Northern Gas Networks Holdings Limited

Annual Report and accounts
for the year ended 31 March 2026

Registered number: 05213525

The directors present their annual report on the affairs of Northern Gas Networks Holdings Limited ("the group"), together with the accounts and auditors' report, for the year ended 31 March 2026. The accounts are presented under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Principal activities of the business and future prospects

The group's purpose is to provide safe and secure gas supplies to the people and the businesses within the distribution network, being the North of England. The group's vision of success is to be consistently viewed by the regulators, Ofgem and the Health and Safety Executive ("HSE") as being market leading in safety management, efficiency and customer service, which in turn will generate value to the shareholders of the group. The group continues to look at how it can improve sustainability, including research and development into the use of the existing network infrastructure in meeting the future energy needs of the region in which it operates.

No fundamental business developments are expected, with the existing RIIO-GD2 framework which ended 31 March 2026 being replaced by the RIIO-GD3 framework which lasts 5 years to 31 March 2031. Under the guidance of the Board, the group published the business plan for RIIO-GD3 outlining what the business will deliver to customers and the environment during this 5 year period. This plan will see over £1.8 billion invested in the gas network, and will deliver a fairer, greener future for the North of England. It is underpinned by comprehensive engagement completed with thousands of customers and stakeholders throughout the region. The full business plan and a summary document can be found at: https://www.northerngasnetworks.co.uk/document-library.

Financial and operational business review

Group operating profit for the year was £252.8m (2025 - £213.3m) with revenue increasing by £66.7m based on Ofgem allowances, and cost increases of £27.3m. The main drivers of the cost increase were: (1) exit costs, being the cost associated with bringing gas into the network which are recovered through revenue, increased by £15.9m; (2) wage and salary costs have increased by £7.2m due to inflation; and (3) additional depreciation of £4.1m as we continue to invest in long life assets.

The group has net debt at the 31 March 2026 with a book value of £2,051.4m (2025 - £2,021.2m) as shown in note 18. Interest payable in the year on debt net of associated interest rate swaps used to hedge the debt amounted to £98.8m (2025 - £72.6m) as detailed in note 3. This change is primarily due to fair value movements on swaps as shown in note 3. Details of the way swaps are used to manage interest exposures, and the impact this has on finance costs, are included in the 'financial risk management objectives and policies' section below.

The tax charge for the year was £33.1m (2025 - £31.4m) as detailed in note 7. The group's resulting profit after tax was £120.9m (2025 – £109.3m). The group generated a net cash inflow from operating activities for the year of £335.0m (2025 - £220.0m), the year on year movement being highlighted in note 18.

At the end of the year, the group's undrawn borrowing facilities available for use amounted to £160.0m (2025 - £160.0m).

Financial and operational business review (continued)

Capital additions in the year across tangible and intangible assets was £219.1m (2025 - £220.9m) principally focused on investment in network assets including replacement expenditure.

The group had net assets of £594.9m at 31 March 2026 (2025 - £555.2m) the movement being due to profits, dividend payments in the year, and valuation movements in the defined benefit pension liability and cashflow hedge (see page 56).

Key performance indicators (KPI's)

The key financial and non-financial performance indicators used by the Board of Directors in their monitoring of the group, focus on the areas of safety management, efficiency, customer service and sustainability, and include:

	2026	**2025**
Operating profit	£252.8m	£213.3m
Net cash from operating activities	£335.0m	£220.0m
External debt less cash / regulatory asset value (gearing ratio)*	63.7%	62.2%
Quarterly customer satisfaction survey scores	9 out of 10	9 out of 10
Carbon footprint (total annual net emissions)	326,678 tCO_2e	316,666 tCO_2e
Number of lost time injuries to employees and contractors (LTIs)	0	2
Reported injuries to members of the general public (MOPs)	0	1

** Based on debt held by Northern Gas Networks Limited, this being the key covenant for lenders.*

All of the targets for the above KPI's have been achieved. Financial performance is discussed above within the financial and operational review. Customer service and safety management remains central to how the group operate, and during the year the group has continued to perform well. The group achieved an overall score of 9 out of 10 for customer satisfaction survey scores and continues to lead the industry with regard to safety, achieving the annual target of no more than 2 MOPs and 2 LTIs.

Carbon footprint remains a pivotal measure of our commitment to sustainability (see the sustainability statement on page 27 for further details).

Principal risks and uncertainties

The group's principal risks and uncertainties are set out below.

Regulatory environment, revenue and costs

The gas industry is subject to legal and regulatory obligations and controls which Northern Gas Networks Limited ("NGN"), as the licensed entity, must comply with. The application and possible changes of these laws, regulations and regulatory standards, including potential changes associated with net zero regulations could have an adverse effect on the operations and financial position of the group or in the case of misreporting, a fine.

Mitigation

The group engages with the regulatory authority extensively at all levels of seniority, to understand future plans within the industry and potential impacts on the business. The group has in place an extensive set of policies and procedures to ensure compliance with legal and regulatory obligations. All legal and regulatory obligations required during RIIO-GD2 and RIIO-GD3 are fully understood.

Health and safety

There is a risk that an incident within the network leads to injury to an employee, contractor or a member of the general public. Any such incident could have an adverse effect primarily for individuals concerned, but also on the reputation of the group, or lead to potential prosecution or reduced productivity.

Mitigation

Health and Safety is the number one priority. The business has an Environment Health & Safety team that ensure compliance with group management safety systems and monitor performance.

Network performance (including cyber risk)

If the network assets were to fail it could result in a loss in supply of gas to customers and associated adverse publicity and an unexpected increase in costs. The biggest cyber risk to the group is the loss of control over the network.

Mitigation

The group has a set of policies and procedures to ensure the integrity of the network and ensure that the people who work on the network are qualified and competent. The group has comprehensive IT infrastructure governance which covers cyber risk. Additionally, mitigation plans are an integral aspect of the control environment throughout all aspects of the group including network performance and cyber security.

Employees

The success of the group depends to a significant extent on the contribution of its employees and the employees of operational contractors. Fair and effective recruitment, training and employee development are critical to the successful functioning and progression of the business.

Principal risks and uncertainties (continued)

Mitigation
The group's succession planning strategies mean that development of existing staff is crucial. The group, as an equal opportunities employer, ensures that no job applicant receives less favourable treatment because of his or her age, colour, disability, ethnic or national origin, gender, marital status or sexuality or is disadvantaged by conditions or requirements which are irrelevant to performance and the group's needs. The group has published its gender pay gap analysis which can be found at: https://www.northerngasnetworks.co.uk. The group complies with all UK human rights laws and has processes and procedures to assess risk and ensure compliance in this area including an employee grievance procedure. The group also has a fraud policy statement which protects employees from bribery and corruption. No issues have been reported in the year.

Climate change, sustainability and asset life
The group is required to report in accordance with Climate-related Financial Disclosure Regulations 2022 (see the sustainability statement on page 27). The physical and transitional risks associated with climate change have been assessed. The principal climate change risk that would impact the financial records of the group is that gas in its existing form will play a declining and ultimately obsolete role in the UK energy system in order to achieve the UK Government's 'net zero by 2050' commitment. This could lead to stranded assets as discussed on page 67 under critical accounting judgments and key sources of estimation uncertainty. Further disclosures on climate change risks and opportunities are provided in the Sustainability Statement.

Mitigation
The group, with other key industry partners, continue to invest in research and development to demonstrate the use of hydrogen as an alternative energy source to natural gas as the UK progresses with decarbonisation, whether that be for all or part of the existing domestic and commercial customer base. This would facilitate the continued use of the existing gas infrastructure.

Further to this, the RIIO-GD3 funding mechanism accelerates the funding of depreciation on new assets from the start of RIIO-GD3 (from 1 April 2026). This proposal means these new assets will have a zero Regulated Asset Value (RAV) by 2050. The increased revenue has a one year lag meaning revenue increases start from 1 April 2027. Management is currently assessing the impact on the depreciation policy of these future assets, however the policy will consider the new revenue mechanism removing the risk of stranded assets with a book value. This approach also provides assurance that the reduction in the carrying value of the asset will be covered by increased revenue. This proposal has been considered as part of Ofgem's duty to have regard to the need to secure that licence holders are able to finance the activities which are the subject of obligations on them (the Financeability Duty).

Financial risk management objectives and policies
The group's financial instruments, other than derivatives, comprise borrowings, cash, overdrafts and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the group's operations. The group also enters into derivative transactions, principally interest rate and index linked CPI swaps. The purpose of such transactions is to manage the interest rate and inflation risks arising from the group's sources of finance and regulatory cost of debt allowance. The main risks

Financial risk management objectives and policies (continued)
arising from the group's financial instruments are interest rate risk, inflation risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing these risks as summarised below.

Interest rate risk
Interest rate risk is the risk that adverse movements in interest rates will result in the group experiencing:

- an unacceptable variation to interest expense / cash flows in either the current year or the current regulatory price control period, and / or
- unacceptable variations between actual interest expense / cash flows and the element of revenue linked to the regulatory cost of debt allowance.

The group's approach adopted in minimising interest rate exposures on debt is as follows:

- On an ongoing basis to take account of the average cost of all debt compared with the actual and expected level of the regulatory allowance,
- To achieve an interest cost on new debt and/or hedging that is in line with, or lower than, the regulatory allowance for that year,
- To take account of the average life (in addition to average maturity) of actual debt and its relationship with the average life of the indexed cost of debt allowance,
- To combine derivatives and bonds in the overall strategy, using derivatives only where needed to align actual debt costs with the allowance,
- To achieve an appropriate balance of fixed/floating/index-linked debt,
- To factor in the impact of an increasing regulatory asset value and hence increasing debt levels,
- To use inflation linked derivatives where appropriate to align the debt/interest profile more closely with regulatory assumptions, and deliver cash flow, hedging and funding cost benefits,
- To incorporate an element of flexibility in hedging and funding strategy to enable the above objectives to be met, and
- To maintain a debt portfolio broadly consistent with those of comparable utilities.

In practice, most floating rate debt, in addition to debt issued at fixed rate and swapped back to floating rate for life, has its rate re-fixed with interest rate swaps on a staggered basis in order to align the rate re-fixing profile on this debt with the regulatory cost of debt allowance, which is calculated with reference to a trailing average of certain corporate bond yields. In this manner the group is achieving certainty of interest costs and future cash flows on either pure floating rate debt or an aggregate floating rate exposure represented by a fixed rate debt instrument swapped to floating rate.

Within the above strategy the group applies hedge accounting where appropriate to minimise the impact on earnings of movements in the fair value of derivatives.

Financial risk management objectives and policies (continued)

Inflation risk

Inflation risk is the risk that inflation increases interest costs. The group uses inflation linked derivatives where appropriate to align the debt profile more closely with regulatory assumptions, and deliver cash flow, hedging and funding cost benefits.

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the group. The group is exposed to this risk for various financial instruments including cash deposits, revolving credit facilities and interest rate swaps. The group monitors the credit standing of counterparties to whom it has financial exposures and monitors the size of these exposures against Board-approved limits.

If a counterparty's credit standing falls below a certain benchmark and/or exposure to a counterparty rises above a certain level, no new transactions are entered into with that counterparty and economic ways to reduce the exposure are explored.

Liquidity risk

The maturities of all debt and committed debt facilities, other than amortising loans, are managed such that at any one time they all have a time to maturity of more than one year and that at least 50% by value have a time to maturity of more than five years. A deviation from this policy is allowed if an alternative solution to the risk is recommended by the group Treasury Committee and approved by the Board (this is the case as at the date of these accounts, as discussed within the going concern section of the Directors' Report). Debt and facility maturities are staggered to avoid excessive concentrations in any twelve month period as well as the period around regulatory reset dates where possible.

Cost inflation risk

Inflation, including that caused by the Iran war, does not cause the company or the group a significant risk within the current price control period, because a key variable in the regulated revenue mechanism of the group is inflation (allowed revenue is linked to CPIH).

As a transporter of gas, it is important to note that the group does not own the gas. The group does buy gas to add to the network following escapes, and while this is a pass through cost (funded through revenue with any 'under or over forecast' being calibrated in the following regulatory year), it can have a negative impact on cash flow for 12 months when costs are above forecast.

The Board has reviewed financial forecasts which factor in the above and with reference to the headroom within banking facilities and the debt to RAV position as at the balance sheet date, do not consider the impact of inflation to influence going concern, or result in any need for asset impairment.

Section 172(1) statement

The Board recognises the importance of stakeholder engagement in delivering the long-term and sustainable success of the company. When making decisions the directors have regard to the likely long-term impact of those decisions and also their responsibilities and duties to stakeholders relevant to the company's operations. Directors receive training on their duties as part of their induction, which is refreshed on an ongoing basis as necessary. As far as the Directors are aware all legal requirements under section 172 of the Companies Act have been complied with during the period and up to the date of signing the accounts. The statement describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) of Companies Act, as listed below:

- the likely consequences of any decision in the long term (approving the strategic direction and values);
- the interests of the group's employees;
- the desirability of the group maintaining a reputation for high standards of business conduct;
- the overall control environment;
- the need to foster the group's business relationships with suppliers, customers and others; and
- the need to act fairly as between members of the group.

Approving the strategic direction and values, with consideration of the likely consequences in the long term

The Board is responsible to the shareholders for the strategic direction of the company in both the short and long term and seeks to balance the best interests of the company with the objective of enhancing shareholder value. The long term primary objectives which reflect the strategic value of the company have been established since acquisition in 2005, that being to be a top performing gas distribution network with regard to safety, customer satisfaction and efficiency of delivery. The Board ensure they are aware of how well the company is performing in these areas through the establishment of KPIs which are reported upon at Board meetings, and the Board have linked the remuneration of the SMT to achieving Board approved targets in these areas. Each autumn the Board invites the CEO to present the performance targets of the company over the next 5 years, with reference to the strategic direction of the company. If approved the Board set these targets as the budget for the following financial year (short term objectives).

The Board approved the existing values of the group which in turn influences the culture of the business: intellectually curious; trail blazing; heartfelt; empowered; happy and community focus. To enable the Board to monitor culture and encourage commitment to these values, employee performance objectives are encouraged to include the demonstration of the 'NGN Way' which is a measure of an employee's commitment to the culture and values of the business. Furthermore, the business holds periodic award ceremonies which recognises employee excellence, the 'top' award being the 'NGN Way' award.

RIIO-GD3

Under the guidance of the Board the SMT have published a business plan for RIIO-GD3. The plan sets out proposals in line with guidance from the energy regulator (Ofgem) outlining what the Board expect the group to deliver for customers and the environment between 2026 and 2031. This plan will see over £1.8 billion invested in our gas network and has been built to deliver a fairer, greener future for the North of England. It is underpinned by

Section 172(1) statement (continued)
comprehensive engagement completed with thousands of customers and stakeholders throughout the region. The regulatory settlement has been published by Ofgem which forms the basis of revenue within RIIO-GD3.

Energy futures

The Board aim to steer the group so as to reduce its carbon footprint and to be a key contributor to the UK's aspiration to achieve net zero greenhouse gas emissions by 2050. Under the guidance of the Board the SMT has been demonstrating the use of hydrogen as an alternative energy source to natural gas, which could be distributed through the existing gas infrastructure as part of the UK's multifueled future. Activity in this area on which the group is currently working is detailed below.

East Coast Hydrogen Project

The East Coast Hydrogen Project is a collaboration between NGN, Cadent and National Gas Transmission to support the development of a hydrogen network capable of supplying 100% hydrogen to heavy industry which currently uses large volumes of natural gas and is much more complex to electrify.

NGN was awarded funding from its regulator, Ofgem to complete a Front End Engineering Design (FEED) study, which will be completed in autumn 2027. Through this, NGN is exploring how existing gas infrastructure in the Humber and Teesside regions could be repurposed and new infrastructure built to create two 100% hydrogen pipelines which would connect planned hydrogen production and storage in the area with industrial users. These areas have been selected by NGN as they are two of the UK's largest emitters, hosting a proliferation of heavy industry including chemical, steel and manufacturing that use high temperature heat.

To date, the FEED study has identified a 110km pipeline for the Humber region stretching from Hull into West Yorkshire and a 65km pipleline for Teesside which could connect offtakers who have expressed interest in using hydrogen with planned hydrogen production. In addition to engaging offtakers, hydrogen producers and storage suppliers, this phase includes understanding what infrastructure upgrades may be needed, assessing environmental considerations and developing an initial cost estimate. NGN is currently speaking to stakeholders and statutory consultees to seek feedback to develop the plans, with community consultation also planned later in the year. Any decision on whether the project progresses would be made in the late 2020s or early 2030s, with construction and connections made in the 2030s if given the go-ahead

It is estimated that NGN's East Coast Hydrogen initiative would create an additional 1,200 jobs and boost the region's economy by £1.2bn.

Section 172(1) statement (continued)

H100 Fife Hydrogen Gas Network

During the year we have continued to support the ongoing research project being led by the gas distribution network SGN. This project takes excess wind generated electricity to create green hydrogen which can be stored and used within 300 homes using the existing gas distribution network, demonstrating what is possible without the major capital investment needed by alternative future energy solutions.

Interests of the company's employees including evaluating the performance and remuneration of employees

The Board has fully encouraged the SMT to make the group an employer of choice and supports the decisions made by the SMT with regard to employee engagement and evaluation.

The Board and SMT place considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees (including financial and economic factors that affect the performance of the company). This is achieved through various communications including: the CEO's call which are live teleconference broad-casts and include a question and answer section, and are available to be listened to in all offices and depots; regular business chats where groups gather and discuss what is occurring in the business and has SMT representation; email and letter communication when formal communication is needed.

Some employees are eligible to receive an annual bonus related to the overall financial and operational performance of the NGN group along with individual performance against set objectives. Other employees receive monthly incentive payments based on performance against operational efficiency, safety and customer targets. All employees are entitled to an annual pay award, at the discretion of the Board.

Employees are encouraged to influence their own working environment, and are able to present changes in working practices, subject to meeting the desired company criteria over customer, safety and efficiency targets. The 'NGN communities', as detailed on page 23, demonstrate how the Board steer this through the SMT.

