors and authorised for issue on 15 July 2026. They were signed on its behalf by:

Jon Butterworth
Chief Executive Officer
National Gas Transmission plc
Registered number: 02006000

Nick Hooper
Chief Financial Officer

Consolidated financial statements continued

Consolidated statement of changes in equity

for the year ended 31 March 2026

	Share capital	Share premium account	Retained earnings	Other reserves ¹	Total Shareholders' equity
	£m	£m	£m	£m	£m
At 31 March 2024	45	204	2,274	1,338	3,861
Profit for the year	—	—	531	—	531
Total other comprehensive income/(loss) for the year	—	—	(6)	5	(1)
Total comprehensive income for the year	—	—	525	5	530
Equity dividends	—	—	(623)	—	(623)
At 31 March 2025	45	204	2,176	1,343	3,768
Profit for the year	—	—	533	—	533
Total other comprehensive income/(loss) for the year	—	—	(41)	(5)	(46)
Total comprehensive income for the year	—	—	492	(5)	487
Equity Dividends ²	—	—	(488)	—	(488)
At 31 March 2026	45	204	2,180	1,338	3,767

¹ Analysis of other equity reserves is provided within note 25.² Dividends of £488 million were paid to the parent company (NGTH). £174 million of this was used by NGTH to settle interest on intercompany loans and was therefore immediately returned to the Company.

Consolidated cash flow statement

for the year ended 31 March 2026

	Notes	2026 £m	2025 £m
Cash flows from operating activities			
Total operating profit	2 (b)	695	595
Adjustments for:			
Exceptional items	5	(4)	59
Depreciation, amortisation and impairment	4	267	252
Changes in Working Capital:			
(Increase)/decrease in inventories		(2)	(1)
(Increase)/decrease in trade and other receivables		(52)	35
Increase/(decrease) in payables		(23)	2
Change in contract liabilities		61	(9)
Net increase/(decrease) in accounts payables to related undertakings		—	(1)
Change in provisions		1	17
Adjustment for losses/(gains) on disposal of assets		13	16
Changes in pensions and other post-retirement benefit obligations		—	(1)
Cash inflows relating to exceptional items		—	11
Cash outflows relating to exceptional items		—	(25)
Cash generated from operations		956	950
Tax (paid)/refund		(89)	(183)
Net cash inflow from operating activities		867	767
Cash flows from investing activities			
Purchases of intangible assets		(54)	(76)
Purchases of property, plant and equipment		(555)	(443)
Interest Received ¹		221	452
Movement in short-term financial investments		177	186
Acquisition of investments (net of cash acquired)		—	(3)
Net cash flow (used in)/from investing activities		(211)	116
Cash flows from financing activities			
Proceeds from loans	26	—	297
Repayment of loans	26	(19)	(397)
Interest paid on derivatives ²	26	(35)	(27)
Interest received on derivatives ²	26	29	16
Payments of lease liabilities	26	(8)	(7)
Interest paid on loans	26	(136)	(129)
Dividends paid to the Parent ¹	8	(488)	(623)
Net cash flow (used in)/from financing activities		(657)	(870)
Net (decrease)/increase in cash and cash equivalents		(1)	13
Net cash and cash equivalents at the start of the year		38	25
Net cash and cash equivalents at the end of the year	17	37	38

¹ £488 million dividends paid includes £174 million to parent (NGTH), which was used to service interest on intercompany loan (£202 million) and is reflected within total interest received of £221 million.² Interest paid and received on derivatives have been separately disclosed in the current year to enhance clarity, with prior-year comparatives represented accordingly.

Notes to consolidated financial statements

Analysis of items in the primary statements

1. Basis of preparation and recent accounting developments

Accounting policies describe our approach to recognising and measuring transactions and balances in the year. The accounting policies applicable across the financial statements are shown below, whereas accounting policies that are specific to a component of the financial statements have been incorporated into the relevant note.

This section also shows areas of judgement and key sources of estimation uncertainty in these financial statements. In addition, we have summarised new International Accounting Standards Board (IASB) and UK endorsed accounting standards, amendments and interpretations and whether these are effective for this year end or in later years, explaining how significant changes are expected to affect our reported results.

National Gas Transmission plc's (National Gas or the Company) principal activities involve the transmission of gas in Great Britain. The Company is a public limited company incorporated and domiciled in the UK, with its registered office at National Grid House Warwick Technology Park, Gallows Hill, Warwick CV34 6DA.

These consolidated financial statements were approved for issue by the Board of Directors on 15 July 2026.

These consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) as adopted by the UK. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for periods ended 31 March 2026 and in accordance with the Companies Act 2006. The comparative financial information has also been prepared on this basis.

The consolidated financial statements have been prepared on a historical cost basis, except for the recording of pension assets and liabilities, revaluation of derivative financial instruments and certain commodity contracts, and financial assets and liabilities measured at fair value.

These consolidated financial statements are presented in pounds sterling, which is also the functional currency of the Company.

The notes to the financial statements have been prepared on a continuing basis unless otherwise stated.

Our income statement and segmental analysis separately identify financial results before and after exceptional items and remeasurements. This is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee, and assists users of the financial statements to understand the results. The inclusion of total profit for the period before exceptional items and remeasurements is used to derive part of the incentive target set annually for remunerating certain Executive Directors and accordingly we believe it is important for users of the financial statements to understand how this compares to our results on a statutory basis and period on period.

A. Going concern

The directors considered it appropriate to prepare the financial statements on a going concern basis, having considered the Company's cash flow forecasts with respect to business planning, and treasury management activities. The going concern basis presumes that the Group 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.

The Group closely monitor and manage impacts of changes in the regulatory, macroeconomic and geopolitical environment and the impact of these factors on the Group.

In establishing the going concern for the Company, the going concern position for the other entities within the Group have been taken into consideration and as to the Company's position to meet its liabilities are dependent on distributions made throughout the Group. The Group is bound by certain financial covenants with regards to its debt agreements and banking facilities.

The directors have assessed the principal cash flow and covenant risks through modelling both a base case and a reasonable worst-case scenario. The main impacts identified in the reasonable worst-case scenario that could affect the Group's liquidity and covenant position are:

- adverse impact on our own-use gas and balancing costs of prevailing market conditions;
- adverse impacts of inflation on our assets and liabilities;
- adverse impact from actual versus forecast variations on working capital requirements; and
- adverse fluctuations in interest rates.

As part of their analysis, the directors also considered the following potential levers to improve the financial and liquidity position identified by the reasonable worst-case scenario:

- adjustments to dividend plan; and
- access to £735 million of undrawn existing committed Revolving Credit Facility.

Having considered the reasonable worst-scenario and further liquidity levers available to the Company, the directors concluded that the Company continues to have headroom against the available facilities under each scenario. The directors were able to conclude that the company is able to meet its obligations as and when they fall due for at least one year from the date the financial statements are signed.

B. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. A subsidiary is defined as an entity controlled by the Company. Control is achieved where the Company has the power to affect the returns of an entity to which it is exposed or to which it has rights.

Where necessary, adjustments are made to bring the accounting policies used in the individual financial statements of the Company and its subsidiaries into line with those used by the Company in its consolidated financial statements under IFRS. Inter-company transactions are eliminated.

Both the Group and Company financial statements have been prepared in accordance with the accounting policies set out in the below section of this note.

C. Foreign currencies

Transactions in currencies other than the functional currency of the Company or subsidiary concerned are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. Non-monetary assets are not retranslated unless they are carried at fair value.

Gains and losses arising on the retranslation of monetary assets and liabilities are included in the income statement, except where the application of hedge accounting requires inclusion in other comprehensive income (see note 29).

Notes to consolidated financial statements continued

D. Areas of judgement and key sources of estimation uncertainty

The preparation of financial statements requires 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 revenue and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimations is contained in the notes to the financial statements, and the key areas are summarised below.

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Review of residual lives, carrying values of property, plant and equipment, in particular the estimates made regarding the useful economic lives of our gas network assets due to the length over which they are being depreciated and the potential for significant technological change over that period – note 10.
- The judgement that notwithstanding legislation enacted and targets committing the UK to achieving net zero greenhouse gas emissions by 2050, there is still potential use of the gas transmission network beyond 2050 in maintaining security, reliability and affordability of energy (refer to PPE note 10 for further information on gas asset lives).
- Classification of certain items as exceptional items or remeasurements and the definition of adjusted earnings (see notes 5 and 6). In applying the Company's exceptional items frameworks, we have considered a number of key matters, as detailed in note 5.

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Estimation of liabilities for pensions and other post-retirement benefits include; estimates in discount rate, RPI and changes in life expectancy – note 22.
- Pension obligations, including Guaranteed Minimum Pension (“GMP”) benefits and interpretation of Scheme Rules.

As described in Note 22, a potential issue has been identified in relation to the interpretation the Pension Scheme Rules as they apply to certain GMP-related dependant benefits. The ultimate outcome depends on the interpretation of the Scheme Rules adopted by the Trustees and remains uncertain at the reporting date.

Based on initial actuarial analysis, the potential impact could increase the defined benefit obligation approximately £100 million (pre-tax) based on a reasonable worst-case legal outcome within a range of potential outcomes. However, significant uncertainty remains regarding the outcome, and no adjustment has been recognised at 31 March 2026.

In order to illustrate the impact that changes in assumptions for the valuation of pension assets and liabilities could have on our results and financial position, we have included sensitivity analysis in note 30.

E. Accounting policy choices

IFRS provides certain options available within accounting standards. Choices we have made, and continue to make, include the following:

- Presentational formats: we use the nature of expense method for our income statement and aggregate our statement of financial position to net assets and total equity. In the income statement, we present subtotals of total operating profit, profit before tax and profit after tax, together with additional subtotals excluding exceptional items. Exceptional items and remeasurements are presented separately on the face of the income statement.
- Financial instruments: we normally opt to apply hedge accounting in most circumstances where this is permitted (see note 29(e)).

F. New IFRS accounting standards and interpretations effective for the year ended 31 March 2026

The Group adopted the following amendments to standards, which have had no material impact on the Group's results or financial statement disclosures:

- Amendments to IAS 21 ‘Transactions in foreign currencies’ – ‘Lack of Exchangeability’

G. New IFRS accounting standards and interpretations not yet adopted

The following new accounting standards and amendments to existing standards have been issued but are not yet effective or have not yet been endorsed by the UK:

- IFRS 18 ‘Presentation and Disclosure in Financial Statements’.
- IFRS 9 and IFRS 7 ‘Amendments to the Classification and Measurement of Financial Instruments’.
- Amendments to IFRS 9 and IFRS 7 ‘Contracts Referencing Nature-dependent Electricity’.
- IFRS 19 ‘Subsidiaries without Public Accountability: Disclosures’.
- Annual Improvements to IFRS Accounting Standards – Volume 11.
- And Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21)
- IFRS 20 ‘Regulatory Assets and Regulatory Liabilities’

Effective dates will be subject to the UK endorsement process.

The Group is currently assessing the impact of the above standards, but they are not expected to have a material impact other than in respect of IFRS 18 and IFRS 20. The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

IFRS 18 replaces IAS 1 and introduces significant presentation changes to the income statement, including the requirement to classify income and expenses into five defined categories and to present two new mandatory subtotals: operating profit and profit before financing and income tax. The standard also introduces management-defined performance measures (MPMs), which must be disclosed and reconciled within a dedicated note to the financial statements. In addition, IFRS 18 provides enhanced guidance on the appropriate aggregation and disaggregation of information presented in both the primary financial statements and the accompanying notes.

It is expected that adoption of IFRS 18 will result in a number of presentational changes to the consolidated financial statements in future reporting periods.

In May 2026, the IASB issued IFRS 20 ‘Regulatory Assets and Regulatory liabilities’, which replaced the interim standard IFRS 14 ‘Regulatory Deferral Accounts’. IFRS 20 is effective for annual reporting periods beginning on or after 1 January 2029, with early application permitted, subject to UK endorsement.

The new standard introduces comprehensive requirements for the recognition, measurement, presentation and disclosure of regulatory assets and regulatory liabilities arising from rate-regulated activities.

The Group is currently assessing the impact of IFRS 20 on its consolidated financial statements. Given the recent issuance of the standard, it is not yet practicable to reasonably estimate the financial effect of initial application.

2. Segmental analysis

This note sets out the financial performance for the year split into the different parts of the business (operating segments). The performance of these operating segments is monitored and managed on a day-to-day basis.

Notes to consolidated financial statements continued

The Board is National Gas Transmission plc’s chief operating decision maker (as defined by IFRS 8 ‘Operating Segments’) and assesses the profitability of operations principally on the basis of operating profit before exceptional items and remeasurements (see note 5). Revenue and the results of the business are analysed by operating segment, based on the information the Board of Directors uses internally for the purposes of evaluating the performance of each operating segment and determining resource allocation between them.

There has been no change to the way in which our businesses have reported internally during the year. The following are the main activities for each operating segment;

1. Gas Transmission: The gas transmission network in Great Britain and liquefied natural gas (LNG) storage activities.
2. Metering: Relates to the gas metering business, which provides regulated gas metering activities in the UK, together with corporate activities

Sales between businesses are priced having regard to the regulatory and legal requirements that the businesses are subject to, which include requirements to avoid cross-subsidies.

(a) Revenue

	2026			2025		
	Total sales	Sales between segments	Sales to third parties	Total sales	Sales between segments	Sales to third parties
	£m	£m	£m	£m	£m	£m
Operating segment:						
Gas Transmission	1,438	(7)	1,431	1,353	(7)	1,346
Metering	192	—	192	204	—	204
Other ¹	9	(7)	2	7	(6)	1
Total revenue	1,639	(14)	1,625	1,564	(13)	1,551

¹Includes revenue from engineering consultancy and design provided by a fully owned subsidiary company.

Analysis of revenue by major customer, greater than 10% revenue contribution:

	2026	2025
	£m	£m
Customer A	215	148
Customer B	187	200

No other single customer contributed 10% or more to the Gas Transmission group revenue in either 2026 or 2025.

(b) Operating profit

A reconciliation of the operating segments’ measure of profit to profit before tax is provided below. Further details of the exceptional items and remeasurements are provided in note 5.

	Before exceptional items and remeasurements		After exceptional items and remeasurements	
	2026	2025	2026	2025
	£m	£m	£m	£m
Operating segment:				
Gas Transmission	563	517	562	458
Metering	126	136	126	136
Other	2	1	2	1
Total operating profit	691	654	690	595
Reconciliation to profit before tax:				
Operating profit	691	654	690	595
Finance income	219	308	219	308
Finance costs	(196)	(193)	(201)	(193)
Profit before tax	714	769	708	710

(c) Capital expenditure

	Net book value of property, plant and equipment and intangible assets		Capital expenditure		Depreciation, impairment and amortisation	
	2026	2025	2026	2025	2026	2025
	£m	£m	£m	£m	£m	£m
Operating segment:						
Gas Transmission	5,684	5,274	670	554	250	235
Metering	153	155	20	22	17	17
Total by segment	5,837	5,429	690	576	267	252
Asset type:						
Property, plant and equipment	5,718	5,299	639	515	219	194
Intangible assets	119	130	51	61	48	58
Total by asset type	5,837	5,429	690	576	267	252

3. Revenue

Revenue arises from the Group’s ordinary activities and is principally derived from the provision of Gas Transmission services. Transmission services, metering services and certain other activities fall within the scope of IFRS 15 Revenue from Contracts with Customers. Revenue is measured at the transaction price specified within customer contracts and excludes VAT, amounts collected on behalf of third parties, and intra-group sales.

Revenue is recognised when control of services transfers to customers. The nature of performance obligations and the timing of satisfaction for each major revenue stream are described below. For more detailed information about our segments refer to note 2.

Notes to consolidated financial statements continued

	UK Gas Transmission	Metering	Other	Total	UK Gas Transmission	Metering	Other	Total
	2026	2026	2026	2026	2025	2025	2025	2025
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue under IFRS 15	1,427	192	2	1,621	1,335	204	1	1,540
Other income ¹	4	—	—	4	11	—	—	11
Total revenue	1,431	192	2	1,625	1,346	204	1	1,551

¹ Other income includes IFRS16 Lease Income £4 million (2024/25: IFRS16 Lease Income £4 million and IAS 20 income £7 million relating to grants).

Gas Transmission Revenue

Nature of Services

The Gas Transmission segment provides gas transmission services to our customers across Great Britain (both as transmission owner and system operator). As a regulated monopoly, the Company’s revenues are subject to Ofgem’s RIIO price control framework, which determines the total annual allowed revenue and the price that can be charged for the services we provide.

Basis of Revenue Recognition

Revenue recognised under IFRS15 reflects:

- Capacity-based charges (system capacity sold for the year),
- Commodity-based charges (volume transported), and
- Diversion and connection services (see separate section below).

The capacity and commodity charges mentioned above covers the revenue we generate from both a Transmission Operator and System operator point of view.

The transaction price is determined in advance using allowed revenue parameters and forecast annual volumes. Revenue is recognised over time as customers make use of the network, since this represents the continuous transfer of service. We bill monthly in arrears with payments terms of up to 45 days.

Pass through costs

Pass through costs are estimated prior to our financial year and included in the allowed revenues and recognised as IFRS revenue when the underlying service is provided. For IFRS reporting, the costs accounted as passthrough would be actuals for the year. The difference between actual cost and recovered cost is corrected through the Regulatory timing difference. Examples of pass-through costs include shrinkage and transmission owner licence fee amongst others.

Regulatory Timing Differences

In any year, IFRS revenue recognised may differ from the revenue permitted under our regulatory agreements. The IFRS revenues we report are principally a function of volumes and price. Price as explained above is determined prior to our financial year end with reference to the regulated allowed returns and estimated annual volumes. Over/under recoveries could happen due to various reasons including difference between estimated and actual volumes, estimated vs actual passthrough costs etc.

- Over-recoveries (amounts billed being greater than our allowed revenue) lead to lower future prices to ensure the over-recovery is returned to customers,
- Under-recoveries (the opposite of the above).

Judgement and Estimates

The over or under recoveries currently do not create an income, expense, asset or liability within the financial statements. This is because these adjustments relate to the pricing of future services, therefore they do not satisfy the definition of an asset or liability and are not recognised within our accounts.

The key reason no asset/liability can be recognised is that the future recovery/return of revenue is dependent on:

- A future service delivery (not yet performed), and
- Future customers (unknown, and not necessarily the same group).

Therefore, no asset or liability exists today as there is no present obligation with identified customers.

