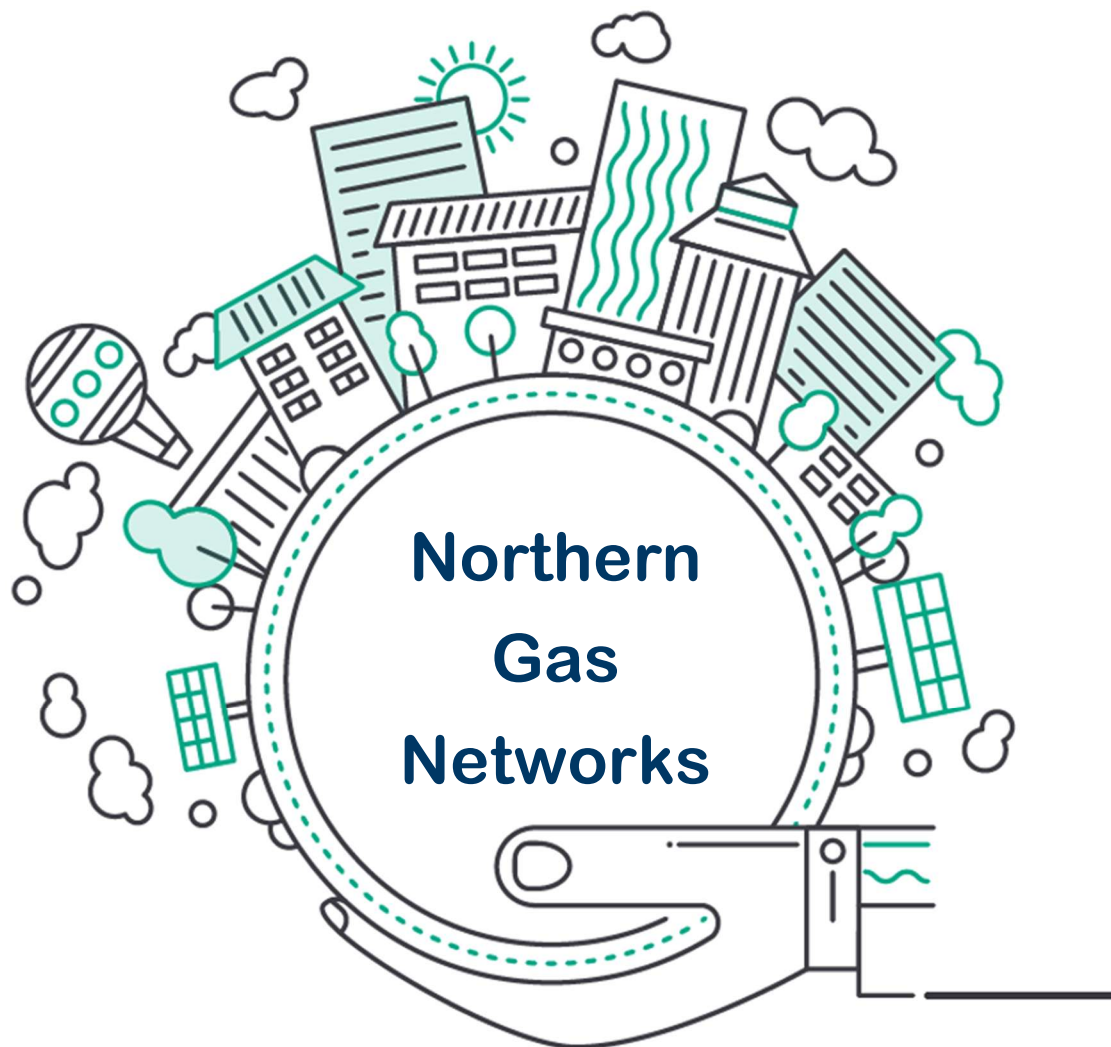




# **Regulatory Financial Performance Report (RFPR) - 2025/26**

**September 2026**

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# 1. Executive Summary Including Key Financial & Operational Performance

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This report sets out our financial & operational performance in 2025/26 and supports our RFPR tables submitted to Ofgem. Further details of performance, both financial and operational which include how we act in a sustainable and environmentally responsible way, can be found within NGN's RIIO-2 Strategic Commentary 2025-2026 Report, which also provides narrative regarding performance across the entire 5 year RIIO-2 period.