The group has an inclusion and belonging policy and a suite of wellbeing support is offered to all employees including trained up wellbeing champions throughout the business who work with the central wellbeing team.

Maintaining a reputation for high standards of business conduct

The group are trusted by stakeholders and has a good reputation for high standards of professionalism. As part of this the Board look for a strong control environment which is managed through the SMT as detailed in the section above (see 'the overall control environment of the company, to protect the shareholders' investment and manage risk'). As noted in that section the Board review NGN's risk register which includes a quantification of non-financial risks, one of which is reputational risk, which covers the impact of changes in business standards. The reputation of the company is maintained by the behaviour of its employees and so the Board have approved a code of conduct which is a guide

Section 172(1) statement (continued)
to the professional standards expected of employees. Fraud policies and whistleblowing policies also exist to protect the reputation of the group, should any detrimental employee behaviour exist. Suitable recruitment practices exist to minimise this risk. GRESB (Global Real Estate Sustainability Benchmark) is a global ESG benchmark that assesses the sustainability performance of infrastructure assets and funds. It's used by investors to evaluate how well infrastructure investments manage ESG risks and opportunities. GRESB (1) provides standardised ESG performance scores for infrastructure assets and funds; (2) helps investors understand ESG practices and impacts across their portfolios; and (3) encourages better ESG management by identifying strengths and areas for improvement. In 2025 our GRESB score was 96% (2024: 81%) highlighting commitment to improving performance across all areas having learned from the prior assessment.

The overall control environment of the company, to protect the shareholders' investment and manage risk

The Board expect the SMT of the company to develop and maintain a controlled environment which protects the company's assets. The Board ensure this is achieved through several processes including the establishment of a risk register which is reported to the Board four times a year via the risk management committee. This register quantifies the impact of risks facing the group, both on a financial and non-financial basis, and documents the likelihood of the risk occurring, along with the controls which exist to mitigate the risk.

The Board have established an internal audit function which undertakes independent appraisals and provides assurance on the adequacy and effectiveness of business controls. All internal audit work is carried out according to the relevant best practice standards. The schedule of work carried out by internal audit is planned and Board approved so that key or higher risk areas are reviewed on a recurring basis, and all findings are reported by internal audit to the audit committee. A data governance team, whose focus is ensuring assurance over the accurate capture and reporting of data to third parties, ensures a further layer of control.

Some of the key controls of the company are those surrounding the financial processes of the company and the Board request a summary of all such financial controls to be documented each year in a document called the Directors' Questionnaire. This document is signed by the SMT and is representation to the Board that the SMT have maintained a suitable financial control environment throughout the period, which supports the accounts for that year. The Board also request the internal auditors to review the Directors' Questionnaire, so to ensure the document is a true reflection of the control environment in place.

On behalf of the Board the SMT have developed a cyber security resilience road map. The plan, which amongst other things will be enhancing the group's operational technology security operations centre (OT SOC), will ensure the group exceeds the growing legislative requirements, as set by the UK Cyber Security Council.

Maintaining relationships with key suppliers, customers and other

Under the delegated authority of the Board the SMT has established a dedicated commercial services team covering all elements of procurement and supplier relations. All contracts are signed off by members of the SMT having first

Section 172(1) statement (continued)

been reviewed by the NGN legal department and having agreed terms with the supplier. Within the commercial services team there is a dedicated contract management function which supports in pre-contract activity and also post-contract work including the review of variations, again to ensure a strong relationship with suppliers. The group seek to treat all suppliers fairly.

The Board are focused on maintaining strong relationships with customers to ensure this is to the benefit of both parties. The primary customers are shippers, who transport gas through the network, and the communities (both businesses and residents) in which the group work. Shipper relationships are managed through the application of Unified Network Code, the regulations established by Ofgem, and this regulation ensures fair working practice is maintained. The impact of operational work on community customers is important to the Board and the group not only monitor feedback through customer feedback scores, but also spend time engaging with communities to understand how the group could work differently to the benefit of such communities (see the section, ‘monitoring the impact of the company: environmental matters and community impact’).

Maintenance of the need to act fairly between members of the company

The Board is comprised of directors who are appointed by the shareholders of the group. As such each shareholder has representation and the ability to contribute to all Board meetings and so influence the decisions made by the Board. The shareholder agreement in place is a legal entitlement for each shareholder to have this representation and as such the shareholders are appropriately protected.

Approved by the Board and signed on its behalf by

M Horsley

M J Horsley, Director

9 July 2026

Directors' report

For the year ended 31 March 2026

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 March 2026. The following disclosures have been disclosed in the strategic report but are cross referenced here: principal activities of the business and future prospects, financial and operational business review (including KPI's), principal risks and uncertainties, and financial risk management objectives and policies. Post balance sheet events are detailed in note 23.

Directors

Unless otherwise stated, the directors of the company who were in office during the year and up to the date of signing the accounts were:

S D Beer (resigned 8 Jully 2026)
L S Chan
M J Horsley (Chief Executive Officer)
A J Hunter (Chairman)
H L Kam
D N Macrae
N D McGee
C C Tsai
J K M Yu

The Board of Directors

The daily operations of the business are managed by a Senior Management Team ("SMT") and the Chief Executive Officer ("CEO"). All significant decisions are referred to the NGN Board of Directors (being the above directors, plus two non-executive directors) on behalf of the group. The number of Board meetings held during the year and attendees (including alternates) at the Board meetings are detailed below:

Year ended 31 March 2025		Year ended 31 March 2026	
Date	**Attendees**	**Date**	**Attendees**
17 April 2024	9 out of 9	10 April 2025	8 out of 9
16 July 2024	9 out of 9	15 July 2025	9 out of 9
28 October 2024	3 out of 9	21 November 2025	9 out of 9
13 March 2025	6 out of 9	23 March 2026	6 out of 9

The effectiveness of systems and internal controls are reviewed on an ongoing basis by the SMT. The Board is ultimately responsible for the system of internal controls and for the review of their overall effectiveness.

Dividends

The directors do not recommend payment of a final dividend. Interim dividends of 28.60p per share were paid on 23 June 2025, and 92.79p per share were paid on 19 December 2025 making a total of 121.39p per share for the year (2025 – 115.53p). See note 8 for details. Post year end, dividends of 28.95p per share were paid on 22 June 2026. Declared dividends are in line with the expectations of the Board.

Directors' indemnities
The group has made qualifying third party indemnity provisions for the benefit of its directors. This was in place during the year and remains in force at the signing date of this report. This also covers the responsibilities that the directors have for subsidiaries within the group.

Financial instruments
Financial Instruments have been disclosed within note 15 and associated risks discussed within the strategic report.

Going concern
The accounts have been prepared on a going concern basis. The group's business activities, performance and position, together with its principal risks and uncertainties likely to affect its future development and performance are set out in the strategic report and above. The group has: (1) undrawn borrowing facilities of £160m at the balance sheet date with the option to increase this by a further £50m; (2) has a prudent debt to RAV position at the balance sheet date; and (3) regulated revenue income until 31 March 2031 under RIIO-GD3. Climate change has no impact on going concern as detailed within the Sustainability Statement. As shown in note 14 the group holds a bond liability of £250m which will be repaid in June 2027 with new debt. With Board approval management have delayed the raising of the new replacement debt until late 2026 or early 2027. The group have obtained commitments (an unused facility with Barclays) so to be able to access funds up to £250m as needed, between the date of the signing of these accounts and the maturity date of the £250m bond in June 2027.

The directors have made enquiries and reviewed the forecasts for the going concern period of 12 months from the date the financial statements are approved for issue, and have also considered a longer viability period to December 2030 which include assessment of covenants, and in light of the facilities available, have a reasonable expectation that the group has adequate resources to continue in operational existence and meet its liabilities for at least 12 months from the date of signing the accounts. Assessment includes scenario modelling of a 10% increase to capital expenditure and operating costs and not being able to borrow an additional £200m bond, neither of which cause liquidity issues impacting going concern. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disabled employees / employee engagement
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of all other employees.

Energy and carbon
The group recognises the importance of its environmental responsibilities and undertakes its operations in an environmentally sensitive manner, complying with all relevant legislative requirements and higher standards where possible. The group's environmental management systems are certified under ISO 14001: 2015. The group is committed to reducing its carbon emissions.

Energy and carbon (continued)

Reported greenhouse gas emissions are prepared in accordance with guidance provided by the UK Government and Ofgem. The conversion factors used for emission disclosures are as published by the UK Government for the relevant reporting year. Gas shrinkage comprises gas lost by network leakage, gas used within network infrastructure/equipment which is unmetered, and gas stolen from the network by third parties. Gas shrinkage is calculated annually using the Shrinkage and Leakage Model which is approved by Ofgem and used by all gas distribution networks in Great Britain, individually tailored to their own network infrastructure characteristics. The model comprises four main leakage components; leakage from low pressure systems, medium pressure systems, above ground installations and interference damage. Reported data is subject to robust internal processes but is not externally assured. Details of what has been included within each reported scope is listed in the table below. The group is committed to continuously broadening the range of Scope 3 emissions measured and reported. Scope 3 emissions reported below are based on available source data and appropriate carbon conversion factors and are estimated to represent approximately 50% of total Scope 3 emissions.

Business Carbon Footprint		**Performance**	
		2026	**2025**
Scope 1: gas shrinkage*	tonnes of CO_2e	297,653	287,622
Scope 1: natural gas consumption	tonnes of CO_2e	333	303
Scope 1: commercial vehicles, company cars and grey fleet	tonnes of CO_2e	5,061	4,793
Scope 1: F-gases	tonnes of CO_2e	0	5
Scope 2: electricity consumption (location based)	tonnes of CO_2e	643	838
Scope 2: electricity consumption (market based)	tonnes of CO_2e	27	21
Scope 3: indirect emissions – purchased goods and services, capital goods, fuel and energy activity, upstream transport and distribution, waste disposal, business travel, and employee commuting and homeworking	tonnes of CO_2e	22,987	23,104
Total Scope 1 and 2 (location based)	tonnes of CO_2e	303,690	293,561
Total Scope 1, 2 (location based) and 3	tonnes of CO_2e	326,678	316,666
Carbon offsets	tonnes of CO_2e	**0**	**0**
Total annual net emissions	**tonnes of CO_2e**	**326,678**	**316,666**
Total Scope 1 and 2 (location based)	emissions (tCO2e) per £m turnover	510.39	545.54
Total Scope 1 and 2 (location based)	emissions (tCO2e) per GWh of gas throughput	5.55	4.96
Total Scope 1, 2 (location based) and 3 emissions (tCO2e) per £m turnover	emissions (tCO2e) per £m turnover	549.03	604.77
Total Scope 1, 2 (location based) and 3	emissions (tCO2e) per GWh of gas throughput	5.97	5.35
Scope 1 & 2*	**energy consumption (kWh)**	**284,139,179**	**276,437,104**

* During May 2025 a third party damaged a Northern Gas Networks intermediate pressure gas main in north-east England resulting in involuntary gas loss to the atmosphere amounting to 20.37 Gwh which is equivalent to 24,985 tCO2e.

All carbon and energy figures are verified through our regulatory reporting process which requires robust, repeatable procedures to ensure accountability, traceability, accuracy and consistent methodologies year-on-year. Actual data is received in a number of formats including downloads from information systems, invoices and data from 3rd party

Energy and carbon (continued)

providers showing transaction details (such as fuel card transactions). Each data source is filed and saved in a secure folder, with limited access. The data is then manipulated and converted into tCO_2e or kWh using published UK Government conversion factors for the relevant year are applied using a third party environmental reporting platform. Where market-based factors are stated for consumed electricity these are based on Renewable Energy Guarantees of Origin (REGO) backed green energy tariff certification as set out in contracts between NGN and energy suppliers, or information provided by landlords where NGN does not control electricity supply. Total gross annual net emissions use a location-based methodology. Intensity metrics have been aligned with other UK gas distribution networks to support consistency and comparability.

The company operates a rolling programme to improve energy efficiency in line with the Environmental Action Plan, with actions in 2026 largely consistent with those completed in 2025. As shown in the table, shrinkage remains the key source of emissions and energy consumption, being reduced through gas pressure management, chemical treatment to seal pipe joints, prompt gas escape management and gas mains replacement (within a regulator-mandated programme from 2002 to 2032). As a result, controllable shrinkage reduced by 5.3% year-on-year. However, a third-party damage incident to an intermediate pressure main in north-east England in May 2025 caused substantial involuntary gas loss, outweighing network shrinkage reductions. Total shrinkage increased by 2.8% compared to 2025, with associated emissions rising by 3.5%.

Further activity to reduce emissions and energy consumption includes vehicle fleet upgrades (including new and low emission vans and cars, and 10 battery electric vans), use of renewable electricity across all premises, route planning, driver efficiency tracking, energy-efficient depot and office refurbishments (such as low energy lighting), and reduced business travel through teleconferencing. In late 2024, 388 kWp of rooftop solar photovoltaics were installed across eight office and depot sites. In 2026 these generated 343 MWh of renewable electricity.

Non-shrinkage Scope 1 emissions increased by 5.7% between 2025 and 2026, mainly due to vehicle fleet growth to meet our operational requirements. Electricity consumption reduced by 4.9%, influenced by on site solar generation, contributing to a 23% reduction in Scope 2 location-based emissions. Scope 3 emissions remained broadly stable, reflecting mains replacement workload characteristics.

Total emissions and energy consumption increased by 3.2% and 2.8% respectively compared to 2025, primarily due to the third-party incident, which also raised emissions per GWh transported. Despite this, emissions per £m turnover decreased by 9.2% due to higher turnover. Excluding the incident, emissions and energy consumption would have decreased by 4.7% and 4.6%. The group reports in accordance with Climate-related Financial Disclosure Regulations 2022 (see page 27).

Disclosure of information to auditor

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company’s auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company’s auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

Pricewaterhouse Coopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor.

Approved by the Board and signed on its behalf by:

M J Horsley, Director
9 July 2026
1100 Century Way, Thorpe Park Business Park, Colton, Leeds, LS15 8TU, United Kingdom

Directors’ responsibilities statement in respect of the financial statements

The directors are responsible for preparing the Annual report and accounts 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 have prepared the group and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group’s and parent company’s transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the parent company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance statement

For the year ended 31 March 2026

The company is not listed, but as a large private group is required to prepare a corporate governance statement. This statement has been prepared using the six 'Wates Principles' to provide a clear message on the business model, future strategies and core values of the group. These are set out within this statement as follows:

- (1) Purpose and leadership / (2) Board composition / (3) Director responsibilities / (4) Opportunities and risk / (5) Remuneration – covered by the following sections: Overview of the Board and Overview of the committees.

- (6) Stakeholder relationships and engagement – covered by the following section: Actions and responsibilities of the Board and its committees.

Overview of the Board

The Board of Northern Gas Networks Holdings Limited (referred to as the Board) is comprised of nine directors as at 31 March 2026, who are appointed by the shareholders. As the company is a holding company within the group the trading subsidiary, NGN, which holds the licence to transport gas, has the same Board members plus an additional two independent directors, this being a requirement of the gas transportation licence. Directors are independent of the day to day management of the company with the exception of the CEO who is a Board member and leads the SMT, who in turn manage the company. The Board are presented with information (for all companies within the group) by the CEO and SMT to enable them to influence all the key business decisions. This arrangement ensures the shareholders are involved in making all the key business decisions through their appointed directors. The various committees of the NGN group which assist the Board of this company with its duties are held under NGN and any reference to committees within this statement refers to those committees of NGN.

Board members

The Board members who held office during the year are listed within the Directors' report. The position of the Chairman of the Board is held by A J Hunter. The position of CEO is held by M J Horsley. These positions are separate with a view to maintaining an effective segregation of duties between management of the Board and the day to day management of the business. As the regulated entity within the group NGN has 2 independent non-executive Board members, J Burnham and A Sleightholm. P Rogerson resigned in July 2025 and was replaced by A Sleightholm in March 2026. J Burnham was appointed in 2014 and continues to provide value to the Board. The independence, performance and tenure of the independent non-executive directors are kept under regular review by the Nominations Committee, which considers continued independence and the appropriateness of tenure as part of its governance responsibilities.

Board meetings

The Board hold at least three scheduled meetings throughout the year. Comprehensive papers are presented to the Board both for information and approval which facilitate debate on the performance and future direction of the group. The number of Board meetings held during the year and attendees, including alternates, at the Board meetings is detailed in the Directors report.

Overview of the Board (continued)

Evaluation of the Board

Evaluation of the performance of the Board is conducted by virtue of their appointments being made and monitored by the shareholders. The performance of the CEO is assessed by the Board on an annual basis under the remit of the remuneration committee. The performance of each SMT member is assessed annually by the CEO as part of a performance management process.

Overview of the committees

The Board has seven committees, as listed below, to assist in the execution of its duties and to allow a detailed consideration of complex issues. All Board members are entitled to attend all committees under the terms of reference, with the minimum requirement being a quorum of at least two members from different shareholders. The attendance of the committees is also largely the same as for the Board. The audit and treasury committees are chaired by L S Chan or his alternate, the risk management committee is chaired by C Tsai or J Yu, the environmental social and governance (ESG) and compliance committees are chaired by J Yu and the remuneration and nominations committee are chaired by A J Hunter. Attendance including alternates of committees in the year is shown below:

Date of Committee	Audit Committee	Compliance Committee	Risk Management Committee	Treasury Committee	Remuneration Committee	ESG Committee	Nominations Committee
2026							
Apr 25	7 out of 7	8 out of 8	8 out of 8	8 out of 8	n/a	8 out of 8	n/a
Jul 25	7 out of 7	8 out of 8	8 out of 8	8 out of 8	n/a	8 out of 8	n/a
Sep 25	6 out of 7	7 out of 8	7 out of 8	7 out of 8	n/a	7 out of 8	n/a
Jan 26	6 out of 7	7 out of 8	7 out of 8	7 out of 8	7 out of 8	7 out of 8	3 out of 4
2025							
Apr 24	7 out of 7	8 out of 8	8 out of 8	8 out of 8	n/a	8 out of 8	n/a
Jul 24	7 out of 7	8 out of 8	8 out of 8	8 out of 8	n/a	8 out of 8	n/a
Sep 24	7 out of 7	8 out of 8	8 out of 8	8 out of 8	n/a	8 out of 8	n/a
Jan 25	6 out of 7	7 out of 8	7 out of 8	7 out of 8	6 out of 8	7 out of 8	n/a

Audit committee

The audit committee assists the Board with its responsibilities for financial reporting, maintaining an efficient system of internal control and internal and external audit processes. In addition, the committee provides an avenue for communication between internal audit, the external auditors and the Board. The activities of the committee are reported to and considered by the Board. The committee also considers the performance of the auditors with consideration of the annual reappointment, reviews auditor independence where non-audit services are provided and

Overview of the committees (continued)

requests that the auditors confirm their independence as part of their reporting to the audit committee. Auditor performance assessment is based on: (1) the 'Audit Plan' produced by the auditors which sets out audit scope and approach, risk assessment, and responsibilities; and (2) the subsequent auditor reporting of updates against this plan.