Diversion and Connection services

Connection Services

Customers pay upfront for the provision of a new or upgraded connection. The upfront consideration is deferred and initially recognised as a contract liability (see note 20), this is then released to revenue over the period which the customer benefits from the connection. This period is linked to the expected life of the connection asset so that revenue is released in line with the depreciation of the related asset.

Other Construction Activities

Where construction activities do not result in the provision of future services (e.g. Diversions of a pipeline), revenue is recognised based on the progress of the project. The measure of progress is percentage-of-completion with reference to the overall cost budget. If cash is received in advance this is initially deferred and then released in line with progress as explained above.

Metering Services

Metering revenue arises from the monthly charges for the provision and maintenance of individual meters under contractual arrangements. Metering services represents a performance obligation satisfied over time and revenue is recognised as the customer receives the service. Amounts invoiced in advance for metering services are recognised as contract liabilities. These balances will unwind as services are delivered.

Other Income (Non-IFRS15)

IFRS16 Lease income relates to leases where the Company is the lessor. Grant income relates either to capital-related government support, which is recognised in line with the systematic depreciation of the associated assets, or to non-capital government support, which is recognised over the periods in which the related costs are incurred.

Geographical Information

All revenue is derived from operations within the United Kingdom and from customers located in the United Kingdom. Accordingly, no geographical analysis is presented.

4. Operating costs

Below we have presented separately certain items included in our operating costs. These include a breakdown of payroll costs (including disclosure of amounts paid to key management personnel) and fees paid to our auditors.

Notes to consolidated financial statements continued

	Before exceptional items and remeasurements		Exceptional items and remeasurements		Total	
	2026	2025	2026	2025	2026	2025
	£m	£m	£m	£m	£m	£m
Depreciation, impairment and amortisation	267	252	—	—	267	252
Profit or loss on disposal	13	16	—	—	13	16
Payroll costs	119	104	—	—	119	104
Purchase of gas ¹	102	124	—	—	102	124
Rates	81	77	—	—	81	77
Other pass through costs ²	117	75	—	—	117	75
Agency and contractor	74	102	—	—	74	102
Property and maintenance costs	40	40	—	—	40	40
Inventory consumed	9	12	—	—	9	12
Research and development expenditure	19	15	—	—	19	15
Other costs ²	93	80	1	59	94	139
Total operating costs	934	897	1	59	935	956

¹ Purchase of gas is the cost of NTS Shrinkage gas, which includes Own Use Gas (OUG, for compressor use), Calorific Value (CV) Shrinkage (gas that cannot be billed) and Unaccounted for Gas (UAG, the remaining quantity of gas after considering measured inputs and outputs to the system).

² Other pass through costs include regulatory licence fee, gas network planning, and costs associated with securing our sites. Prior-year comparatives have also been re-presented.

(a) Payroll costs

	2026	2025
	£m	£m
Wages and salaries	153	134
Social security costs	24	18
Defined contribution scheme costs	19	17
Defined benefit pension costs	5	6
Severance costs (excluding pension costs)	1	3
	202	178
Less: payroll costs capitalised	(83)	(74)
Total payroll costs	119	104

(b) Number of employees, including directors

	31 March	31 March	Monthly average	Monthly average
	2026	2025	2026	2025
	Number	Number	Number	Number
National Gas Transmission Group	2,492	2,244	2,396	2,089

(c) Key management compensation

	2026	2025
	£m	£m
Salary and short-term employee benefits¹	5	4

¹ Reflect the fees paid for the outgoing and incoming Chairs during the year, including the fee received by the current Chair in his capacity as a Sufficient Independent Director prior to assuming the role as the Chair of the Board.

Key management comprises the Board of Directors of the Company who have managerial responsibility for National Gas.

(d) Directors’ emoluments

The aggregate amount of emoluments (excluding social security, pensions and share-based payment) paid to the directors of the Company in respect of qualifying services for 2026 was £4,545,776 (2025: £4,047,611).

During the year, retirement benefits were not accrued to any director under a defined benefit scheme (2025: nil).

The aggregate emoluments (excluding social security, pensions and share-based payment) for the highest paid director was £2,754,976 for 2026 (2025: £2,415,656) and total accrued annual pension during the year for the highest paid director was nil (2025: £nil).

There were no loss of office payments made to the directors during 2026 or in 2025.

The current Chair (who also serves as Sufficiently Independent Director (SID)) received fees of £67,500 in respect of the period from 1 January to 31 March 2026. The previous Chair, who retired on 31 December 2025, received fees of £192,500 (2025: £250,000) for the period from 1 April to 31 December 2025.

The fees for other SIDs amounted to £86,000 per annum (2025: £71,000 to £101,000), including fees received by the current Chair in their prior capacity as SID before appointment as Chair in January 2026.

(e) Auditors’ remuneration

	2026	2025
	£m	£m
Audit services relating to the Group and Company		
Audit fee	1.3	1.3
Other services	0.2	0.1
Fees payable to the Company’s auditors for audit related assurance services	1.5	1.4

The fees for the company audit are disclosed within the Company financial statements.

Other services relate to services provided by the statutory auditors in connection with raising of debt, agreed upon procedures required by the regulator and assurance services over selected ESG metrics. These are approved in line with the Group non audit service policy.

Notes to consolidated financial statements continued

5. Exceptional items and remeasurements

To monitor our financial performance, we use a profit measure that excludes certain income and expenses. We call that measure ‘adjusted profit’.

Adjusted profit (which excludes exceptional items and remeasurements as defined below) is used by management to monitor financial performance as it aids the comparability of our reported financial performance from year to year. We exclude items from adjusted profit because, if included, these items could distort the understanding of our performance for the year and the comparability between periods. This note analyses these items, which are included in our results for the year but are excluded from adjusted profit.

	2026 £m	2025 £m
Exceptional items included within operating profit:		
Sale of business	—	41
Project Cancellation	(4)	18
	(4)	59
Included within finance income and costs:		
Remeasurements:		
Net loss/(gain) on derivative financial instruments	5	—
Total included within profit before tax	1	59
Included within taxation:		
Tax on exceptional items	1	(15)
Tax on remeasurements	(1)	—
Total exceptional items and remeasurements after tax	1	44
Analysis of total exceptional items and remeasurements after tax:		
Total exceptional items after tax	(3)	44
Total remeasurements after tax	4	—
Total exceptional items and remeasurements	1	44

Management uses an exceptional items framework that follows a three-step process considering the nature of the event, the financial materiality involved and any particular facts and circumstances. In considering the nature of the event, management focuses on whether the event is within the Group’s control and how frequently such an event typically occurs. In determining the facts and circumstances, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions, the precedent for similar items, the number of periods over which costs will be spread or gains earned, and the commercial context for the particular transaction.

Items of income or expense that are considered by management for designation as exceptional items include costs associated with the separation of the Company from National Grid, significant restructuring, write-downs or impairments of non-current assets, significant changes in environmental or decommissioning provisions, integration of acquired businesses, materially significant project terminations, gains or losses on disposals of businesses or investments and significant debt redemption costs as a consequence of transactions such as significant disposals or issues of equity, and the related tax, as well as deferred tax arising on changes to corporation tax rates.

Costs arising from restructuring programmes include redundancy costs. Redundancy costs are charged to the income statement in the year, in which a commitment is made to incur the costs and the main features of the restructuring plan have been announced to affected employees.

2024/25 £41 million costs related to the separation from National Grid and were deemed appropriate to be classified as exceptional and were incurred as a part of a wider separation project over several years. The separation project is now complete and therefore in 2025/26 the Company did not incur any costs associated with the sale of the business.

Project Cancellation

In 2024/25, the Company incurred net costs of £18 million (after recoveries) in relation to the cancellation of a project involving the construction of a new pipeline between Wormington to Honeybourne. No additional costs have been incurred in respect of the project in 2025/26.

During 2025/26, the company recovered a further £3 million from the customer. In addition, materials with an estimated value of £7 million are expected to be reused in the T3 Wormington to Honeybourne project and will be recovered through T3 allowed revenues.

The remaining balance of £7 million is recovered through a regulatory collection mechanism (referred to as the “6.1 mechanism” within the Price Control Financial Model).

Remeasurements

Remeasurements comprise unrealised gains or losses recorded in the income statement arising from changes in the fair value of certain financial assets and liabilities including derivative financial instruments accounted for at fair value through profit and loss (FVTPL).

Remeasurements excluded from business performance are made up of the following categories:

- i. Net gains/(losses) on derivative financial instruments comprise gains/(losses) arising on derivative financial instruments reported in the consolidated income statement in relation to our debt financing. These exclude gains and losses for which hedge accounting has been effective, and have been recognised directly in other comprehensive income or are offset by adjustments to the carrying value of debt (see notes 13 and 29).
- ii. Net gains/(losses) on financial liabilities measured at FVTPL comprises the change in the fair value (excluding changes due to own credit risk) of a financial liability that has been designated at FVTPL on transition to IFRS 9 to reduce a measurement mismatch (see note 18).

Once the fair value movements are realised (for example, when the derivative matures), the previously recognised fair value movements are then reversed through remeasurements and recognised within earnings before exceptional items and remeasurements. This only refers to when a derivative is settled, the remeasurements are reversed out and the actual realised gain or loss will be booked in the income statement.

6. Finance income and costs

This note details the interest income generated by our financial assets and interest expense incurred on our financial liabilities, primarily our financing portfolio (including our financing derivatives). It also includes the net interest on our pensions and other post-retirement assets. In reporting business performance, we adjust net financing costs to exclude any net gains or losses on financial instruments included in remeasurements (see note 5).

Remeasurements include certain unrealised gains and losses on certain assets and liabilities now treated at FVPL. Once realised, these amounts are recognised in finance costs. The interest income, and interest expense on these items are included in finance income and finance costs before remeasurements, respectively.

Notes to consolidated financial statements continued

	2026	2025
	£m	£m
Finance income		
Interest income on financial instruments:		
Interest on deposits	18	32
Interest from parent company	185	232
Net interest income on pensions and other post-retirement benefit obligations ¹	16	17
Other finance income ²	—	27
Total interest receivable and similar income	219	308
Finance costs		
Interest expense on financial liabilities held at amortised cost:		
Bank loans and overdrafts	(10)	(12)
Bonds ³	(220)	(194)
Other Borrowings	(7)	(7)
Facility fees and other charges	(4)	(4)
Derivative net interest and accretion ⁴	(6)	(14)
Interest payable to parent company	—	(1)
Less: interest capitalised ⁵	51	39
Total interest payable and similar charges	(196)	(193)
Remeasurements		
Net gains/(losses) on derivative financial instruments: ⁶		
Derivatives designated as hedges for hedge accounting	—	2
Derivatives not designated as hedges or ineligible for hedge accounting	(5)	(2)
Remeasurements included within finance income/costs	(5)	—
Total finance income and costs including remeasurements	18	115
Finance income	219	308
Finance costs	(201)	(193)
Net finance costs	18	115

¹ Interest income on defined benefit assets net of interest expense on defined benefit obligations (see note 22 for details).

² Includes prior year gain of £22 million arising from partial redemption of £300 million RPI Linked debt.

³ Bond finance costs include principal accretion on inflation linked liabilities of £104 million (2025: £89 million).

⁴ Includes inflation accretion gain on RPI-CPI swap of £20 million (2025: £5 million).

⁵ Interest on funding attributable to assets in the course of construction was capitalised during the year at a rate of 5.3% (2025: 4.9%). Capitalised interest qualifies for a current year tax deduction with tax relief claimed of £13 million (2025: £10 million).

⁶ Includes a net foreign exchange loss on financing activities of £10 million (2025: £11 million gain) offset by foreign exchange losses and gains on derivative financial instruments measured at fair value.

7. Taxation

This note gives further details of the tax charge and tax liabilities, including current and deferred tax. The current tax charge is the tax payable on this year’s taxable profits. Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences in accounting and tax bases. The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax assets and liabilities are measured at the amounts expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

The calculation of the Company’s total tax charge involves a degree of estimation and judgement, and management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided for using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor taxable profit or loss.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and its subsidiaries intend to settle their current tax assets and liabilities on a net basis.

Tax charged to the income statement	2026	2025
	£m	£m
Tax before exceptional items and remeasurements	180	194
Tax on total exceptional items and remeasurements (note 5)	—	(15)
Total tax charge	180	179

Tax as a percentage of profit before tax	2026	2025
	%	%
Before exceptional items and remeasurements	25.1	25.3
After exceptional items and remeasurements	25.3	25.1

Notes to consolidated financial statements continued

The tax charge for the year can be analysed as follows:	2026	2025
	£m	£m
Current tax:		
Corporation tax at 25%	101	111
Corporation tax adjustment in respect of prior years	2	7
Total current tax	103	118
Deferred tax:		
Deferred tax	81	69
Deferred tax adjustment in respect of prior years	(4)	(8)
Total deferred tax	77	61
Total tax charge	180	179

Tax (credited)/charged to equity and other comprehensive income	2026	2025
	£m	£m
Deferred tax:		
Movement in Cash Flow Hedges, Cost of Hedging and Own Credit Reserves	(2)	1
Remeasurements of net retirement benefit obligations	(14)	(2)
Total tax recognised in the statement of other comprehensive income	(16)	(1)

The tax charge for the year after exceptional items and remeasurements is higher than the standard rate of corporation tax in the UK of 25% (2025: higher). The difference is explained below:

	Before exceptional items and remeasurements	After exceptional items and remeasurements	Before exceptional items and remeasurements	After exceptional items and remeasurements
	2026	2026	2025	2025
	£m	£m	£m	£m
Profit before tax				
Before exceptional items and remeasurements	714	714	769	769
Exceptional items and remeasurements	—	(1)	—	(59)
Profit before tax	714	713	769	710
Corporation tax at 25%	178	178	192	178
Effect of:				
Adjustments in respect of prior years	(2)	(2)	(1)	(1)
Expenses not deductible for tax purposes	4	4	3	3
Total tax	180	180	194	179
Effective tax rate	25.1%	25.3%	25.3%	25.1%

On 11 July 2023, the government enacted legislation giving effect to the OECD Pillar 2 initiative, effective from 1 January 2024. This introduced both a multinational and domestic top up tax which applies where profits are initially taxed at an effective tax rate of less than 15%. The Group has assessed the impact of this legislation and is not expecting any increase in taxes payable given the group is not a multinational enterprise, and is expected to benefit from the transitional safe harbour rules within the legislation.

The Group has applied the exception under IAS 12, such that the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar 2 income taxes.

Statement of financial position

Included in the statement of financial position is a Current tax liabilities of £20 million (2025: £17 million).

Deferred tax (assets)/liabilities

Tax included within the statement of financial position

Deferred tax has been calculated at 25% given this is the current and only enacted tax rate.

The following are the major deferred tax assets and liabilities recognised, and the movements thereon, during the current and prior reporting periods:

	Pensions	Accelerated tax depreciation	Share based payment	Financial instruments	Other net temporary differences	Total
	£m	£m	£m	£m	£m	£m
31 March 2024	78	725	—	(2)	2	803
Deferred tax assets at 31 March 2024	—	(14)	—	—	(4)	(18)
Deferred tax liabilities at 31 March 2024	78	739	—	(2)	6	821
31 March 2024	78	725	—	(2)	2	803
Charged/(credited) to income statement	4	59	—	—	(2)	61
Charged/(credited) to other comprehensive income and equity	(2)	—	—	1	—	(1)
Other movement	—	1	—	—	—	1
31 March 2025	80	785	—	(1)	—	864
Deferred tax assets at 31 March 2025	—	(19)	—	(1)	—	(20)
Deferred tax liabilities at 31 March 2025	80	804	—	—	—	884
31 March 2025	80	785	—	(1)	—	864
Charged/(credited) to income statement	4	77	—	—	(3)	78
Charged/(credited) to other comprehensive income and equity	(14)	—	—	(2)	—	(16)
31 March 2026	70	862	—	(3)	(3)	926
Deferred tax assets at 31 March 2026	—	(25)	—	(3)	(3)	(31)
Deferred tax liabilities at 31 March 2026	70	887	—	—	—	957
31 March 2026	70	862	—	(3)	(3)	926

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The deferred tax balances (after offset) for statement of financial position purposes consist solely of deferred tax liabilities of £926 million (2025: £864 million).

8. Dividends

Dividends represents the return of profits to shareholders. Dividends are paid as an amount per ordinary share held. We retain part of the profits generated in the year to meet future growth plans and meet our gearing target, and pay out the remainder in accordance with our dividend policy.

Notes to consolidated financial statements continued

Interim dividends are recognised when they become payable to the Company’s shareholders. Final dividends are recognised when they are approved by shareholders. The following table shows the dividends paid to the equity shareholder:

	2026		2025	
	pence (per ordinary share)	£m	pence (per ordinary share)	£m
Ordinary dividends				
Final dividend in respect of the prior year	—	—	—	—
Interim dividend paid	12.36p	488	15.79p	623
Total Dividend paid		488		623

The Company declared and paid interim dividends amounting to £145 million in July 2025 (per ordinary share of 3.67p), £174 million in October 2025 (per ordinary share of 4.40p), £49 million in January 2026 (per ordinary share of 1.25p) and £120 million in March 2026 (per ordinary share of 1.25p). The directors are not proposing a final dividend for 2025/26.

Dividends of £488 million were paid to the parent company (NGTH). £174 million of this was used by NGTH to settle interest on intercompany loans and was therefore immediately returned to the Company.

9. Intangible assets

Intangible assets include software which is amortised over the length of period we expect to receive a benefit from the asset.

Identifiable intangible assets are recorded at cost less accumulated amortisation and any provision for impairment. Intangible assets are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired.

Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which that asset belongs is estimated. Impairments are recognised in the income statement and are disclosed separately. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

Internally generated intangible assets, such as software, are recognised only if: i) an asset is created that can be identified; ii) it is probable that the asset created will generate future economic benefits; and iii) the development cost of the asset can be measured reliably. Where no internally generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred.

Cloud computing arrangements are reviewed to determine if the Company has control of the software intangible asset. Control is considered to exist where the Company has the right to take possession of the software and run it on its own or a third party’s computer infrastructure or if the Company has exclusive rights to use the software such that the supplier is unable to make the software available to other customers.

Costs relating to configuring or customising the software in a cloud computing arrangement are assessed to determine if there is a separate intangible asset over which the Company has control. If an asset is identified, it is capitalised and amortised over the useful economic life of the asset. To the extent that no separate intangible asset is identified, then the costs are either expensed when incurred or recognised as a prepayment and spread over the term of the arrangement if the costs are concluded to not be distinct.