The financial highlights for the year ended 31 March 2026 are:

- We underspent allowances by £11.5 million this year, as detailed in section 4, mainly due to:
  - capex overspend of £5.1 million attributed in the main to increased delivery activity in LTS, Storage & Entry and Governors, and
  - opex underspend of £16.7m across work management (£5.4 million), work execution (£6.9 million), and business support and training (£4.4 million).
- We maintained our strong customer service performance, delivering an incentive of £1.7 million in the year. We paid no penalties under the Complaints and Unplanned Interruptions. Environmental emissions incentive earned £0.5 million in the year.
- 431.7km of Tier 1 mains were delivered in the year which ensured we delivered in excess of our RIIO-2 target.
- The Regulatory Asset Value (RAV) increased in line with expectations as we continue to invest in our assets.

## **Note on enduring value adjustments**

Enduring value is defined as an adjustment made to a licensee's financial or operational performance to reflect true performance against regulatory targets. This could include any timing differences (past or future) on delivery when compared to the allowance, any future uncertainty mechanism claims, and any future close out mechanism adjustments. NGN do not consider it appropriate to make any enduring value adjustments as at 31 March 2026.

## **Estimates and allocations**

No significant estimates are made. No allocations are made that do not fall within the guidance of the Regulatory Financial Performance Reporting Regulatory Instructions and Guidance, unless stated within this document.

## **Data assurance**

The submission process is compliant with NGN's Regulatory Reporting Policy, which requires a full secure audit trail for the submission, segregated roles and responsibilities including independent completion and detailed checking roles. Step by step processes have been documented. All tables are allocated to members of the

NGN Finance Management Team have been reviewed through departmental internal sign off in accordance with our policies.

Much of the financial data is based on other Regulatory Submissions including those detailed under Condition A40 in our Licence and it has been reconciled to the March 2026 audited statutory accounts. As such the base data is subject to the controls inherent in those processes.

## 2. (R1) Return on Regulatory Equity (RORE)

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Ofgem use the Return on Regulatory Equity (RORE) to measure the potential financial returns or penalties on the portion of the value of the company that is financed by equity. RORE is calculated by using the cost of equity (Allowed Equity Return) as the starting point as this amount is funded directly in revenue.

The cash value of any outperformance from the incentive mechanisms is then divided by the 40% notional equity portion of the Regulatory Asset Value to calculate the additional return on equity earned.

| RORE %                  | 21/22 actual | 22/23 actual | 23/24 actual | 24/25 actual | 25/26 actual |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Operational performance | 6.98         | 6.80         | 5.66         | 5.79         | 6.36         |

Further details of performance can be found within NGN's RIIO-2 Strategic Commentary 2025-2026 Report.

## 3. (R2) Reconciliation to Revenue & Profit

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At the beginning of the price control Ofgem set our Base Revenue, assuming we deliver in line with the allowed costs and workload. Our Allowed Revenue is then calculated based on our actual cost and workload performance and is used to set customer bills. However, because of movements in customer numbers and levels of consumption our Collected Revenue for that year is unlikely to match the Allowed Revenue. Any under or over collection is simply adjusted for in the following years' Allowed Revenue and this carries on in RIIO-3.

In addition to our Allowed Revenue, the gas networks collect revenue to pay for the National Transmission System (NTS) Exit Capacity charges, Shrinkage gas costs, Council rates and the Supplier of Last Resort payments. These are pass through costs – the gas networks have no control over the charges and simply collect the revenue to be passed on. However, combined they are a significant part of the end customer's bill.

Our statutory revenue in 2025/26 was £595.0 million (nominal prices) with a reconciliation of this to Allowed Revenue provided within the RFPR table R2. Statutory profit after tax is also reconciled within the RFPR table R2. Our statutory accounts can be found at Companies House.

## 4. (R3) Totex

### Summary

All data within this section is detailed in 18/19 prices unless stated otherwise.

Spend by year and across RIIO-2 is shown below.

|           | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | GD2     |
|-----------|---------|---------|---------|---------|---------|---------|
| Totex     | 214.9   | 220.9   | 242.6   | 246.7   | 238.0   | 1,163.2 |
| Allowance | 256.6   | 256.7   | 244.3   | 244.9   | 249.5   | 1,252.0 |
| Variance  | (41.8)  | (35.7)  | (1.7)   | 1.8     | (11.4)  | (88.9)  |

### Totex (excluding repex)

Spend against allowances in the year was under by £11.5 million, the highlights of which are detailed below:

#### **Opex (£16.7 million under)**

Work Management: £5.4 million of underspend is broken down as follows:

- Holder Demolition £2.8 million under allowance – programme fully delivered by the end of year 4 of RIIO-2 utilising efficient commercial framework and delivery partners (hence minimal spend in 2025/26 being year 5).
- Land Remediation £0.3 million over allowance – remediation activities completed following surveys and monitoring completed.
- Other £3.0 million under allowance – continued effective resource planning across support departments.