Compliance committee

The compliance committee assists the Board with its responsibilities to oversee compliance with obligations determined by statute, legislation, regulation (including licence obligations), contract or agreement. This committee considers, inter alia, reports on the application of the regulatory compliance process which covers licence and network code obligations.

Risk management committee

The risk management committee is responsible for reviewing the risk profile of the business and oversight of risk management processes including an assessment that key controls are appropriate. The committee provides the Board with regular reports of activities and findings. The business has a formal risk management policy. In addition, an integrated risk management framework is in place that includes a regular review of the business risk exposures. At each meeting of the risk management committee, the high level risk register is considered including any movement in the assessment of risk or changes in measurement or relative position to each other. At the balance sheet date there were no risks above their risk target.

Treasury committee

The treasury committee assists the Board in fulfilling its oversight responsibilities with respect to compliance with its treasury policy, strategy and procedure development. The committee recommends any changes or amendments as appropriate. It also ensures that management undertakes to identify, monitor and manage treasury risks in a manner consistent with corporate strategy and objectives and its treasury policy.

Remuneration committee

The remuneration committee reviews and makes recommendations to the Board on the overall remuneration policy of the company and determines the salary and bonus entitlement for the CEO, the SMT and all other company employees. The CEO and certain members of the SMT are entitled to an LTIP, whereby if company targets are achieved in a calendar year, cash remuneration is paid 5 years later. LTIP clawback is possible in the event of serious misconduct which has not occurred in the current or prior year. The activities of the remuneration committee are reported to the Board at least annually.

Environmental, social and governance (ESG) committee

The primary function of this committee is to assist the Board in fulfilling responsibilities with respect to including, but not limited to environmental, health and safety, corporate social responsibility, sustainability, philanthropy, corporate governance, reputation, diversity, equality, climate change, community issues, lobbying and other public policy matters that are relevant.

Overview of the committees (continued)

Nominations committee

The nominations committee exists to consider potential changes to independent Board membership and to assess the performance of these Directors. The appointment process is not prescribed but would be based on the needs of the group at the time of the appointment.

Actions and responsibilities of the Board and its committees

The Board is responsible for and makes key decisions on the following areas.

- Approving the strategic direction and values, with consideration of the likely consequences in the long term;
- Interests of the company's employees including evaluating the performance and remuneration of employees;
- The overall control environment of the company, to protect the shareholders' investment and manage risk;
- Maintaining a reputation for high standards of business conduct; and
- Maintaining relationships with key suppliers, customers and other.

The above areas are detailed within the Strategic report (see Section 172(1) statement). In addition to this Board responsibilities include dividend payments and monitoring the impact of the company on its environment and community, as detailed below.

Dividend payments

All dividend declarations are required to be recommended by the CEO in the first instance, and then approved by the Board prior to any payment.

Monitoring the impact of the company on its environment and community

Following Board approval the SMT has embedded a People and Planet Strategy, to further develop the sustainability work completed, tackling the short, mid and long term challenges facing the business, the society in which the group operates, and the planet.

Our commitments within this strategy include:

- spend responsibly and hold our suppliers to high sustainability standards;
- reflecting community diversity in our workforce and the eradication of inequality within our work force;
- improve access to opportunities and fair employment;

Actions and responsibilities of the Board and its committees (continued)

- supporting colleague safety and wellbeing;
- progression toward zero emissions, and environmental improvement;
- provide access to information, funding and more affordable energy services for our communities, prioritising those with vulnerabilities; and
- enable affordable decarbonised heat, power and transport solutions.

The facilitation of tackling these challenges is aided by the establishment of the forementioned ESG committee which reports to the Board, and a staff based sustainability working group who meet quarterly, with terms of reference that define the purpose, scope, role and responsibility of the group.

We are also committed to ensuring our business makes decisions reflecting customer and stakeholder values and preferences. This includes all elements of our business but especially our approach to sustainability. There are a number of ways we talk with stakeholders including on the doorstep, online focus groups, workshops, forums and surveys, and telephone depending on individual preferences and needs. To make sure we are following best practice our engagement is independently assured against the internationally recognised AA1000 Stakeholder Engagement Standard.

Each year the group publish an Environmental Report and a Sustainability Report, both of which are published on the NGN website and these reports detail our progress against set targets. These can be found at https://www.northerngasnetworks.co.uk/document-library/. Performance highlights are shown below.

Commitment: spend responsibly and hold our suppliers to high sustainability standards

- Ensuring our suppliers comply with our sustainability focused code of conduct, supporting compliance through the provision of training and resource as needed, including the option to adhere on a tapered transition. We are 2% above the target of having 85% of our key contracted suppliers aligned with our code of conduct.

- We are proud members of the Supply Chain Sustainability School. Through this partnership, we support our suppliers in improving processes and enhancing their overall environmental impact. In 2025 our suppliers engaged with sustainability-related training materials 1,271 times on the platform, reflecting a strong commitment to learning and improvement.

Commitment: reflecting community diversity in our workforce and the eradication of inequality within our work force

- We value our people and consider our workforce to be our greatest asset. We strive to ensure that every member of our team is passionate about the contribution they make to growing our reputation as a pioneering, effective, conscious and innovative business and ultimately delivering for customers. This is key to ensuring our continued success in developing and retaining talent, as well as attracting the next generation of workers to the industry.

Actions and responsibilities of the Board and its committees (continued)

- In 2025, we reintroduced our Neurodiversity Awareness Sessions, refreshed using colleague feedback and designed to spark meaningful conversations. The sessions focused on building understanding, connection and a more inclusive workplace. We delivered two sessions: one on Dyslexia and one on Autism. These sessions equipped colleagues with knowledge, empathy and confidence to better support neurodiverse individuals at work and beyond.

- The STEMazing Programme is a non-profit organisation that NGN have partnered up with so that a number of our female colleagues from the group are trained up by the STEMazing organisation in order to mentor STEM (Science, Technology, Engineering & Maths) based learning in primary schools.

- We have taken part in mandatory Gender Pay Gap reporting since 2017/18. For the year ended March 2025, this being the latest published report period, the median gender gap was 19.4% (March 2024 - 26.3%). This was calculated by ranking individuals by their hourly rate and then comparing what the woman in the middle of the female pay range received with that what the man in the middle of the male pay range received. The noted disparity was driven by: (1) women are underrepresented at senior levels and in the upper pay quartile, which is currently 83% male; and (2) we have struggled to appoint females within our operational workforce, and this is a key element of the gap due to the large number of senior roles and roles that attract standby and call out pay. We remain clear that year on year movements do not, on their own, indicate structural change. While reported figures can fluctuate due to reward timing and workforce dynamics, sustained improvement will only be achieved through long term changes to representation, progression and retention. Addressing the gender pay gap requires sustained action, particularly through recruitment and retention into senior and operational roles where representation has the greatest influence on pay outcomes. Our People and Planet Strategy sets clear ambitions: (1) 50% reduction in the gender pay gap from a 2021 baseline; and (2) 40% female representation at a senior level. To support these ambitions, we will publish an Inclusion Strategy in late 2026, informed by detailed analysis of the key influences on our gender pay gap, ensuring targeted and proportionate action. The Women's Colleague Community have continued to be heavily involved in discussions surrounding our pay gap and the forthcoming Inclusion Strategy. Note, this analysis only covers paid employees and directors and so eight of the nine executive directors are excluded as detailed in note 6.

- We continue to roll out training to our colleagues about inclusion and belonging. The training introduces colleagues to the idea of inclusion and some of the ways that our behaviour can affect how inclusive a place feels.

- NGN have also established 'communities', a collection of colleagues who have the support of the SMT and who work to promote the interest of that community. Our communities to date are the disability community, the women's community, the roots and resonance community, the parents and carers community, and the LGBTQIA+ and Allies community. In 2025, we strengthened our commitment to LGBTQIA+ inclusion and allyship. Building on the foundations laid through allyship workshops with Pride in Energy, this year saw renewed momentum, including the SMT completing their own allyship training, sending a clear message that inclusion is everyone's responsibility.

Actions and responsibilities of the Board and its committees (continued)

Commitment: improve access to opportunities and fair employment

- We trialled a new stakeholder-engagement mechanism in partnership with The Purpose Coalition, giving us direct access to the views of students and recent graduates. We asked them what inclusion should looks like to them, and what they expect from a future employer. These insights have played a pivotal role in shaping our updated Inclusion Strategy and ensuring it reflects the expectations and experiences of the next generation entering our workforce.

- We have worked with our Young Innovators Council to refresh our careers site ensuring that information about our family friendly flexible policies is available at the first point of call. We also adopt a direct sourcing recruitment approach using our partner network to reach potential candidates who may otherwise not be seen due to their socio-economic circumstances. This includes advertising roles through the Armed Forces and Energy and Utility Jobs processes to attract a wider range of gender and ethnically diverse candidates.

Commitment: supporting colleague safety and wellbeing

- Safety will always remain our biggest priority and our record is exceptionally strong as shown within our core KPIs on page 2.

- During the year, we introduced Sleepstation as a new wellbeing resource, recognising the importance of good sleep for health and resilience. It provides confidential online access for employees to expert coaches, clinically validated interventions, self-assessment tools and specialist resources.

- We made a commitment to review and monitor data to measure wellbeing within the workforce. Resulting actions include: (1) mental health training for all line managers; (2) free specialist physio services and a 24 hour medical line available to all; and (3) workplace challenges promoted such as step challenges.

- Our Workplace Wellbeing survey showed that mental health is a key priority for colleagues. In response, we signed the Mental Health at Work Commitment, strengthening our aim to create a culture where mental health is openly discussed and well supported. This commitment shapes how we design work, build our culture and deliver wellbeing initiatives, while being transparent about our progress. In 2025, we continued to grow mental health capability across the group. To date, 386 colleagues have completed mental health training, supported by 29 trained Wellbeing Champions. This network helps create a supportive environment, encourages engagement with wellbeing resources and strengthens mental health support across our workforce.

Actions and responsibilities of the Board and its committees (continued)

Commitment: progression toward zero emissions; produce less waste and recycle all of it; manage our land to benefit the environment

- We attended over 99% of uncontrolled gas escapes within 1 hour, to control the escape and minimise gas leaking into our atmosphere. We are also replacing circa 500km of old metal pipes with new plastic pipes annually to reduce gas escaping from the network.

- Circa 200,000 tonnes of excavation waste (soil and aggregates) are produced by our operations each year. During the year we sent 100% to recycle centres and look to maintain this performance.

- Aggregates (crushed stone and sand) remain our largest material use by mass, primarily for reinstating excavations. By encouraging contractors to prioritise recycled (secondary) aggregates over primary materials, we saved 130,000 tonnes of virgin stone and sand in 2025 alone. This not only reduces environmental impact but also demonstrates how collaboration across our supply chain delivers tangible sustainability gains.

- We have quantified our single use plastic baseline and have implemented the following improvements: use of glass milk bottles; changed bin liners to biodegradable bags; introduction of food waste bins and provide recycling facilities for printing cartridges. In 2025, we achieved a 17% reduction in office and depot waste compared with our 2018 baseline, keeping us on track to meet our target of a 20% reduction.

- Our offices, depots and infrastructure sites are powered by 100% renewable electricity from our own roof-top solar panels and supplemented with responsibly sourced renewable electricity from the grid.

- We still have work to do with regard to our target of transitioning 50% of our fleet to ultra-low emission or hybrid vehicles, as our operational performance requirements would be compromised if we switched at this time. Non-operation company cars are all electric or hybrid, and we continue to test operational vans for suitability.

- Working with our community forest partners (White Rose Forest, Humber Forest and Community Forest Trust) our shareholder funded strategic tree planting programme aims to tackle poor urban air quality in our region. We have exceeded the RIIO-GD2 targeted number of planted trees (over 40,000).

- Gas holders (gasometers) once dotted UK skylines but are no longer needed for a modern gas network. We pledged to decontaminate and dismantle our remaining 23 holders between 2021–2026, on top of the 24 removed during 2013–2021, and completed the programme during the year. Tens of thousands of cubic metres of contaminated water and tonnes of hazardous waste were safely removed from each holder. This waste was carefully treated and disposed to permanently eliminate the risks posed to local environments.

Actions and responsibilities of the Board and its committees (continued)

Commitment: provide access to information, funding and more affordable energy services for our communities, prioritising those with vulnerabilities

- We have continued to focus resources, shape our initiatives and prioritise investments to meet the needs of our different customer groups, helping us be responsive and do the right thing for customers whenever we can. The Vulnerability and Carbon Monoxide Allowance (VCMA) is one of the ways in which we aim to support the customers and communities that we serve, with one of the key pillars of this activity being tackling affordability and fuel poverty.

- Our Off-Gas Warmth project supports off-gas, vulnerable households to obtain first-time gas central heating in partnership with Communitas Energy. Benefitting customers often have multiple health risks associated with living in cold homes, where they would otherwise have struggled to stay warm and well. It helps eligible households who may be most at risk of being left behind in the energy transition to achieve an efficient, affordable heating solution, and often results in carbon savings due to the replacement of inefficient oil or solid fuel systems.

- During 2025, our Energy Futures and Net Zero Education Outreach Programme held 342 sessions across a wide range of groups, including young people with special educational needs. Through interactive activities, workshops, and staff training, we engaged more than 27,000 young people, helping to build knowledge and confidence in a low-carbon future.

Commitment: enable affordable decarbonised heat, power and transport solutions

- We facilitate the connection of biomethane production sites to our network, with 1 new site added during the year with 21 sites connected in total enabling the supply of green gas.

- Blending hydrogen with natural gas offers the potential to deliver immediate greenhouse gas emissions reductions. The research completed by the group over the past few years was instrumental in achieving a positive UK Government policy decision on supporting hydrogen blending (up to 20%) in late 2023.

- We continue to push the hydrogen agenda though projects such as East Coast Hydrogen and H100 Fife.

This disclosure is made in accordance with the requirements of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 with disclosures provided against each of the eight specified mandatory disclosures. Note, for presentational purposes the below information combines the eight mandatory disclosures into six as detailed below.

Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 mandatory disclosure	**Company report disclosure in which mandatory disclosure is contained**
a). A description of the company's/LLP's governance arrangements in relation to assessing and managing climate-related risks and opportunities	A. Governance arrangements for climate-related risks and opportunities
b). A description of how the company/LLP identifies, assesses and manages climate-related risks and opportunities	B. Systems and processes for the management of climate-related risks and opportunities
c). A description of how processes for identifying, assessing and managing climate-related risks and opportunities are integrated into the company's/LLP's overall risk management process	
d). a description of i) the principal climate-related risks and opportunities arising in connection with the company's operation, and ii) the time periods by reference to which those risks and opportunities are assessed	C. Principal climate-related risks and opportunities
e). a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's/LLP's business model and strategy	
f). an analysis of the resilience of the company's/LLP's business model and strategy, taking into account consideration of different climate-related scenarios	D. Resilience assessment for different climate-related scenarios
g). a description of the targets used by the company/LLP to manage climate-related risks and to realise climate-related opportunities and of performance against those targets	E. Targets for climate-related risks and opportunities
h). the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based	F. Targets for climate-related risks and opportunities

The information presented below presents the group's approach to the identification, assessment and mitigation of climate change related issues. The statement should be read in conjunction with the Corporate governance statement which details how the Board actions it's responsibilities including those related to sustainability, and the Directors' report which details carbon emissions performance.

A. Governance arrangements for climate-related risks and opportunities

The Board is responsible for oversight of climate-related risks and opportunities impacting the group.

The Board approved the group's climate-related targets and monitor the progress by review of key performance indicators as discussed further below. Significant investment decisions to support achievement of NGN's strategic climate-related targets, for example investment in vehicle fleet decarbonisation, are reviewed by the Board for compliance with NGN's strategic targets. The achievement of group climate-related strategic targets is a key metric in evaluating group performance. For example, greenhouse gas emissions performance versus target is integrated into the determination of annual bonuses for applicable colleagues including the SMT. Material regulatory and legal changes in relation to climate-related matters are communicated to the Board via the monthly paper prepared by the NGN Regulatory and Strategic Planning Director.

The Board is assisted in fulfilling its responsibilities with respect to identification, consideration and management of climate-related risks and opportunities, by the following committees:

- ESG Committee: responsible for scrutiny and detailed consideration of climate-related matters, including group performance with respect to strategic climate-related targets. Pertinent climate-related risks, opportunities and performance are brought to the attention of the ESG Committee for consideration in the Head of Environment and Sustainability's report to the Committee issued prior to each meeting (see section 'Overview of the committees' on page 19 for committee dates and attendances).

- Risk Management Committee: responsible for reviewing the risk profile of the business and oversight of risk management processes. At each meeting of the risk management committee (see section 'Overview of the committees' on page 19 for committee dates and attendances), the group-level risk register is considered including any movement in the assessment of any group risk (including climate-related risks where relevant) or changes in measurement or relative position to each other.