Intangible assets under development are not amortised. Other non-current intangible assets are amortised on a straight-line basis over their estimated useful economic lives. The amortisation period for software is up to ten years. Goodwill on acquisition is recognised at cost and subsequently tested for impairment on a yearly basis, and measured at cost less accumulated impairment, as per IAS36. It is allocated to the cash generating units that are expected to benefit from the business combination, management have identified that goodwill should be allocated to the Gas Transmission business.

In line with IAS36, impairment testing has been completed by management for intangibles with indefinite useful life. The group’s policy is to charge any impairment to the income statement which is not subsequently reversed.

	Software	Assets in the course of construction	Goodwill ²	Total
	£m	£m	£m	£m
Cost at 31 March 2024	488	56	—	544
Additions	—	61	4	65
Reclassifications ¹	46	(46)	—	—
Disposals	(33)	—	—	(33)
Cost at 31 March 2025	501	71	4	576
Additions	—	51	—	51
Reclassifications ¹	50	(50)	—	—
Transfers ³	—	(14)	—	(14)
Cost at 31 March 2026	551	58	4	613
Accumulated amortisation at 31 March 2024	(421)	—	—	(421)
Amortisation charge for the year	(59)	—	—	(59)
Disposals	33	—	—	33
Impairment	1	—	—	1
Accumulated amortisation at 31 March 2025	(446)	—	—	(446)
Amortisation charge for the year	(48)	—	—	(48)
Accumulated amortisation at 31 March 2026	(494)	—	—	(494)
Net book value at 31 March 2026	57	58	4	119
Net book value at 31 March 2025	55	71	4	130

¹ Reclassifications represent commissioning of assets from assets under construction into usage.
² £4 million addition during the prior year relates to goodwill on acquisition of a subsidiary (acquired on 16 April 2024), over which NGT has 100% control. Management have assessed the changes in external factors and financial performance of the subsidiary and determined that goodwill was not impaired for 2025/26.
³ Transfer between intangible and tangible assets.

10. Property, plant and equipment

The following note shows the physical assets controlled by us. The cost of these assets primarily represents the amount initially paid for them. This includes both their purchase price and the construction and other costs associated with getting them ready for operation. A depreciation expense is charged to the income statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years we expect the asset to be used (useful economic life or UEL) and charging the cost of the asset to the income statement equally over this period.

Notes to consolidated financial statements continued

We operate a gas transmission business and therefore have a significant physical asset base. We continue to invest in our network to maintain reliability, create new customer connections and ensure our networks are flexible and resilient. Our business plan envisages these additional investments will be funded through a mixture of cash generated from operations and the issue of new debt.

Property, plant and equipment is recorded at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase price of the asset; any payroll and finance costs incurred which are directly attributable to the construction of property, plant and equipment; and the cost of any associated asset retirement obligations.

Property, plant and equipment includes assets in which the Company interest comprises legally protected statutory or contractual rights of use. Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacement of, existing assets. All costs associated with projects or activities which have not been fully commissioned at the period end are classified within assets in the course of construction. No depreciation is provided on freehold land or assets in the course of construction.

Contributions received from customers towards the cost of tangible fixed assets for connections to the gas transmission network are initially recognised as a contract liability, and subsequently credited to revenue over the estimated useful economic lives of the assets to which they relate. Contributions towards the alteration, diversion or relocation of tangible fixed assets are initially included as a contract liability and subsequently credited to revenue over the course of the construction of the diversion.

Other items of property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets. The assessments of estimated useful economic lives and residual values of assets are performed annually.

Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of property, plant and equipment are, in general, as shown in the table below:

	Years
Freehold and Leasehold buildings	5 to 50
Plant and Machinery	
– mains, services and regulating equipment	5 to 65
– NTS gas pipelines	up to 50
Motor vehicles and office equipment	3 to 10

Gas asset lives

The role of gas networks in achieving greenhouse gas emissions reduction targets remains uncertain and depends on future technological developments, policy decisions, and market evolution. However, based on current evidence, management expects the National Transmission System (NTS) to continue to play a role in the UK energy system beyond 2050.

The most recent detailed technical assessment of NTS assets, performed in 2019, concluded that pipeline assets would remain operationally necessary beyond 2055 and technically capable of operating for significantly longer periods. These assets are currently depreciated to 2070, and no changes in asset condition or operating practices have been identified that would indicate a reduction in their useful economic lives.

Developments since 2024/25, including UK energy policy, progress in hydrogen and carbon capture and storage, and Ofgem’s RIIO-GT3 Final Determination confirming no reduction in regulatory asset lives, continue to support an ongoing role for transmission infrastructure, albeit with potential changes in its future use.

While a range of outcomes remains possible, management considers it most likely that NTS assets will continue to be utilised until at least 2070, either for natural gas or alternative molecules such as hydrogen and carbon dioxide.

The determination of useful economic lives remains a significant judgement. Management continues to review asset lives annually and has concluded that the current assumption of depreciation to approximately 2070 remains appropriate. Sensitivity analysis is provided to illustrate the impact on depreciation should shorter useful economic lives be assumed.

The Company continues to perform a review of asset lives on an annual basis and given the uncertainty described relating to the UELs of our gas assets, we have provided a sensitivity on the depreciation charge where a shorter UEL is presumed:

	Increase in depreciation expense £m
UELs limited to 2050	50
UELs limited to 2060	16
UELs limited to 2070	1

Note that this sensitivity calculation excludes any assumptions regarding residual value for our asset base and the effect shortening asset depreciation lives would expect to have on our regulatory recovery mechanisms.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the income statement.

Items within property, plant and equipment are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired. Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which that asset belongs is estimated. Impairments are recognised in the income statement and if immaterial are included within the depreciation charge for the year. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

Notes to consolidated financial statements continued

	Land and buildings	Plant and machinery	Assets in the course of construction	Motor vehicles and office equipments	Total
	£m	£m	£m	£m	£m
Cost at 31 March 2024	351	7,977	1,031	295	9,654
Additions	—	5	503	7	515
Disposals	(1)	(36)	(28)	(2)	(67)
Reclassifications ¹	—	182	(184)	2	—
Other	3	—	—	—	3
Cost at 31 March 2025	353	8,128	1,322	302	10,105
Additions	1	—	628	10	639
Disposals	(5)	(28)	—	(7)	(40)
Reclassifications ¹	9	751	(760)	—	—
Transfers ²	—	—	14	—	14
Cost at 31 March 2026	358	8,851	1,205	305	10,718
Accumulated depreciation at 31 March 2024	(209)	(4,174)	(6)	(247)	(4,635)
Depreciation charge for the year	(7)	(168)	—	(19)	(194)
Disposals	—	20	—	2	22
Impairment reversal / (Impairment)	—	1	—	—	1
Accumulated depreciation at 31 March 2025	(216)	(4,321)	(6)	(264)	(4,806)
Depreciation charge for the year	(7)	(177)	—	(35)	(219)
Disposals	4	15	—	7	26
Impairment reversal / (Impairment)	—	1	(2)	—	(1)
Accumulated depreciation at 31 March 2026	(219)	(4,482)	(8)	(292)	(5,000)
Net book value at 31 March 2026	139	4,369	1,197	13	5,718
Net book value at 31 March 2025	137	3,807	1,316	38	5,299

¹ Reclassifications represent commissioning of assets from assets under construction into usage.

² Transfer between tangible and intangible assets.

Right-of-use assets

The Company leases various properties, equipment and cars. New lease arrangements entered into are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. The right-of-use asset and associated lease liability arising from a lease are initially measured at the present value of the lease payments expected over the lease term, plus any other costs. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as computers), The Company continues to recognise a lease expense on a straight-line basis.

Included within the net book value of property, plant and equipment at 31 March 2026 are right-of-use assets, split as follows:

	Land and buildings	Motor vehicles and office equipments	Total
	£m	£m	£m
Net book value at 31 March 2024	10	5	15
Additions	—	7	7
Disposals	(1)	(2)	(3)
Depreciation charge	(2)	(3)	(5)
Depreciation on disposals	—	1	1
Net book value at 31 March 2025	7	8	15
Additions	1	6	7
Disposals	(5)	(2)	(7)
Depreciation charge	(3)	(5)	(8)
Depreciation on disposals	4	2	6
Net book value at 31 March 2026	4	9	13

The following balances have been included in the income statement for the year ended 31 March 2026 in respect of right-of-use assets:

	2026	2025
	£m	£m
Included within net finance income and costs:		
Interest expense on lease liabilities	(1)	(1)
Included within revenue:		
Lease income	4	4

The associated lease liabilities are disclosed in note 18.

11. Other non-current assets

Other non-current assets include assets that do not fall into any other non-current asset category (such as property, plant and equipment) where the benefit to be received from the asset is not due to be received until after 31 March 2027.

	2026	2025
	£m	£m
Other Receivables	6	—
Prepayments	6	7
Other non-current assets	12	7

Other non-current assets mostly relates to amounts paid in advance to a number of undertakings including for the demolition of gas-holders (see note 23).

Notes to consolidated financial statements continued

12. Non-current financial and other investments

	2026 £m	2025 £m
Loans and receivables – amounts owed by parent undertaking¹	3,426	3,426

¹ The fair value of the amount owed by parent undertaking is approximate to book value. Amounts owed by immediate parent. National Gas Transmission Holdings Limited (NGTH), repayable 1 April 2035. Interest is payable at the SONIA plus 1.22%.

13. Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of an underlying item such as interest rates, foreign exchange rates, credit spreads, equity or other indices. Derivatives are transacted in accordance with the Treasury policy approved by the Group, these policies have been deemed applicable at NGT by their respective boards of directors. Derivatives are generally transacted by the Company to manage our exposure to fluctuations in interest rates, foreign exchange rates and inflation. Specifically we use these derivatives to manage our financing portfolio, and contractual operational cash flows. Commodity contracts entered into for own use, with the intention of physical delivery to meet operational requirements, qualify for the ‘own use’ exemption under IFRS 9 and are therefore not accounted for as derivatives.

Derivatives are initially recognised at fair value and subsequently remeasured at fair value at each reporting date. Changes in fair values are recorded in the period they arise, in either the income statement or other comprehensive income as required by IFRS 9. Where the gains or losses recorded in the income statement arise from changes in the fair value of derivatives to the extent that hedge accounting is not applied or is not fully effective, these are recorded as remeasurements, detailed in notes 5 and 6. Where the fair value of a derivative is positive it is carried as a derivative asset, and where negative as a derivative liability.

We calculate the fair value of derivative financial instruments by taking the present value of future cash flows, primarily incorporating market observable inputs. The various inputs include foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate and inflation curves, and for those positions that are not fully cash collateralised the credit quality of the counterparties.

Certain clauses embedded in non-derivative financial instruments or other contracts are presented as derivatives because they impact the risk profile of their host contracts and they are deemed to have risks or rewards not closely related to those host contracts.

Further information on how derivatives are valued and used for risk management purposes is presented in note 29.

The fair values of derivative financial instruments by type are as follows:

	2026			2025		
	Asset £m	Liabilities £m	Total £m	Asset £m	Liabilities £m	Total £m
Interest rate swaps	5	(24)	(19)	7	(27)	(20)
Cross-currency interest rate swaps	20	—	20	20	—	20
Inflation linked swaps	—	(16)	(16)	—	(13)	(13)
Total	25	(40)	(15)	27	(40)	(13)

The maturity profile of derivative financial instruments is as follows:

	2026			2025		
	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Current						
Less than 1 year	—	—	—	7	(18)	(11)
	—	—	—	7	(18)	(11)
Non-current						
In 1 – 2 years	10	—	10	1	—	1
In 2 – 3 years	7	—	7	5	—	5
In 3 – 4 years	—	(9)	(9)	13	(1)	12
In 4 – 5 years	8	(30)	(22)	1	(8)	(7)
More than 5 years	—	(1)	(1)	—	(13)	(13)
	25	(40)	(15)	20	(22)	(2)
Total derivative financial	25	(40)	(15)	27	(40)	(13)

The notional contract amounts of derivative financial instruments by type are as follows:

	2026 £m	2025 £m
Interest rate swaps	(258)	(274)
Cross-currency interest rate swaps	(616)	(616)
Foreign exchange forward contracts	(10)	(26)
Inflation linked swaps	(1,800)	(1,200)
At 31 March	(2,684)	(2,116)

14. Inventories and current intangible assets

Inventories represent assets that we intend to use in order to generate revenue in the short-term by using it to fulfil a service to a customer or to maintain our network (consumables).

Inventories are stated at the lower of weighted average cost and net realisable value. Where applicable, cost comprises direct materials and direct labour costs as well as those overheads that have been incurred in bringing the inventories to their present location and condition.

Emission allowances, principally relating to the emissions of carbon dioxide in the UK, are recorded as intangible assets within current assets, and are initially recorded at cost and subsequently at the lower of cost and net realisable value. A provision is recorded in respect of the obligation to deliver emission allowances, and emission charges are recognised in the income statement in the period in which emissions are made.

	2026 £m	2025 £m
Raw materials, spares and consumables	8	9
Other current assets – emission allowances	9	7
Total Inventories and current intangible assets	17	16

Raw materials, spares and consumables includes £7 million (2025: £6 million) of gas stocks to support network flows and shrinkage losses on the network.

Notes to consolidated financial statements continued

There is a provision for obsolescence of £nil million against inventories as at 31 March 2026 (2025: £1 million).

15. Trade and other receivables

Trade and other receivables are amounts which are due from our customers for services we have provided.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate allowances for estimated irrecoverable amounts.

	2026	2025
	£m	£m
Trade receivables	57	21
Amounts owed by group entities	1	1
Accrued income ¹	157	145
Prepayments	20	17
Other receivables	13	10
Total trade and other receivables	248	194

¹ Accrued income refers to contract assets under IFRS15, which relates to unbilled revenue at the end of the period (collected within the next 30 days). Therefore, these are all current and have very short maturities.

Trade receivables are non-interest bearing and generally have a 30 to 90 day term. Due to their short maturities, the fair value of trade and other receivables approximates their carrying value. The maximum exposure of trade receivables to credit risk is the gross carrying amount of £57 million (2025: £21 million).

Provision for impairment of receivables (netted off within trade receivables)

A provision for credit losses is recognised at an amount equal to the expected credit losses that will arise over the lifetime of the trade receivables and accrued income.

A provision matrix is not used to assess expected loss rates as an assessment is performed on individual debtors.

	2026	2025
	£m	£m
As at 1 April	(4)	(4)
Movement in provision	1	—
At 31 March	(3)	(4)

For further information about wholesale credit risk, refer to note 29(a).

16. Financial and other investments

The financial and other investments balance primarily comprises Money Market Funds and includes current loans to fellow group undertakings.

Financial and other investments are initially recognised on trade date at fair value less transaction costs and expected losses. In the current year, the transaction value equals fair value.

Loans and other receivables are initially recognised at fair value plus transaction costs and subsequently held at amortised cost using the effective interest method. Interest income, together with gains and losses when the loans and receivables are derecognised or impaired, is recognised in the income statement.

	2026	2025
	£m	£m
Current		
Financial assets at FVTPL	319	498
Financial assets at amortised cost	102	119
Restricted cash	2	1
Total financial and other investments	423	618
Financial assets at FVTPL comprise the following:		
Money Market Funds	319	498
Financial assets at amortised cost:		
Loans and receivables – amounts due from other group companies	102	119
Restricted balances:		
NIC/SIF Restricted cash	2	1
At 31 March	423	618

The carrying value of current loans financial assets at amortised cost approximates their fair values, primarily due to short-dated maturities. The exposure to credit risk at the reporting date is the fair value of the financial investments. For further information on our credit risk, refer to note 29(a).

For the purposes of impairment assessment, all financial assets at amortised cost are investment grade and are therefore considered to have low credit risk. Therefore, they have a loss allowance equal to the lesser of lifetime or 12-month expected credit losses.

In determining the expected credit losses for these assets some or all of the following information has been considered: credit ratings, the financial position of counterparties, the future prospects of the relevant industries and general economic forecasts.

No amortised cost financial assets have had modified cash flows during the period. There has been no change in the estimation techniques or significant assumptions made during the year in assessing the loss allowance for these financial assets. There were no significant movements in the gross carrying value of financial assets during the year that contribute to changes in the loss allowance. No collateral is held in respect of any of the financial investments in the above table. No balances are more than 30 days past due, and no balances were written off during the year.

17. Cash and cash equivalents

Cash and cash equivalents include cash balances, together with short-term investments with an original maturity of less than three months that are readily convertible to cash.

Net cash and cash equivalents reflected in the cash flow statement are net of bank overdrafts (if any), which are reported in borrowings. The carrying amounts of cash and cash equivalents and bank overdrafts approximate their fair values.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods varying between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

Notes to consolidated financial statements continued

Net cash and cash equivalents held in currencies other than sterling have been converted into sterling at year-end exchange rates. For further information on currency exposures, refer to note 29(c).

	2026	2025
	£m	£m
Net cash and cash equivalents	37	38

18. Borrowings

We borrow money primarily in the form of bonds and bank loans. These are for a fixed term and may have fixed or floating interest rates or are linked to the retail price index (RPI). Derivatives are used to manage risks associated with interest rates, foreign exchange and inflation. Lease liabilities are also included within borrowings.

As we continue to invest in our networks, the value of debt is expected to increase over time. To maintain a strong balance sheet and to allow us to access to capital markets at commercially acceptable interest rates, we balance the amount of debt we issue with the value of our assets, and take account of certain other metrics such as retained cash flow to net debt, regulatory gearing and interest cover.

Borrowings, which include interest-bearing and inflation-linked debt and overdrafts, are initially recorded at fair value. This normally reflects the proceeds received (net of direct issue costs for liabilities measured at amortised cost). Subsequently, borrowings are stated either (i) at amortised cost; or (ii) at fair value though profit and loss. Where a borrowing is held at amortised cost any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method. For liabilities held at fair value through profit and loss, interest is calculated using the effective interest method.

Where a borrowing or liability is held at fair value, changes in the fair value of the borrowing due to changes in the issuer’s credit risk are recorded in the own credit reserve (see note 25). All other changes in the fair value of the liability are recognised in the income statement within remeasurements (see notes 5 and 6).Further information on how the rates are managed and currency risk of our borrowings portfolio is presented in note 29. Information on our net debt is presented in note 26.

