Financial Statements

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Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts, including the Group financial statements and the Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the UK. The financial statements also comply with IFRS as issued by the IASB. In addition, the Directors have elected to prepare the Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts 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 Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

In preparing the Parent Company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company on a consolidated and individual basis, and to enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this Report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Each of the Directors, whose names and functions are listed on pages 99 – 102 confirms that:

- to the best of their knowledge, the Group financial statements and the Parent Company financial statements, which have been prepared in accordance with IFRS as issued by the IASB and IFRS as adopted by the UK and UK GAAP FRS 101 respectively, give a true and fair view of the assets, liabilities, financial position and profit of the Company on a consolidated and individual basis;
- to the best of their knowledge, the Strategic Report contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces; and
- they consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This Responsibilities Statement was approved by the Board and signed on its behalf.

Directors' Report

The Directors' Report, prepared in accordance with the requirements of the Companies Act 2006 and the UK Listing Authority's Listing Rules, and Disclosure Guidance and Transparency Rules, comprising pages IFC – 149 and 255 – 303, was approved by the Board and signed on its behalf.

Strategic Report

The Strategic Report, comprising pages IFC – 93, was approved by the Board and signed on its behalf.

By order of the Board

Julian Baddeley
Group Company Secretary

14 May 2025

Company number: 04031152

Independent Auditor's Report to the members of National Grid plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of National Grid plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

Group:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 36

Parent Company:

- the Company accounting policies;
- the Company balance sheet;
- the Company statement of changes in equity; and
- the related notes 1 to 11.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards, and IFRS Accounting Standards as issued by the IASB.

The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

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

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 4(e) to the consolidated financial statements and note 10 to the Company financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

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

3. Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was US environmental provisioning. In the current year, we re-considered whether the impact of the energy transition on the useful economic lives ('UELs') of US gas distribution property, plant and equipment ('PPE') remains a key audit matter. While the value of these assets has increased in the current year, the level of judgement has reduced given the additional focus from the regulators and states in which the Group operates on the affordability of full electrification and the challenges of achieving the generation levels required. These developments suggest the gas network will be required for longer, resulting in less judgement in the UEL assumptions. Consequently, this has not been included as a key audit matter. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £160 million which represents 4.4% of profit before tax from continuing operations and 4.6% of adjusted profit before tax (profit before tax from continuing operations, excluding the impact of reported exceptional items and remeasurements).
Scoping	The Group is made up of twelve components. Of these, five were subject to audits of the component's financial information and seven were subject to audit of one or more account balances of the component by the component audit teams or group audit team.
Significant changes in our approach	There have been no significant changes in our approach.

Independent Auditor’s Report to the members of National Grid plc continued

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors’ assessment of the Group’s and Parent Company’s ability to continue to adopt the going concern basis of accounting included:

- assessing the available liquidity under management’s base case and a reasonable worst case scenario;
- assessing the financing facilities including the nature of facilities, repayment terms and covenants;
- testing the clerical accuracy and appropriateness of the model used to prepare the forecasts;
- assessing the key assumptions used in the forecasts, including the impact of the current macroeconomic environment;
- assessing management’s identified potential mitigating actions and the appropriateness of the inclusion of these in the going concern assessment;
- assessing the historical accuracy of forecasts prepared by management;
- reading analyst reports, industry data and other external information to determine if it provided corroborative or contradictory evidence in relation to assumptions used; and
- evaluating the disclosures made within 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 Parent Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

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

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

5.1 US environmental provisions

Key audit matter description

US environmental provisions – Refer to notes 1F, 26 and 35 to the financial statements and the Audit & Risk Committee’s discussion on page 113.

At 31 March 2025, the Group has £2,065 million of environmental provisions in the United States (‘US’) relating to a number of sites owned and managed by the Group together with certain sites which are no longer owned.

We have identified the US environmental provisioning at certain sites as a key audit matter due to the complexities in estimating the future cost of remediation and the judgement involved in the determination of the discount rate applied.

The sites with the highest level of estimation uncertainty were identified as those with significant contamination (‘Superfund’ sites) and certain other legacy Manufactured Gas Plant (‘MGP’) sites based on factors including the presence of regulatory correspondence in the year and the level of change in the provision amount. These sites represent the majority of the total US environmental provisions.

Environmental provisions are calculated based on management’s best estimate of the cash flows that will be required to settle the obligation, discounted at a real discount rate, calculated based on the US government bond yield curve and the weighted average life of the provisions.