The SMT is responsible for the identification, consideration and management of climate-related risks and opportunities and communication of these to the Board via the ESG Committee. To assist the SMT, NGN have a Sustainability Working Group that was established in 2022 and meets quarterly. The group is composed of senior business leaders with the objectives of identification and discussion of material sustainability (including climate-related) business aspects, issues, risks and opportunities, and monitoring and oversight of business performance against key sustainability and climate-related targets and metrics.

B. Systems and processes for the management of climate-related risks and opportunities

B1 - Integrated approach to climate-related risk management

The Board expect the SMT of the group to develop and maintain a controlled environment which protects the group's assets in the long term, including with respect to climate-related risks. The Board ensure this is achieved through a risk management framework which includes the establishment and operation of:

- a Risk Management Committee which is responsible for reviewing the risk profile of the business and oversight of risk management processes on behalf of the Board;
- a Risk Management Policy;
- an Integrated Risk Management Framework comprising risk registers and associated risk assessment methodology; and
- an Internal Audit Team which undertakes independent appraisals and provides assurance on the adequacy and effectiveness of business controls within the group on behalf of the Board.

Assessment of climate-related risks and opportunities is undertaken alongside assessment of other pertinent group risks and opportunities and as such is fully integrated into the group risk management process.

B2 - Systems and processes for the identification, assessment and management of climate-related risks and opportunities

In accordance with the NGN Integrated Risk Management Framework, detailed risk registers are prepared for each department which feed into a group level ('corporate') risk register which is reviewed at the Risk Management Committee.

As with other group risks and opportunities, climate-related risks and opportunities are identified and assessed by the SMT and in-house business subject matter experts in conjunction with the NGN Internal Audit Team and documented on pertinent departmental risk registers. All risks and opportunities are quantified and assessed on both on a financial and non-financial basis in a consistent, systematic manner in accordance with the NGN Integrated Risk Management Framework. The likelihood of each risk occurring is then scored and the control measures which already exist to mitigate the risk occurring are documented and assessed to derive the overall risk level posed to the group. A SMT owner is assigned for each climate-related risk and opportunity, and actions are assigned and documented (with completion dates) where necessary to ensure all risks are maintained at a tolerable level in accordance with the group Integrated Risk Management Framework. All departmental risk registers are reviewed and updated quarterly with material changes and updates communicated to the Board at least three times a year via the Risk Management Committee. Material changes to climate-related risks and opportunities identified during the risk register review process are also identified to the ESG Committee for further assessment and communication with the Board.

C. Principal climate-related risks and opportunities

C1 - Overview of company setting and strategy

The assessment of climate-related risks and opportunities has been undertaken in consideration of the group's business activities in the ownership, operation and maintenance of a natural gas distribution network entirely situated in the north of England. The natural gas transported is a fossil fuel and has global warming properties when released to atmosphere or combusted. In addition, operation and maintenance of company infrastructure results in greenhouse gas emissions from the work activities of employees and supply chain. Gas networks are vital to the UK's energy system and in order to achieve net zero greenhouse gas emissions in the UK by 2050, the UK's energy system and networks must undergo substantial policy driven changes. The group's primary climate-related objectives are to act as enabler to the achievement of net zero by conversion of our network to the transport of low carbon hydrogen, whilst continuing to provide our customers with a safe and reliable supply of energy and taking action to reduce our greenhouse emissions wherever practicable now.

Assessment time periods and financial thresholds for identification of climate-related risks and opportunities

Climate-related risks and opportunities are identified and evaluated in accordance with the group's Integrated Risk Management Framework as described above, and categorised as either:

- Physical – relating to the direct impacts of more extreme climatic conditions; or
- Transitional – relating to the transition to a net zero future.

Identified climate related risks and opportunities are evaluated according to the following timescales:

Assessment Timespan Identifier	Duration	Rationale
Very short-term	<1 year	Impacts on annual business planning and operation cycles.
Short-term	1 to 3 years	Early stages of next regulatory business plan period (RIIO-GD3, 2026 to 2031). During this timeframe a UK Government policy decision on the use of hydrogen for heating is anticipated.
Medium-term	3 to 10 years	Duration of one to two regulatory business plan periods (RIIO-GD3 and RIIO-GD4), timeframe of UK Government UK Hydrogen Strategy (2030), and completion of company iron gas mains replacement programme (2032).
Long-term	10 to 25 years	Pathway to achievement of net zero greenhouse gas emissions in UK by 2050.
Very long-term	Over 25 years	Operation in a net zero scenario extending to c.2100 as per requirements of UK Climate Change Adaptation Reporting Power 4.

C. Principal climate-related risks and opportunities (continued)

The potential total financial impact of each climate-related risk and opportunity is evaluated according to the following framework in accordance with the group's Integrated Risk Management Framework: Minimal (<£100k); Minor (£100k-£1m); Moderate (£1m-£10m); Major (£10m-£50m); and Very Significant (>£50m).

Each risk and opportunity is assigned a likelihood of occurrence based on the following scale: Rare (0-5% likelihood); Unlikely (6-35% likelihood); Possible (36-65% likelihood); Likely (66-95% likelihood); and Almost Certain (96-100%).

Identified transitional risks and opportunities are categorised as follows:

- Risks: policy, legal, technology, market or reputational; and
- Opportunities: resource efficiency, energy source, markets, resilience, or product/services.

C2 - Overview of principal climate-related risks and opportunities

The following principal climate change related risks are identified on the group register:

Risk/Opportunity Reference and Descriptor	**Timespan**	**Potential Financial Impact**	**Likelihood**	**Discussion and Mitigations**
Transitional Risks & Opportunities				
TR1: Demise of gas – UK government policy decisions and market developments do not enable a substantive role for gas networks in UK energy system (Risk type: Policy)	Short to long-term	Very Significant	Possible	In the short to long-term it is anticipated that the nature and operation of the network will remain largely as current due to its pivotal role in the UK energy system. There are a range of scenarios that NGN's network could undergo in the long to very long-term future ranging from full or partial decommissioning to conversion of some or all of the network to transport 100% hydrogen, all of which would require UK Government policy decisions. Under the guidance of the Board, NGN have been extensively promoting, testing and demonstrating the use of hydrogen (blended and 100% hydrogen) as an alternative energy source to natural gas, which could be distributed through the existing gas infrastructure and thereby provide a sustainable and affordable energy system enabler to achieve net zero by 2050. This work is aimed to stimulate a positive UK Government policy decision on the use of hydrogen for domestic heat in the UK, secure innovation investment to enable the use of hydrogen for industrial and commercial purposes, and stimulate investment to

				establish a hydrogen based economy. Further details of our hydrogen work are provided in the Energy Futures section of the Corporate Governance Statement. The group's assertion of the long-term critical role of gas networks in the UK energy system is confirmed by Future Energy Scenarios (FES) 2025 produced by the UK National Energy System Operator. FES 2025 presents four different pathways for the future of the UK energy system to 2050 to build a picture of the ways in which Great Britain can achieve net zero. Each of the three FES 2025 scenarios which achieve net zero by 2050 include a role for gas networks in the distribution of natural gas and hydrogen to 2050 and beyond. The fourth scenario which does not achieve net zero by 2050 includes a substantial role for natural gas and a limited role for hydrogen. Three of the scenarios also include a growing role for biomethane as a low carbon alternative to natural gas. The range of potential future outcomes for gas networks in the UK brings with it a range of potential financial implications to long-term operating costs and revenues. The costs of maintenance of existing network infrastructure, decommissioning or conversion/expansion to accommodate hydrogen are anticipated to be funded by regulatory or other public funding sources thereby not materially impacting financial performance. Group revenues will change overtime reflective of the role that gas networks play in the UK energy system and the rate at which decarbonisation is achieved, with FES 2025 identifying a role for gas networks to a greater or lesser extent in all scenarios in the long-term and beyond.
TR2: Failure to achieve company decarbonisation targets resulting in reputational damage, potential negative impact on customer service ratings, and increased financial borrowing costs	Short to medium-term	Major	Possible	The group has established greenhouse gas emissions reduction targets extending in very short, short, medium and long-term increments to 2050, with the ultimate aim to achieve net zero total emissions by 2050. Over 90% of greenhouse gas emissions are currently attributable to natural gas leakage from network infrastructure. A strategy and action plan is in place to deliver these targets with performance reportedly publicly on an annual basis by a range of reports prepared for regulators and stakeholders. Total greenhouse gas emissions have increased by 3.2% between 2025 and 2026 as a consequence of gas leakage caused by third party damage to an NGN intermediate pressure main during the year. Without this incident, total greenhouse gas emissions would have reduced by

(Risk type: Reputational)				4.7% compared to the previous year and in-line with established targets as described in Sections E and F of this statement. Performance against regulatory gas leakage reduction targets is subject to a financial penalty/incentivisation scheme. The group has outperformed against it's leakage reduction targets during the 2021-2026 (RIIO-GD2) regulatory period and as such is anticipated to meet the criteria for a financial reward – this will be subject to regulatory confirmation in due course. Equivalent leakage reduction targets have been set for the next regulatory period (2026-2031, RIIO-GD3).
TO1: Access to innovation funding for research and development projects to accelerate decarbonisation of energy network business operations and practices providing environmental and financial benefits (Opportunity type: Markets)	Very short to medium-term	Moderate	Likely	The group is currently provided with access to regulatory innovation funding streams for use on research and development projects which enable decarbonisation of UK energy system to support net zero. The RIIO-GD2 Strategic Innovation Fund for UK gas and electricity networks provided access to £450m of innovation funding for the period 2021 to 2026 alone. Completion of such projects often identifies innovative technologies or ways of working to enable decarbonisation whilst also delivering financial savings to the group by more efficient working practices. The group were awarded over £10m in core regulatory innovation funding (Network Innovation Allowance) for the RIIO-GD2 period (2021 to 2026) and applied for competitive funding via the Strategic Innovation Fund. The group has been awarded £12m of core regulatory innovation funding for the next regulatory period (RIIO-GD3, 2026 to 2031) to continue this work in accordance with our Innovation Strategy (available here).
Physical Risks and Opportunities				
PR1: Operational performance disruption due to long-term changing climatic conditions (chronic) and more frequent and severe	Long to Very long-term	Major	Possible	NGN assess and publicly report on exposure to physical climate change related risks and adaptation and mitigation under the Climate Change Adaptation Reporting Power (CCARP). The latest (Round 4) assessment was published in December 2024 (available in full here) and included assessment of risks out to 2100 for 12 chronic and acute climatic hazards based on UK Climate Projections 2018 for moderate warming (RCP 4.5, approximately 2C warming) and worst-case high warming (RCP 8.5, approximately 4C warming) scenarios. The climatic hazards assessed were:

extreme weather events (acute)				• Prolonged rainfall leading to flooding • Extreme high temperatures • Heavy rainfall/drought cycles • Sea level rise • Warm and wetter conditions, followed by heavy rainfall and/or wind • Storm surge and wave height • Warmer and wetter conditions – longer growing/nesting seasons • Snow and ice • Wildfire / Lightning / Solar storm • Diurnal temperature cycles Based on these climatic hazards, 34 chronic and acute climate-related physical risks to company assets and operations were identified and assessed. The most significant/material risk under current climatic conditions is identified as acute significant ice and snow (extreme cold) events resulting in access difficulties to key assets, locations and operational activities. To mitigate against these risks the company operates a comprehensive Severe Weather Management Procedure to ensure weather conditions and company operational performance are appropriately monitored and communicated and the necessary resources (personnel, vehicles and equipment) are available and can be deployed during acute extreme weather events to ensure continuity of core customer service performance. This procedure includes workload prioritisation to enable employees and contractors to be diverted from non-essential work to essential work if necessary to ensure continuity of core customer service performance. This flexibility is enabled by modernisation of employee terms of employment and contractor terms and conditions, cross-skilling training and training of reservists. Preparations for severe cold weather are made in many ways including proactively hiring 4x4 vehicles over autumn and winter and fitting all company cars with winter tyres. Funding for the above mitigation measures is provided through regulatory allowances in accordance with the obligation to provide customers with a safe and reliable supply of gas. Risks associated with significant ice and snow events impacting network management and operation are expected to reduce in significance by 2050 due to lower likelihood of occurrence as global temperatures generally increase. This risk will remain so the company will continue to include mitigation measures within it's Severe Weather Management Procedures to ensure it is appropriately prepared.

D. Resilience assessment for different climate-related scenarios

Analysis of the resilience of the group's business model and strategy has been completed as described below taking into account different climate-related scenarios.

D1 - Transitional Risks

Energy networks have a critical role to play in the achievement of net zero emissions in the UK and will require substantial policy driven changes, coupled with evolving consumer habits, to enable achievement of net zero by 2050, thereby introducing transitional risks to all energy networks. Uncertainty remains regarding the pathway to net zero that the UK energy system will adopt and the rate at which decarbonisation will be achieved, with a range of resultant potential outcomes which will influence the group's infrastructure and function, greenhouse gas emissions and revenues across all timeframes.

Analysis of the resilience of the group's business model and strategy under different climate-related scenarios has been completed utilising the annual independent Future Energy Scenarios (FES) produced by the UK National Energy System Operator (NESO). FES demonstrates plausible potential pathways to 2050 for Great Britain's energy system to meet the net zero challenge.

FES 2025 presents four pathways:

- **Falling Behind**: The UK does not meet the net zero target by 2050. Some decarbonisation progress is made compared to today, but at an insufficient pace. Natural gas continues to play a significant role across heat, industry and power generation, with material reliance on unabated fossil fuels remaining in 2050. Natural gas peak demand in 2050 is approximately 90% of current levels. Hydrogen plays a very limited role, with the lowest peak hydrogen demand of the four scenarios.

- **Holistic Transition**: The UK achieves net zero by 2050 through a balanced mix of electrification and hydrogen. Electrification dominates across transport and buildings, while hydrogen is primarily used in industry and limited district heat applications around industrial clusters. Natural gas use declines sharply (2050 peak demand is approximately one quarter of current level) and is fully abated by 2050, with no unabated gas remaining on the system.

- **Electric Engagement**: The UK achieves net zero by 2050 primarily through widespread electrification of energy demand. Hydrogen plays a limited role, focused on industry, dispatchable power generation and aviation fuels rather than heat. Natural gas demand falls substantially (2050 peak demand is approximately one third of current level), with remaining gas use fully abated by 2050.

- **Hydrogen Evolution**: The UK achieves net zero by 2050 through rapid deployment of hydrogen, particularly for industry and a proportion of residential heat, supported by the development of a national hydrogen network. Hydrogen is also used extensively for dispatchable power generation. Natural gas demand

D. Resilience assessment for different climate-related scenarios (continued)

remains higher than in other net zero pathways (2050 peak demand is approximately half of current level) but is largely associated with hydrogen production and abated uses by 2050.

The four FES 2025 scenarios cover a range of potential long-term future scenarios of decarbonisation in the UK and each include a role for gas networks in the distribution of natural gas (supplemented by biomethane) and hydrogen. It is however noted that the FES 2025 scenarios contain a wide range in gas network energy volumes usages with respect to natural gas and hydrogen use.

Whilst uncertainty remains regarding the pathway that the UK energy system will take to reach net zero, scenario analysis using the independent FES 2025 analysis identifies that gas networks will continue to feature, with a likely significant role, in the UK energy system into the long-term and beyond, thereby demonstrating the resilience of the group to climate-related transitional risk TR1. The rate of speed of energy system decarbonisation achieved within the UK, which is substantially driven by policy decisions, will directly influence NGN's exposure to transitional risk TR2.

The group is actively mitigating the identified transitional risks by taking action to directly reduce it's greenhouse gas emissions now (thereby addressing TR2), whilst also researching, demonstrating and communicating the vital role that gas networks can play in the net zero transition to influence positive policy decisions (TO1).

D2 - Physical Risks

The group operate a natural gas distribution network comprising approximately 36,000km of underground pipes and is a designated reporting authority under the Climate Change Act (2008). As a consequence, NGN assess and publicly report on our exposure to climate change-related risks and our adaptation and mitigation under the Climate Change Adaptation Reporting Power (CCARP). The latest (Round 4) assessment was published in December 2024 following previous assessments in 2021 (Round 3), 2015 (Round 2) and 2011 (Round 1). The Round 4 publication can be found at:
https://www.northerngasnetworks.co.uk/wp-content/uploads/2024/12/NGN-CCAR-Round-4-Report_Final.pdf

The 2024 assessment utilised the latest UK Climate Projections published by the Met Office to review 12 different climatic hazards, including temperature and rainfall extremes, for moderate warming (RCP 4.5, approximately 2C warming) and worst-case high warming (RCP 8.5, approximately 4C warming) scenarios. The assessment includes consideration of current (in 2024) risks posed to its own business operations and assets, and those anticipated for 2050 and 2100 (for both future warming scenarios) based on continuation of current management procedures, mitigation activities and levels of investment.

The scenario analysis identified a possible (36-65%) chance of material physical climate-related impacts to the group in 2050 for both warming scenarios considered, and in 2100 for the 2C warming scenario (PR1). It is considered likely

D. Resilience assessment for different climate-related scenarios (continued)

(66-95% likelihood) that material physical climate-related impacts will affect the group in 2100 for a worst-case 4C warming scenario under current levels of mitigation. The most significant climate-related physical risks in current (2024) conditions are expected to change as follows in 2050 and 2100 under the assessed scenarios assuming continued current mitigation levels:

Risk	Acute/Chronic	Timescale	Impact	Mitigation
Extreme cold weather events (prolonged lying snow and ice) impacting network operation	Acute	Long-term	Decreased likelihood and significance of impact	Clear climate signal of overall general future reduction in occurrence of snow and ice events exists, however potential remains. Continuous improvement of the existing comprehensive Severe Weather Management Procedure to ensure weather conditions and company operational performance are appropriately monitored and communicated and the necessary resources (personnel, vehicles and equipment) are available and can be deployed during acute extreme weather events to ensure continuity of core customer service performance. This procedure includes workload prioritisation to enable employees and contractors to be diverted from non-essential work to essential work if necessary to ensure continuity of core customer service performance. This flexibility is enabled by modernisation of employee terms of employment and contractor terms and conditions, cross-skilling training and training of reservists. NGN prepare for severe winter weather in many ways including proactively hiring 4x4 vehicles over autumn and winter and fitting all company cars with winter tyres.