	2026	2025
	£m	£m
Current (amounts falling due within one year)		
Bank loans and overdrafts	2	213
Bonds	59	72
Lease liabilities	8	7
Other loans	1	1
Total current	70	293
Non-current (amounts falling due after more than one year)		
Bank loans	211	—
Bonds	4,419	4,296
Lease liabilities	7	9
Other loans	73	88
Total non-current	4,710	4,393
Total borrowings	4,780	4,686

Total borrowings are repayable as follows:

	2026	2025
	£m	£m
Less than 1 year	70	293
In 1 – 2 years	240	5
In 2 – 3 years	90	29
In 3 – 4 years	37	97
In 4 – 5 years	752	43
More than 5 years: ¹		
By instalments	51	52
Other than by instalments	3,540	4,167
Total Borrowings repayable	4,780	4,686

¹ The range of rates of interest on borrowings payable after more than five years include:
Fixed 1.125%–7.125%
RPI plus 1.5803%–2.4840%

The fair value of borrowings at 31 March 2026 was £4,269 million (2025: £4,157 million). The fair value of borrowings (Level 1) was nil (2025: nil). The fair value of borrowings (Level 2) was £4,269 million (2025: £4,157 million), calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio at 31 March 2026 was £4,820 million (2025: £4,725 million).

At 31 March 2026, we had committed credit facilities of £735 million (2025: £735 million) which was undrawn and matures in January 2028 (2025: £735 million undrawn). These facilities are available for liquidity purposes.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments expected over the lease term. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method.

Notes to consolidated financial statements continued

	2026	2025
	£m	£m
Gross lease liabilities are repayable as follows:		
Less than 1 year	8	7
1 to 5 years	8	10
More than 5 years	—	—
Total	16	17
Less: finance charges allocated to future periods	(1)	(1)
Total Lease Liabilities	15	16
The present value of lease liabilities are as follows:		
Less than 1 year	8	7
1 to 5 years	7	9
More than 5 years	—	—
At 31 March	15	16

19. Trade and other payables

Trade and other payables include amounts owed to suppliers, tax authorities and other parties which are due to be settled within 12 months. The total also includes deferred amounts, some of which represent monies received from customers but for which we have not yet delivered the associated service. These amounts are recognised as revenue when the service is provided.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

	2026	2025
	£m	£m
Trade payables ¹	91	103
Accruals ¹	158	159
Amounts owed to group entities	23	12
Deferred income	2	18
Social security and other taxes	41	24
Other payables ²	173	166
Total trade and other payables	488	482

¹ Trade payables and accruals have been separately disclosed in the current year to enhance clarity, with prior-year comparatives re-presented accordingly.

² Other payables includes £113 million relating to deposits from Shippers which are held as security (2025: £116 million).

Due to their short maturities, the fair value of trade and other payables approximates their carrying value.

20. Contract liabilities

Contract liabilities primarily relate to the advance consideration received from customers for construction contracts, mainly in relation to connections, for which revenue is recognised over the life of the asset.

	2026	2025
	£m	£m
Current	57	43
Non-current	133	85
Total contract liabilities	190	128

Significant changes in the contract liabilities balances during the period are as follows:

	2026	2025
	£m	£m
As at 1 April	128	137
Revenue recognised during the year	(12)	(19)
Increase due to cash received	74	10
At 31 March	190	128

21. Other non-current liabilities

Other non-current liabilities include deferred income, which will not be recognised as income until after 31 March 2027. It also includes payables that are not due until after that date. Non-current liabilities are initially recognised at fair value and subsequently measured at amortised cost. There is no material difference between the fair value and the carrying value of other payables.

	2026	2025
	£m	£m
Other payables	13	8
Total other non-current liabilities	13	8

22. Pensions and other post-retirement benefits

All of our employees are eligible to participate in a pension plan. We have a defined contribution (DC) and a defined benefit (DB) pension plan in the UK. The fair value of associated plan assets and present value of DB obligations are updated annually in accordance with IAS 19 ‘Employee Benefits’. Below we provide a more detailed analysis of the amounts recorded in the primary financial statements and the actuarial assumptions used to value the DB obligations.

Defined contribution plan

Employees are eligible to join The Gas Transmission & Metering Retirement Plan (GTMRP), a section of a Master Trust arrangement managed by Legal & General. National Gas Transmission pays contributions into the GTMRP to provide DC benefits on behalf of its employees, generally providing a double match of member contributions up to maximum Company contribution of 12% of salary.

This plan is DC in nature and is designed to provide members with a pension pot for their retirement. Investment risks are borne by the member and there is no legal or constructive obligation on National Gas Transmission to pay additional contributions in the instance that investment performance is poor. Payments to this DC plan are charged as an expense as they fall due.

Notes to consolidated financial statements continued

Defined benefit plan

National Gas Transmission plc sponsors the National Gas Transmission Pension Scheme (“NGTPS”), a DB pension plan which is now closed to new members. This plan is managed by a Trustee company with a board consisting of company and member-nominated directors and holds its assets in separate Trustee administered funds. The net defined benefit pension asset of the pension plan is reflected within the Company’s statement of financial position.

Until 15 January 2026 National Gas Transmission plc also sponsored Section B of the National Grid UK Pension Scheme (“Section B”). On 30th September 2024 a bulk transfer of almost all assets and all liabilities from Section B into the NGTPS took place (the “bulk transfer”). Following the bulk transfer, the net defined benefit pension asset of the NGTPS is reflected within the Company’s statement of financial position, and has largely replaced the defined benefit pension asset in respect of Section B which ceased to have any liabilities or many assets. Following a bulk transfer in 2024, at the prior year-end Section B held a small number of assets (c. £10m) to ensure it had sufficient assets to meet any existing obligations (e.g. to pay suppliers), with any residual assets due to be transferred to the NGTPS on the wind-up of Section B. Section B wound up on 15 January 2026, prior to which the residual assets were transferred over to the NGTPS. As such Section B is not included on the balance sheet at the year-end, but impacts the income statement and other comprehensive income in the year to 31 March 2026.

National Gas Transmission plc also has some unfunded pension obligations.

The NGTPS is subject to independent actuarial funding valuations every three years and following consultation and agreement with the Company, the Scheme Actuary certifies the employers’ contributions, which, together with the specified contributions payable by the employees and proceeds from the Section’s’ assets, are expected to be sufficient to fund the benefits payable. In May 2026 the Company agreed the triennial actuarial valuation as at 31 March 2025 with the Trustee. As the Scheme was in surplus at this date no deficit contributions were required. The Company continues to fund the cost of future benefit accrual (over and above member contributions) in the NGTPS, with the rate of contributions being updated following the completion of the valuation. Up to 31 March 2026 the Company also reimbursed the Scheme in respect of plan administration costs and Pension Protection Fund levies, but, in line with the agreed actuarial funding valuation, the Company will stop these reimbursements going forward. The aggregate level of ongoing contributions across the NGTPS and Section B in the year to March 2026 totalled £6 million (2025: £8 million).

The Company has also agreed to the provision of contingent security to the NGTPS, whereby up to £600 million letters of credit, surety bonds or cash held in escrow, are implemented on specified credit rating or gearing triggers. This security is payable to the NGTPS in specific circumstances including insolvency, failure to pay scheme contributions and loss of regulatory licence.

Actuarial assumptions

On retirement, members of the NGTPS receive benefits whose value is dependent on factors such as salary and length of pensionable service. The Company’s obligations are calculated by projecting the estimated amount of future benefit payments that employees have earned for their pensionable service in the current and prior periods. These future benefit payments are discounted to determine the present value of the liabilities. Current service cost and any unrecognised past service cost are recognised immediately.

Advice is taken from independent actuaries relating to the appropriateness of the key assumptions applied, including life expectancy, expected salary and pension increases, and inflation. Comparatively small changes in the assumptions used may have a significant effect on the amounts recognised in the consolidated income statement, the consolidated statement of other comprehensive income and the net liability recognised in the consolidated statement of financial position. Remeasurements of pension assets and post-retirement benefit obligations are recognised in full in the period in which they occur in the consolidated statement of other comprehensive income.

The Company has applied the following financial assumptions in assessing DB liabilities.

	2026	2025
	%	%
Discount rate – past service	5.96	5.70
Discount rate – future service	6.34	5.95
Rate of increase in salaries	3.29	3.05
Rate of increase in RPI – past service	3.15	2.97
Rate of increase in RPI – future service	3.04	2.83

Single equivalent financial assumptions are shown here for presentational purposes, although full yield curves have been used in our calculations. The discount rate is determined by reference to high-quality UK corporate bonds at the reporting date. The rate of increase in salaries has been set with a further promotional scale also applying. The rates of increases stated are not indicative of historical increases awarded or a guarantee of future increase, but merely an appropriate assumption used in assessing DB liabilities. Retail Price Index (RPI) is the key assumption that determines assumed increases in pensions in payment and deferment in the NGTPS.

The table below sets out the projected life expectancies adopted for the Company’s pension arrangements:

	2026	2025
	Years	Years
Assumed life expectations for a retiree age 65		
Males	22.2	21.3
Females	23.9	23.2
In 20 years:		
Males	23.4	22.5
Females	25.4	24.7

The weighted average duration of the DB obligation for the NGTPS is 9 years.

As at the reporting date, the present value of the funded obligations split according to member status, was approximately 2% active members (2025: 3%); 10% deferred members (2025: 12%) and 88% pensioner members (2025: 85%).

Over 2025 and 2026 the Trustee of the NGTPS became aware that there are some technical differences between the way some benefits have been administered historically and the requirements of the Scheme Rules. Work is ongoing to clarify how to best correct any issues and accurately determine the impact. Furthermore, as the Trustee continues to review administrative practice and legal interpretations of the Scheme Rules, new potential discrepancies continue to be investigated. Overall, correcting any administration issues is likely to increase the defined benefit obligation and a reserve of £7.5 million has been included in the obligation disclosed at 31 March 2026 as an estimate of the actuarial losses incurred correcting the issue. In reality, the actual change in the defined benefit obligation may be lower or materially higher than the estimate at 31 March 2026.

A separate issue has been brought to our attention regarding the treatment of Guaranteed Minimum Pension (“GMP”) related benefits for dependants in the period between a member reaching GMP age and their date of death. The matter relates to whether current administrative practice fully reflects the requirements of the Scheme Rules and applicable legislation. Independent legal advice obtained by the Group indicates that this is a complex area in which more than one interpretation may be reasonably supportable, including the interpretations administrated to date.

Notes to consolidated financial statements continued

The ultimate outcome will depend on the interpretation adopted by the Scheme Trustees, who have not yet reached a conclusion. It may take several months for the Trustee to determine its position.

Based on actuarial analysis, the potential additional defined benefit obligation arising from this matter is currently estimated at approximately £100 million (pre-tax). This estimate represents the potential impact of a reasonable worst-case legal outcome within the range of potential outcomes.

No adjustment has been recognised in the defined benefit obligation at 31 March 2026 in respect of this matter. This reflects the absence of a concluded Trustee position and the fact that multiple outcomes remain possible.

For sensitivity analysis see note 30.

Amounts recognised in the consolidated statement of financial position.

	2026	2025
	£m	£m
Present value of funded obligations	(3,214)	(3,224)
Fair value of scheme assets	3,498	3,546
Net defined benefit asset	284	322
Represented by:		
Liability	—	—
Asset	284	322
At 31 March	284	322

The recognition of the pension assets reflects legal and actuarial advice that we have taken regarding recognition of surpluses under IFRIC 14. The Company has an unconditional right to a refund in the event of a winding up. The NGTPS Trustee must seek the agreement of the Company to any benefit augmentation beyond the provisions set out in the plan Rules.

Amounts recognised in the consolidated income statement and the consolidated statement of other comprehensive income.

	2026	2025
	£m	£m
Included within operating costs:		
Administration costs	3	3
Included within payroll costs:		
Current service cost	2	3
Included within exceptional costs:		
Administrative costs related to separation ¹	—	1
Total of operating costs	5	7
Included within finance income and costs		
Net interest income	(16)	(17)
Total included in the consolidated income statement	(11)	(10)
Actuarial (gains)/losses on defined benefit obligations	89	(300)
Return on assets (lower)/greater than assumed	(34)	308
Total included in the consolidated statement of other comprehensive income	55	8

¹ Costs relating to the separation of our pension scheme from National Grid booked to exceptional items in 2025.

Reconciliation of the net defined benefit asset

	2026	2025
	£m	£m
Opening defined benefit asset	322	312
Net (charge)/credit recognised in the consolidated income statement	11	10
Remeasurement effects recognised in the consolidated statement of other comprehensive income	(55)	(8)
Employer contributions	6	8
Closing net defined benefit asset	284	322

Changes in the present value of defined benefit obligations (including unfunded obligations)

	2026	2025
	£m	£m
Opening defined benefit obligations	(3,224)	(3,599)
Current service cost	(2)	(3)
Interest cost	(154)	(182)
Actuarial gains/(losses) – experience	(10)	(6)
Actuarial gains/(losses) – demographic assumptions	(87)	5
Actuarial gains/(losses) – financial assumptions	8	301
Benefits paid	255	260
Closing defined benefit obligations	(3,214)	(3,224)

The table below shows the movement in defined benefit assets over the year (including unfunded obligations)

	2026	2025
	£m	£m
Opening fair value of scheme assets	3,546	3,911
Interest income	170	199
Return on assets (lower)/greater than assumed	34	(308)
Administration costs	(3)	(4)
Employer contributions	6	8
Benefits paid	(255)	(260)
Closing fair value of scheme assets	3,498	3,546
Actual return on scheme assets	204	(109)
Expected contributions to scheme in the following year	5	7

Notes to consolidated financial statements continued

Main defined benefit risks

The Company underwrites the financial and demographic risks associated with its Defined Benefit plan. Although the Trustee has sole responsibility for setting investment strategies and managing risks, the Company closely works with and supports the Trustee, to assist in mitigating the risks associated with the plan and to ensure that the plan is funded to meet its obligations.

The most significant risks associated with the NGTPS are:

- Investment risk – NGTPS invests in a variety of asset classes, with actual returns likely to differ from the underlying discount rate adopted, impacting the funding position of the plan through the net balance sheet asset or liability. The scheme seeks to balance the level of investment return required with the risk that it can afford to take, in designing the most appropriate investment portfolio;
- Changes in bond yields – Liabilities will fluctuate as yields change. Volatility of the net balance sheet asset or liability is controlled through liability-matching strategies. The investment strategies allow for the use of synthetic as well as physical assets to hedge interest rate risk;
- Inflation risk – Changes in inflation can affect the current and future pensions but are partially mitigated through investing in inflation-matching assets and hedging instruments as well as bulk annuity buy-in policies. The investment strategies allow for the use of synthetic as well as physical assets to hedge inflation risk;
- Member longevity – Improvements in life expectancy will lead to pension payments being paid for longer than expected and benefits ultimately being more expensive. This risk has been partly mitigated by the bulk annuity policy held by the Trustee;
- Counterparty credit risk – Risk is managed by having a diverse range of counterparties and a strong collateralisation process. Measurement and management of counterparty risk is delegated to the relevant investment managers. For NGTPS’s bulk annuity policy, various termination provisions are included in the contract, managing our exposure to counterparty risk. The insurer’s operational performance and financial strength are monitored on a regular basis;
- Default risk – Debt investments are predominantly made in regulated markets in assets considered to be of investment grade. To manage the default risk of non-investment grade assets or non-regulated market securities the quantum of investments is kept to prudent levels subject to a maximum level of allocation;
- Liquidity risk – The pension plan holds sufficient cash to meet benefit requirements, with other investments being held in liquid or realisable assets to meet unexpected cash flow requirements such as collateral calls. The plan does not borrow money, act as guarantor, or provide liquidity to other parties (unless it is temporary);
- Currency risk – Fluctuations in the value of foreign denominated assets due to exposure to currency exchange rates is managed through currency hedging carried out by the investment managers.

Defined benefit plan investment strategy

The Trustee, after taking advice from professional investment advisors and in consultation with the Company, sets its key principles, including expected returns, risk and liquidity requirements. It formulates an investment strategy to manage risk through diversification, taking into account expected contributions, maturity of the pension liabilities, and the strength of the covenant. This strategy allocates investments between return-seeking assets such as equities and property, and liability-matching assets such as government securities, corporate bonds and the bulk annuity policy which are intended to protect the funding position.

The approximate asset allocation of the NGTPS as at 31 March 2026 is as follows:

	2026	2025
	%	%
Return - seeking assets	25	24
Liability - matching assets	75	76
At 31 March	100	100

The allocation of assets by asset class are set out below. Within these asset allocations, there is significant diversification across regions, asset managers, currencies and bond categories.

	2026	2026	2026	2025	2025	2025
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	£m	£m	£m	£m	£m	£m
Equities	346	87	433	313	106	419
Corporate bonds	779	—	779	801	—	801
Government securities	922	—	922	927	—	927
Property	—	183	183	—	186	186
Diversified alternatives	—	267	267	—	291	291
Liability-matching assets ¹	—	860	860	—	865	865
Cash and cash equivalents	—	54	54	—	57	57
At 31 March	2,047	1,451	3,498	2,041	1,505	3,546

¹ This is in respect of a bulk annuity policy held by the Trustee with a total value of £860 million (2025: £865 million). Included above is £(512) million (2025: £(361) million) of repurchase agreements. These are used to increase the market exposure of the liability-matching portfolios.

The Trustee of the NGTPS generally delegates responsibility for the selection of specific bonds, securities and other investments to appointed investment managers. Investment managers are selected based on the required skills, expertise in those markets, process and financial security to manage the investments. Their performance is regularly reviewed against measurable objectives, consistent with the NGTPS’s long-term objectives and accepted risk levels.

The Trustee board believes that ESG factors can be material to financial outcomes and should therefore be considered alongside other factors. It recognises that its primary responsibility remains a fiduciary one, i.e. its first duty is to ensure the best possible return on investments with the appropriate level of risk. However, it also recognises the increasing materiality of ESG factors and that it has a fiduciary and regulatory duty to consider Responsible Investment, including ESG factors and their potential impact on the quality and sustainability of long-term investment returns.

23. Provisions

We make provisions when an obligation exists resulting from a past event, and it is probable that cash will be paid to settle it, but the exact amount of cash required can only be estimated.

The main estimates relate to environmental remediation and decommissioning costs for various sites we own or have owned and other provisions, including restructuring plans. The evaluation of the likelihood of the contingent events has required best judgement by management regarding the probability of exposure to potential loss. Should circumstances change following unforeseeable developments, the likelihood could alter.