There are various complexities and uncertainties that exist in relation to the cash flows including:

- the impact of changes in regulation or the environmental agencies’ interpretation and implementation of the regulations;
- the extent of contamination identified and modelled from ongoing exploratory and remediation works;
- the form, timing, extent, and associated cost of remediation needed;
- the methods and technologies used in remediation; and
- the allocation of responsibility for remediation.

Management is required to make judgements in selecting an appropriate discount rate which reflects changes in US treasury rates as current market assessments of the time value of money. The Group has increased their real discount rate from 1.5% to 2.0% for the undiscounted cash flows to reflect current market rates. As described in note 26, the change in discount rate has reduced the environmental provision balance by £82 million.

5.1 US environmental provisions continued

How the scope of our audit responded to the key audit matter	Our audit procedures related to the forecasts of future cash flows of the Superfund and certain legacy MGP sites and the selection of the discount rate for US environmental provisions included the following, among others: • We tested the effectiveness of controls over management's compilation of forecast cash flows and determination of the discount rate. • With regard to the estimated cash outflows: – We agreed the proposed remediation activities to technical engineering studies agreed with the environmental agencies where available, or considered latest correspondence with the environmental agencies where remediation plans are yet to be agreed. The associated costings of these activities were agreed to third-party contracts and estimates. We worked with our environmental specialists to assist us in evaluating management's key assumptions; – We read relevant correspondence and meeting minutes with the environmental agencies, working with our specialists to evaluate management's position where significant estimation uncertainty exists; – In order to assess the completeness of the year end liabilities we completed public domain searches on federal databases across all Group subsidiaries to determine whether any relevant costs or applicable sites were omitted. We further checked for the latest regulatory changes at the federal and local level, and precedent from remediation plans recently agreed with the environmental agencies, to determine any indication of changing requirements; – We evaluated the results of ongoing environmental testing for potential non-compliance or evidence that the existing or planned remediation activities would require revision or enhancement; – We evaluated information obtained from the Group's external and internal legal counsel in our evaluation of the recorded provisions; and – We performed additional procedures regarding the uncertainty over the allocation of responsibilities between the Potentially Responsible Parties ('PRPs'); ▪ We made enquiries of the US internal legal counsel and obtained analysis directly from external legal counsel to understand any potential changes to the previously determined positions. ▪ We evaluated settlements in the period with PRPs and compared the results to their assumed shares. ▪ We evaluated publicly available financial statement information and disclosures for a selection of PRPs to identify contradictory evidence in their share percentage and test financial viability. ▪ We assessed the extent to which the evidence obtained demonstrated that the allocations will be substantially followed by all parties. • To evaluate the discount rate chosen by management, we tested the methodology that management has adopted for calculating the discount rate and independently calculated an appropriate discount rate which we used to assess management's rate. We assessed management's disclosures in notes 1F, 26 and 35.
Key observations	Our testing confirmed that the relevant controls over the compilation of forecast cash flows and the determination of the discount rate were designed and operating effectively. We found the provisioning assumptions associated with the tested sites to be reasonable, including the Superfund and MGP sites. In respect of the Superfund sites, we are satisfied that management's estimate of the proportion of costs expected to be allocated to the Group are reasonable. We consider the real discount rate of 2.0% to be reasonable based on the current treasury yields. We noted that the assumptions and judgements that are required to formulate the provisions mean that the range of possible outcomes is broad, hence it is appropriate for management to disclose the key estimation uncertainty and the sensitivity of the judgments they applied. We are satisfied that the Group's disclosures of the key estimation uncertainty, related contingent liabilities, and sensitivities, are reasonable.

6. Our application of materiality

6.1 Materiality

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

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

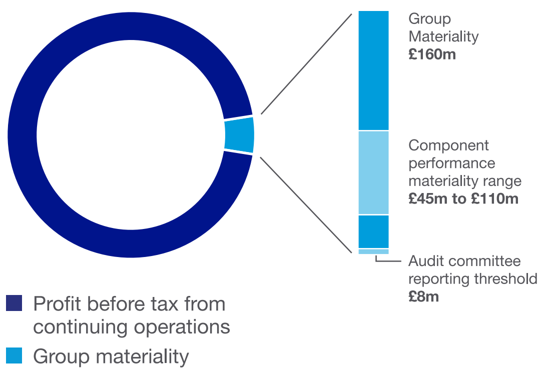
	Group financial statements	Parent Company financial statements
Materiality	£160 million (2024: £160 million)	£160 million (2024: £160 million)
Basis for determining materiality	Our determined materiality represents 4.4% of profit before tax from continuing operations (2024: 3.9%) and 4.6% (2024: 5.3%) of adjusted profit before tax (profit before tax from continuing operations, excluding the impact of reported exceptional items and remeasurements). Prior year materiality was determined on a similar basis.	We determined materiality for our audit of the Parent Company financial statements using 0.8% of net assets (2024: 1.1%). We have capped the Parent Company materiality with Group materiality.