Work Execution: £6.9 million of underspend is broken down as follows:

- Maintenance £4.4 million over allowance – driven by a continued increase in non-routine activities as we catch up on the Annual Maintenance Programme (AMP) and Governor Site Upgrade Programme increased delivery.
- Emergency £7.4 million under allowance – benefit of First Call Engineers (FCEs) supporting the maintenance governor programme, facilitated by a lower-than-expected Public Reported Escapes (PRE) workload.
- Repair £0.2 million under allowance – reduced Repair workload has generated reduced reinstatement spend and enabled capacity for teams to be utilised on maintenance valve survey work.
- Other Direct Activities £3.8 million under allowance – fewer large-scale incidents and recovery of costs from prior year incidents, lower than expected contractor costs associated with non-routine activities.

Business Support & Training: £4.4 million of underspend is broken down as follows:

- IT & Telecoms £2.9 million under allowance – utilisation of internal resource with less reliance on contractors.
- Property Management £1.1 million under allowance – lease renegotiations, office closures and the purchase of Thorpe Park.
- Insurance £1.5 million under allowance – continued savings associated with property damage policy changes.
- Training £0.8 million over allowance – extension of the apprentice scheme to assist workforce resilience.
- Miscellaneous £0.3 million over allowance.

### **Capex (£5.1 million overspend)**

- LTS, Storage & Entry - £3.8 million overspend within the year against the allowance. The main contributor was down to the phasing of the TransPennine projects. Due to delays incurred during RIIO-2, a much larger proportion of work was carried out in year 5, than had been anticipated.
- Reinforcement expenditure was £0.2 million below allowance.
- Other Capex was £2.1 million below allowance. The variance was primarily driven by a £4.9 million underspend in IT & Telecoms as NGN continued to realise efficiencies from its insourcing strategy. This was partially offset by increased expenditure in E&I and Pipelines, where spend exceeded allowance in 2025/26 following a focused effort to accelerate delivery of the RIIO-2 business plan.
- Connections £0.8 million underspend. Despite persistent unit cost pressures arising from lower workloads and inflation, effective cost management enabled the business to reduce net expenditure by 16% year-on-year and maintain strong regulatory performance.
- Governors – Net spend over the allowance by £4.4 million. Governor site upgrade programme continued, ensuring our district governors and sites are safely secured.

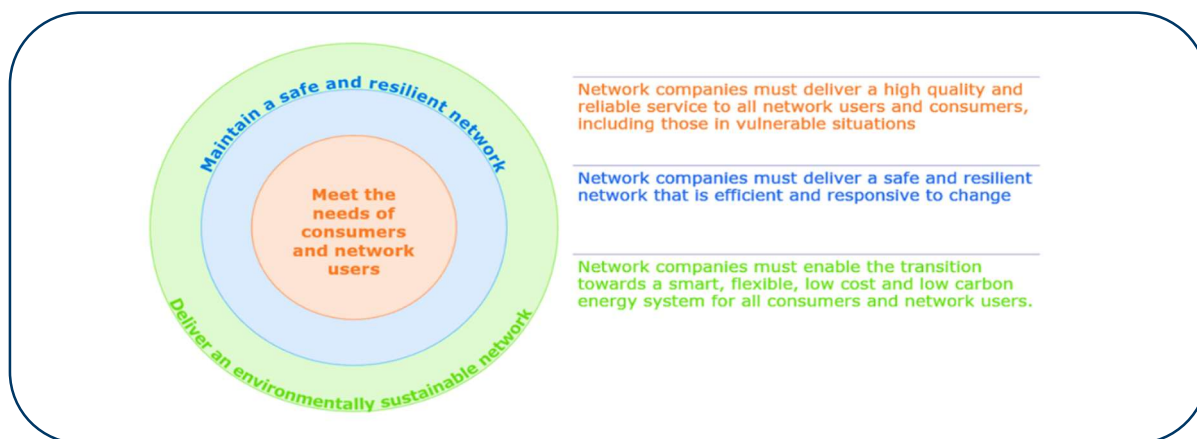
### **Repex (£0.1 million overspend)**

- Annual regulatory workload allowance was 428.9km. During the year, NGN delivered 431.7km of Tier 1 mains replacement.
- We also continued delivery of the Tier 1 Stubs programme despite no allowance being provided for Years 3-5 of RIIO-2.