The following climate-related physical risks are assessed to potentially become material in 2050 and 2100 under the warming scenarios considered assuming continued current mitigation levels, with the impacts being substantially more significant for a 4C warming scenario in 2100:

D. Resilience assessment for different climate-related scenarios (continued)

Risk	Acute/Chronic	Timescale	Impact	Mitigation
Flood damage to above ground gas infrastructure causing network issues	Acute	Long to very-long term	Increased significance and likelihood of occurrence	Continuation of current proactive asset management programme which includes regular assessment of flood risk at asset site locations, siting of new assets outside of high risk flood zones, relocation of infrastructure away from high risk flood zones as part of asset renewals, and deploying flood defence mitigations as necessary during asset upgrades, such as raising mechanical equipment vent outlets above predicted flood depths.
Flood damage to pipes crossing watercourses	Acute	Long to very-long term	Increased significance and likelihood of occurrence	Continuation of current proactive asset management programme which includes regular inspection of overcrossings, with the inspection frequency determined by asset condition (every 2 to 5 years). The requirement for asset remedial measures to ensure integrity is determined on an asset condition basis with allowances for completion of such work included with regulatory funding.
River erosion / land slippage damage to underground pipes	Acute / Chronic	Long to very-long term	Increased significance and likelihood of occurrence	Proactive monitoring and inspection regime in place to monitor asset condition (for signs of ground movement and loss of cover soil), with frequency determined by individual site risk. This includes linewalking surveys and diver surveys for river bed crossing for high pressure pipelines. The requirement for asset remedial measures to ensure integrity is determined on an asset condition basis with allowances for completion of such work included with regulatory funding.
Above ground asset damage from wildfire	Acute	Long-term	Increased significance and likelihood of occurrence	Proactive site maintenance of vegetation along pipeline easements and surrounding above ground infrastructure sites.
Cascading risks due to greater interconnectivity between energy and telecommunications networks	Acute	Very long-term	Increased significance and likelihood of occurrence	Provision of backup power systems (generators and battery systems) at critical sites. Loss of public telecommunications does not typically impact critical core gas asset performance as they are operated via a resilient SCADA network.

D. Resilience assessment for different climate-related scenarios (continued)

The scenario analysis identified that the group has resilience in the long to very-long term to material climate-related physical risks to network operational performance (PR1) for 2C and 4C warming scenarios.This is due to the comprehensive asset integrity and management procedures that are in operation to ensure asset condition and performance, in addition to the inherent resilience afforded by gas infrastructure assets being a sealed, pressurised system principally located underground. This assessment assumes continuation of currents level of mitigation and asset integrity protection which is currently funded through regulatory allowances for network asset management.

E. Targets for climate-related risks and opportunities

NGN's People and Planet Strategy was launched in 2022 (as detailed here) and includes the following commitments and supporting targets to ensure the group manages climate-related risks and realises climate-related opportunities:

Climate-related risk / opportunity	**Strategic commitment**	**Short-term target (2026)**	**Medium-term target (2031)**	**Long-term target (2050)**	**Performance disclosure**
TR1 / TO1	Enable affordable, decarbonised heat, power and transport solutions	Complete hydrogen blending project Demonstrate safety case for use of 100% hydrogen and deliver Hydrogen Village Trial Improve customer service levels to facilitate higher levels of green gas injected into network	Assist UK Government to secure a positive decision regarding use of blended and 100% hydrogen in UK gas networks Blend up to 20% hydrogen into the gas network	Network transports 100% hydrogen	The hydrogen blending project has been successfully completed. The safety case for use of 100% hydrogen project has been successfully completed. The Hydrogen Village Trial project was paused by the UK Government due to a lack of available hydrogen production. The company is further delivering against these commitments by means of the East Coast Hydrogen project as described in the Energy Futures section on page 8 of this document. NGN consistently respond to green gas (such as biomethane) connection enquiries on a quicker turnaround than regulatory minimum performance standards to help enable connections.

TR2	Eliminate emissions – net zero business by 2050 *2018 baseline greenhouse gas emissions:* *Scope 1 and 2: 414,720 tCO2e* *Key Scope 3: 17,479 tCO2e*	31% reduction in Scope 1 and 2 emissions 19% reduction in key* Scope 3 emissions (vs 2018 baseline)	45% reduction in Scope 1 and 2 emissions (vs 2018 baseline)	Net zero emissions	Between 2018 and 2026 net Scope 1 and 2 emissions (market based) have reduced by 27%, thereby not achieving the target, with performance in 2026 significantly impacted by a third party caused gas loss incident emissions as explained earlier in this document. Without this involuntary incident, emissions would have reduced by 33% across the period, thereby achieving the 2026 target and demonstrating sustained improvement towards the 2031 target. Key Scope 3 emissions have reduced by 5% over the period, thereby not achieving the target, which is reflective of NGN's gas mains replacement workload characteristics – principally requirements for a larger vehicle fleet. Further details regarding actions taken and issues encountered are provided in the Energy and Carbon section of this document (see page 13).

** Scope 3 emissions that are readily measurable and material and have been reported for approximately 10 years to allow analysis of long-term trends: rail & air (including helicopter) business travel, vehicles emissions by our gas main replacement and reinstatement contractors, emissions from manufacture and transportation of purchased plastic gas pipe, and transportation and distribution losses from bought electricity.*

Each target in NGN's People and Planet Strategy is assigned a relevant owner from the SMT to assign accountability for delivery. Performance against commitments is monitored, measured and reported by NGN's dedicated in-house sustainability team and communicated to the SMT and ESG Committee. Performance is also disclosed publicly in the reports identified above.

E. Targets for climate-related risks and opportunities (continued)

Physical risk PR1 is captured under the group's enduring obligation to provide customers with a safe and reliable gas supply and has associated regulatory performance targets set by Ofgem to ensure high standards of customer services:

Regulatory performance criteria relevant to PR1	Minimum performance level	
	RIIO-GD2 (2021-2026)	RIIO-GD3 (2026-2031)
% gas emergencies (uncontrolled) responded to within 1 hour	97%	97%
% gas emergencies (controlled) responded to within 2 hours	97%	97%
Unplanned gas interruption average duration (non-multiple occupancy buildings)	10 hours	13 hours

Performance against the PR1 targets identified above are measured in accordance with a methodology set by Ofgem and reported below in section F.

F. Key performance indicators for climate-related risks and opportunities

The following key performance indicators (KPI) are measured and reported to ensure the group manages climate-related risks and realises climate-related opportunities:

Climate-related Risk / Opportunity	Key Performance Indicator	2026 Performance	2025 Performance	Methodology and disclosure
TR2	Greenhouse gas emissions reductions (vs 2018 baseline): - Scope 1 and 2 (net, market based) - key* Scope 3 (net, market ased)	 -27%* -5%	 -29% -4%	As disclosed in this report. Methodology as described in this report above.
PR1	% gas emergencies responded to within: 1 Hour (uncontrolled)	 99.95%	 99.90%	Measured and reported in accordance with a methodology set by Ofgem and disclosed in the group's annual performance report

	2 hours (controlled)	100.0%	99.99%	
	Unplanned supply interruption average duration (hours)	4.31	5.58	

The performance data identified above demonstrates that the group is adequately managing its climate-related risks and is on track to achieve its targets. The targets associated with transitional risks and opportunities TR1 and TO1 are project outcome related and as such not directly aligned to a quantitative KPI approach. Completion performance against key projects is tracked and monitored by the SMT and ESG Committee.

Independent auditors' report to the members of Northern Gas Networks Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Northern Gas Networks Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2026 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and accounts (the "Annual Report"), which comprise:

- the Consolidated Balance Sheet as at 31 March 2026;
- the Company Balance Sheet as at 31 March 2026;
- the Consolidated Profit and Loss Account for the year then ended;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Statement of Accounting Policies; and
- the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent auditors' report to the members of Northern Gas Networks Holdings Limited (continued)

Our audit approach

Overview

Audit scope

- The group is organised into 5 reporting units and consolidation journals. The group financial statements are a consolidation of these reporting units.
- We identified 4 reporting units required an audit of their complete financial information, either due to their size or risk characteristics.

Key audit matters

- Capitalisation of overhead costs (group)
- Recoverability of company investment in subsidiary (parent)

Materiality

- Overall group materiality: £7,698,000 based on 5% of profit before tax.
- Overall company materiality: £5,994,000 based on 1% of total assets.
- Performance materiality: £5,773,000 (group) and £4,495,500 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report to the members of Northern Gas Networks Holdings Limited (continued)

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of overhead costs (group) Refer to page 67 (key sources of estimation uncertainty), pages 60 and 61 (accounting policies) and Notes 9 and 10 in the financial statements. The Group continues to make significant capital investment in tangible and intangible assets, principally in relation to the development of the distribution network. For the year ended 31 March 2026 capital additions were made to tangible and intangible assets totalling £219.1m. These additions include a significant proportion of capitalised overhead costs. Certain categories of overhead costs are capitalised based on judgemental percentage rates. We have identified a risk that that the basis of capitalisation rates used do not appropriately reflect the nature of activities to which the underlying costs relate, resulting in an incorrect apportionment of overhead costs between tangible and intangible assets on the consolidated balance sheet and expenses recognised in the consolidated profit or loss account and consolidated statement of comprehensive income.	To assess the value and nature of overhead costs capitalised into fixed assets in the year, we conducted the following procedures: • We obtained an understanding of the relevant controls related to the process by which capitalisation rates are determined and how costs are then appropriately accounted for when incurred; • We understood how activities by cost centre are used to determine the percentage of costs capitalised; • We sampled a selection of the cost categories, including those which contribute to the most significant proportions of capitalised cost as well as those where a judgemental capitalisation percentage is applied; • We performed procedures to confirm the correct classification of costs to individual categories; and • We undertook procedures to corroborate the nature of activities performed under each cost category being tested to assess the appropriateness of the capitalisation rates applied. We have concluded that management has applied appropriate and consistent estimates to determine the overall level of costs to be capitalised for the year.
Recoverability of company investment in subsidiary (parent) Refer to page 66 (accounting policies) and Note 11 in the financial statements. The carrying amount of the parent company investment in subsidiary is £574.5m. Management are required to consider if there is any indication of impairment in the carrying value each year. This assessment involves judgement in evaluating the performance of the subsidiaries as well as assessing wider economic, regulatory and operational factors that could affect future performance. Where an impairment indicator is identified, management are required to undertake a full impairment assessment which involves significant estimation to determine the recoverable amount of investments. Management did not identify any impairment triggers in the current year based on their assessment.	To assess the investment impairment trigger, we conducted the following procedures: • We obtained an understanding of relevant controls related to the recoverability of the company's investment in its subsidiary; • Comparing the carrying amount of the company's investment, with the relevant subsidiary balance sheet to identify whether its net assets, being an approximation of their minimum recoverable amount, was in excess of it's carrying amount and assessing whether that subsidiary Group has historically been profit-making; • Comparing the carrying amount of the company's investment with the Regulated asset value of the underlying investment; • Considering other potential impairment indicators (for example, financial performance and forecasts of the subsidiary, changes in market or economic conditions, and any external factors), and assessing how these had been considered by management in their assessment; and • We also assessed the adequacy of the disclosures related to the impairment of investment and are satisfied that appropriate disclosure has been made. We have concluded that there is no impairment of company investment in subsidiary

Independent auditors’ report to the members of Northern Gas Networks Holdings Limited (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is organised into 5 reporting units and consolidation journals. The reporting units vary in size and we identified 4 reporting units required an audit of their complete financial information due to their individual size or risk characteristics. All the components are based in the UK.

The parent Company is comprised of one reporting unit which was subject to a full scope audit by the group engagement team for the purposes of the parent Company financial statements.

This scope covered 100% of the Group’s revenue and profit before tax.

The one remaining reporting unit is considered to be an inconsequential component, therefore no audit procedures were performed. All work was completed by the group audit team. All reporting units were audited by PwC in the UK.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements and the timescale and impact of any 'net zero' commitments. Management have made a commitment to reach net zero greenhouse gas ('GHG') emissions across the group's value chain by 2050.

We remained alert when performing our audit procedures for any indicators of the impact of climate risk. In particular, we considered the impairment, including assessment of impairment triggers in the company, nature and useful economic lives of the group's gas distribution assets and the potential impact on the group of maintaining/ replacing these assets in line with climate targets.

Our procedures did not identify any material impacts as a result of climate risk on the group's and company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditors' report to the members of Northern Gas Networks Holdings Limited (continued)

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

	Financial statements - group	Financial statements - company
Overall materiality	£7,698,000.	£5,994,000.
How we determined it	5% of profit before tax	1% of total assets
Rationale for benchmark applied	We have chosen this as our benchmark as it is a key performance measure disclosed to users of the financial statements. This figure takes prominence in the Annual Report, as well as in the communications to the shareholders.	We have used a total asset based measure for the parent company, which is a generally accepted auditing benchmark. Where applicable, we have performed our testing to a lower, group allocated, materiality for individual balances that contribute to the consolidated group results.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £3,850,000 and £6,929,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £5,773,000 for the group financial statements and £4,495,500 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £384,000 (group audit) and £299,700 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the members of Northern Gas Networks Holdings Limited (continued)

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's latest cash flow and covenant compliance forecasts that support the Board's assessment and conclusions with respect to the going concern basis of preparation of the financial statements;
- Obtained the signed committed facility agreement with the group's banking provider and reviewed its key terms and covenants, to assess whether the facility is available to the group to repay £250m bonds maturing in June 2027;
- Evaluating current and forecast compliance with the financial covenants associated with the group's debt facilities, including assessing headroom under both management's base case and downside scenarios, to determine whether any covenant breaches are likely to arise within the going concern assessment period;
- Checking the mathematical accuracy of management's forecasts;
- Considering the out-turn of previous forecasts to assess management's forecasting accuracy;
- Corroborating management's base case forecast to appropriate supporting documentation including board approved budgets;
- Evaluating management's base case forecasts and downside scenarios, challenging the underlying data and adequacy and appropriateness of the assumptions used in making their assessment. We also evaluated the directors' plans for future actions in relation to their going concern assessment, should these be required; and
- Review of the disclosures made in respect of going concern included 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 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Northern Gas Networks Holdings Limited (continued)

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2026 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Independent auditors’ report to the members of Northern Gas Networks Holdings Limited (continued)

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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to HSE legislation regarding construction and gas transportation, and licence conditions imposed by Ofgem, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in key accounting estimates and posting of inappropriate journal entries to improve the group's result for the period. Audit procedures performed by the engagement team included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- testing accounting estimates that we deemed to present a risk of material misstatement, including assessing the data, methods and assumptions applied by management in the development of each estimate;
- identifying and testing journal entries using a risk-based targeting approach for unexpected account combinations; and
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 auditors’ report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Independent auditors' report to the members of Northern Gas Networks Holdings Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Victoria Coe

Victoria Coe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
9 July 2026

Consolidated profit and loss account

For the year ended 31 March 2026

	Notes	2026 £'000	2025 £'000 *restated*
Turnover	1	595,010	528,265
Cost of sales		(58,994)	(44,445)
Gross profit		536,016	483,820
Operating expense	2	(283,260)	(270,513)
Operating profit		252,756	213,307
Interest receivable and similar income	3	54,385	76,377
Interest payable and similar expenses	3	(153,167)	(148,997)
Net interest expense		(98,782)	(72,620)
Profit before taxation	4	153,974	140,687
Tax on profit	7	(33,081)	(31,405)
Profit for the financial year		120,893	109,282

The above results arise from continuing operations.

Profit for the year is all attributable to the equity shareholders of the company.

The accompanying notes are an integral part of this consolidated profit and loss account.

Refer to note 1 and 3 for details of the restatement.

Consolidated statement of comprehensive income

For the year ended 31 March 2026

	2026 £'000	2025 £'000
Profit for the financial year	120,893	109,282
Re-measurement of defined benefit liability (note 20)	2,995	(259)
Gains in respect of cash flow hedges	23,575	44,128
Transferred to profit or loss in respect of cash flow hedges	(18,928)	(27,359)
Tax relating to components of other comprehensive income	(1,911)	(4,128)
Comprehensive income relating to the year	126,624	121,664

Total comprehensive income for the year is all attributable to the equity shareholders of the company.

The accompanying notes are an integral part of this consolidated statement of comprehensive income.

Consolidated balance sheet

As at 31 March 2026

	Notes	2026 £'000	2025 £'000
Fixed assets			
Intangible assets	9	167,908	174,515
Tangible assets	10	3,135,137	3,014,142
Investments	11	104	104
		3,303,149	3,188,761
Current assets			
Stock		6,339	6,403
Debtors - amounts falling due within one year	12	92,527	103,474
amounts falling due after one year	12	153,945	158,453
Cash at bank and in hand		3,810	10,091
		256,621	278,421
Creditors: amounts falling due within one year	13	(199,752)	(128,091)
Net current assets		56,869	150,330
Total assets less current liabilities		3,360,018	3,339,091
Creditors: amounts falling due after more than one year	14	(2,284,789)	(2,297,859)
Provisions for liabilities	16	(480,372)	(485,999)
Net assets		594,857	555,233
Capital and reserves			
Called up share capital	17	71,671	71,671
Hedging reserve	17	87,814	84,329
Profit and loss account		435,372	399,233
Total shareholders' funds		594,857	555,233

The accompanying notes are an integral part of this consolidated balance sheet.