Independent Auditor's Report to the members of National Grid plc continued

6.1 Materiality continued

	Group financial statements	Parent Company financial statements
Rationale for the benchmark applied	Profit before tax is the benchmark ordinarily considered by us when auditing listed entities. It provides comparability against other companies across all sectors but has limitations when auditing companies whose earnings are impacted by items which can be volatile from one period to the next, and therefore may not be representative of the volume of transactions and the overall size of the business in a given year, or where the impact of volatility may result in the recognition of material income or charges in a particular year. We consider adjusted profit before tax to be an important benchmark of the performance of the Group. We consider it appropriate to adjust for exceptional items and remeasurements as these items are volatile and not fully reflective of the underlying performance of the Group. We conducted an assessment of which line items we understand to be the most important to investors and analysts by reviewing analyst reports and National Grid's communications to shareholders and lenders, as well as the communications of peer companies. This assessment resulted in us considering the financial statement line items above. Whilst not a measure in IFRS Accounting Standards, adjusted profit is one of the key metrics communicated by management in National Grid's results announcements. It excludes some of the volatility arising from changes in fair values of financial assets and liabilities as well as exceptional items.	As the Company is non-trading, operates primarily as a holding company for the Group's trading entities, and is not profit orientated, we believe the net asset position is the most appropriate benchmark to use.

Profit before tax from continuing operations £3,650m



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2024: 70%) of Group materiality.	70% (2024: 70%) of Parent Company materiality.
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our cumulative experience from prior year audits; • the level of corrected and uncorrected misstatements identified; • our risk assessment, including our understanding of the entity and its environment; and • our assessment of the Group's overall control environment.	

6.3 Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £8 million (2024: £8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

Our audit was scoped by obtaining an understanding of the Group and its environment and assessing the risks of material misstatements at the Group level. We used data analytics tools and specialists to help inform our understanding of the business, identify key risk areas and evaluate the level of audit coverage required.

The control environment varies across the Group, with controls tailored to each business unit's specific circumstances, despite a largely consistent control framework. UK management maintains overall control and requires sign-off on control attestations from all business unit/component leads.

Components were selected based on a risk-based approach, considering both quantitative (size based on revenue and PPE) and qualitative factors (e.g., risk of material misstatement, commonality of controls).

Revenue was chosen as the primary quantitative driver due to its correlation with operational size and volume of transactions.

For the current year, the Group’s twelve components have either been subject to audits of the component’s entire financial information (five components) or audits of one or more account balances of the component (seven components). We have determined a range of component performance materialities based on the size and significance of the audit with a range of £45 million to £110 million.

In addition to the work performed at a component level, the Group audit team performed audit procedures on the Parent Company financial statements, including but not limited to corporate activities such as treasury as well as on the consolidated financial statements themselves, including entity-level controls, the consolidation, financial statement disclosures and risk assessment work on components not included elsewhere in the scope of our audit. The Group audit team also co-ordinated the work in connection with the impact of the energy transition on the useful lives of the Group’s gas assets and performed certain procedures on key areas, such as the environmental provisions, where audit work is performed by both the Group and component audit teams.

At the Group level, we tested the consolidation process.

7.2 Our consideration of the control environment

Our audit approach was generally to place reliance on management’s relevant controls of overall business cycles affecting in-scope financial statement line items. We tested controls through a combination of tests of inquiry, observation, inspection and re-performance.

In some circumstances where controls were deficient and there were not sufficient mitigating or alternative controls we could rely on, we adopted a non-control reliance approach. All control deficiencies which we considered to be significant were communicated to the Audit and Risk Committee. All other deficiencies were communicated to management. For all deficiencies identified, we considered the impact and updated our audit plan accordingly.

The Group’s financial systems environment relies on a high number of UK and US applications. In the current year, we scoped 61 IT systems as relevant to the audit: 19 tested in the UK for ET, 15 for ED, and 27 tested in the US. These systems are all directly or indirectly relevant to the entity’s financial reporting process.

We planned to rely on the General IT Controls (GITCs) associated with these systems, where the GITCs were appropriately designed and implemented, and these were operating effectively. To assess the operating effectiveness of GITCs, our IT audit specialists performed testing on access security, change management, data centre operations and network operations.