A more detailed analysis is provided within NGN's RIIO-2 Strategic Commentary 2025-2026 Report.

## 5. (R4) Incentives & Other Revenue

The adoption of an output and incentive-based framework is a key element of the RIIO regulatory contract. By defining the outputs companies need to deliver and any incentives or penalties they will receive for over or under-performance, as well as setting cost allowances, companies are incentivised to innovate and deliver the services that customers require at least cost. An outputs-based framework also provides greater transparency for customers and the networks as to what services and standards the networks need to deliver.



### Performance summary

We maintained our strong customer service performance, delivering an incentive of £1.7 million in the year. We paid no penalties under the Complaints and Unplanned Interruptions. Environmental emissions incentive earned £0.5 million in the year.

| Output Incentives<br>18/19 prices<br>£m | 21/22<br>actual | 22/23<br>actual | 23/24<br>actual | 24/25<br>actual | 25/26<br>actual | Total |
|-----------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------|
| Customer service                        | 1.4             | 1.6             | 1.6             | 1.7             | 1.7             | 8.0   |
| Complaints                              | -               | -               | -               | -               | -               | -     |
| Unplanned interrupt                     | -               | -               | -               | -               | -               | -     |
| Environmental                           | (0.3)           | 0.4             | 0.5             | 0.4             | 0.5             | 1.5   |

Further details of performance can be found within NGN's RIIO-2 Strategic Commentary 2025-2026 Report.

## 6. (R5 - R6) Financing and Net Debt

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### Cost of debt

In 2025/26 NGN's net interest cost on a nominal basis (per the regulatory definition) was £52.9 million before the impact of accretion on index-linked swaps (2024/25 £45.0 million) and £69.7m after accretion (2024/25 £60.3 million).

Relatively high inflation in the year, coupled with c70% of NGN debt being subject to nominal interest rates, means that on a real basis (using Ofgem's methodology) NGN's net interest cost was -£4.1 million net of accretion on index-linked swaps (2024/25 -£0.6 million). That translates to £35.4 million of cost of debt outperformance in the year (in 18/19 prices at actual gearing), (2024/25 £29.6 million) contributing +4.1% to RoRE for the year (2024/25 +3.4%). As with previous years, in our view this is not a true reflection of outperformance as the methodology is based on the premise that the inflation element embedded in our debt costs is equal to the short-term inflation of the reporting year, which is not the case in reality.

As an infrequent issuer of debt NGN is not able to manage its actual debt costs against the regulatory allowance purely through the timing of debt issuance. Derivatives (interest rate swaps) are therefore used to manage the extent to which NGN's actual debt costs are sensitive to market rates in any particular year. In every year NGN enters into new pay fixed interest swaps as part of its strategy to broadly align its debt costs with the regulatory allowance.

### Net debt

Regulatory net debt (including accumulated accretion on index-linked swaps) increased from £1.92bn in March 2025 to £2.01bn in March 2026. The additional debt was used to fund investment in the network and supporting IT infrastructure etc.

NGN replaced its Revolving Credit Facility in 2025/26, increasing the facility from £160 million to £200 million broadly on the same terms.

The only debt repaid in the year was a £1.8 million amortisation payment on an EIB loan.

There was a loan under the Revolving Credit Facility of £40.0m at 31 March 2026 (£0.0 million at March 2025).

### Completion of tables R5a & R6a

The finance charges / interest costs ("Income statement (P&L) charge") in table R5a are linked to tables F3-5, based on data input in table F6. There is a mismatch between the values derived from these calculations and the corresponding P&L values in NGN's accounts for 2021/22 to 2025/26. This mismatch arises from a number of sources, including, but not necessarily limited to:

- Prior year adjustments have been made to reconciling items to reflect the change in Ofgem's methodology in calculating swap accretion from using CPIH to using CPI which more closely aligns with NGN's calculations.
- The interest on floating rate loans and the floating legs of interest rate swaps is based on monthly averages of SONIA in the RFPR. In reality, rates are based on average SONIA over specific periods, some of which will straddle regulatory year-ends. Moreover, accrued interest at year-end is based on forecast SONIA for the remaining duration of each interest period and NGN's treasury system forecasts may differ from Ofgem assumptions.
- The calculations embedded in the RFPR do not take account of different day count bases for calculating interest (e.g. actual/actual, actual/365, 30/360), which is especially relevant where interest is calculated for only part of a year.