The accounts on pages 52 to 95 were approved by the Board of Directors on 8 July 2026 and signed on its behalf by:

M J Horsley, Director

9 July 2026

Company balance sheet

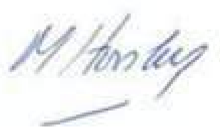
As at 31 March 2026

	Notes	2026 £'000	2025 £'000
Fixed assets			
Investments	11	574,502	574,502
Current assets			
Debtors: amounts falling due within one year	12	24,910	34,570
Cash at bank and in hand		1	1
		24,911	34,571
Creditors: amounts falling due within one year	13	(5,659)	(4,438)
Net current assets		19,252	30,133
Total assets less current liabilities		593,754	604,635
Creditors: amounts falling due after more than one year	14	(180,000)	(180,000)
Net assets		413,754	424,635
Capital and reserves			
Called up share capital	17	71,671	71,671
Profit and loss account		342,083	352,964
Total shareholders' funds		413,754	424,635

The profit for the financial year recognised with in the accounts of the parent company was £76,119,000 (2025 - £84,688,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company.

The accompanying notes are an integral part of this company balance sheet.

The accounts on pages 52 to 95 were approved by the Board of Directors on 8 July 2026 and signed on its behalf by:



M J Horsley, Director

9 July 2026

Consolidated statement of changes in equity

For the year ended 31 March 2026

	Called up share capital £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2024	71,671	71,753	372,947	516,371
Profit for the financial year	-	-	109,282	109,282
Remeasurement of defined benefit liability	-	-	(259)	(259)
Tax on remeasurement of defined benefit liability	-	-	65	65
Cash flow hedges: net gains arising during the year	-	16,769	-	16,769
Tax on cash flow hedges movement	-	(4,193)	-	(4,193)
Total comprehensive income	-	12,576	109,088	121,664
Dividends paid on equity shares (note 8)	-	-	(82,802)	(82,802)
At 31 March 2025	71,671	84,329	399,233	555,233
Profit for the financial year	-	-	120,893	120,893
Remeasurement of defined benefit liability	-	-	2,995	2,995
Tax on remeasurement of defined benefit liability	-	-	(749)	(749)
Cash flow hedges: net gains arising during the year	-	4,647	-	4,647
Tax on cash flow hedges movement	-	(1,162)	-	(1,162)
Total comprehensive income	-	3,485	123,139	126,624
Dividends paid on equity shares (note 8)	-	-	(87,000)	(87,000)
At 31 March 2026	71,671	87,814	435,372	594,857

Company statement of changes in equity
For the year ended 31 March 2026

	Notes	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2024		71,671	351,078	422,749
Profit for the financial year		-	84,688	84,688
Total comprehensive income		-	84,688	84,688
Dividends paid on equity shares	8	-	(82,802)	(82,802)
At 31 March 2025		71,671	352,964	424,635
Profit for the financial year		-	76,119	76,119
Total comprehensive income		-	76,119	76,119
Dividends paid on equity shares	8	-	(87,000)	(87,000)
At 31 March 2026		71,671	342,083	413,754

Consolidated cash flow statement

For the year ended 31 March 2026

	Notes	2026 £'000	2025 £'000
Net cash inflows from operating activities	18	342,457	220,028
Cash flow from investing activities			
Interest received		1,640	3,151
Purchase of tangible and intangible fixed assets		(219,308)	(218,504)
Sale of tangible fixed assets		685	317
Net cash outflow from investing activities		(216,983)	(215,036)
Cash flow from financing activities			
Dividends paid		(87,000)	(82,802)
Decrease of borrowings		(173,898)	(41,842)
Increase of borrowings		212,000	153,459
Redemption of financial derivative		(3,523)	-
Expenses on issue of new loans		(796)	(548)
Interest paid		(78,538)	(62,267)
Net cash outflow from financing activities		(131,755)	(34,000)
Net decrease to cash and cash equivalents		(6,281)	(29,008)
Cash and cash equivalents at beginning of year		10,091	39,099
Cash and cash equivalents at end of year		3,810	10,091

The cash and cash equivalents balance	2026 £'000	2025 £'000
Cash at bank and in hand	3,810	10,091

The accompanying notes are an integral part of this consolidated cash flow statement.

Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Northern Gas Networks Holdings Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The company is a private company limited by shares and is registered in England and Wales. The address and registered office of the company is 1100 Century Way, Thorpe Park Business Park, Colton, Leeds, LS15 8TU. The accounts have been prepared in accordance with Companies Act 2006 and under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. Principal activities and nature of operations are shown in the strategic report. The functional currency is considered to be pounds sterling because that is the currency of the primary economic environment in which the group operates. The consolidated accounts are also presented in pound sterling. The group accounts consolidate the accounts of the company and its subsidiary undertakings in accordance with FRS 102. The results of subsidiaries acquired or disposed of are consolidated for the years from or to the date on which control passed. Acquisitions are accounted for under the acquisition method. Where necessary, adjustments are made to the statements of subsidiaries to bring the accounting policies used in line with those used in the group. All intergroup transactions, balances, income and expenses are eliminated on consolidation. The parent company accounts of the group meets the definition of a qualifying entity under FRS 102 and have therefore taken advantage of the disclosure exemptions available to it in respect of its separate accounts which are presented alongside the consolidated accounts. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The accounts have been prepared on a going concern basis. The group's business activities, performance and position, together with its principal risks and uncertainties likely to affect its future development and performance are set out in the strategic report and directors' report. The group has: (1) undrawn borrowing facilities of £160m at the balance sheet date with the option to increase by a further £50m; (2) has a prudent debt to RAV position at the balance sheet date; and (3) regulated revenue income until 31 March 2031 under RIIO-GD3. Climate change has no impact on going concern as detailed within the sustainability statement. As shown in note 14 the group holds a bond liability of £250m which will be repaid in June 2027. With Board approval management have delayed the raising of the new replacement debt until late 2026 or early 2027. The group have obtained commitments (a facility with Barclays) so to be able to access funds as needed, between the date of the signing of these accounts and the maturity date of the £250m in June 2027. The directors have made enquiries and reviewed the forecasts for the going concern period of 12 months from the date the financial statements are approved for issue, and have also considered a longer viability period to December 2030 which include assessment of covenants, and in light of the facilities available, have a reasonable expectation that the group has adequate resources to continue in operational existence and meet its liabilities for at least 12 months from the date of signing the accounts. Assessment includes scenario modelling of a 10% increase to capital expenditure and operating costs and not being able to borrow an additional £200m bond, neither of which cause liquidity issues impacting going concern. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Dividends

Dividends that are declared and paid, are subject to the delivery of internal targets and comply with all legal requirements and Board approval.

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is estimated to be 40 years in line with the acquired asset base.

Intangible assets – licence

The Gas Transporter Licence (licence) has been recognised as a separately identifiable intangible asset, the value of which has been derived from an independent valuation. The licence has been capitalised and written off on a straight line basis over its useful economic life, which is estimated to be 40 years in line with the acquired asset base. Provision is made for any impairment.

Intangible assets – computer software

Costs associated with maintaining computer software are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use of it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefit;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which range from 3 to 10 years. Computer software under construction is not amortised until it is ready for use.

Software as a service arrangements and development costs are reviewed in accordance with FRS102 and recognised as an intangible asset where they meet the definition under the accounting standard. Otherwise, they are expensed. Capitalised software is amortised over a life of between 3 and 10 years.

Tangible assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Cost include external costs, internal labour costs and finance costs incurred which are directly attributable to the construction of tangible fixed assets.

Contributions received towards the cost of tangible fixed assets are included in creditors as deferred income and credited on a straight-line basis to the profit and loss account over the estimated economic lives of the assets. Depreciation is provided on all tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Gas distribution assets	
Gas mains & services	55 to 65 years
Gas storage	40 years
Plant & machinery	10 to 30 years
Replacement expenditure	60 years
Land and buildings	Lesser of lease period and 50 years
Motor vehicles and other equipment	3 to 10 years

Investments

Fixed asset investments are shown at cost less any provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Replacement expenditure (repex)

Replacement expenditure represents the cost of planned maintenance of the gas mains and services assets by replacing sections of pipe. This expenditure is principally undertaken to maintain the safety of the network and is capitalised.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete or defective items where appropriate. Values are held on a first in first out basis.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the UK tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

Taxation (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the accounts. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax is measured on a non-discounted basis.

Provisions

Gas holder decommissioning costs and committed contributions to innovation projects are provided for in full and discounted when the impact is considered to be material. Environmental costs are provided for in full, the liability being based on a probability basis. Claims costs are provided for in full and discounted, the unwinding of the discount being included within the profit and loss account as a financing charge.

Turnover

Transportation income represents income receivable for the regulated transportation of gas and includes an assessment of transportation services supplied to customers between the date of the last meter reading and the year end. This income is recognised in the month the service is provided and where invoice timing differs, accrued or deferred income is recognised. If transportation income is under or over recovered, it is settled and recognised according to Ofgem methodology over a future regulatory year. Under the mechanism set out in the gas licence, the group receive funds from customers as a way of being compensated for supply of last resort costs. These receipts are considered to be the collection of a levy with the group acting as an agent and as such the income and associated costs, which are equal and opposite, are netted off within the profit and loss account.

Other income which is recognised as the service is provided represents either: (1) income for the provision of other services outside of gas transportation but under the regulatory framework; or (2) income from non-regulated activity.

Pension costs

The group has obligations for a defined benefit scheme, which was closed to future accrual at 31 March 2022. The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments which are included within operating costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs.

Pension costs (continued)

The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total comprehensive income.

The defined benefit scheme is funded with the assets of the scheme held separately from those of the group, which following a buy in are with Legal and General Asset services. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. A resulting defined benefit liability is presented within provisions. Assets are only recognised when the company has a legal right to cash on windup.

The group also operates defined contribution schemes. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the consolidated balance sheet.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful economic lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful economic lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which

Financial instruments (continued)
is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation

d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. With the exception of some hedging instruments, other debt instruments not meeting

Financial instruments (continued)

these conditions are measured at fair value through profit or loss. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Cash is treated as a basic financial instrument in accordance with FRS102. Cash and cash equivalents represent cash held and readily available overnight deposits.

Derivative financial instruments

The group only holds or issues derivative financial instruments to manage interest rate and inflation exposures or commodity price risks in respect of expected gas usage. The principal derivatives used are interest rate and index linked (CPI) swaps. The group does not hold or issue any derivative financial instruments for speculative purposes.

Interest rate swaps are entered into for the purpose of matching or eliminating risk from potential movements in interest rates associated with the borrowing requirements of the group. The interest rate swaps are accounted for at fair value on the balance sheet with movements in fair value being recognised through either the profit and loss account or cash flow hedge reserve. Index linked swaps are entered into for the purpose of matching or eliminating risk from potential movements in inflation associated with the regulatory cost of debt allowance. The index linked swaps are accounted for at fair value on the balance sheet with movements in fair value being recognised through the profit and loss account. The group applies the recognition and measurement principles of IFRS9: Financial Instruments, as applicable within FRS 102.

Fair value accounting

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Hedge accounting

The Group designates certain derivatives as hedging instruments in cash flow hedges and certain others as hedge instruments in fair value hedges. At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Group determines and documents potential causes of hedge ineffectiveness. Amounts payable or receivable in respect of the interest rate swaps are recognised within net interest payable in the profit and loss account over the life of the financial instrument. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

Derivative financial instruments (continued)

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends. Some derivatives have been designated cash flow hedges hedging aggregate floating rate exposures (such exposure being the aggregate of a portion of fixed rate debt and an overlaid fixed-to-floating interest rate swap). Changes in the fair value of derivatives that are designated as fair value hedges are recognised in profit and loss in the period in which the movement occurs, along with any movement in the fair value of the hedged debt instrument. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Interest receivable and payable

Interest receivable and payable is recognised on an accruals basis in accordance with FRS102.

Impairment

Assets are assessed for indicators of impairment at each balance sheet date. For non-financial assets, if there is objective evidence of impairment, that being that the estimated recoverable value of the asset is less than the value in the balance sheet, an impairment loss is recognised in profit or loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in the statement of accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

There are no critical judgements, apart from those detailed below within 'key sources of estimation uncertainty', that the directors have made in the process of applying the group's accounting policies.

Key sources of estimation uncertainty

The following are the critical estimations that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the accounts.

Fair value of financial instruments

Some of the group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available, using an individual trade basis provided by an external reporting system meaning market assumptions are adopted and applied as recommended by the third party and assessed by management. Further details can be found within note 15.

Asset life

The group continue to support the planned 'net zero by 2050' ambition of the UK Government. This ambition gives uncertainty over how long natural gas will remain a source of energy within the UK. The group hold network assets with long useful economic lives (UELs), meaning the current accounting policy will lead to the group holding assets with value at the end of 2050. As such, judgement is needed as to whether these network UELs remain appropriate. The directors acknowledged that there are a range of possible outcomes regarding how the existing network is used in the future. Scenarios include: (1) no change to the purpose of the network, with hydrogen replacing natural gas (FES Hydrogen Evolution, as detailed on page 35); (2) a reduction to the network with the UK's heating and energy solution being multifueled and varied by location (FES Holistic Transition, as detailed on page 35); and (3) an electrification solution to all domestic heating, with gas of some form only being used for those industrial needs which cannot be supported through alternatives (FES Electric Engagement, as detailed on page 35). It remains unclear which of these scenarios is most likely to play out, but what is known is that we have seen delays in net zero progression within the UK, such as the delayed date by which new petrol and diesel cars can be sold. The directors continue to believe that the existing asset will play a key part in the UK's future energy requirement as a gas transportation infrastructure asset. The East Coast Hydrogen and H100 Fife projects demonstrate how a localised hydrogen network can help the UK Government deliver its' net zero commitments. With the above factors in mind, it is the view of the directors that the network UELs do remain appropriate and that no impairment is needed as at the balance sheet date. As time progresses this view will be re-assessed. Further to this, the RIIO-GD3 funding mechanism accelerates the funding of depreciation on new assets from the start of RIIO-GD3 (from 1 April 2026). This proposal means these new assets will have a zero RAV value by 2050. The increased revenue has a one year lag meaning revenue increases start from 1 April 2027. Management is currently assessing the impact on the depreciation policy of these future assets. This approach also provides assurance that the reduction in the carrying value of the asset will be covered by increased revenue. This proposal has been considered as part of Ofgem's duty to have regard to the need to secure that licence holders are able to finance the activities which are the subject of obligations on them (the Financeability Duty).

Capitalisation of overheads

Tangible and intangible assets include costs of back-office staff who work on capital projects. A key source of estimation uncertainty relates to the determination of the proportion of employee costs eligible for capitalisation, which is based on management's assessment of the extent to which employees' time is attributable to capital projects rather than operational activities. The proportion of each employee's costs that is capitalised is determined based on their workload and project involvement and is subject to internal governance. Capitalisation rates are assessed annually, and more frequently where changes in business activities indicate that reassessment is required. Changes in the estimated capitalisation rates could have an impact on the carrying value of tangible and intangible assets and the amount of costs recognised in the income statement. Management has reviewed the assumptions and estimates applied and is satisfied that the capitalisation rates used remain appropriate as at 31 March 2026.

1 Turnover

The group's turnover is generated wholly from within the UK, principally being from gas distribution in the North of England.

	2026 £'000	2025 £'000 *restated*
Transportation income	586,921	523,009
Other income	8,089	5,256
	595,010	528,265

During the year the recognition of £4.9m of capital project income has moved to turnover (previously shown within operating expense). This restatement of the prior year numbers by £4.7m, increases revenue and decreases costs with a net nil impact on operating profit.

2 Operating expense

	2026 £'000	2025 £'000 *restated*
Distribution costs (restated – see note1)	170,930	161,133
Administrative expenses	112,330	109,380
	283,260	270,513

During the year the recognition of £4.9m of capital project income has moved to turnover (previously shown within operating expense). This restatement of the prior year numbers by £4.7m, increases revenue and decreases costs with a net nil impact on operating profit.

3 Net interest expense

Comparative amounts have been restated to separately present finance income and finance costs within the profit and loss account. Previously, these amounts were offset and disclosed on a net basis. The restatement has resulted in an increase in interest receivable and similar income of £76.4m and a corresponding increase in interest payable and similar charges of £76.4m in the comparative period. This change relates to presentation only and has no effect on the group's profit before taxation, profit for the year.

	2026 £'000	2025 £'000 (restated)
Interest receivable and similar income	54,385	76,377
Interest payable and similar charges	(153,167)	(148,997)
	(98,782)	(72,620)

3 Net interest expense (continued)

	2026 £'000	2025 £'000 (restated)
Interest receivable and similar income		
Bank interest received	1,639	3,151
Gains on derivative financial instruments (see note 15)	52,746	73,226
	54,385	76,377

	2026 £'000	2025 £'000 (restated)
Interest payable and similar charges		
Bonds	63,323	57,856
Bank loans	22,299	24,297
Other finance charges (see below table)	2,461	2,500
Losses on derivative financial instruments (see note 15)	48,817	48,160
Shareholder loan	18,000	18,000
	154,900	150,813
Finance costs capitalised	(1,733)	(1,816)
	153,167	148,997

Other finance charges

	2026 £'000	2025 £'000 (restated)
Fees	2,230	2,260
Exchange rate differences	4	7
Unwinding of discount on provisions (see note 16)	(45)	(345)
Net return on pension scheme (see note 19)	271	578
	2,461	2,500

Finance costs have been capitalised based on a cost of debt capitalisation rate of 2.84% (2025 – 2.71%). Costs are allocated across intangible software and all tangible asset categories, based on the value of additions within each category.

Accretion within derivative gains and losses was £17.3m (2025 - £15.3m).