The Group continues to invest in its internal controls as part of its ongoing control improvement activities and its preparations for the introduction of the Directors' declaration over the effectiveness of material internal controls which is set out in the 2024 UK Corporate Governance Code and will be applicable for the year-ending 31 March 2027. The Audit and Risk Committee has discussed the transition to the 2024 UK Corporate Governance Code and management’s action plans on page 112.

Independent Auditor's Report to the members of National Grid plc continued

7.3 Our consideration of climate-related risks

Climate Change impacts National Grid's business in several ways as set out in the strategic report on page 36 of the Annual Report and Note 1 of the financial statements on pages 170 and 171. It represents a key strategic consideration of management.

We read the other information included in the Annual Report and considered (a) whether there was any material inconsistency between the other information and the financial statements; or (b) whether there were any material inconsistencies between the other information and our understanding of the business based on audit evidence obtained and conclusions reached in the audit.

We reviewed management's climate change risk assessment and evaluated the completeness of identified risks and the impact on the financial statements. We also considered the impact of climate change in our risk assessment procedures. Management's assessment included an overview of the legislative changes in the US and an evaluation of the possible future use of National Grid's US gas assets in a net zero carbon energy system. Both management's and our risk assessment identified the useful economic lives of the gas assets in the US, as a key judgement as described in note 13 to the financial statements.

In addition to the procedures mentioned above, with the involvement of our climate change specialists we:

- tested management's control of the review of the bottom-up risk identification and assessment;
- made enquiries to senior management to understand the potential impact of climate change risk including physical risks to producing assets, the potential changes to the macro-economic environment and the potential for the transition to a low carbon environment to occur quicker than anticipated;
- read the climate-related statements made by management (as disclosed in the 'Our Environment' section of the 'Responsible Business Review' in the Strategic Report) and considered whether these were in line with our understanding of management's approach to climate change and the narrative reporting was in line with the financial statements and the knowledge obtained throughout the audit;
- read the Task Force on Climate-related Financial Disclosures ('TCFD') and considered if any of the information disclosed was inconsistent with the information we obtained through our audit;
- performed analysis of risks disclosed within the annual reports of relevant peer companies; and
- read and considered external publications by recognised authorities on climate change.

7.4 Working with other auditors

The Group audit team are responsible for the scope and direction of the audit process and provide direct oversight, review and coordination of our component audit teams.

For each of the components that maintain separate financial records with in-scope balances, we have engaged component auditors from the Deloitte member firms in the US or the UK to perform procedures at these components on our behalf. This approach allows us to engage local auditors who have appropriate knowledge of local regulations to perform this audit work. We issued detailed instructions to the component auditors and directed and supervised their work.

We interacted regularly with the component Deloitte teams during each stage of the audit and reviewed key working papers. We maintained continuous and open dialogue with our component teams in addition to holding formal meetings to ensure that we were fully aware of their progress and the results of their procedures.

Our oversight of component auditors focused on the planning of their audit work and key judgements made. In particular, our supervision and direction focused on the work performed in relation to key estimates and judgements made by management. As part of our monitoring of component auditors, we participated in key local audit meetings.

The senior statutory auditor and other Group audit partners conducted visits to meet in person with component teams, which was supplemented by procedures performed remotely throughout the year. Their involvement included attending planning meetings, discussing the audit approach and any issues arising from the component team's work, meetings with local management, and reviewing key audit working papers on higher and significant-risk areas to drive a consistent and high-quality audit. The level of involvement of the lead audit partner and the Group audit team in the component audits has been extensive and we are satisfied that it has enabled us to conclude that sufficient appropriate audit evidence has been obtained in support of our opinion on the Group financial statements as a whole.

8. Other information

We have nothing to report in this regard.

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent Auditor's Report to the members of National Grid plc continued

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets.
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Audit and Risk Committee on 18 March 2025.
- results of our enquiries of management, internal audit, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities.
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the engagement team, including component audit teams and our specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. The engagement team includes partners and staff who have extensive experience working with companies in the same sectors as National Grid operates, and this experience was relevant to the discussion about where fraud risks may arise. Fraud specialists also advised the engagement team of fraud schemes that had arisen in similar sectors and industries, and they participated in the initial fraud risk assessment discussions.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act, Listing Rules, pensions legislation, tax legislation, UK Corporate Governance Code, as well as the US Securities Exchange Act 1934 and relevant SEC regulations, as well as laws and regulations prevailing in each country which we identified material operations.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licences, environmental regulations, General Data Protection Requirements, US Foreign Corrupt Practices Act, and the UK Bribery Act.