Notes to consolidated financial statements continued

Provisions are recognised where a legal or constructive obligation exists at the reporting date, as a result of a past event, where the amount of the obligation can be reliably estimated and where the outflow of economic benefit is probable.

Provision is made for decommissioning and environmental costs, based on future estimated expenditures, discounted to present values. An initial estimate of decommissioning and environmental costs attributable to property, plant and equipment is recorded as part of the original cost of the related property, plant and equipment.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditures that relate to property, plant and equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated useful economic lives; otherwise such changes are recognised in the income statement.

The unwinding of the discount is included within the income statement within finance costs.

	Decommissioning	Environmental	Emissions	Restructuring	Other	Total Provisions
	£m	£m	£m	£m	£m	£m
At 31 March 2024	12	35	—	—	23	70
Additions	—	1	7	2	12	22
Unused amounts reversed	—	—	—	—	(1)	(1)
Utilised	(5)	—	—	—	(3)	(8)
Other movements	—	1	—	—	—	1
At 31 March 2025	7	37	7	2	31	84
Additions	—	2	8	1	4	15
Unwinding of discount	—	(2)	—	—	—	(2)
Utilised	—	(1)	(5)	—	(6)	(12)
At 31 March 2026	7	36	10	3	29	85

	2026	2025
	£m	£m
Current	38	36
Non-current	47	48
Total Provisions	85	84

Decommissioning provision

The decommissioning provision represents expenditure relating to the demolition of gas-holders expected to be incurred until 2028.

Following the sale of the Gas Distribution business in 2016, the Company sold 78 surplus land sites to a number of National Grid Group undertakings and a legal agreement was entered into with the Company to demolish the non-operational gas holders on these sites, creating a constructive obligation for the Company.

The decommissioning provision of £7 million (2025: £7 million) is not discounted, as it is expected to be settled in the near future. There were no movements in the year.

Environmental provision

The environmental provision represents the estimated restoration and remediation costs relating to operational sites owned by the Company. Cash flows are expected to be incurred until 2077, with £28 million expected to be incurred in the next 10 years.

A number of estimation uncertainties affect the calculation of the provision, including the impact of regulation, the accuracy of site surveys, unexpected contaminants, transportation costs, the impact of alternative technologies and changes in the real discount rate. This provision incorporates our best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could impact the calculation of the provision. The undiscounted amount is the undiscounted best estimate of the liability having regard to these uncertainties.

The discounted provision was £36 million (2025: £37 million) which primarily includes in-year additions of £2 million (inflationary impacts), offset by £2 million unwinding of discount and £1 million of utilisation.

The discount rate applied was 1.4%, which remained the same as 2024/25.

Emissions provision

An amount of £10 million (2025: £7 million), in relation to the expected costs of the UK ETS (Emissions Trading Scheme) was provided for in 2025/26. This provision is in respect of the obligation to deliver emission allowances, and emission charges are recognised in the income statement in the period in which emissions are made. The obligation is settled when the emissions certificates are surrendered by the end of April.

Restructuring provision

In 2026 the restructuring provision was £3 million, (2025: £2 million).

Other provisions

Other provisions of £29 million (2025: £31 million), includes £13 million relating to Crop and Quarry claims, £10 million in respect of legacy provisions recognised following the sale of the Gas Distribution business (timing of settlement of tax due to HMRC is still on-going, there was no movement in the provision in 2025/26). The remaining amount relates to £5 million decommissioning of the mercury content in meters and £1 million other small claims.

£4 million additions in-year is mostly made up of new Crop and Quarry claims.

Crop and Quarry provisions arises as a result of the terms of Deed of Easement or Deed of Servitude, whereby we receive claims from landowners for losses suffered due to pipeline developments and the on-going presence of our pipelines, these can be categorised into the loss of minerals, loss of development, loss of crop or drainage issues.

Of the existing claims a view has been taken of the realistic level of claim that is expected to result from negotiated settlements and a provision has been made to reflect this. In 2025/26 the provision reduced by £1 million due to £6 million utilisation, partly offset by £5 million new claims.

24. Share capital

Ordinary share capital represents the total number of shares issued.

Share capital is accounted for as an equity instrument. An equity instrument is any contract that includes a residual interest in the consolidated assets of the Company after deducting all its liabilities and is recorded at the proceeds received, net of direct issue costs, with an amount equal to the nominal amount of the shares issued included in the share capital account and the balance recorded in the share premium account.

Notes to consolidated financial statements continued

	Number of shares	Number of shares	Amount	Amount
	2026	2025	2026	2025
	millions	millions	£m	£m
At 31 March – ordinary shares 1.13p each				
Allotted, called-up and fully paid	3,944	3,944	45	45

In line with the provisions of the Companies Act 2006, the Company has amended its Articles of Association and ceased to have authorised share capital.

25. Other equity reserves

Other equity reserves are different categories of equity as required by accounting standards and represent the impact of a number of our historical transactions.

Other equity reserves comprise the cost of hedging reserve, the capital redemption reserve, cash flow hedge reserve and own credit reserve. The capital redemption reserve arose from the refinancing and restructuring of the Lattice Group in 1999. It represents the amount of the reduction in share capital of the Company as a consequence of that restructuring. Cost of hedging equity reserve arose as a result of the adoption of IFRS 9 on 1 April 2018. Cash flow hedge represents the Group’s cash flow hedging activities (see note 29).

As the amounts included in other equity reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

	Cash flow hedge	Cost of hedging	Own credit	Capital redemption	Other equity
	£m	£m	£m	£m	£m
At 1 April 2025	12	(1)	—	1,332	1,343
Net gains/(losses) taken to equity	12	—	—	—	12
Transferred (from)/to profit or loss	(19)	—	—	—	(19)
Tax	2	—	—	—	2
At 31 March 2026	7	(1)	—	1,332	1,338

26. Net debt

Net debt represents the amount of cash and financial investments held, less borrowings, overdrafts and related derivatives.

Funding and liquidity risk management is carried out by the treasury function under policies and delegations approved by the Board. The Board is responsible for the regular review and monitoring of treasury activity.

The primary objective of the treasury function is to manage our funding and liquidity requirements. A further important objective is to manage the associated financial risks, in the form of interest rate risk and foreign exchange risk, to within pre-authorised parameters. Details of the main risks arising from our financing activities can be found in note 29 to the consolidated financial statements.

Investment of surplus funds, usually in short-term fixed deposits is subject to our counterparty risk management policy.

Composition of net debt

Net debt is summarised as follows:

	2026	2025
	£m	£m
Cash, cash equivalents (see note 17)	37	38
Financial investments (see note 16)	423	618
Borrowings and bank overdrafts (see note 18)	(4,780)	(4,686)
Financial Derivatives (see note 13)	(15)	(13)
At 31 March	(4,335)	(4,043)

(a) Reconciliation of net cash flow to movement in net debt

	2026	2025
	£m	£m
Increase/(decrease) in cash and cash equivalents	(1)	13
Increase/(decrease) in financial investments	(177)	(186)
(Increase)/decrease in borrowings and related derivatives	27	107
Net interest (received)/paid on the components of net debt	(79)	(312)
Change in net debt resulting from cash flows	(230)	(378)
Changes in fair value of financial assets and liabilities and exchange movements	(10)	5
Net interest charge on the components of net debt	(44)	55
Other non-cash movements	(8)	(6)
Movement in net debt (net of related derivative financial instruments) in the year	(292)	(324)
Net debt (net of related derivative financial instruments) at the start of the year	(4,043)	(3,719)
Net debt (net of related derivative financial instruments) at the end of the year	(4,335)	(4,043)

Notes to consolidated financial statements continued

(b) Analysis of changes in net debt

	Cash and cash equivalents	Financial investments	Borrowings and bank overdrafts	Financial derivatives	Total debt
	£m	£m	£m	£m	£m
At 31 March 2024	25	992	(4,740)	4	(3,719)
Net Cash flow from changes in borrowings	13	(186)	107	—	(66)
Cash interest paid/ (Received) on loans	—	(452)	129	11	(312)
Fair value gains and losses	—	—	8	(3)	5
Foreign exchange movements	—	—	12	(12)	—
Interest income/(charges)	—	264	(195)	(14)	55
Other non-cash movements	—	—	(7)	1	(6)
At 31 March 2025	38	618	(4,686)	(13)	(4,043)
Net Cash flow from changes in borrowings	(1)	(177)	27	—	(151)
Cash interest paid/ (Received) on loans ¹	—	(221)	136	6	(79)
Fair value gains and losses	—	—	2	(12)	(10)
Foreign exchange movements	—	—	(10)	10	—
Interest income/(charges)	—	203	(241)	(6)	(44)
Other non-cash movements	—	—	(8)	—	(8)
At 31 March 2026	37	423	(4,780)	(15)	(4,335)
Balances at 31 March 2026 comprise:					
Non-current assets	—	—	—	25	25
Current assets	37	423	—	—	460
Current liabilities	—	—	(70)	—	(70)
Non-current liabilities	—	—	(4,710)	(40)	(4,750)
At 31 March 2026	37	423	(4,780)	(15)	(4,335)

¹ Financial instruments includes £202 million of interest received on loan to parent (NGTH)

27. Commitments and contingencies

Commitments and Guarantees

Commitments are those amounts that we are contractually required to pay in the future as long as the other party meets its obligations. These commitments primarily relate to energy purchase agreements and contracts for the purchase of assets which, in many cases, extend over a long period of time. We also disclose any contingencies, which include guarantees that companies have given, where we pledge assets against current obligations that will remain for a specific period.

Future Capital Expenditure

	2026	2025
	£m	£m
Contracted for but not provided	30	319

The value of other commitments and guarantees at 31 March 2026 amounted to £9 million (2025: £20 million), primarily energy purchase commitments. Energy purchase commitments relate to contractual commitments to purchase electricity or gas that are used to satisfy physical delivery requirements to our customers or for energy that we use ourselves (i.e. normal purchase, sale or usage) and hence are accounted for as ordinary purchase contracts.

Security arrangements in favour of NGUKPS Trustees totalling £600 million (2025: £600 million) are explained in further detail separately in note 22.

Contingencies

As described in Note 22, a potential issue has been identified in relation to the interpretation of Guaranteed Minimum Pension (“GMP”) benefits for dependants. The ultimate outcome, and the timing of any resolution, remain uncertain at the reporting date and will depend on the Trustee’s ongoing review of the Scheme Rules and historical administrative practices.

Based on initial actuarial analysis, the potential impact representing a reasonable worst-case legal outcome within the range of potential outcomes is estimated at £100 million (pre-tax). However, the actual outcome may differ materially and could range from no impact to approximately £100 million, depending on the interpretation ultimately adopted by the Trustee.

Management has concluded that the existence of any additional obligation is possible but not probable. Independent legal advice indicates that multiple reasonable interpretations of the relevant Scheme Rules may be supportable, including the interpretations administered to date and there is currently no settled Trustee position. Accordingly, no additional liability has been recognised at the reporting date. However, as the possibility of an outflow of economic benefits is more than remote, the matter is disclosed as a contingent liability. The timing and amount of any potential outflow remain uncertain.

Litigation and claims

Through the ordinary course of our operations, we are party to various litigation, claims and investigations. We do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on our results of operations, cash flows or financial position and claims.

28. Related party transactions

A related party is a company or individual who also has an interest in us. The related parties identified include fellow subsidiaries, joint ventures, associated undertakings, investments and key management personnel.

The following significant transactions with related parties were in the normal course of business. Amounts receivable from and payable to related parties are due on normal commercial terms:

Notes to consolidated financial statements continued

	2026	2025
	£m	£m
Revenue:		
Goods and services supplied	—	—
Costs:		
Services received	18	47
Group tax relief expense/(received)	82	—
Charges in respect of pensions costs	5	3
Services provided to group companies	(2)	1
Interest receivable from parent	(185)	(232)
Transactions with entities controlled or jointly controlled by a related individual	—	—
	(82)	(181)
Outstanding balances at 31 March in respect of income, expenditure and settlement of corporation tax:		
Amounts receivable from parent	102	119
Amount receivable from other related parties	1	2
Amounts payable to Group Companies	(23)	(12)
Advances to parent company (due after more than one year) ¹	3,426	3,426

¹ Immediate parent company is National Gas Transmission Holdings Limited (NGTH).

Services received primarily relate to data service centre costs and shrinkage costs with Xoserve £18 million (2025: £19 million). 2024/25 also included £19 million incurred under a Transitional Services Agreement (TSA) with National Grid plc (ended September 2024), the majority of which related to IT services. These arrangements were not in place in 2026.

During the year, the Group incurred £0.4 million (2025: Nil) for property maintenance, refurbishment and construction services from a company controlled by close family members of key management personnel. There were no amounts outstanding at the reporting date (2025: Nil). Transactions were conducted at arms length in the normal course of business.

Amounts receivable from or payable to related parties in respect of sales and expenditure are ordinarily settled one month in arrears. The advance to the parent due after more than one year is interest bearing. Advances to and borrowings from subsidiaries are repayable on demand and bear interest at commercial rates.

No amounts have been provided at 31 March 2026 (2025: £nil) and no expense has been recognised during the year (2025: £nil) in respect of bad or doubtful debts for related party transactions.

Details of guarantees provided in respect of related parties are provided in note 27.

Details of key management compensation are provided in note 4(c).

29. Financial risk management

Our activities expose us to a variety of financial risks including currency risk, interest rate risk, credit risk, capital risk and liquidity risk. Our risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential volatility of financial performance from these risks. We use financial instruments, including derivative financial instruments, to manage these risks.

Risk management related to financing activities is carried out by the treasury department under policies and actions approved by the Board. The objective of the treasury department is to manage funding and liquidity requirements, including managing associated financial risks, in line within Treasury Policy and approvals by the Board.

We have exposure to the following risks, which are described in more detail below:

- credit risk;
- liquidity risk;
- currency risk;
- interest rate risk;
- capital risk;
- inflation risk.

Where appropriate, derivatives and other financial instruments used for hedging currency and interest rate risk exposures are formally designated as fair value, or cash flow hedges as defined in IFRS 9. Hedge accounting allows the timing of the profit or loss impact of qualifying hedging instruments to be recognised in the same reporting period as the corresponding impact of hedged exposures. To qualify for hedge accounting, documentation is prepared specifying the risk management objective and strategy, the component transactions and methodology used for effectiveness measurement.

Hedge accounting relationships are designated in line with risk management activities further described below. Categories designated are:

- currency risk arising from our forecasted foreign currency transactions (capital expenditure) is designated in cash flow hedges;
- currency and interest rate risk arising from borrowings are designated in cash flow or fair value hedges.

Critical terms of hedging instruments and hedged items are transacted to match on a 1:1 ratio by notional values. Hedge ineffectiveness can nonetheless arise from inherent differences between derivatives and non-derivative instruments and other market factors including credit, correlations, supply and demand, and market volatilities. Ineffectiveness is recognised in the remeasurements component of finance income and costs (see note 6). Hedge accounting is discontinued when a hedging relationship no longer qualifies for hedge accounting.

Certain hedging instrument components are now treated separately as costs hedging, with the cost of hedging gains and losses deferred in a component of other equity reserves, and released systematically into profit or loss to correspond with the timing and impact of hedged exposures, or released in full to finance costs upon an early discontinuation of a hedging relationship.

Refer to sections (c) currency risk and (d) interest rate risk below for further details about hedge accounting.

The Company operates under a regulatory environment, where its prices are linked to inflation measured by CPIH. In order to mitigate the risks to cash flow and earnings arising from fluctuations in CPIH, the Group holds debt instruments where the principal repayable and interest cost is linked to RPI and the Group holds RPI/CPI swaps to mitigate the risk of divergence between RPI and CPIH.

(a) Credit risk

We are exposed to the risk of loss resulting from counterparties’ default on their commitments including failure to pay or make a delivery on a contract. This risk is inherent in our commercial business activities. Exposure arises from our cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Notes to consolidated financial statements continued

The maximum limit applies to all transactions, including long-term transactions. The long-term limit applies to transactions which mature in more than 12 months’ time.

At 31 March 2026, we had a number of exposures to individual counterparties. In accordance with our treasury policies, counterparty credit exposure utilisations are monitored daily against the counterparty credit limits. Based on expected credit loss probabilities, management does not expect any significant losses from non-performance by these counterparties.

Wholesale

Our principal commercial exposure in the UK is governed by the credit rules within the Uniform Network Code. These set out the level of credit relative to the RAV for each credit rating. We are committed to measuring, monitoring, minimising and recording counterparty credit risk in our wholesale business. The utilisation of credit limits is regularly monitored and collateral is collected against these accounts when necessary. Management does not expect any significant losses of receivables that have not been provided for as shown in note 15.

Offsetting financial assets and liabilities

The following tables set out financial assets and liabilities which are subject to offset and to enforceable master netting arrangements or similar agreements. The tables show the amounts which are offset and reported net in the statement of financial position. Amounts which cannot be offset under IFRS, but which could be settled net under terms of master netting agreements if certain conditions arise, and with collateral received or pledged, are shown to present National Gas Transmission’s net exposure.

Financial assets and liabilities on different transactions would only be reported net in the balance sheet if the transactions were with the same counterparty, a currently enforceable legal right of offset exists, and the cash flows were intended to be settled on a net basis.

Amounts which do not meet the criteria for offsetting on the statement of financial position, but could be settled net in certain circumstances, principally relate to derivative transactions under ISDA agreements, where each party has the option to settle amounts on a net basis in the event of default of the other party.

For bank account balances and bank overdrafts there are no pooling arrangements and no ‘Gross amounts offset’.

The gross amounts offset for trade payables and receivables, which are subject to general terms and conditions, are insignificant.

Related amounts available to be offset but not offset in statement of financial position						
	Gross carrying amounts	Gross amounts offset	Net amount presented in statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
As at 31 March 2026	£m	£m	£m	£m	£m	£m
Assets						
Derivative financial instruments	25	—	25	(12)		13
	25	—	25	(12)	—	13
Liabilities						
Derivative financial instruments	(40)	—	(40)	12		(28)
	(40)	—	(40)	12	—	(28)
Total	(15)	—	(15)	—	—	(15)

Related amounts available to be offset but not offset in statement of financial position						
	Gross carrying amounts	Gross amounts offset	Net amount presented in statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
As at 31 March 2025	£m	£m	£m	£m	£m	£m
Assets						
Derivative financial instruments	26	—	26	(8)	—	19
	26	—	26	(8)	—	19
Liabilities						
Derivative financial instruments	(40)	—	(40)	8	—	(32)
	(40)	—	(40)	8	—	(32)
Total	(14)	—	(14)	—	—	(14)

(b) Liquidity risk

Our policy is to determine our liquidity requirements by the use of both short-term and long-term cash flow forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding requirements for at least a 24 month period and maintain adequate liquidity for a continuous 12-month period.