4 Profit before taxation

Profit before taxation is stated after charging / (crediting):

	2026 £'000	2025 £'000
Depreciation of tangible fixed assets (see note 10)		
- owned	88,995	85,095
Amortisation of intangible fixed assets included in administrative expenses (see note 9)	15,649	15,398
(Profit) / loss on disposal of fixed assets and intangible assets	(594)	312
Operating lease rentals - vehicles	113	202
Operating lease rentals - property	791	896

The analysis of auditors' remuneration is as follows:

	2026 £'000	2025 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts and consolidation	160	61
Fees payable to the company's auditor and its associates for other services to the group		
- The audit of the company's subsidiaries	509	253
Total audit fees	669	314
Fees payable to the company's auditor and its associates for other services to the group		
- Audit related assurance services*	40	85
- Non audit services**	40	-
Total non-audit fees	80	85

* *Relates to regulatory agreed upon procedures*

*** ESG review*

5 Staff costs

The average monthly number of employees, all of whom are employees of Northern Gas Networks Operations Limited (the company has no employees) including executive directors was:

	2026 Number	2025 Number
Administration	165	160
Operations	1,432	1,429
	1,597	1,589

	2026 £'000	2025 £'000
Their aggregate remuneration comprised:		
Wages and salaries	92,551	88,130
Social security costs	11,722	9,392
Other pension costs	7,222	6,765
	111,495	104,287

6 Directors' remuneration and transactions

Remuneration

The remuneration of the directors was as follows:

	Non-Executive Directors		Executive Directors	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Emoluments	75	102	1,227	1,187
Amounts receivable (other than shares) under long-term incentive schemes	-	-	255	63
	75	102	1,482	1,250

Only one executive director is remunerated through the group, with the rest being remunerated by other companies within the ownership group (see note 22). The long-term incentive scheme is a bonus scheme which is paid 5 years after achieving set targets. At the balance sheet date, the accrued value was £1.4m (2025 - £1.3m).

Pensions / Shares

No directors were members of pension or share schemes in either the current or prior year.

6 Directors' remuneration and transactions (continued)

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2026 £'000	2025 £'000
Emoluments	1,482	1,250

Transactions

There have been no transactions with directors in the year (2025 - £nil) other than as set out above in respect of remuneration.

7 Tax on profit

The tax charge comprises:

	2026 £'000	2025 £'000
Current tax		
UK corporation tax	43,181	33,280
Adjustments in respect of prior periods	(5,356)	(11,281)
Total current tax	37,825	21,999
Deferred tax		
Current period - origination and reversal of timing differences	(5,304)	1,441
Adjustments in respect of prior periods	560	7,965
Total deferred tax	(4,744)	9,406
Total tax on profit	33,081	31,405

7 Tax on profit (continued)

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2026 £'000	2025 £'000
Group profit before tax	153,974	140,687
Tax on group profit at standard UK corporation tax rate of 25% (2025 – 25%)	38,494	35,172
Effects of:		
Expenses not deductible for tax purposes	(47)	619
Income not taxable in determining taxable profit	(570)	(1,070)
Adjustments in respect of prior year	(4,796)	(3,316)
Group total tax charge for the year	33,081	31,405

The group earns its profits in the UK. There has been no change to corporation tax rates for the financial year ended 31 March 2026. For the financial year ended 31 March 2026 the weighted average tax rate is 25% (2025: weighted average tax rate was 25%). Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. The planned level of capital investment is expected to remain at similar levels as current investment. Therefore, the group expects to be able to claim capital allowances in excess of depreciation in future years, at a similar level to the current period.

In addition to the amount charged to profit and loss, the following amounts relating to tax have been recognised in other comprehensive income as shown on page 53: remeasurement of net defined benefit liability of £0.7m loss (2025: £0.1m gain) and fair value movement on the cashflow hedge of £1.2m loss (2025: £4.2m loss).

8 Dividends paid on equity shares

	2026 £'000	2025 £'000
Equity shares		
- interim dividend paid of 28.60p (2025 – 27.21p) per ordinary share	20,500	19,500
- interim dividend paid of 92.79p (2025 – 88.32p) per ordinary share	66,500	63,302
	87,000	82,802

9 Intangible assets

	Software £'000	Software in the course of construction £'000	Licences £'000	Goodwill £'000	Total £'000
Cost					
At 1 April 2025	97,865	6,259	161,200	65,712	331,036
Additions	6,151	2,423	-	-	8,574
Disposals	(57)	-	-	-	(57)
Transfers	1,573	(1,087)	-	-	486
At 31 March 2026	105,532	7,595	161,200	65,712	340,039
Accumulated amortisation					
At 1 April 2025	44,130	-	79,908	32,483	156,521
Charge for the year	9,977	-	4,023	1,649	15,649
Disposals	(39)	-	-	-	(39)
At 31 March 2026	54,068	-	83,931	34,132	172,131
Net book value					
At 31 March 2026	51,464	7,595	77,269	31,580	167,908
At 31 March 2025	53,735	6,259	81,292	33,229	174,515

Goodwill and licences are described within the accounting policies note of the accounts.

Transfers are between tangible and intangible fixed assets, with an overall net nil position.

10 Tangible assets

Group	Land and buildings £'000	Gas distribution assets £'000	Motor vehicles £'000	Other equipment £'000	Assets in the course of construction £'000	Total £'000
Cost						
At 1 April 2025	18,858	3,856,581	30,941	74,074	58,893	4,039,347
Additions	6	174,506	4,587	693	30,758	210,550
Disposals	-	-	(3,035)	(1,513)	-	(4,548)
Transfers	-	28,219	(2,548)	8,309	(34,466)	(486)
At 31 March 2026	18,864	4,059,306	29,945	81,563	55,185	4,244,863
Accumulated depreciation						
At 1 April 2025	6,763	953,334	12,299	52,809	-	1,025,205
Charge for the period	482	79,228	4,350	4,935	-	88,995
Disposals	-	-	(2,961)	(1,513)	-	(4,474)
At 31 March 2026	7,245	1,032,562	13,688	56,231	-	1,109,726
Net book value						
At 31 March 2026	11,619	3,026,744	16,257	25,332	55,185	3,135,137
At 31 March 2025	12,095	2,903,247	18,642	21,265	58,893	3,014,142

Undepreciated freehold land equates to £1,903,000 at 31 March 2026 (2025 - £1,903,000).

Transfers are between tangible and intangible fixed assets, with an overall net nil position.

11 Investments

	Group		Company	
	31 March 2026	31 March 2025	31 March 2026	31 March 2025
	£'000	£'000	£'000	£'000
Subsidiary undertakings	-	-	574,502	574,502
Other investments	104	104	-	-
	104	104	574,502	574,502

All group investments

The parent company and the group have investments in the following subsidiary undertakings which affected the profits or net assets of the group:

Subsidiary undertakings	Country of incorporation	Principal activity	Holding	%
Northern Gas Networks Limited + ("NGN")	England & Wales	Gas distribution	100 ordinary shares of £1	100
Northern Gas Networks Finance Plc ("NGNF")	England & Wales	Financing	50,000 ordinary shares of £1	100
Northern Gas Networks Operations Limited ("NGNOL")	England & Wales	Gas network operations	2 ordinary shares of £1	100
Northern Gas Networks Pensions Trustee Limited ("NGNPT")	England & Wales	Pension scheme trustee	1 ordinary share of £1	100

+ Held directly by Northern Gas Networks Holdings Limited.

All subsidiaries have a registered address of 1100 Century Way, Thorpe Park Business Park, Colton, Leeds, LS15 8TU.

The other investment represents a 10.38% holding in Xoserve Limited, which provides information, data processing, invoicing and supply point administration services to the group. Xoserve Limited is registered in England & Wales.

The group also holds 1 ordinary share of £1 in Smart Energy Code Company Limited (registered in England & Wales) which represents a holding of 1.15%.

11 Investments (continued)

Company subsidiary undertakings

	£'000
Cost and net book value	
At 31 March 2025 and 31 March 2026	574,502

Group other investments

Cost and net book value	£'000
At 31 March 2025 and 31 March 2026	104

12 Debtors

	Group		Company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000 (restated)
Amounts falling due within one year:				
Trade debtors	6,926	4,793	-	-
Cash deposits	-	35,000	-	-
Amounts owed by group undertakings	1	1	22,710	32,370
Other debtors	229	153	-	-
Corporation tax	23,879	7,089	-	-
Derivative financial assets	2,698	2,425	-	-
Prepayments	8,561	9,086	2,200	2,200
Accrued income	50,233	44,927	-	-
	92,527	103,474	24,910	34,570
Amounts falling due after more than one year:				
Derivative financial assets	153,945	158,453	-	-
	153,945	158,453	-	-
	246,472	261,927	24,910	34,570

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. The balances within the company arise in relation to rechargeable services provided by other group companies.

The prior year balances of £21.5m previously held corporation tax has been reclassed as amounts owed by group undertakings.

13 Creditors: amounts falling due within one year

	Group		Company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Bank loans	71,229	1,842	-	-
Derivative financial liabilities	-	3,994	-	-
Payments received on account	10,860	13,294	-	-
Trade creditors	5,582	4,834	-	-
Corporation tax	-	-	1,221	-
Other taxation and social security	12,193	8,989	-	-
Deferred income	5,424	4,655	-	-
Accruals	94,464	90,483	4,438	4,438
	199,752	128,091	5,659	4,438

The maturity dates and interest rates of loans are detailed in note 14.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Shareholder loans	180,000	180,000	180,000	180,000
Bank loans	132,895	164,737	-	-
Bond due 2027	255,618	260,576	-	-
Bond due 2033	445,820	452,273	-	-
Bond due 2035	247,787	252,112	-	-
Bond due 2040	197,812	197,709	-	-
Green bond	869	923	-	-
USPP 2029 loan	47,226	46,838	-	-
USPP 2031 loan	135,627	135,002	-	-
USPP 2036 loan	174,678	174,648	-	-
USPP 2037 loan	64,844	64,830	-	-
USPP 2039 loan	99,794	99,778	-	-
Deferred income	167,910	166,903	-	-
Derivative financial liabilities	133,909	101,530	-	-
	2,284,789	2,297,859	180,000	180,000

None of the above creditors are secured.

14 Creditors: amounts falling due after more than one year (continued)
The maturity dates and interest rates of loans and bonds are as follows:

Debt instrument	Maturity date	Interest rate / basis	Principal amount (£m)	Fair value adjustment (£m)	Unamortised costs & discounts (£m)	Book value (£m)
Creditors: amounts falling due after more than one year						
Shareholder loan notes	18/12/2038	10.0% fixed	180.0	-	-	180.0
Fixed rate bond	30/06/2027	4.875% fixed	250.0	5.6	-	255.6
Fixed rate bond (amortising)	02/06/2033	6.125% fixed	450.0	(3.9)	(0.3)	445.8
Fixed rate bond	15/11/2035	4.875% fixed	255.0	(7.1)	(0.1)	247.8
Fixed rate bond (amortising)	23/03/2040	5.625% fixed	200.0	-	(2.2)	197.8
Green bonds	30/06/2031	1.60% fixed	0.9	-	-	0.9
US Private Placement notes	10/01/2029	2.84% fixed	50.0	(2.7)	(0.1)	47.2
US Private Placement notes	10/01/2031	2.97% fixed	150.0	(14.2)	(0.2)	135.6
US Private Placement notes	23/09/2036	2.02% fixed	175.0	-	(0.3)	174.7
US Private Placement notes	30/06/2037	2.10% fixed	65.0	-	(0.2)	64.8
US Private Placement notes	26/06/2039	2.71% fixed	100.0	-	(0.2)	99.8
European Investment Bank floating rate loan	28/02/2028	Compounded SONIA + 0.1193% CAS + 0.627%	30.0	-	-	30.0
European Investment Bank floating rate loan	29/03/2029	Compounded SONIA + 0.1193% CAS + 0.934%	40.0	-	-	40.0
European Investment Bank floating rate loan	20/12/2028	Compounded SONIA + 0.1193% CAS + 0.834%	50.0	-	-	50.0
European Investment Bank amortising loan	25/03/2034	Compounded SONIA + 0.1193% CAS + 0.860%	12.9	-	-	12.9
Creditors: amounts falling due within one year						
European Investment Bank floating rate loan	31/03/2027	Compounded SONIA + 0.1193% CAS + 0.534%	30.0	-	-	30.0
European Investment Bank amortising loan	25/03/2034	Compounded SONIA + 0.1193% CAS + 0.860%	1.8	-	-	1.8
Working capital bank loan	20/10/2028	SONIA +0.5%	40.0	-	(0.6)	39.4

The 2027, 2033, 2035 and 2040 bonds are listed on the London Stock Exchange. The green bonds are not traded. Covenant reporting, which is non-financial and refers to compliance with the bond terms, is completed annually. No covenant breaches have been reported.

14 Creditors: Amounts falling due after more than one year (continued)

	2026	2025
Maturity analysis of bond interest and repayments:	£'000	£'000
(*measured as actual cash flows)*		
In one year or less	63,446	63,446
In more than one year but less than two years	313,447	63,446
In more than two years but less than five years	153,776	415,963
In more than five years but less than ten years	907,034	679,611
In more than ten years but less than twenty years	245,000	523,681
	1,682,703	1,746,147

15 Derivatives and other financial instruments

The carrying values of the group's financial assets and liabilities are summarised by category below. Some of the group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the group uses market-observable data to the extent it is available, using an individual trade basis provided by an external reporting system meaning no assumptions are applied by the group.

	2026 £'000	2025 £'000
Financial assets		
Measured at fair value through the profit and loss account		
- Derivative financial assets (note 12)	17,841	18,738
Measured at fair value and designated in an effective hedge relationship		
- Derivative financial assets – cash flow hedges (note 12)	123,316	121,195
- Derivative financial assets – fair value hedges (note 12)	15,486	20,945
Measured at undiscounted amount receivable		
- Trade and other debtors (note 12)	7,155	4,946
- Amounts owed by parent undertaking (note 12)	1	1
- Accrued income (note 12)	50,233	44,927
	214,032	210,752

15 Derivatives and other financial instruments (continued)

	2026 £'000	2025 £'000
Financial liabilities		
Measured at fair value through the profit and loss account		
- Derivative financial liabilities - interest rate swaps (notes 13 & 14)	16,043	16,263
- Derivative financial liabilities - inflation linked swaps (notes 13 & 14)	100,343	69,680
Measured at fair value and designated in an effective hedge relationship		
- Derivative financial liabilities - cash flow hedges (notes 13 & 14)	-	821
- Derivative financial liabilities - fair value hedges (notes 13 & 14)	17,523	18,760
Measured at amortised cost		
- Loans payable (notes 13 & 14)	923,195	885,532
- Fair value hedge adjustment of live bonds & USPP notes (notes 13 & 14)	(25,480)	(14,978)
- Other financial liabilities - bonds (notes 13 & 14)	1,147,906	1,163,595
- Fair value hedge adjustment – bonds previously in FV hedge relationships (notes 13 & 14)	3,236	7,588
Measured at undiscounted amount payable		
- Trade and other creditors (note 13)	5,582	4,834
- Accruals (notes 13)	94,464	90,483
	2,282,812	2,242,578

15 Derivatives and other financial instruments (continued)

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	2026 £'000	2025 £'000
Interest income and expense on items at amortised cost		
- Total interest payable on financial liabilities at amortised cost	103,619	100,153
- Total interest receivable on financial assets measured at amortised cost	(1,639)	(3,151)
	101,980	97,002
Interest income and expense on derivatives		
- Total interest receivable on financial assets measured at fair value through the P&L	(2,955)	(3,721)
- Total interest payable on financial liabilities measured at fair value through the P&L	242	1,318
- Total interest receivables on financial liabilities measured at fair value through the P&L	(13,923)	(14,016)
- Total interest payable / (receivable) on financial assets designated in an effective hedging relationship: Cash flow hedges	(17,459)	(24,565)
Fair value hedges	(810)	5,067
- Total interest payable on financial liabilities designated in an effective hedging relationship: Cash flow hedges	2,729	3,904
- Fair value hedges	(1,469)	(2,794)
	(33,645)	(34,807)
Fair value gains and losses		
- On financial assets measured at fair value through the profit and loss account	2,968	3,439
- On financial liabilities measured at fair value through the profit and loss account (interest rate)	1,670	808
- On financial liabilities measured at fair value through the profit and loss account (index linked)	30,663	6,975
- On derivative financial assets designated in an effective hedging relationship – live fair value hedges	10,006	24,813
- On financial assets formerly designated in an effective hedging relationship – amortisation of previous FV hedge adjustments	540	540
- On derivative financial liabilities designated in an effective hedging relationship – live fair value hedges	(736)	1,295
- On non-derivative financial liabilities designated in an effective hedging relationship – live fair value hedges	(10,501)	(23,237)
- On financial liabilities formerly designated in an effective hedging relationship – amortisation of previous FV hedge adjustments	(4,892)	(4,892)
	29,718	9,741
Other net finance cost	729	684
	98,782	72,620

15 Derivatives and other financial instruments (continued)

Included in fair value losses on index-linked financial liabilities measured at fair value through the profit and loss account is accretion on CPI linked swaps of £17.3m (2025 - £15.3m). Accumulated accretion as at 31 March 2026 is £121.3m (2025 - £104.0m).

Fair value gains and losses in finance costs include the amortisation of fair values “frozen” when accounting hedge designations were terminated (either voluntarily under FRS102 section 21 or because automatic de-designation was triggered for other reasons). Under the group’s strategy of swapping fixed rate debt to floating rate and re-fixing with overlay swaps, certain fair value hedges were previously de-designated as a matter of routine under FRS102 Sections 11 and 12. As FRS102 permits interest rate swaps to be designated as cash flow hedges of aggregate floating rate exposures (fixed rate debt and swap to floating) the underlying Fair value hedges remain when the corresponding overlay swaps are transacted. Other net finance costs includes bank and agency fees, pension accounting adjustments and other miscellaneous interest.

The maturity of the carrying value of the Group’s derivatives in hedging relationships split between less than 1 year and greater than 1 year.

	Current (less than 1 year)		Greater than 1 year	
	2026	2025	2026	2025
	£’000	£’000	£’000	£’000
Derivatives that are designated and effective as hedging instruments carried at fair value				
Cash flow hedges				
Assets	917	1,782	122,399	119,414
Liabilities	-	(85)	-	(736)
Fair value hedges				
Assets	-	-	15,486	20,945
Liabilities	-	-	(17,523)	(18,760)
	917	1,697	120,362	120,863

Interest rate swaps are valued at present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates, adjusted for the Group’s own credit risk when determining the fair value of derivatives liabilities and for counterparty credit risk when determining the fair value of derivatives assets.