11.2 Audit response to risks identified

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

Our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- obtaining confirmations from external legal counsel concerning open litigation and claims;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities; and
- reviewing the outcome of the alleged fraud and bribery investigations as well as testing the entity-level controls, particularly in respect of the whistleblowing process.

In addressing the risk of fraud through management override of controls our procedures included:

- making enquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- using our data analytics tools, we selected and tested journal entries and other adjustments which were either made at the end of a reporting period or which identified activity that exhibited certain characteristics of audit interest;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- considering whether any significant transactions are outside the normal course of business, or that otherwise appear to be unusual due to their nature, timing or size; and
- performing focused analytical procedures on out of scope balances to identify any unusual or material transactions that may indicate a risk of material misstatement and evaluating the business rationale of such transactions.

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

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 168;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 93;
- the Directors' statement on fair, balanced and understandable set out on pages 113 and 152;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 36 – 40;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 34 – 35; and
- the section describing the work of the Audit and Risk Committee set out on pages 112 – 118.

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

14.1 Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1 Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Shareholders at the Annual General Meeting held on 31 July 2017, to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 31 March 2018 to 31 March 2025.

15.2 Consistency of the audit report with the additional report to the Audit and Risk Committee

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

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Christopher Thomas FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom
14 May 2025

Consolidated income statement

for the years ended 31 March

2025	Notes	Before exceptional items and remeasurements £m	Exceptional items and remeasurements (note 5) £m	Total £m
Continuing operations				
Revenue	2(a),3	**18,378**	**—**	**18,378**
Provision for bad and doubtful debts	4	**(200)**	**—**	**(200)**
Other operating costs	4,5	**(13,413)**	**169**	**(13,244)**
Operating profit	2(b)	**4,765**	**169**	**4,934**
Finance income	5,6	**449**	**1**	**450**
Finance costs	5,6	**(1,810)**	**3**	**(1,807)**
Share of post-tax results of joint ventures and associates	5,16	**75**	**(2)**	**73**
Profit before tax	2(b),5	**3,479**	**171**	**3,650**
Tax	5,7	**(861)**	**40**	**(821)**
Profit after tax from continuing operations		**2,618**	**211**	**2,829**
Profit after tax from discontinued operations	10	**4**	**72**	**76**
Total profit for the year (continuing and discontinued)		**2,622**	**283**	**2,905**
Attributable to:				
Equity shareholders of the parent		**2,619**	**283**	**2,902**
Non-controlling interests		**3**	**—**	**3**
Earnings per share (pence)				
Basic earnings per share (continuing)	8			**60.0**
Diluted earnings per share (continuing)	8			**59.8**
Basic earnings per share (continuing and discontinued)	8			**61.6**
Diluted earnings per share (continuing and discontinued)	8			**61.4**

2024	Notes	Before exceptional items and remeasurements £m	Exceptional items and remeasurements (note 5) £m	Total £m
Continuing operations				
Revenue	2(a),3	19,850	—	19,850
Provision for bad and doubtful debts	4	(179)	—	(179)
Other operating costs	4,5	(14,221)	(987)	(15,208)
Other operating income		12	—	12
Operating profit	2(b)	5,462	(987)	4,475
Finance income	5,6	244	4	248
Finance costs	5,6	(1,723)	11	(1,712)
Share of post-tax results of joint ventures and associates	5,16	101	(64)	37
Profit before tax	2(b),5	4,084	(1,036)	3,048
Tax	5,7	(983)	152	(831)
Profit after tax from continuing operations		3,101	(884)	2,217
Profit after tax from discontinued operations	10	13	61	74
Total profit for the year (continuing and discontinued)		3,114	(823)	2,291
Attributable to:				
Equity shareholders of the parent		3,113	(823)	2,290
Non-controlling interests		1	—	1
Earnings per share (pence)[1]				
Basic earnings per share (continuing)	8			55.5
Diluted earnings per share (continuing)	8			55.3
Basic earnings per share (continuing and discontinued)	8			57.4
Diluted earnings per share (continuing and discontinued)	8			57.1