We believe our contractual obligations, including those shown in commitments and contingencies in note 27 can be met from existing cash and investments, operating cash flows and internal or external financing that we reasonably expect to be able to secure in the future, together with the use of committed facilities if required.

Our debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity, restrictions on disposals and financial covenants. Failure to comply with these covenants, or to obtain waivers of those requirements, could prevent shareholder distributions, require early repayment of some of our debt, and restrict our ability to draw upon our facilities, and limit access to the capital markets.

Notes to consolidated financial statements continued

The following is a payment profile of our financial liabilities and derivatives:

	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due 3 years and beyond	Total
	£m	£m	£m	£m	£m
At 31 March 2026					
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	(3)	(240)	(98)	(4,464)	(4,805)
Interest payments on borrowings ¹	(133)	(134)	(123)	(897)	(1,287)
Lease liabilities	(8)	(4)	(2)	(1)	(15)
Other non-interest bearing liabilities	(463)	(13)	—	—	(476)
Derivative financial liabilities					
Derivative contracts - receipts ²	5	3	105	108	221
Derivative contracts - payments ²	(10)	(9)	(129)	(157)	(305)
Derivative financial assets					
Derivative contracts - receipts ²	36	233	134	357	760
Derivative contracts - payments ²	(38)	(233)	(122)	(343)	(736)
Total at 31 March 2026	(614)	(397)	(235)	(5,397)	(6,643)

¹ The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the Company can be required to settle.

² The receipts and payments line items for derivatives comprise gross undiscounted future cash flows, after considering any contractual netting that applies within individual contracts. Where cash receipts and payments within a derivative contract are settled net, and the amount to be received (paid) exceeds the amount to be paid (received), the net amount is presented within derivative receipts (payments)

	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due 3 years and beyond	Total
	£m	£m	£m	£m	£m
At 31 March 2025					
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	(230)	—	(30)	(4,448)	(4,708)
Interest payments on borrowings ¹	(129)	(121)	(123)	(1,007)	(1,380)
Lease liabilities	(7)	(5)	(3)	(2)	(17)
Other non-interest bearing liabilities	(451)	(8)	—	—	(459)
Derivative financial liabilities					
Derivative contract - receipts ²	51	13	96	207	367
Derivative contract - payments ²	(85)	(19)	(105)	(251)	(460)
Derivative financial assets					
Derivative contract - receipts ²	(134)	22	130	337	623
Derivative contract - payments ²	(124)	(22)	(130)	(329)	(605)
Total at 31 March 2025	(841)	(140)	(165)	(5,493)	(6,639)

¹ The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the Company can be required to settle.

² The receipts and payments line items for derivatives comprise gross undiscounted future cash flows, after considering any contractual netting that applies within individual contracts. Where cash receipts and payments within a derivative contract are settled net, and the amount to be received (paid) exceeds the amount to be paid (received), the net amount is presented within derivative receipts (payments)

(c) Currency risk

We are exposed to foreign exchange risk arising from non-sterling future commercial transactions and non-sterling recognised assets and liabilities. Currency risk arises from funding activities and capital investment. This risk is managed using financial instruments including derivatives as approved by policy, typically cross currency interest rate swaps, foreign exchange swaps and forwards.

Funding activities – Our policy is to borrow in the most advantageous market available. Foreign currency funding gives rise to risk of volatility in the amount of functional currency cash to be repaid. This risk is reduced by swapping principal and interest back into the functional currency of the issuer. All foreign currency debt and transactions are hedged except where they provide a natural offset to assets elsewhere in the Group.

Capital investment – Capital projects often incur costs in a foreign currency, most often Euro transactions executed by the Company. Our policy for managing foreign exchange transaction risk is to hedge contractually committed foreign currency cash flows over a prescribed minimum size, typically by buying Euro forwards to hedge future expenditure. For hedges of forecast cash flows our policy is to hedge a proportion of highly probable cash flows.

Notes to consolidated financial statements continued

Derivative financial instruments were used to manage foreign currency risk as follows:

	2026				
	Sterling £m	Euro £m	Dollar £m	Other £m	Total £m
Cash and cash equivalents	37	—	—	—	37
Financial investments	423	—	—	—	423
Borrowings	(4,182)	(499)	—	(99)	(4,780)
Pre-derivative position	(3,722)	(499)	—	(99)	(4,320)
Derivative effect	(613)	499	—	99	(15)
Net debt position at 2026	(4,335)	—	—	—	(4,335)

	2025				
	Sterling £m	Euro £m	Dollar £m	Other £m	Total £m
Cash and cash equivalents	38	—	—	—	38
Financial investments	618	—	—	—	618
Borrowings	(4,093)	(478)	—	(115)	(4,686)
Pre-derivative position	(3,437)	(478)	—	(115)	(4,030)
Derivative effect	(606)	478	—	115	(13)
Net debt position at 2025	(4,043)	—	—	—	(4,043)

There was no significant currency exposure on other financial instruments, including trade receivables and payables and other receivables and payables.

Hedge accounting for currency risk

Where available, derivatives transacted for hedging are designated for hedge accounting. Economic offset is qualitatively determined because the critical terms (currency and volume) of the hedging instrument match the hedged exposure. If a forecast transaction was no longer expected to occur, the cumulative gain or loss previously reported in equity would be transferred to the income statement.

Cash flow hedging of currency risk of capital expenditure is designated as hedging the exposure to movements in the spot translation rates only; the timing of forecasted transactions is not designated as a hedged risk. Gains and losses on hedging instruments arising from undesignated forward points and foreign currency basis spreads are excluded from designation and are recognised immediately in profit or loss, along with any hedge ineffectiveness. Where a non-financial asset or a non-financial liability results from a forecast transaction or firm commitment being hedged, the amounts deferred in reserves are released directly to the initial measurement of that asset or liability.

Hedges of foreign currency funding are designated as cash flow hedges or fair value hedges of forward exchange risk (hedging both currency and interest rate risk together, where applicable). Hedge accounting for funding is described further in the interest rate risk section below.

(d) Interest rate risk

National Gas Transmission's interest rate risk arises from our long-term borrowings. Our interest rate risk management policy is to seek to minimise total financing costs (being interest costs and changes in the market value of debt). Hedging instruments principally consist of interest rate and cross-currency swaps that are used to translate foreign currency debt into functional currency and to adjust the proportion of fixed-rate and floating-rate in the borrowings portfolio to within a range set by the Board. The benchmark interest rates hedged are currently based on GBP Sterling Overnight Index Average (SONIA).

We also consider inflation risks and hold RPI-linked borrowings that provide a partial economic offset to the inflation risk associated with our CPIH-linked revenue. We have entered into RPI to CPI swaps maturing by 2031 to partially convert our RPI-linked debt to CPI to more closely match the inflation-linked performance of our debt with the underlying revenue.

The table in note 18 (Borrowings) sets out the carrying amount, by contractual maturity, of borrowings that are exposed to interest rate risk before taking into account interest rate swaps.

Net debt was managed using derivative instruments to hedge interest rate risk as follows:

	2026				
	Fixed rate £m	Floating rate £m	Inflation linked £m	Other £m	Total £m
Cash and cash equivalents	—	37	—	—	37
Financial investments	—	423	—	—	423
Borrowings	(2,020)	(213)	(2,547)	—	(4,780)
Pre-derivative position	(2,020)	247	(2,547)	—	(4,320)
Derivative effect	207	(206)	(16)	—	(15)
Net debt position 2026	(1,813)	41	(2,563)	—	(4,335)

	2025				
	Fixed rate £m	Floating rate £m	Inflation linked £m	Other £m	Total £m
Cash and cash equivalents	—	38	—	—	38
Financial investments	—	618	—	—	618
Borrowings	(2,028)	(213)	(2,445)	—	(4,686)
Pre-derivative position	(2,028)	443	(2,445)	—	(4,030)
Derivative effect	221	(221)	(13)	—	(13)
Net debt position 2025	(1,807)	222	(2,458)	—	(4,043)

Hedge accounting for interest rate risk

Borrowings paying variable or floating rates expose the Company to cash flow interest rate risk, partially offset by cash held at variable rates. Where a hedging instrument results in paying a fixed rate, it is designated as a cash flow hedge because it has reduced the cash flow volatility of the hedged borrowing. Changes in the fair value of the derivative are initially recognised in other comprehensive income as gains or losses in the cash flow hedge reserve, with any ineffective portion recognised immediately in the income statement.

Borrowings paying fixed rates expose the Company to fair value interest rate risk. Where the hedging instrument pays a floating rate, it is designated as a fair value hedge because it has reduced the fair value volatility of the borrowing. Changes in the fair value of the derivative and changes in the fair value of the hedged item in relation to the risk being hedged are both adjusted on the balance sheet and offset in the income statement to the extent the fair value hedge is effective, with the residual difference remaining as ineffectiveness.

Notes to consolidated financial statements continued

Both types of hedges are designated as hedging the currency and interest rate risk arising from changes in forward points. Amounts accumulated in the cash flow hedge reserve (cash flow hedges only) and the deferred cost of hedging reserve (both cash flow and fair value hedges) are reclassified from reserves to the income statement on a systematic basis as hedged interest expense is recognised. Adjustments made to the carrying value of hedged items in fair value hedges are similarly released to the income statement to match the timing of the hedged interest expense.

When hedge accounting is discontinued, any remaining cumulative hedge accounting balances continue to be released to the income statement to match the impact of outstanding hedged items. Any remaining amounts deferred in the cost of hedging reserve are released immediately to the income statement.

(e) Hedge accounting

In accordance with the requirements of IFRS 7, certain additional information about hedge accounting is disaggregated by risk type and hedge designation type in the tables below:

Year ended 31 March 2026	Fair value hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency risk £m
Consolidated statement of comprehensive income			
Net gains/(losses) in respect of:			
Cash flow hedges	—	12	—
Cost of hedging	—	—	—
Transferred to profit or loss in respect of:			
Cash flow hedges	—	(19)	—
Cost of hedging	—	—	—
Consolidated statement of changes in equity			
Other equity reserves – cost of hedging balances	—	—	—
Consolidated statement of financial position			
Derivatives – carrying value of hedging instruments ¹			
Assets – current	—	—	—
Assets – non-current	6	19	—
Liabilities – current	—	—	—
Liabilities – non-current	(24)	—	—

Profiles of the significant timing, price and rate information of hedging instruments

Maturity range	July 2026 – May 2033	December 2027 – April 2030	April 2026 – April 2028
Spot FX range			
GBP USD	1.64 – 1.66	n/a	1.21 – 1.22
GBP EUR	n/a	1.14	1.15 – 1.16
Interest rate range			
GBP	Pay-float GBP SONIA +42bps/+241bps	Pay GBP Fixed 1.795% – 5.22%	n/a

¹ The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position.

Year ended 31 March 2025	Fair value hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency risk £m
Consolidated statement of comprehensive income			
Net losses in respect of:			
Cash flow hedges	—	(3)	—
Cost of hedging	(1)	(2)	—
Transferred to profit or loss in respect of:			
Cash flow hedges	—	10	—
Cost of hedging	—	—	—
Consolidated statement of changes in equity			
Other equity reserves – cost of hedging balances	—	—	—
Consolidated statement of financial position			
Derivatives – carrying value of hedging instruments			
Assets – current	6	—	—
Assets – non-current	15	5	—
Liabilities – current	(17)	—	—
Liabilities – non-current	(9)	—	—
Profiles of the significant timing, price and rate information of hedging instruments			
Maturity range	June 2025 – Jan 2030	March 2028 – April 2030	April 2025 – April 2028
Spot FX range			
GBP USD	1.64 – 1.66	n/a	1.21 – 1.30
GBP EUR	n/a	1.14	1.15–1.16
Interest rate range			
GBP	Pay-float GBP SONIA +42bps/+432bps	Pay-fixed GBP 1.795% – 5.22%	n/a

The following tables show the effects of hedge accounting on financial position and year-to-date performance for each type of hedge:

(i) Fair value hedges of foreign currency and interest rate risk on recognised borrowings as at 31 March 2026:

At 31 March 2026	Hedging instrument nominal ¹ £m	Balance of fair value hedge adjustments in borrowings £m	Change in value used for calculating ineffectiveness £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Hedge type						
Foreign currency and interest rate risk on borrowings	(300)	136	(21)	15	(13)	2

¹ The carrying value of the hedged borrowings is £154 million, of which £Nil million is current and £154 million is non-current.

Notes to consolidated financial statements continued

At 31 March 2025	Balance of fair value hedge adjustments in borrowings			Change in value used for calculating ineffectiveness		
	Hedging instrument nominal ¹	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings	(316)	121	(34)	11	(9)	2

¹ The carrying value of the hedged borrowings is £205 million, of which £Nil million is current and £205 million is non-current.

(ii) Cash flow hedges of foreign currency and interest rate risk as at 31 March 2026:

	Balance in cash flow hedge reserve			Change in value used for calculating ineffectiveness		
	Hedging instrument nominal ¹	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings	(536)	7	—	(9)	11	2
Foreign currency risk on forecasted cash flows	(6)	—	—	—	—	—

At 31 March 2025	Balance in cash flow hedge reserve			Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings	(536)	15	—	4	(3)	1
Foreign currency risk on forecasted cash flows	(21)	—	—	—	—	—

(f) Fair value analysis

Included in the statement of financial position are financial instruments which have been 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.

	2026				2025			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Derivative financial instruments	—	25	—	25	—	27	—	27
	—	25	—	25	—	27	—	27
Liabilities								
Derivative financial instruments	—	(24)	(16)	(40)	—	(27)	(13)	(40)
Liabilities held at fair value	—	—	—	—	—	—	—	—
	—	(24)	(16)	(40)	—	(27)	(13)	(40)
	—	1	(16)	(15)	—	—	(13)	(13)

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.

Our Level 1 financial liability held at fair value is valued using quoted prices from liquid markets.

Our Level 2 derivative financial instruments include cross-currency, interest rate and foreign exchange derivatives. We value these derivatives by discounting all future cash flows by externally sourced market yield curves at the reporting date, taking into account the credit quality of both parties. These derivatives can be priced using liquidly traded interest rate curves and foreign exchange rates, therefore we classify our vanilla trades as Level 2 under the IFRS 13 framework.

Our Level 3 derivative financial instruments comprise index linked swaps. We obtain external values to support the reported valuations.

While there have been significant movements in market indices, all of our financial instruments are traded in markets that continue to be active and therefore, we are satisfied that there has been no significant impact on the fair values of our financial instruments measured at fair value, and that any impact is reflected in the fair values in the table above.

The changes in value of our level 3 derivative financial instruments are as follows:

	Financing derivatives	
	2026 £m	2025 £m
At 1 April	(13)	(8)
Net/(loss)/gain for the year ¹	(3)	(5)
At 31 March	(16)	(13)

¹ £3 million loss (2025: £5 million loss) is attributable to derivative financial instruments held at the end of the reporting period and has been recognised in finance income and costs in the income statement.

Notes to consolidated financial statements continued

The impacts on a post-tax basis of reasonably possible changes in significant level 3 assumptions are as follows:

	Financing derivatives	
	2026	2025
	£m	£m
-100 basis points change to CPI curve ¹	13	11
+100 basis points change to CPI curve ¹	(13)	(11)
-100 basis points change to RPI curve ¹	(13)	(12)
+100 basis points change to RPI curve ¹	13	12

¹ A reasonably possible change in assumption of other level 3 derivative financial instruments is unlikely to result in a material change in fair values.

The impacts disclosed above were considered on a contract by contract basis with the most significant unobservable inputs identified.

(g) Capital Risk Management

The capital structure of the Company consists of shareholders’ equity, as disclosed in the consolidated statement of changes in equity, and net debt (note 26). Our objectives when managing capital are to safeguard our ability to continue as a going concern; to remain within regulatory constraints of our regulated operating company; and to maintain an efficient mix of debt and equity funding thus achieving an optimal capital structure and cost of capital. We regularly review and manage the capital structure as appropriate in order to achieve these objectives.

Maintaining an appropriate credit rating for the Company, is an important aspect of capital risk management. We also monitor the gearing ratios tracked by rating agencies, loan covenants and Ofgem to manage our balance sheet efficiently.

The Company is subject to certain restrictions on the payment of dividends and these restrictions include:

- a. dividends must be limited to cumulative retained earnings, including pre-acquisition retained earnings;
- b. licence conditions including compliance with credit rating and availability of resources conditions that are subject to alteration in the normal licence review process; and ongoing compliance with the covenants in the financing documents. These covenants include licence, liquidity, interest cover, leverage and credit rating conditions.

These restrictions are not considered to be significantly onerous, nor do we currently expect they will prevent the planned payment of dividends in future in line with our dividend policy.

All the above requirements are monitored on a regular basis in order to ensure compliance. The Group has complied with all externally imposed capital requirements to which it is subject.

30. Sensitivities

In order to give a clearer picture of the impact on our results or financial position of potential changes in significant estimates and assumptions, the following sensitivities are presented. These sensitivities are based on assumptions and conditions prevailing at the year-end and should be used with caution. The effects provided are not necessarily indicative of the actual effects that would be experienced because our actual exposures are constantly changing.

The sensitivities in the tables below show the potential impact in the income statement (and consequential impact on net assets) for a reasonably possible range of different variables each of which have been considered in isolation (i.e. with all other variables remaining constant). There are a number of these sensitivities which are mutually exclusive, and therefore if one were to happen, another would not, meaning a total showing how sensitive our results are to these external factors is not meaningful.

The sensitivities included in the tables below have an equal and opposite effect if the sensitivity increases or decreases by the same amount unless otherwise stated.

(a) Sensitivities on areas of estimation uncertainty

The table below sets out the sensitivity analysis for certain areas of estimation uncertainty set out in note 1E. These estimates are those that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities in the next year.