- The RFPR methodology assumes that an instrument beginning on 31 March only “counts” from 1 April, and that an instrument maturing on 31 March attracts interest on that day. Both assumptions are “incorrect” by one day.
- For 2021/22 some differences will have arisen as a result of Libor transition – in the RFPR an instrument can only have its floating rate classified as being referenced to LIBOR *or* SONIA, whereas in 2021/22 all swaps and floating rate loans will have been subject to both at different times.

In table R5a, for the purpose of reconciling interest calculated by RFPR with finance costs per NGN’s income statement, we have therefore populated rows 50-57 with adjustments to correct for the mismatch described above for 2022 to 2026. The adjusted values also contribute to the total “Net Interest Per Regulatory (RIIO-2) Definition” in row 117. For the purpose of forecasting, we have assumed that the calculations embedded in the RFPR will reflect actual interest costs in all future years.

In table R6a in row 66 we have added accretion on index-linked swaps to *Total Net Debt* to derive an appropriate value for *Total Net Debt per Regulatory Definition*, in order that gearing is correctly calculated (this feeds into table R6 at row 29).

Accumulated swap accretion is included in debt for the purpose of calculating gearing ratios in NGN’s debt covenants. This is also consistent with rating agency methodology for calculating debt-related credit metrics. In NGN’s financial statements, accumulated accretion, although separately disclosed, is included in swap creditors rather than as debt. Economically, however, it is a debt-like obligation, requiring full settlement at maturity (whereas interest rate swap fair values will be nil at maturity). In 2031, when NGN’s various CPI-linked swaps mature and accretion falls due for payment, NGN will have to arrange funding to make the payments, thereby increasing debt and gearing. This amount is currently expected to exceed £195.0 million. Failing to include the ongoing amount as part of regulatory debt would bring about a cliff-edge in 2031/32 as the accretion is paid down and new debt raised.

## 7. (R7) RAV

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The table below shows our RAV position in RIIO-2. This has been calculated using the latest Ofgem PCFM updated to include all inputs from the revenue interface tab from the Regulatory Reporting Pack.

NGN’s closing RAV position at 31<sup>st</sup> March 2026 is £2.4bn in 18/19 prices as shown below:

| RAV<br>18/19 prices<br>£m | 21/22<br>actual | 22/23<br>actual | 23/24<br>actual | 24/25<br>actual | 25/26<br>actual |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Closing                   | 2,263           | 2,293           | 2,320           | 2,346           | 2,367           |

## 8. (R8 – R8a) Tax & Tax Reconciliation

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The aim of this table R8a is to reconcile the tax charge per CT600 to the regulatory tax allowance. For the 25/26 RFPR submission this is the reconciliation of the latest submitted tax computation, so for the year ended 31 March 2025.

The CT600 values for the year ended 31 March 2025 are in column D of table R8a and are compared to the PCFM values in column H of table R8a. The key differences are explained in R8a and are summarised in Appendix 1 of this commentary.

There is a requirement for the board of licensee to provide assurance over the table via a Tax Reconciliation Assurance Statement, that is approved, by resolution of the board of directors. This has been provided as a separate PDF document.

Schedule R8a for the year ended 31 December 2024 is being resubmitted following the resubmission of the CT600 to HMRC. Schedule R8a is being resubmitted in the same form as the original filing which allows easy comparison to the prior filing. All material differences are explained.

## 9. (R9) Corporate Governance / Financial Resilience

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### Ownership structure

Northern Gas Networks Limited is a fully owned subsidiary of Northern Gas Networks Holdings Limited, a company incorporated in England and Wales, which is the ultimate parent company and the ultimate controlling party.

The Shareholders of Northern Gas Networks Holdings Limited are a consortium comprising of:

|                                                                |         |
|----------------------------------------------------------------|---------|
| PG (April) Limited, incorporated in England & Wales            | (47.1%) |
| Beta Central Profits Limited, incorporated in England & Wales  | (41.3%) |
| J P Morgan Nominees Australia Pty, incorporated in Australia * | (11.6%) |

\* On 7 May 2026, the 11.6% shareholding held by SAS Trustee Corporation was transferred to TCorpIM Unlisted Infrastructure with shares being held by J P Morgan Nominees Australia Pty as custodian.