1. Restated to reflect the impact of the bonus element of the Rights Issue (see note 27).

Consolidated income statement

for the years ended 31 March

2023	Notes	Before exceptional items and remeasurements £m	Exceptional items and remeasurements (note 5) £m	Total £m
Continuing operations				
Revenue	2(a),3	21,659	—	21,659
Provision for bad and doubtful debts	4	(220)	—	(220)
Other operating costs	4,5	(17,158)	(391)	(17,549)
Other operating income	5	13	976	989
Operating profit	2(b)	4,294	585	4,879
Finance income	5,6	166	(28)	138
Finance costs	5,6	(1,680)	82	(1,598)
Share of post-tax results of joint ventures and associates	5,16	190	(19)	171
Profit before tax	2(b),5	2,970	620	3,590
Tax	5,7	(635)	(241)	(876)
Profit after tax from continuing operations		2,335	379	2,714
Profit after tax from discontinued operations	10	320	4,763	5,083
Total profit for the year (continuing and discontinued)		2,655	5,142	7,797
Attributable to:				
Equity shareholders of the parent		2,655	5,142	7,797
Non-controlling interests		—	—	—
Earnings per share (pence)[1]				
Basic earnings per share (continuing)	8			68.6
Diluted earnings per share (continuing)	8			68.3
Basic earnings per share (continuing and discontinued)	8			197.1
Diluted earnings per share (continuing and discontinued)	8			196.2

1. Restated to reflect the impact of the bonus element of the Rights Issue (see note 27).

Consolidated statement of comprehensive income

for the years ended 31 March

	Notes	2025 £m	2024 £m	2023 £m
Profit after tax from continuing operations		**2,829**	2,217	2,714
Profit after tax from discontinued operations		**76**	74	5,083
Other comprehensive income from continuing operations				
Items from continuing operations that will never be reclassified to profit or loss:				
Remeasurement losses on pension assets and post-retirement benefit obligations	25	**(106)**	(218)	(1,362)
Net (losses)/gains in respect of cash flow hedging of capital expenditure		**(16)**	(37)	10
Tax on items that will never be reclassified to profit or loss	7	**27**	59	341
Total items from continuing operations that will never be reclassified to profit or loss		**(95)**	(196)	(1,011)
Items from continuing operations that may be reclassified subsequently to profit or loss:				
Retranslation of net assets offset by net investment hedge		**(352)**	(335)	883
Exchange differences reclassified to the consolidated income statement on disposal		**—**	—	(170)
Net gains in respect of cash flow hedges		**218**	240	—
Net (losses)/gains in respect of cost of hedging		**(52)**	26	(16)
Net gains/(losses) on investment in debt instruments measured at fair value through other comprehensive income		**1**	21	(25)
Share of other comprehensive income of associates, net of tax		**—**	—	1
Tax on items that may be reclassified subsequently to profit or loss	7	**(40)**	(66)	11
Total items from continuing operations that may be reclassified subsequently to profit or loss		**(225)**	(114)	684
Other comprehensive loss		**(320)**	(310)	(327)
Other comprehensive (loss)/income for the year, net of tax from discontinued operations	10	**(10)**	10	(227)
Other comprehensive loss		**(330)**	(300)	(554)
Total comprehensive income for the year from continuing operations		**2,509**	1,907	2,387
Total comprehensive income for the year from discontinued operations	10	**66**	84	4,856
Total comprehensive income for the year		**2,575**	1,991	7,243
Attributable to:				
Equity shareholders of the parent				
From continuing operations		**2,508**	1,906	2,386
From discontinued operations		**66**	84	4,856
		2,574	1,990	7,242
Non-controlling interests				
From continuing operations		**1**	1	1