	Income statement	2026 Net assets	Income statement	2025 Net assets
	£m	£m	£m	£m
Pensions obligations benefit (pre- tax):				
Discount rate ¹				
Fall of 0.5%	6	(150)	7	(150)
Rise of 0.5%	(7)	138	(7)	139
RPI ²				
Fall of 0.5%	(4)	128	(5)	113
Rise of 0.5%	6	(135)	5	(121)
Long-term rate of increase in salaries				
Fall of 0.5%	—	3	(1)	4
Rise of 0.5%	—	(3)	—	(3)
Change in life expectancy over 65				
1 year increase	4	(117)	4	(124)
1 year decrease	(4)	118	(5)	126

¹ This net asset shows the impact of the change in the discount rate on the liabilities only. A change in the discount rate is likely to occur as a result of changes in bond yields and as such would be expected to be offset to a significant degree by a change in the value of the bond assets held by the plan. The income statement sensitivity in is consistent with the approach taken for the net asset.

² The net assets show the impact of the change in RPI on the liabilities only. The projected impact resulting from a change in RPI reflects the underlying effect on pensions in payment, pensions in deferment and resultant increases in salary assumptions. In practice, as the plan hedges inflation risk we would expect any change in liabilities to be offset to a significant degree by a change in the value of the inflation linked assets held by the plan. The income statement sensitivity is consistent with the approach taken for the net asset.

Pensions and post retirement benefits assumptions

Sensitivities have been prepared to show how the defined benefit obligations and annual service costs could potentially be impacted by changes in the relevant actuarial assumption that were reasonably possible as at 31 March 2026. In preparing sensitivities the potential impact has been calculated by applying the change to each assumption in isolation and assuming all other assumptions remain unchanged. This is with the exception of RPI where the corresponding change to increases to pensions in payment, increases to pensions in deferment and increases in salary are recognised.

Notes to consolidated financial statements continued

(b) Sensitivities on financial instruments

We are further required to show additional sensitivity analysis under IFRS 7 and these are shown separately in the subsequent table due to the additional assumptions that are made in order to produce meaningful sensitivity disclosures.

Our net debt as presented in note 26 financial instruments is sensitive to changes in market variables, being UK interest rates and the UK RPI. These impact the valuation of our borrowings, deposits and derivative financial instruments. The analysis illustrates the sensitivity of our financial instruments to reasonably possible changes in these market variables.

The following main assumptions were made in calculating the sensitivity analysis for continuing operations:

- the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio, and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2026 and 2025 respectively;
- the statement of financial position sensitivity to interest rates relates to items presented at their fair values: derivative financial instruments; our investments measured at fair value through profit and loss (FVTPL) and fair value through other comprehensive income; and our liability measured at FVTPL. Further debt and other deposits are carried at amortised cost and so their carrying value does not change as interest rates move;
- the sensitivity of interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- changes in the carrying value of derivatives from movements in interest rates of designated cash flow hedges are assumed to be recorded fully within equity.

	2026		2025	
	Income statement	Other equity reserves	Income statement	Other equity reserves
	£m	£m	£m	£m
Financial risk (post-tax)				
UK RPI rate change of 1% / (2025: 1%)	19	—	18	—
UK Interest rate changes of 1% / (2025: 1%)	—	15	1	17

Note that this table excludes sensitivities to RPI and CPI for the Index Linked Swaps, which are separately disclosed in note 29 (f) Fair Value Analysis.

Sensitivities have been calculated using 1% change (2025 : 1%) in interest rate and RPI which is more representative of the current market conditions.

Additional sensitivities in respect to our derivative fair values are as follows:

	2026		2025	
	Income statement	Net assets	Income statement	Net assets
	£m	£m	£m	£m
Assets and liabilities carried at fair value (post-tax):				
10% fair value change in derivative financial instruments ¹	2	(2)	1	(1)

¹ The effect of a 10% change in fair value assumes no hedge accounting.

31. Ultimate parent company

This note shows the immediate and ultimate parent companies for these consolidated financial statements.

National Gas Transmission plc’s immediate parent company is National Gas Transmission Holdings Limited. The ultimate parent company and controlling party is Luppiter Consortium Limited. These companies are incorporated in Great Britain and are registered in England and Wales. Luppiter Consortium Limited consolidates the financial statements of National Gas Transmission plc. Copies of the consolidated financial statements of Luppiter Consortium Limited may be obtained from the Company Secretary at the registered office at National Grid House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA, UK.

32. Subsidiary undertakings, joint ventures, joint operations and associates

While we present consolidated results in these financial statements as if we were one company, our legal structure is such that there are a number of different operating and holding companies that contribute to the overall result. This structure has evolved through acquisitions as well as regulatory requirements to have certain activities within separate legal entities.

Subsidiary undertakings

The list below contains all subsidiaries included within the National Gas Transmission plc Group.

	Principal activity	Direct/ Indirect	Holding
National Gas Metering Limited	Gas Metering Services	Direct	100%
National Gas Transmission Pension Trustee Limited	Trustee of occupational pension scheme	Direct	100%
National Gas Transmission Pension Scheme Nominee Company One Limited	Trustee of property assets of the occupational pension scheme	Indirect	100%
National Gas Transmission Pension Scheme Nominee Company Two Limited	Trustee of property assets of the occupational pension scheme	Indirect	100%
Premtech Limited	Provide engineering, consultancy and design management services	Direct	100%

The registered office for all of the companies above, apart from Premtech Limited is National Grid House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA, UK.

Premtech Limited registered office is Cedar House Norman Court, Ivanhoe Business Park, Ashby-De-La-Zouch, England, LE65 2UZ.

Notes to consolidated financial statements continued

Other equity investments

The list below contains all other equity investments included within the National Gas Transmission plc.

	Principal activity	Holding
PRISMA European Capacity Platform GmbH (incorporated in Germany)	Trading platform	12%
Joint Radio Company Limited (incorporated in England and Wales)	Consultancy services	25%
Xoserve Limited (incorporated in England and Wales)	IT systems, management for gas transportation	11%
Encodar Limited (incorporated in England and Wales)	Management of the Uniform Network Code for gas transportation	11%

PRISMA European Capacity Platform GmbH is based at Reichsstraße 1–9, Leipzig, Saxony 04109, Germany.

Joint Radio Company Limited is based at Friars House, Manor House Drive, Coventry, England, CV1 2TE.

Xoserve Limited is based at Lansdowne Gate, 65 New Road, Solihull B91 3DL.

Encodar Limited is based at Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91.

Joint Operations

The company accounts for joint operation in accordance with IFRS11. The company recognises its share of assets, liabilities, revenues and expenses arising from the joint operation.

Humber Hydrogen Pipeline

The company holds a 25% contractual interest in a joint development arrangement with three other parties, each holding an equivalent interest. The project relates to the development of the hydrogen pipeline linking Easington Gas Terminal, Aldborough Gas Storage, Saltend Chemical Park and the south bank of the River Humber in the United Kingdom, as defined in the contractual arrangement. The arrangement has been classified as a joint operation under IFRS 11, as the parties have rights to the assets and obligations for the liabilities of the arrangement.

33. Events after the reporting period

On 15 July 2026, the Company declared an interim dividend amounting to £593 million, payable to its parent company, NGTH, on 20 July 2026. Of the £593 million dividend payment, £505 million will be returned to National Gas, comprising repayment of £380 million of principal and £125 million of accrued interest relating to the intercompany loan between the two entities. As this transaction occurred after the reporting date, it has been assessed as a non-adjusting event in accordance with IAS 10, Events after the Reporting Period and has therefore not been reflected in the financial statements as at the reporting date.

There are no other material post balance sheet events.

Company financial statements

Company balance sheet

as at 31 March 2026

	Notes	2026 £m	2025 £m
Fixed Assets			
Intangible assets	5	107	117
Property, plant and equipment	6	5,721	5,301
Debtors (amounts falling due after more than one year)	7	3,438	3,432
Derivative financial assets	11	25	20
Investments	8	8	8
Total Fixed Assets		9,299	8,878
Current assets			
Inventories and current intangible assets	9	17	16
Cash and Cash equivalents	13	34	37
Trade and other receivables	10	276	190
Financial and other investments	12	434	621
Derivative financial assets	11	—	7
Pension asset	14	284	322
Total current assets		1,045	1,193
Creditors (amounts falling due within one year)	15	(705)	(877)
Net current assets/(liabilities)		340	316
Total assets less current liabilities		9,639	9,194
Creditors (amounts falling due after more than one year)	16	(4,894)	(4,506)
Provisions for Liabilities	18	(1,012)	(949)
Net assets		3,733	3,739
Equity			
Share capital	19	45	45
Share premium account		204	204
Retained earnings		2,146	2,147
Other reserves	20	1,338	1,343
Shareholders' equity		3,733	3,739

The Company financial statements set out on pages [131](#) – 139 were approved by the Board of Directors and authorised for issue on 15 July 2026. They were signed on its behalf by:

Jon Butterworth
Chief Executive Officer

Nick Hooper
Chief Financial Officer

National Gas Transmission plc
Registered number: 02006000

Company statement of changes in equity

for the year ended 31 March 2026

	Share capital £m	Share premium account £m	Retained earnings £m	Other reserves £m	Total shareholders' equity £m
At 31 March 2024	45	204	2,130	1,338	3,717
Profit for the year	—	—	646	—	646
Total other comprehensive income for the year	—	—	(6)	5	(1)
Total comprehensive income for the year	—	—	640	5	645
Equity dividends	—	—	(623)	—	(623)
At 31 March 2025	45	204	2,147	1,343	3,739
Profit for the year	—	—	528	—	528
Total other comprehensive income for the year	—	—	(41)	(5)	(46)
Total comprehensive income for the year	—	—	487	(5)	482
Equity dividends ¹	—	—	(488)	—	(488)
At 31 March 2026	45	204	2,146	1,338	3,733

¹ Dividends of £488 million were paid to the parent company (NGTH). £174 million of this was used by NGTH to settle interest on intercompany loans and was therefore immediately returned to the Company.

The Company is prohibited from declaring a dividend or other distribution unless it has certified that it is in compliance in all material respects with certain regulatory obligations, including a requirement to ensure it has sufficient financial resources and facilities to enable it to carry on its business and a requirement to use all reasonable endeavours to maintain an investment grade credit rating.

The Company has not presented its own profit and loss account and related notes as permitted by section 408 of the Companies Act 2006. The Company's profit after taxation was £528 million (2025: £647 million).

For further details of dividends paid and payable to shareholders, refer to note 8 in the consolidated financial statements.

Notes to the Company financial statements

Analysis of items in the primary statements

1. Company accounting policies

We are required to include the stand-alone balance sheet of our parent Company, National Gas Transmission plc, under the Companies Act 2006. The following disclosures provide additional information to users of these financial statements.

A. Basis of preparation of individual financial statements under FRS101

National Gas Transmission plc’s principal activities involve the transmission of gas in Great Britain. The Company is a public limited company incorporated and domiciled in UK, with its registered office at National Grid House Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements. Accordingly, the Company has elected to apply FRS 101 Reduced Disclosure Framework. The recognition and measurements requirements of UK-adopted IFRS have therefore been applied within these financial statements, with amendments where necessary in order to comply with the Companies Act 2006.

In accordance with the exemption permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account or statement of comprehensive income.

As permitted by FRS 101, the company has taken advantage of exemptions from the requirements of IFRS in relation to the following elements:

- presentation of a cash flow statement and related notes;
- disclosures in respect of capital management;
- disclosures required by IFRS 13 ‘Fair Value Measurement’;
- disclosures required by IFRS 7 ‘Financial Instruments: Disclosures’;
- presentation of comparative information in respect of certain assets;
- the effect of standards not yet effective; and
- related party transactions.

Where required, equivalent disclosures are given in the Group financial statements of National Gas Transmission plc, which are available to the public and can be obtained as set out in note 31 to the consolidated financial statements.

These individual financial statements of the Company have been prepared on an historical cost basis, except for the revaluation of financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. The 2025 comparative financial information has also been prepared on this basis.

The individual financial statements have been prepared on a going concern basis following the assessment made by the directors as set on page 101.

B. Areas of judgement and key sources of estimation uncertainty

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are as follows:

- For the purpose of valuing our investment in Premtech and Metering, the judgement that notwithstanding legislation enacted and targets committing the UK to achieving net zero greenhouse gas emissions by 2050, there is still potential use of the gas transmission network beyond 2050 in maintaining security, reliability and affordability of energy.

- There are no key sources of estimation uncertainty to disclose.

Other key judgements and sources of estimation have been discussed within the group consolidated accounts page 102.

2. Auditors’ remuneration

Auditors’ remuneration in respect of the Company is set out below:

	2026 £m	2025 £m
Audit services relating to the Company		
Audit fee	1.2	1.3
Other services	0.2	0.1
Fees payable to the Company’s auditors for audit related assurance services	1.4	1.4

The fees for the company audit are disclosed within the Company financial statements.

Other services relate to services provided by the statutory auditors in connection with raising of debt, and agreed upon procedures required by the regulator and assurance services over selected ESG metrics. These are approved in line with the Group non audit service policy.

3. Number of employees, including directors

	2026 Monthly Average number	2025 Monthly average number
Gas Transmission	2,245	1,940

4. Key management compensation and directors’ emoluments

Key management comprises the Board of Directors of the Company who have managerial responsibility for National Gas Transmission plc. Details of key management personnel compensation are provided in note 4(c) to the consolidated financial statements. Details of directors’ emoluments are provided in note 4(d) to the consolidated financial statements.

Notes to the Company financial statements continued

5. Intangible assets

	Software	Assets in the course of construction	Total
	£m	£m	£m
Cost at 31 March 2024	466	54	520
Additions	—	58	58
Disposals	(11)	—	(11)
Reclassifications ¹	38	(38)	—
Cost at 31 March 2025	493	74	567
Additions	—	50	50
Reclassifications ¹	50	(50)	—
Transfers ²	—	(14)	(14)
Cost at 31 March 2026	543	60	603
Accumulated amortisation at 31 March 2024	(406)	—	(406)
Amortisation charge for the year	(56)	—	(56)
Disposals	11	—	11
Impairment	1	—	1
Accumulated amortisation at 31 March 2025	(450)	—	(450)
Amortisation charge for the year	(46)	—	(46)
Accumulated amortisation at 31 March 2026	(496)	—	(496)
Net book value at 31 March 2026	47	60	107
Net book value at 31 March 2025	43	74	117

¹ Reclassifications represent commissioning of assets from assets under construction into usage.

² Transfer between tangible and intangible assets.

6. Property, plant and equipment

	Land and buildings	Plant and machinery	Assets in the course of construction	Motor vehicles and office equipment	Total
	£m	£m	£m	£m	£m
Cost at 1 April 2024	351	7,978	1,031	296	9,656
Additions	—	5	503	7	515
Disposals	(1)	(36)	(28)	(2)	(67)
Reclassifications ¹	—	182	(184)	2	—
Other	3	—	—	—	3
Cost at 31 March 2025	353	8,129	1,322	303	10,107
Additions	1	—	628	10	639
Disposals	(5)	(28)	—	(7)	(40)
Transfers ²	—	—	14	—	14
Reclassifications ¹	9	751	(760)	—	—
Cost at 31 March 2026	358	8,852	1,204	306	10,720
Accumulated depreciation at 1 April 2024	(210)	(4,170)	(5)	(250)	(4,635)
Depreciation charge for the year	(7)	(168)	—	(19)	(194)
Disposals	—	20	—	2	22
Impairment reversal / (Impairment)	—	1	—	—	1
Accumulated depreciation at 1 April 2025	(217)	(4,317)	(5)	(267)	(4,806)
Depreciation charge for the year	(7)	(176)	—	(35)	(218)
Disposals	4	15	—	7	26
Impairment reversal / (Impairment)	—	1	(2)	—	(1)
Accumulated depreciation at 31 March 2026	(220)	(4,477)	(7)	(295)	(4,999)
Net book value at 31 March 2026	138	4,375	1,197	11	5,721
Net book value at 31 March 2025	136	3,812	1,317	36	5,301

¹ Reclassifications represent commissioning of assets from assets under construction into usage.

² Transfer between tangible and intangible assets.

The net book value of land and buildings comprised:

	2026	2025
	£m	£m
Freehold	134	128
Short leasehold (under 50 years)	4	7
At 31 March 2026	138	136

Notes to the Company financial statements continued

Right-of-use assets

National Gas Transmission plc leases various properties, equipment and cars. With effect from 1 April 2019, new lease arrangements entered into are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. The right-of-use asset and associated lease liability arising from a lease are initially measured at the present value of the lease payments expected over the lease term, plus any other costs. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as computers), National Gas Transmission plc continues to recognise a lease expense on a straight-line basis.

The table below shows the movements in the net book value of right-of-use assets included within property, plant and equipment at 31 March 2026 and 31 March 2025, split by category.

	Land and buildings	Motor vehicles and office equipment	Total
	£m	£m	£m
Net book value at 31 March 2024	10	5	15
Additions	—	7	7
Disposals	(1)	(2)	(3)
Depreciation charge for the year	(2)	(3)	(5)
Depreciation on Disposals	—	1	1
Net book value at 31 March 2025	7	8	15
Additions	1	6	7
Disposals	(5)	(2)	(7)
Depreciation charge for the year	(3)	(5)	(8)
Depreciation on Disposals	4	2	6
Net book value at 31 March 2026	4	9	13

The following balances have been included in the income statement for the year ended 31 March 2026 in respect of right-of-use assets:

	2026	2025
	£m	£m
Included within net finance income and costs:		
Interest expense on lease liabilities	(1)	(1)
Included within revenue:		
Lease income ¹	4	4

¹ Relates to income under IFRS16

The associated lease liabilities are disclosed in note 17.

7. Debtors (amounts falling due after more than one year)

	2026	2025
	£m	£m
Loans and receivables – amounts owed by group entities ¹	3,426	3,426
Other Receivable	6	—
Prepayments	6	6
At 31 March	3,438	3,432

¹ Amounts owed by immediate parent. National Gas Transmission Holdings Limited (NGTH), repayable 1 April 2035. Interest is payable at the SONIA plus 1.22%.

8. Investments

	2026	2025
	£m	£m
Shares in subsidiary undertakings	8	8

The names of the subsidiary undertakings and joint ventures are included in note 32 to the consolidated financial statements.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

9. Inventories and current intangible assets

	2026	2025
	£m	£m
Raw materials and consumables	8	9
Other current assets – emission allowances	9	7
At 31 March	17	16

There is a provision for obsolescence of £Nil million against inventories as at 31 March 2026 (2025: £1 million).