The ultimate parent undertakings of the companies above are as follows:

| <u>Shareholder</u>                        | <u>Ultimate parent undertaking</u>       |
|-------------------------------------------|------------------------------------------|
| PG (April) Limited (47.1%)                | CK Infrastructure Holdings Limited (CKI) |
| Beta Central Profits Limited (41.3%)      | Power Assets Holdings Limited (PA)       |
| J P Morgan Nominees Australia Pty (11.6%) | Not applicable                           |

Note: CKI own 36.0% of PA, with the rest being publicly traded. CK Hutchinson Holdings Limited own 75.7% of CKI, with the rest being publicly traded.

### Board of Directors

The Board of Northern Gas Networks Limited is comprised of eleven directors as at 31 March 2026, nine of whom are appointed by the shareholders, the final two being independent non-executive directors. All are independent of the day to day management of the company with the exception of the Chief Executive Officer (CEO) who is a Board member and leads the company senior management team (SMT) who in turn manage the company.

The daily operations of the business are managed by the SMT and the CEO. All significant decisions are referred to the Board of Directors ("the Board"). The decision making for the following matters is covered by either the Board (or the relevant board committee as detailed in the next section): purpose; values and strategy; and dividend policy.

The decisions in relation to Board Director nominations, evaluation and executive remuneration are made by the relevant shareholder companies (regarding the nine shareholder appointed directors). For the non-

executive directors, remuneration is set by the Board and for appointments a Nominations Committee make recommendations for approval by the Board.

The Board meets at least five times a year.

The Board Directors for the year ending March 2026 of Northern Gas Networks Limited were:

| Director           | Director status                                         | Date of appointment |
|--------------------|---------------------------------------------------------|---------------------|
| Andrew J Hunter    | Executive Director and Chairman - Shareholder appointed | 1 December 2006     |
| Mark J Horsley     | Executive Director and CEO - Shareholder appointed      | 4 January 2011      |
| Hing L Kam         | Executive Director - Shareholder appointed              | 31 May 2005         |
| Neil D McGee       | Executive Director - Shareholder appointed              | 4 July 2006         |
| Simon D Beer       | Executive Director - Shareholder appointed              | 23 December 2016 *  |
| Loi S Chan         | Executive Director - Shareholder appointed              | 13 August 2012      |
| Duncan N Macrae    | Executive Director - Shareholder appointed              | 21 June 2011        |
| Charles C Tsai     | Executive Director - Shareholder appointed              | 28 February 2014    |
| J K M Yu           | Executive Director - Shareholder appointed              | 1 July 2023         |
| John Burnham       | Independent non-executive                               | 1 April 2014        |
| P Rogerson         | Independent non-executive                               | 1 April 2014**      |
| Alison Sleightholm | Independent non-executive                               | 1 March 2026 ***    |

\* resigned on 8 July 2026

\*\* resigned 15 July 2025

\*\*\* appointed 1 March 2026

### **Board 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:

- Audit Committee
- Compliance Committee
- Risk Management Committee
- Treasury Committee
- Remuneration Committee
- ESG Committee
- Nominations Committee

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.

More information on the Board Committees can be found in the Corporate Governance Statement of the Northern Gas Networks Limited statutory accounts for the year ended 31 March 2026.

### **Executive remuneration policies**

There is only one Executive Director, the CEO, who is paid remuneration from Northern Gas Networks Limited, and this is set by the shareholder which the CEO represents. The other Shareholder appointed Executive Directors are all paid by their respective shareholder companies and Northern Gas Networks Limited has no input into their remuneration packages as their roles encompass responsibilities for several other companies outside of the Northern Gas Networks Group.

The only Executive Director to be paid a bonus by Northern Gas Networks Limited is the CEO. This bonus is decided by the shareholder which the CEO represents and paid in respect of each calendar year. The bonus is in two parts, with one being payable after the calendar year end and an amount deferred under a Long Term Incentive Plan (LTIP). The LTIP is payable 5 years after the year in which the award is earned, conditional on the Director remaining in office on the payment date.

The bonus targets, both short and long term are aligned to the strategic goals of the business, incorporating the values of the organisation, including efficiency, customer service, operational and environmental targets.

Whilst the pay of the CEO is set by the shareholder, Northern Gas Networks Limited continually seek to benchmark colleagues pay in the market, to attract and retain a talented workforce who display the company's values. We therefore feel the CEO pay ratios reported in the RFPR document reflect the market differentials in pay.