15 Derivatives and other financial instruments (continued)

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

Interest rate swap contracts designated as hedges of variable interest rate risk of recognised financial liabilities:

	Average contract fixed interest rate		Notional principal value as at 31 March		Fair value as at 31 March	
	2026	2025	2026	2025	2026	2025
	%	%	£'000	£'000	£'000	£'000
Outstanding cash flow hedges of floating rate EIB loans						
Less than 1 year	1.13	1.34	30,000	30,000	917	865
1 to 2 years	1.23	1.13	30,000	30,000	1,387	1,704
2 to 5 years	1.43	1.29	12,500	42,500	761	3,046
5 years +	3.79	3.74	77,500	47,500	4,922	3,119
			150,000	150,000	7,987	8,734

The receive floating pay fixed interest rate swaps that are designated as hedges are designed to swap the floating rate on various loans from the European Investment Bank to fixed rate for periods of up to ten years thereby eliminating the risk of adverse interest rate movements resulting in unexpected costs and cash flows over the life of the instruments. Where an individual derivative instrument has a maturity date after the maturity date of the hedged debt the expectation is that the underlying debt will be replaced like-for-like such that the forecast cash exposure remains highly probable.

Interest on the swaps is settled on a quarterly basis. The floating rate on the swaps is compounded SONIA plus a credit adjustment spread, subject to a 5 business day lag. The group settles the difference between the fixed and floating interest rate on a net basis.

	Average contract fixed interest rate		Notional principal value as at 31 March		Fair value as at 31 March	
	2026	2025	2026	2025	2026	2025
	%	%	£'000	£'000	£'000	£'000
Outstanding cash flow hedges of other floating rate exposures						
Less than 1 year	-	2.92	-	115,716	-	832
1 to 2 years	-	-	-	-	-	-
2 to 5 years	0.95	1.03	237,500	210,000	27,075	26,726
5 years +	3.19	3.22	717,504	594,287	88,255	84,083
			955,004	920,003	115,330	111,641

15 Derivatives and other financial instruments (continued)

The group's £250m 2027, £450m 2033 and £255m 2035 bonds have been swapped to floating rate for life with a number of interest rate swaps on which the group receives a fixed rate equivalent to the coupon on the bonds and pays SONIA compounded for 6 months plus a spread, subject to a 5 business day lag. In some cases these swaps have been designated as fair value hedges (see the table below). The receive floating pay fixed interest rate swaps analysed in the table above are designed to re-fix the rate on the floating rate exposure thus created for periods of between 10 and 14 years. They have been designated as Cash Flow hedges of the aggregate floating rate exposure created by the fixed rate bond portion and corresponding swap to floating rate. Where an individual derivative instrument has a maturity date after the maturity date of the hedged the expectation is that the underlying debt will be replaced like-for-like such that the forecast cash exposure remains highly probable.

Interest on the swaps is settled on a semi-annual basis. The floating rate on the swaps is compounded SONIA plus a spread, subject to a 5 business day lag. The group settles the difference between the fixed and floating interest rate on a net basis.

	Average contract fixed interest rate		Notional principal value as at 31 March		Fair value as at 31 March	
	2026	2025	2026	2025	2026	2025
	%	%	£'000	£'000	£'000	£'000
Outstanding fair value hedges of bonds						
Less than 1 year	-	-	-	-	-	-
1 to 2 years	4.88	4.88	95,000	95,000	3,509	3,918
2 to 5 years	-	-	-	-	-	-
5 years plus	5.67	5.67	705,000	705,000	11,456	16,178
			800,000	800,000	14,965	20,096

The receive fixed pay floating swaps analysed above hedge the exposure to changes in the fair value of the underlying portions of the group's 2027, 2033 and 2035 bonds that are attributable to changes in interest rates. As the start dates on the swaps vary they also enable the interest rate on the underlying debt to be progressively re-fixed in line with the group's overall interest rate hedging strategy. The swaps settle on a semi-annual basis in the case of the floating rate legs and on an annual basis in the case of the fixed rate leg. The floating rate on the interest rate swaps is compounded SONIA plus a credit adjustment spread plus a margin, subject to a 5 business day lag. Interest will be settled on a gross basis as the settlement dates for the fixed and floating rate legs do not coincide.

15 Derivatives and other financial instruments (continued)

	Average contract fixed interest rate		Notional principal value as at 31 March		Fair value as at 31 March	
	2026	2025	2026	2025	2026	2025
	%	%	£'000	£'000	£'000	£'000
Outstanding fair value hedges of US Private Placement notes						
Less than 1 year	-	-	-	-	-	-
1 to 2 years	-	-	-	-	-	-
2 to 5 years	2.94	2.84	140,000	30,000	(17,002)	(3,211)
5 years plus	-	2.97	-	90,000	-	(14,700)
			140,000	120,000	(17,002)	(17,911)

The receive fixed pay floating swaps analysed above hedge the exposure to changes in the fair value of the underlying portions of the group's 2029 and 2031 USPP notes that are attributable to changes in interest rates. As the swaps have been structured on an accreting basis they also enable the effective interest rate on the underlying debt to be progressively re-fixed in line with the group's overall interest rate hedging strategy. Interest on the swaps is settled on a semi-annual basis. The floating rate on the swaps is compounded SONIA plus a credit adjustment spread plus a margin, subject to a 5 business day lag. The group settles the difference between the fixed and floating interest rate on a net basis.

The USPP loan notes issued by the group include contractual obligations to settle cross-currency derivative financial instruments that the lender has entered into pursuant to the loan, in the event that NGN defaults or repays the USPP loans early. The resulting embedded derivatives have been valued at nil on the basis that NGN is not in default or forecast to be so, or expected to repay the USPP loan notes before the maturity date.

16 Provisions for liabilities

	Gas holder Decommissioning £'000	Deferred tax £'000	Environmental restoration £'000	Other £'000	Total £'000
At 1 April 2025	136	471,046	1,861	12,141	485,184
Charged / (credited) to profit and loss account	19	(4,232)	1,005	551	(2,657)
Debit to hedge reserve	-	1,162	-	-	1,162
Utilised in the year	(155)	-	(1,339)	(1,884)	(3,378)
Adjustment arising from discounting	-	-	-	(45)	(45)
At 31 March 2026	-	467,976	1,527	10,763	480,266
Pension liability (note 20)					106
Total provisions					480,372

Deferred tax

Deferred tax is provided as follows:

	2026 £'000	2025 £'000
Group		
Accelerated capital allowances	157,401	148,862
Fixed asset differences	256,486	265,295
Other timing differences	54,089	56,889
	467,976	471,046

Provision for deferred tax

Deferred tax is only recognised in respect of timing differences where transactions or events have occurred, that result in an obligation to pay more or less tax in the future, at the balance sheet date. The other timing differences relate to general provisions, financial instruments, intangible fixed assets, R&D tax relief and pension contributions spreading. A deferred tax asset of £557,000 (2025 - £557,000) in respect of Corporate Interest Restriction balance carried forward has not been recognised because in the opinion of the directors it will not be able to be reactivated in the foreseeable future.

16 Provisions for liabilities (continued)

Gas holder decommissioning provision

The provision represented the estimated cost of removing gas holders from the network as committed under RIIO-GD2. This work has completed at the balance sheet date.

Environmental restoration

Estimated environmental restoration costs are provided where the group has a legal obligation to restore sites at the balance sheet date. The provision represents the estimated net present value for statutory decontamination of old gas sites. It also reflects the obligations associated with other environmental damage. The timing of the utilisation of the environmental restoration provision is inherently uncertain although the directors expect that such utilisation will occur mainly beyond one year from the balance sheet date. The provision has been calculated using the probability of cash flows method and management have used an expert to assess the probability of a restoration event and the potential cost.

The cash exposure based on a worst case scenario is an additional expense of £0.9m but this is deemed highly unlikely based on historic trends.

Other

Other provisions relate to the estimated net present value of future claims in relation to past public and employer's liability events (based on a the net present value of payments forecast by industry experts), covers committed contributions towards the H100 Fife Hydrogen Gas Network project, and covers the liability associated with mineral claims within the network (based on a valuation provided by legal counsel).

The timing of the utilisation of the other provision is inherently uncertain although the directors expect that such utilisation will occur mainly beyond one year from the balance sheet date. Sensitivity analysis was applied on the estimated cost, with a 5% movement causing a £0.5m variance.

17 Called up share capital and reserves

Share capital

	2026 £'000	2025 £'000
Allotted, called up and fully-paid		
71,669,980 ordinary shares of £1 each	71,670	71,670
(2025 - 71,669,980 ordinary shares of £1 each)		
Allotted and called-up		
999 ordinary shares of £1 each (2025 - 999 ordinary shares of £1 each)	1	1
1 special share of £1 (2025 - 1 special share of £1)	-	-
	71,671	71,671

The unpaid shares remain outstanding within debtors at the balance sheet date. The ordinary shares and the special share are separate classes of shares and carry the same rights and privileges and rank pari passu in all respects.

Profit and loss account - This is the accumulative earnings retained by the group.

Hedging reserve - This represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges.

18 Reconciliation of operating profit to operating cash flows and net debt reconciliation

Reconciliation of operating profit	2026	2025
	£'000	£'000
Operating profit	252,756	213,307
Depreciation and amortisation	104,644	100,496
Taxation – UK corporation tax paid	(54,615)	(41,097)
(Loss) / profit on sale of tangible fixed assets	(594)	312
Decrease in stock	64	256
Decrease / (increase) in debtors	27,930	(36,283)
Increase / (decrease) in creditors	12,297	(4,369)
Increase / (decrease) in provisions	2,375	(1,294)
Payments to defined benefit pension scheme	(2,400)	(11,300)
Net cash inflow from operating activities	342,457	220,028

Net debt reconciliation

	1 April 2025 £'000	Cash flow £'000	Other non-cash changes £'000	31 March 2026 £'000
Cash at bank and in hand	10,091	(6,281)	-	3,810
	10,091	(6,281)	-	3,810
Debt due in less than 1 year	(1,842)	(69,204)	(183)	(71,229)
Debt due in more than 1 year	(2,029,426)	31,898	14,558	(1,982,970)
	(2,031,268)	(37,306)	14,375	(2,054,199)
Net debt	(2,021,177)	(43,587)	14,375	(2,050,389)

Other non-cash changes result from fair value movements on derivative financial instruments, the amortisation of prepaid finance costs and change in maturity profile for items between due in less than one year and due in more than one year.

19 Financial commitments

Total future commitments of the group (none within the company) under non-cancellable operating leases are as follows:

	31 March 2026		31 March 2025	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	791	568	728	109
- between one and two years	791	311	601	70
- between two and five years	2,049	12	772	8
- after five years	1,987	-	658	-
	5,618	891	2,759	187

The group has a total commitment of £3.1m (2025 - £3.6m) over the term of the 2027 and 2035 bonds in relation to a financial guarantee from Financial Guaranty UK Limited ("FGUK") to cover the 2027 and 2035 guaranteed bonds included within long term borrowings in note 14.

The group has also entered into a Guarantee and Reimbursement Agreement with FGUK in relation to the 2027 and 2035 bonds issued by Northern Gas Networks Finance Plc ("the Issuer") in November 2005 of £505.0m. The group guarantees the punctual payment of any and all sums and fees due to FGUK and undertakes to pay any amount due from the Issuer but not paid by it. The group also indemnifies FGUK against any loss or liability suffered, if any obligation guaranteed by FGUK is, or becomes, unenforceable, invalid or illegal. The amount of the loss or liability under the indemnity is equal to the amount FGUK would otherwise have been entitled to recover.

20 Pension arrangements

The group has obligations for a defined benefit pension scheme which closed for future accrual from 1 April 2022. The last triennial valuation was done in March 2022. During the year a valuation of the pension scheme was carried out by a third party actuarial firm (Mercer). The present valuation of the obligations, the related current service cost and past service cost were measured using the projected unit credit method.

The amounts recognised in the balance sheet are as follows:

	2026 £'000	2025 £'000
Present value of funded obligations	(276,768)	(278,531)
Fair value of plan assets	276,627	277,444
Deficit	(141)	(1,087)
Related deferred tax asset	35	272
Net liability in balance sheet	(106)	(815)

The total amounts recognised in the profit and loss account are as follows:

	2026 £'000	2025 £'000
Amount debited to net finance charges		
Interest costs	15,704	15,262
Expected return on plan assets	(15,433)	(14,684)
Net finance gain on pension scheme (see note 3)	271	578
Total costs	271	578

The total amounts recognised in the statement of comprehensive income are as follows:

	2026 £'000	2025 £'000
Actuarial gains (losses)	2,995	(259)

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income is as follows:

	2026 £'000	2025 £'000
Actuarial losses	(168,934)	(171,929)

20 Pension arrangements (continued)

Changes in present value of funded obligations:	2026 £'000	2025 £'000
Opening defined benefit obligation	278,531	309,581
Interest cost	15,704	15,262
Actuarial gains	(1,972)	(31,637)
Benefits paid	(15,495)	(14,675)
Closing defined benefit obligation	276,768	278,531

Changes in the fair value of plan assets:

	2026 £'000	2025 £'000
Opening fair value of plan assets	277,444	298,031
Expected return	15,433	14,684
Administrative expenses	(4,178)	-
Actuarial gains (losses)	1,023	(31,896)
Employer contributions	2,400	11,300
Benefits paid	(15,495)	(14,675)
	276,627	277,444

The major categories of plan assets as a percentage of the total plan assets are as follows:

	31 March 2026 %	31 March 2025 %
Deferred buy in premium	-	(12.7)
Assets held by insurance companies	100.1	101.3
Property fund	0.3	0.8
Other	(0.4)	10.6

20 Pension arrangements (continued)

To determine the overall expected rate of return on plan assets the group considered the current level of expected returns on risk free investments (primarily Government bonds), the historical level of the risk premium associated with the other asset classes in which the assets are invested and the expectations for future returns of each asset class in the plan. The expected return for each asset class was then weighted, based on the asset allocation in the plan to develop the assumption for the expected rate of return on plan assets. The actual return on plan assets is as follows:

	2026 £'000	2025 £'000
Actual return / (loss) on plan assets	16,456	(17,212)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are:

	2026	2025
Discount rate	6.1%	5.8%
Inflation (CPI)	3.1%	2.9%
Inflation (RPI)	3.4%	3.2%
Life expectancy on retirement		
- member aged 65 (retiring today) male	21.3 years	20.8 years
- member aged 65 (retiring today) female	23.3 years	23.1 years
- member aged 45 (retiring in 20 years) male	22.9 years	22.5 years
- member aged 45 (retiring in 20 years) female	25.4 years	25.2 years

In April 2023 the company funded the buy-in of the majority of the remaining pension liabilities and terminated the two asset backed contribution schemes that were in place. Contributions to the pension scheme of £2.4m (2025 - £11.3m) were made in the year. The group also operates defined contribution schemes for which the pension charge for the period amounted to £7.2m (2025 - £6.7m). Regarding the Virgin Media pension case in 2023, the High Court ruled that a lack of actuarial confirmation would render relevant amendments to affected contracted-out DB pension schemes' rules invalid and void, meaning implications exist for a significant number of DB schemes. No known implications resulted for the NGN group.

21 Related party transactions

There have been no transactions with directors in the year (2025 - £nil) other than remuneration as disclosed in note 6 to the accounts. During the year interest was charged on shareholder loans held by the company as detailed in note 14 and analysed below:

Shareholder/Lender	Interest charges £000	Loan value £000
PG (April) Limited	8,470	84,706
Beta Central Profits Limited	7,434	74,329
TCorpIM Unlisted Infrastructure Fund*	2,096	20,965

* 24 March 2026 the 11.6% shareholder loan previously held by SAS Trustee Corporation was transferred to TCorpIM Unlisted Infrastructure Fund (see note 22). The loan interest is settled annually and for calendar year 2025 was paid to SAS Trustee Corporation. The calendar year 2026 interest will be paid to TCorpIM Unlisted Infrastructure Fund.

During the year the group was recharged £48,000 (2025 - £nil) from CK Infrastructure Holdings Limited and £188,000 (2025 - £nil) from Power Assets Holdings Limited for costs incurred while visiting the group. These entities are consortium owners of the group (see note 22). During the year CK Hutchinson Holdings Limited, which owns 76% of CK Infrastructure Holdings Limited, provided IT services to the group costing £708,000 (2025 - £404,000). During the year the group was recharged £3,652,000 (2025 - £2,898,000) by xoserve, an investment of the company (see note 11), for billing services provided. During the year the group was charged £2,567,000 (2025 - £2,878,000) for services provided by the Northumbrian Water Group Limited and its subsidiaries which is 30% owned by CK Infrastructure Holdings Limited (see note 22). During the year the group charged £251,000 for services provided to subsidiaries of CK Infrastructure Holdings Limited, £155,000 for services provided to subsidiaries of Power Assets Holdings Limited and £10,000 for services provided to CK Hutchinson Holdings Limited making a total of £416,000 (2025 - £367,000). These services were provided through Management Services Agreements covering staff costs and office rent. During the year the group was charged £25,000 (2024 - £nil) for services provided by N-Gen Energy Solutions Limited, company which is 60% indirectly own by CK Infrastructure Holdings Limited and Power Assets Holdings Limited.

22 Ultimate controlling party

In the opinion of the directors there is no ultimate holding company. As at the balance sheet date the company is wholly owned by a consortium comprising of:

Shareholder	Ultimate parent undertaking
PG (April) Limited, incorporated in England & Wales (47.1%)	CK Infrastructure Holdings Limited
Beta Central Profits Limited, incorporated in England & Wales (41.3%)	Power Assets Holdings Limited
SAS Trustee Corporation, incorporated in Australia (11.6%)	Not applicable

23 Events after the balance sheet date

Post year end, dividends of 28.95p per share were paid on 22 June 2026 (£20.75m). On 7 May 2026 the 11.6% shareholding held by SAS Trustee Corporation was transferred to TCoropIM Unlisted Infrastructure with shares being held by J P Morgan Nominees Australia Pty as a custodian.