10. Debtors (amounts falling due within one year)

	2026	2025
	£m	£m
Accrued income	157	145
Amounts owed by group entities	34	1
Trade receivables	57	21
Prepayments	19	16
Other receivables	9	7
At 31 March	276	190

The carrying values stated above are considered to represent the fair values of the assets.

Notes to the Company financial statements continued

11. Derivative financial instruments

The fair values of derivative financial instruments are:

	2026			2025		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	£m	£m	£m	£m	£m	£m
Amounts falling due within one year	—	—	—	7	(18)	(11)
Amounts falling due after more than one year	25	(40)	(15)	20	(22)	(2)
At 31 March	25	(40)	(15)	27	(40)	(13)

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

	2026	2025
	£m	£m
Interest rate swaps	(258)	(274)
Cross-currency interest rate swaps	(616)	(616)
Foreign exchange forward contracts ¹	(10)	(26)
Inflation linked swaps	(1,800)	(1,200)
At 31 March	(2,684)	(2,116)

¹ The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the balance sheet date.

.For details on fair value techniques and assumptions, refer to note 29 to the consolidated financial statements.

12. Financial assets and other investments

	2026	2025
	£m	£m
Amounts due from other group companies	113	122
Financial Investments	321	499
At 31 March	434	621

2025/26 balance includes restricted cash of £2 million (2024/25: £1 million).

13. Cash and Cash equivalents

Cash and cash equivalents include cash balances, together with short-term investments with an original maturity of less than three months that are readily convertible to cash.

	2026	2025
	£m	£m
Net cash and cash equivalents	34	37

14. Pensions

National Gas Transmission’s employees are members of either the National Gas Transmission Pension Scheme (NGTPS), a DB pension scheme, or the Gas Transmission & Metering Retirement Plan (GTMRP), a DC plan, which acts as the qualifying plan for automatic enrolment of new hires.

Further details of the NGTPS and the actuarial assumptions used to value the associated assets and pension obligations are provided in note 22 to the consolidated financial statements.

Amounts recognised in the Company balance sheet

	2026	2025
	£m	£m
Present value of funded obligations	(3,214)	(3,224)
Fair value of scheme assets	3,498	3,546
Net defined benefit pension asset	284	322

Changes in the present value of defined benefit obligations

Opening defined benefit obligations	(3,224)	(3,599)
Current service cost	(2)	(3)
Interest cost	(154)	(182)
Actuarial losses – experience	(10)	(6)
Actuarial gains/(losses) – demographic assumptions	(87)	5
Actuarial gains/(losses) – financial assumptions	8	301
Benefits paid	255	260
Closing defined benefit obligations	(3,214)	(3,224)

Changes in the fair value of scheme assets

Opening fair value of scheme assets	3,546	3,911
Interest income	170	199
Return on assets greater than assumed	34	(308)
Administration costs	(3)	(4)
Employer contributions	6	8
Benefits paid	(255)	(260)
Closing fair value of scheme assets	3,498	3,546

Notes to the Company financial statements continued

15. Creditors (amounts falling due within one year)

	2026	2025
	£m	£m
Derivative financial instruments (note 11)	—	18
Borrowings (note 17)	121	330
Trade creditors	182	166
Current account balances with subsidiary	59	17
Corporation tax	20	17
Other taxation and social security	42	25
Other creditors ¹	272	201
Deferred income and accruals	9	103
Total Creditors (amounts falling due within one year)	705	877

¹ Other creditors includes £113 million relating to deposits from Shippers which are held as security and £43 million relating to contract liabilities.

Due to their short maturities, the fair value of trade and other payables approximates their carrying value.

16. Creditors (amounts falling due after more than one year)

	2026	2025
	£m	£m
Derivative financial instruments (note 11)	40	22
Borrowings (note 17)	4,709	4,392
Other creditors	12	7
Contract liabilities	133	85
Total Creditors (amounts falling due after more than one year)	4,894	4,506

17. Borrowings

The following table analyses the Company’s total borrowings:

	2026	2025
	£m	£m
Amounts falling due within one year:		
Bank loans and overdrafts	2	213
Bonds	59	72
Lease liabilities	7	7
Amounts owed to subsidiary	52	37
Other loans	1	1
Total borrowings falling due within one year	121	330
Amounts falling due after more than one year:		
Bank loans	211	—
Bonds	4,418	4,296
Lease liabilities	7	8
Other loans	73	88
Total borrowings falling due after one year	4,709	4,392
Total borrowings	4,830	4,722
Total borrowings are repayable as follows:		
Less than 1 year	121	330
In 1 – 2 years	240	5
In 2 – 3 years	89	28
In 3 – 4 years	37	97
In 4 – 5 years	752	43
More than 5 years by instalments	51	52
More than 5 years, other than by instalments	3,540	4,167
At 31 March	4,830	4,722

The notional amount outstanding of the Company’s debt portfolio at 31 March 2026 was £4,870 million (2025: £4,762 million).

None of the Company’s borrowings are secured by charges over assets of the Company.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments expected over the lease term. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method.

Notes to the Company financial statements continued

	2026 £m	2025 £m
Gross lease liabilities are repayable as follows:		
Less than 1 year	8	7
1 to 5 years	7	9
More than 5 years	—	—
	15	16
Less: finance charges allocated to future periods	(1)	(1)
	14	15
The present value of lease liabilities are as follows:		
Less than 1 year	7	7
1 to 5 years	7	8
More than 5 years	—	—
	14	15

18. Provisions for liabilities

	Decommissioning	Environmental	Emissions	Restructuring	Deferred taxation	Other	Total provisions
	£m	£m	£m	£m	£m	£m	£m
At 31 March 2024	12	35	—	—	805	22	874
Additions	—	1	7	2	60	12	82
Unused amounts reversed	—	—	—	—	—	(1)	(1)
Utilised	(5)	—	—	—	—	(2)	(7)
Other movements	—	1	—	—	—	—	1
At 31 March 2025	7	37	7	2	865	31	949
Additions	—	2	8	1	62	4	77
Unwinding of discount	—	(2)	—	—	—	—	(2)
Utilised	—	(1)	(5)	—	—	(6)	(12)
At 31 March 2026	7	36	10	3	927	29	1,012

	2026 £m	2025 £m
Current	38	33
Non-current	974	916
Total balance	1,012	949

Decommissioning provision

The decommissioning provision represents expenditure relating to the demolition of gas-holders expected to be incurred until 2028.

Following the sale of the Gas Distribution business in 2016, the Company sold 78 surplus land sites to a number of National Grid Group undertakings and a legal agreement was entered into with the Company to demolish the non-operational gas holders on these sites, creating a constructive obligation for the Company.

The decommissioning provision of £7 million (2025: £7 million) is not discounted, as it is expected to be settled in the near future. There were no movements in the year.

Environmental provision

The environmental provision represents the estimated restoration and remediation costs relating to operational sites owned by the Company. Cash flows are expected to be incurred until 2077, with £28 million expected to be incurred in the next 10 years.

A number of estimation uncertainties affect the calculation of the provision, including the impact of regulation, the accuracy of site surveys, unexpected contaminants, transportation costs, the impact of alternative technologies and changes in the real discount rate. This provision incorporates our best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could impact the calculation of the provision. The undiscounted amount is the undiscounted best estimate of the liability having regard to these uncertainties.

The discounted provision was £36 million (2025: £37 million) which primarily includes in-year additions of £2 million (inflationary impacts), offset by £2 million unwinding of discount and £1 million utilisation.

Emissions provision

An amount of £10 million (2025: £7 million), in relation to the expected costs of the UK ETS (Emissions Trading Scheme) was provided for in 2025/26. This provision is in respect of the obligation to deliver emission allowances, and emission charges are recognised in the income statement in the period in which emissions are made. The obligation is settled when the emissions certificates are surrendered by the end of April.

Restructuring provision

In 2026 the restructuring provision was £3 million, (2025: £2 million).

Other provisions

Other provisions of £29 million (2025: £31 million), includes £13 million relating to Crop and Quarry claims, £10 million in respect of legacy provisions recognised following the sale of the Gas Distribution business (timing of settlement of tax due to HMRC is still on-going, there was no movement in the provision in 2025/26). The remaining amount relates to £5 million decommissioning of the mercury content in meters and £1 million for dilapidations and other small claims.

£4 million additions in-year is mostly made up of new Crop and Quarry claims.

Crop and Quarry provisions arises as a result of the terms of Deed of Easement or Deed of Servitude, whereby we receive claims from landowners for losses suffered due to pipeline developments and the on-going presence of our pipelines, these can be categorised into the loss of minerals, loss of development, loss of crop or drainage issues.

Of the existing claims a view has been taken of the realistic level of claim that is expected to result from negotiated settlements and a provision has been made to reflect this. In 2025/26 the provision reduced by £1 million due to £6 million utilisation, partly offset by £5 million new claims.

Deferred tax

Deferred taxation comprises:

Notes to the Company financial statements continued

	2026	2025
	£m	£m
Accelerated capital allowances	863	785
Pension	70	80
Other timing differences	(6)	—
Total Deferred tax	927	865

19. Share capital

	Number of shares 2026 millions	Number of shares 2025 millions	2026 £m	2025 £m
At 31 March - ordinary shares 1.13p each				
Allotted, called-up and fully paid	3,944	3,944	45	45

20. Other equity reserves

	Capital Redemption £m	Own credit £m	Cash flow hedge £m	Cost of hedging £m	Total £m
At 31 March 2025	1,332	—	12	(1)	1,343
Transferred to reserves	—	—	(7)	—	(7)
Tax	—	—	2	—	2
At 31 March 2026	1,332	—	7	(1)	1,338

Other reserves comprise the capital reserve, own credit reserve and the cost of hedging reserve. The capital redemption reserve arising from the refinancing and restructuring of the Lattice Group in 1999 represents the amount of the reduction in the share capital of the Company as a consequence of that restructuring.

As the amounts included in other reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

21. Capital and other commitments

Commitments are those amounts that we are contractually required to pay in the future as long as the other party meets its obligations.

These commitments primarily relate to energy purchase agreements and contracts for the purchase of assets which, in many cases, extend over a long period of time. Commitments previously included operating lease commitments but on transition to IFRS 16, which was effective from 1 April 2019, substantially all lease commitments are included on the balance sheet as right-of-use assets (see note 6) and lease liabilities (see note 17). Therefore, only low-value leases and short-term leases are off-balance sheet commitments, both of which are immaterial. We also disclose any contingencies, which include guarantees that companies have given, where we pledge assets against current obligations that will remain for a specific period.

(a) Future capital expenditure

	2026	2025
	£m	£m
Contracted for but not provided	28	318

(b) Operating lease commitments

The Company had no future lease payments under non-cancellable operating leases in the current or prior financial years.

22. Contingent liabilities

(a) Other commitments, contingencies and guarantees

The value of other commitments and guarantees at 31 March 2026 amounted to £9 million (2025: £20 million), primarily energy purchase commitments. Energy purchase commitments relate to contractual commitments to purchase electricity or gas that are used to satisfy physical delivery requirements to our customers or for energy that we use ourselves (i.e. normal purchase, sale or usage) and hence are accounted for as ordinary purchase contracts.

Security arrangements in favour of NGUKPS Trustees are disclosed separately in note 22 to the consolidated financial statements.

(b) Parent Company loan guarantees on behalf of subsidiaries

The Company has not guaranteed the repayment of principal sums, any associated premium and interest on specific loans due from its subsidiaries to third parties. At 31 March 2026, the sterling equivalent amounted to £Nil (2025: £Nil million).

(c) Litigation and claims

Through the ordinary course of our operations, we are party to various litigation, claims and investigations. We do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on our results of operations, cash flows or financial position and claims.

23. Related parties

The Company is exempt under FRS 101.8(k) from disclosing transactions with Luppiter Consortium Limited and its subsidiary undertakings where all of the voting rights are held within the group.

Other related party transactions are disclosed below;

	2026	2025
	£m	£m
Services received	18	47
Amounts receivable at 31 March	—	1
Amounts payable at 31 March	—	—

Following the final acquisition, National Grid and its associated entities were reported in in the prior year as a related party, only for the period 1 April 2024 to 30 September 2024 and ceased to be a related party thereafter.

Notes to the Company financial statements continued

During the year, the Group incurred £0.4 million (2024/25: Nil) for property maintenance, refurbishment and construction services from a company controlled by close family members of key management personnel. There were no amounts outstanding at the reporting date (2024/25: Nil). Transactions were conducted at arms length in the normal course of business.

Glossary

CAF: The National Cyber Security Centre’s Cyber Assessment Framework
CCC: Climate Change Committee
CCS: Carbon Capture Storage
CCUS: Carbon Capture, Utilisation, and Storage
CFD: Climate-related Financial Disclosures
Company: References to National Gas, the ‘Company’, ‘we’, ‘our’, and ‘us’, refer to National Gas Transmission plc itself or to National Gas Transmission plc and its subsidiaries collectively, depending on context
Consumer: Domestic or industrial users of gas, who do not directly connect to our infrastructure but indirectly benefit from it, including schools, homeowners and businesses
CP30: Clean Power 2030
CPI: UK Consumer Price Index
Customer: Those directly connected to our infrastructure, including shippers, producers, importers and exporters, the gas distribution networks, transportation hubs, gas terminals, interconnectors, storage providers, heat providers., heavy industry and power generators.
DEI: Diversity, Equity and Inclusion
DESNZ: Department for Energy Security & Net Zero
EAP: The Environmental Action Plan included in each RIIO regulatory regime sets out activities to reduce the impact of our business operations on the environment.
ESG: Environmental, Social and Governance – the areas used to measure a business’s impact on the environment, society, and how transparent and accountable it is
EU: European Union
FEED: Front End Engineering Design
Final energy demand: represents end-use consumption, which excludes losses and waste.
FRS: UK Financial Reporting Standard
GAAP: Generally Accepted Accounting Principles
GDNs: Gas Distribution Networks
GHG: Greenhouse Gas
Group: The Group consists of National Gas Transmission plc, National Gas Metering Limited, Premtech Limited, Premzero Limited, National Gas Transmission Pension Trustee Limited, National Gas Transmission Pension Scheme Nominee Company One Limited, National Gas Transmission Pension Scheme Nominee Company Two Limited, National Gas Transmission Holdings Limited, GasT MidCo Limited, GasT PledgeCo Limited, GasT TopCo Limited, Luppiter BidCo Limited and Luppiter Consortium Limited (ultimate parent Company)
GW: Gigawatt, 10 ⁹ watts
GWh: Gigawatt hours
HPCE: High Potential Controllable Event
HSE: Health and Safety Executive
HTBM: Hydrogen Transport Business Model

IAS: International Accounting Standards
IASB: International Accounting Standards Board
IFRIC: International Financial Reporting Standard Interpretations Committee
IFRS: International Financial Reporting Standard
KPI: Key Performance Indicators
LNG: Liquefied Natural Gas
Lost time injury frequency rate (LTIFR): A key safety performance metric that measures the number of lost time injuries (LTIs) relative to the total hours worked. This report references both 100,000 and 1,000,000 hours as standard comparators for calculating and benchmarking LTIFR
National Gas: National Gas Transmission plc
NCC: National Gas’ National Control Centre
NESO: National Energy System Operator
NISTA: The National Infrastructure and Service Transformation Authority (former National Infrastructure Commission and the Infrastructure and Projects Authority).
NTS: National Transmission System – the network of pipes that transports gas around Great Britain
Ofgem: The Office of Gas and Electricity Markets which regulates the energy markets in the UK
Other regulated assets: Other regulated assets relates to regulatory revenue timing differences. These are costs that are either due to National Gas Transmission or owed to customers and arise due to timing (for example shrinkage, under or over recovery and passthrough costs). Regulatory Revenue differences arise from the difference between allowed revenue and collected revenue, pass through costs allowances and actual pass through costs, incentives allowances and incentives earned and CPIH indexation forecast in our allowed revenue versus actual indexation in year. These amounts are then trued up between National Gas Transmission and the Regulator
Primary energy demand: total energy consumed at source including unprocessed energy.
Regulated controllable operating costs: Total operating costs under IFRS less depreciation and certain regulatory costs where, under our regulatory agreements, mechanism are in place to recover such costs in current or future periods.
Regulated asset value (RAV): The RAV is a regulatory construct that reflects a company’s historical investment, adjusted for inflation (currently CPIH). The RAV is calculated by summing an estimate of the initial market value of each company’s regulated asset base at privatisation and all subsequent allowed additions to it at historical cost and deducting annual depreciation amounts
RIIO: Revenue = Incentives + Innovation + Outputs and is the regulatory regime which sets out the Company’s expenditure allowances, incentives and consumer outcomes for each regulatory period
RIIO–T1: Regulatory period from 1 April 2013 until 31 March 2021
RIIO–T2: Regulatory period from 1 April 2021 until 31 March 2026
RIIO–GT3: Regulatory period from 1 April 2026 until 31 March 2031

RoE: A performance metric measuring returns from the investment of shareholders’ funds. It is a financial ratio of a measure of earnings divided by an equity base. UK regulated return on equity is a measure of how a business is performing operationally against the assumptions used by Ofgem. These returns are calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure, at the assumed cost of debt and that UK taxation paid is at the level assumed by Ofgem
RPI: UK Retail Prices Index
Stakeholder: Those with a direct and vested interest in National Gas Transmission, for example the UK government, devolved government, non-governmental organisations, regulators, charities, consumer bodies, trade associations and landowners
STEM: Science, Technology, Engineering & Mathematics
TCFD: Taskforce on Climate-related Financial Disclosures
Timing over/(under) recoveries: In calculating profit, we exclude regulatory revenue timing over- and under-recoveries. The revenues we are allowed to collect each year are governed by regulatory price control. Once our allowed revenues are set, we calculate the prices we charge our customers based on the estimated volume of energy we expect will be delivered during the coming period. The variances between allowed and collected revenues give rise to timing differences. Where revenue we collect exceeds the allowed level of revenue, the balance is returned to customers in future periods (timing over-recovery). Where revenue we collect is less than the allowed level of revenue, we may recover the balance from customers in future periods (timing under-recovery). The amounts calculated as timing differences are estimates and subject to change until the variables that determine allowed revenues are finalised. Timing differences can also arise from other price control mechanisms, such as pass through costs, where actual costs incurred differ from amounts recovered.
Tonnes CO₂ equivalent: Measure of greenhouse gas emissions in relation to the impact of carbon dioxide
TW: Terawatt, 10 ¹² watts
TWh: Terawatt hours