### **Dividend policies**

Dividends are paid to shareholders as determined by the Company Board by considering: forecast information and actuals for the current year; compliance with the requirements of the Companies Act; the obligations of the Regulatory contract; performance against regulatory targets; and consideration of financial resilience which includes assessment of NGN's credit rating and bank covenants (which include Debt to RAV ratio and interest coverage).

In assessing the level of dividends being paid the Board have knowledge of and attention to the following matters:

- NGN certifies under Special Standard condition A37 that it will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the activities authorised by the licence held in accordance with the obligations under the Act and such licence for a period of 12 months from the date of this certificate.
- NGN also certifies under Special Standard Condition A37(4) that it will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents and facilities available to itself to enable the licensee to carry on the transportation business for a period of 12 months from the date of this certificate.

NGN seeks to treat the regulatory standards set for consumers as a minimum rather than target as represented by its treatment of 1 and 2 hour standards, as an example. In addition it seeks to operate as efficiently as it can on a long term basis which is in the interests of consumers. Also, as evidenced in the 2025/26 RRP submission, NGN continues to meet & exceed regulatory obligations, delivering the best value for its customers.

Dividends are declared in December (paid in December) and April (paid in June). All dividends are approved by the Board and a regulatory certificate is provided to Ofgem prior to payment. In accordance with this timetable, a quorum of the listed Directors satisfied themselves that the aforementioned considerations facilitated the approval of the dividends as shown below.

For the 25/26 dividends, these were approved at the Board meetings of April 2025 and November 2025. At the April 2025 Board meeting 10 out of 11 directors were present. At the November 2025 Board meeting 10 out of 11 directors were present.

| <b>Dividends nominal prices (£m)</b> | <b>21/22 actual</b> | <b>22/23 actual</b> | <b>23/24 actual</b> | <b>24/25 actual</b> | <b>25/26 actual</b> |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Declared                             | 91.7                | 88.4                | 100.0               | 99.4                | 89.7                |

A copy of NGN's dividend policy, as approved by the Board, has been included as a separate PDF document.

### **Financial resilience**

The Board ensure the company remains financially resilient through a strong corporate governance framework. Examples of this include: the aforementioned dividend policy which ensures the Board are assessing bank covenants; having a hedging strategy which seeks to match the regulatory allowances for cost of debt; having an investment grade credit rating from Moody's and S&P which has over a long period been two notches better than required in the licence; maintaining a prudent Debt to RAV ratio; and having banking facilities in place with headroom to ensure it can meet unexpected operational requires should they arise.

The bank facilities of the company have two covenants those being Debt to RAV and interest cover (PMICR), neither of which have been breached in the regulatory year or are forecast to do so within the medium term business plans of the company. The banking facility covenant for Debt to RAV is <75%, with an internal target of <70%, both of which have been achieved during the regulatory year. The banking facility covenant for PMICR is >1.3 to 1, for which no differing internal covenant exists, has also been achieved during the regulatory year.

No companies within the corporate group have a material economic reliance on the distribution of NGN.

## **10. (R10) Pensions & Other Activities**

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The pension tables within the RFPR reflect the deficit, contributions and asset / liabilities reported to Ofgem.

## Appendix 1

| Description of Tax Reconciliation Items            | CT600/ CT computation filed with HMRC (Original Filing) | PCFM Calculated Tax Allowance | Difference PCFM vs CT600 | Materiality check | Explanation of difference / Comments                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------|---------------------------------------------------------|-------------------------------|--------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                    | £m                                                      | £m Nominal                    | £m                       | £m                |                                                                                                                                                                                                                                                                                                                                           |
| <b>Profit/ (Loss) before taxation per accounts</b> | <b>160.1</b>                                            | <b>248.7</b>                  | <b>-88.5</b>             | <b>Material</b>   | Impact of difference in revenue (Annual interaction process), depreciation (in statutory accounts) and interest (true cost of debt and includes FV adjustments in statutory accounts)                                                                                                                                                     |
| <b>Disallowables/ Allowables and similar items</b> |                                                         |                               |                          |                   |                                                                                                                                                                                                                                                                                                                                           |
| - Provisions adjustments                           | -1.0                                                    |                               | -1.0                     | Immaterial        |                                                                                                                                                                                                                                                                                                                                           |
| - Pensions adjustments                             | -13.5                                                   |                               | -13.5                    | Material          | PCFM tax does not include pension adjustments. The majority of the difference relates to the £11.3m buy in payment.                                                                                                                                                                                                                       |
| - Depreciation                                     | 85.1                                                    |                               | 85.1                     | Material          | PCFM tax base includes depreciation but is added back in tax                                                                                                                                                                                                                                                                              |
| - Amortisation                                     | 8.5                                                     |                               | 8.5                      | Material          | PCFM tax base includes amortisation but is added back in tax                                                                                                                                                                                                                                                                              |
| - Other disallowable items                         | -3.3                                                    |                               | -3.3                     | Immaterial        |                                                                                                                                                                                                                                                                                                                                           |
| - Deferred revenue expenditure                     | -18.4                                                   | -20.5                         | 2.1                      | Immaterial        |                                                                                                                                                                                                                                                                                                                                           |
| - Profit/ (loss) on disposal of fixed assets       | 0.3                                                     |                               | 0.3                      | Immaterial        |                                                                                                                                                                                                                                                                                                                                           |
| - Penalties and Fines                              | 0.1                                                     |                               | 0.1                      | Immaterial        |                                                                                                                                                                                                                                                                                                                                           |
| <b>Capital Allowances</b>                          |                                                         |                               |                          |                   |                                                                                                                                                                                                                                                                                                                                           |
| - General pool                                     | -28.4                                                   | -22.6                         | -5.9                     | Material          | PCFM does not include full expensing allowances in the ordinary capital allowance deductions, which grant a significant uplift in allowances for this period of £19.8m. Also, the opening balance of the regulatory pool (£100m) is different to the actual pool (£47.9m). The full expensing is included within the tax trigger below.   |
| - Special Rate pool                                | -40.3                                                   | -15.7                         | -24.5                    | Material          | PCFM does not include full expensing allowances in the ordinary capital allowance deductions, which grant a significant uplift in allowances for this period of £23.4m. Also, the opening balance of the regulatory pool (£253.2) is different to the actual pool (£264.8m). The full expensing is included within the tax trigger below. |
| - Structures and Buildings pool                    |                                                         | 0.0                           | 0.0                      | Immaterial        |                                                                                                                                                                                                                                                                                                                                           |
| - Short Life Assets                                | -0.5                                                    |                               | -0.5                     | Immaterial        |                                                                                                                                                                                                                                                                                                                                           |
| - R&D Allowances                                   | -1.1                                                    |                               | -1.1                     | Immaterial        |                                                                                                                                                                                                                                                                                                                                           |

|                                                                                                     |  |       |       |       |            |                                                               |
|-----------------------------------------------------------------------------------------------------|--|-------|-------|-------|------------|---------------------------------------------------------------|
| Interest Adjustments                                                                                |  |       |       |       |            |                                                               |
| - Derivatives adjustment                                                                            |  | -3.4  |       | -3.4  | Immaterial |                                                               |
| - Non-trade loan relationship credits per adjustments                                               |  | -1.8  |       | -1.8  | Immaterial |                                                               |
| - FV movement on financial instruments (disregard)                                                  |  | -4.5  |       | -4.5  | Immaterial |                                                               |
| Taxable Profit before Tax Loss Adjustments                                                          |  | 137.9 | 189.9 | -52.0 | Material   | As per the above noted adjustments                            |
| TAX LOSS ADJUSTMENTS                                                                                |  |       |       |       |            |                                                               |
| Regulatory Tax Losses                                                                               |  |       |       |       |            |                                                               |
| - Adjustment to losses from tax trigger                                                             |  |       | -27.3 | 27.3  | Material   | This is a regulatory only adjustment, no equivalent in CT 600 |
| - Profits used to offset outstanding losses (excluded from corporation tax)                         |  |       | 27.3  | -27.3 | Material   | This is a regulatory only adjustment, no equivalent in CT 600 |
| Profits Chargeable to Corporation Tax (i.e. after Tax Loss Adjustments)('PCTCT') (pre group relief) |  | 137.9 | 162.6 | -24.8 | Material   | The difference is a result of the above adjustments           |
| Actual Corporation Tax Liability (pre group relief)                                                 |  | 34.5  | 40.7  | -6.2  | Material   | The difference is a result of the above adjustments           |
| Financial Year Ave RPI-CPIH                                                                         |  | 1.285 | 1.285 |       |            |                                                               |
| Actual Corporation Tax Liability (pre group relief)                                                 |  | 26.8  | 31.6  | -4.8  |            |                                                               |