Consolidated statement of changes in equity

for the years ended 31 March

	Notes	Share capital £m	Share premium account £m	Retained earnings £m	Other equity reserves[1] £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 31 March 2022		485	1,300	26,611	(4,563)	23,833	23	23,856
Profit for the year		—	—	7,797	—	7,797	—	7,797
Other comprehensive (loss)/income for the year		—	—	(1,253)	698	(555)	1	(554)
Total comprehensive income for the year		—	—	6,544	698	7,242	1	7,243
Equity dividends		—	—	(1,607)	—	(1,607)	—	(1,607)
Scrip dividend-related share issue[2]		3	(3)	—	—	—	—	—
Issue of treasury shares		—	—	16	—	16	—	16
Transactions in own shares		—	5	(4)	—	1	—	1
Share-based payments		—	—	48	—	48	—	48
Cash flow hedges transferred to the statement of financial position, net of tax		—	—	—	5	5	—	5
At 1 April 2023		488	1,302	31,608	(3,860)	29,538	24	29,562
Profit for the year		—	—	2,290	—	2,290	1	2,291
Other comprehensive loss for the year		—	—	(168)	(132)	(300)	—	(300)
Total comprehensive income/(loss) for the year		—	—	2,122	(132)	1,990	1	1,991
Equity dividends		—	—	(1,718)	—	(1,718)	—	(1,718)
Scrip dividend-related share issue[2]		5	(6)	—	—	(1)	—	(1)
Issue of treasury shares		—	—	21	—	21	—	21
Transactions in own shares		—	2	(6)	—	(4)	—	(4)
Share-based payments		—	—	37	—	37	—	37
Tax on share-based payments		—	—	2	—	2	—	2
Cash flow hedges transferred to the statement of financial position, net of tax		—	—	—	2	2	—	2
At 1 April 2024		493	1,298	32,066	(3,990)	29,867	25	29,892
Profit for the year		—	—	2,902	—	2,902	3	2,905
Other comprehensive loss for the year		—	—	(80)	(248)	(328)	(2)	(330)
Total comprehensive income/(loss) for the year		—	—	2,822	(248)	2,574	1	2,575
Rights Issue	27	135	—	—	6,704	6,839	—	6,839
Transfer between reserves	27	—	—	6,704	(6,704)	—	—	—
Equity dividends		—	—	(1,529)	—	(1,529)	—	(1,529)
Scrip dividend-related share issue[2]		10	(10)	—	—	—	—	—
Issue of treasury shares		—	—	18	—	18	—	18
Transactions in own shares		—	4	(11)	—	(7)	—	(7)
Other movements in non-controlling interests		—	—	—	—	—	(3)	(3)
Share-based payments		—	—	37	—	37	—	37
Tax on share-based payments		—	—	(1)	—	(1)	—	(1)
Cash flow hedges transferred to the statement of financial position, net of tax		—	—	—	5	5	—	5
At 31 March 2025		**638**	**1,292**	**40,106**	**(4,233)**	**37,803**	**23**	**37,826**

1. For further details of other equity reserves, see note 28.
2. Included within the share premium account are costs associated with scrip dividends.

Consolidated statement of financial position

as at 31 March

	Notes	2025 £m	2024 £m
Non-current assets			
Goodwill	11	**9,532**	9,729
Other intangible assets	12	**3,564**	3,431
Property, plant and equipment	13	**74,091**	68,907
Other non-current assets	14	**959**	848
Pension assets	25	**2,489**	2,407
Financial and other investments	15	**798**	880
Investments in joint ventures and associates	16	**608**	1,420
Derivative financial assets	17	**369**	324
Total non-current assets		**92,410**	87,946
Current assets			
Inventories	18	**557**	828
Trade and other receivables	19	**4,092**	3,415
Current tax assets		**11**	11
Financial and other investments	15	**5,753**	3,699
Derivative financial assets	17	**113**	44
Cash and cash equivalents	20	**1,178**	559
Assets held for sale	10	**2,628**	1,823
Total current assets		**14,332**	10,379
Total assets		**106,742**	98,325
Current liabilities			
Borrowings	21	**(4,662)**	(4,859)
Derivative financial liabilities	17	**(381)**	(335)
Trade and other payables	22	**(4,472)**	(4,076)
Contract liabilities	23	**(96)**	(127)
Current tax liabilities		**(219)**	(220)
Provisions	26	**(357)**	(298)
Liabilities held for sale	10	**(434)**	(1,474)
Total current liabilities		**(10,621)**	(11,389)
Non-current liabilities			
Borrowings	21	**(42,877)**	(42,213)
Derivative financial liabilities	17	**(821)**	(909)
Other non-current liabilities	24	**(876)**	(880)
Contract liabilities	23	**(2,418)**	(2,119)
Deferred tax liabilities	7	**(8,038)**	(7,519)
Pensions and other post-retirement benefit obligations	25	**(573)**	(593)
Provisions	26	**(2,692)**	(2,811)
Total non-current liabilities		**(58,295)**	(57,044)
Total liabilities		**(68,916)**	(68,433)
Net assets		**37,826**	29,892
Equity			
Share capital	27	**638**	493
Share premium account		**1,292**	1,298
Retained earnings		**40,106**	32,066
Other equity reserves	28	**(4,233)**	(3,990)
Total shareholders' equity		**37,803**	29,867
Non-controlling interests		**23**	25
Total equity		**37,826**	29,892

The consolidated financial statements set out on pages 162 – 247 were approved by the Board of Directors on 14 May 2025 and were signed on its behalf by:

John Pettigrew
Chief Executive

Andy Agg
Chief Financial Officer

National Grid plc
Registered number: 4031152

Consolidated cash flow statement

for the years ended 31 March

	Notes	2025 £m	2024 £m	2023 £m
Cash flows from operating activities				
Total operating profit from continuing operations	2(b)	**4,934**	4,475	4,879
Adjustments for:				
Exceptional items and remeasurements	5	**(169)**	987	(585)
Other fair value movements		**66**	(16)	21
Depreciation, amortisation and impairment		**2,175**	2,061	1,984
Share-based payments		**37**	37	48
Changes in working capital		**104**	(49)	286
Changes in provisions		**10**	(154)	23
Changes in pensions and other post-retirement benefit obligations		**(90)**	31	(46)
Cash flows relating to exceptional items		**(76)**	(91)	(178)
Cash generated from operations – continuing operations		**6,991**	7,281	6,432
Tax paid		**(183)**	(342)	(89)
Net cash inflow from operating activities – continuing operations		**6,808**	6,939	6,343
Net cash inflow from operating activities – discontinued operations		**–**	–	555
Cash flows from investing activities				
Purchases of intangible assets		**(526)**	(549)	(567)
Purchases of property, plant and equipment		**(8,780)**	(6,904)	(6,325)
Disposals of property, plant and equipment		**26**	52	87
Investments in joint ventures and associates		**(396)**	(332)	(443)
Dividends received from joint ventures, associates and other investments		**126**	176	190
Disposal of interest in the UK Electricity System Operator[1]	10	**577**	–	–
Disposal of interest in the UK Gas Transmission business[1]	10	**686**	681	4,027
Disposal of interest in The Narragansett Electric Company[1]		**–**	–	2,968
Disposal of interest in Millennium Pipeline Company LLC		**–**	–	497
Disposal of financial and other investments		**85**	102	116
Acquisition of financial investments		**(122)**	(81)	(95)
Contributions to National Grid Renewables and Emerald Energy Venture LLC		**–**	(19)	(19)
Net movements in short-term financial investments		**(2,606)**	(1,141)	586
Interest received	29(b)	**332**	148	65
Cash inflows on derivatives	29(b)	**11**	123	–
Cash outflows on derivatives	29(b)	**(6)**	–	(362)
Cash flows relating to exceptional items		**–**	143	79
Net cash flow (used in)/from investing activities – continuing operations		**(10,593)**	(7,601)	804
Net cash flow from/(used in) investing activities – discontinued operations		**22**	102	(564)
Cash flows from financing activities				
Proceeds of Rights Issue	27	**7,001**	–	–
Transaction fees related to Rights Issue	27	**(162)**	–	–
Proceeds from issue of treasury shares		**18**	20	16
Transactions in own shares		**(7)**	(4)	1
Proceeds received from loans	29(b)	**3,237**	5,563	11,908
Repayment of loans	29(b)	**(2,861)**	(1,701)	(15,260)
Payments of lease liabilities	29(b)	**(130)**	(118)	(155)
Net movements in short-term borrowings	29(b)	**925**	544	(511)
Cash inflows on derivatives	29(b)	**62**	86	190
Cash outflows on derivatives	29(b)	**(106)**	(58)	(118)
Interest paid	29(b)	**(1,920)**	(1,627)	(1,430)
Dividends paid to shareholders	9	**(1,529)**	(1,718)	(1,607)
Net cash flow from/(used in) financing activities – continuing operations		**4,528**	987	(6,966)
Net cash flow used in financing activities – discontinued operations		**–**	–	(207)
Net increase/(decrease) in cash and cash equivalents	29(b)	**765**	427	(35)
Reclassification to held for sale	10,29(b)	**(123)**	(30)	9
Exchange movements	29(b)	**(23)**	(1)	7
Cash and cash equivalents at start of year		**559**	163	182
Cash and cash equivalents at end of year	20	**1,178**	559	163

1. Balances consist of cash proceeds received, net of cash disposed.

Notes to the consolidated financial statements

1. Basis of preparation and recent accounting developments

Accounting policies describe our approach to recognising and measuring transactions and balances in the year. The accounting policies applicable across the financial statements are shown below, whereas accounting policies that are specific to a component of the financial statements have been incorporated into the relevant note.

This section also shows areas of judgement and key sources of estimation uncertainty in these financial statements. In addition, we have summarised new International Accounting Standards Board (IASB) and UK endorsed accounting standards, amendments and interpretations and whether these are effective for this year end or in later years, explaining how significant changes are expected to affect our reported results.

National Grid's principal activities involve the transmission and distribution of electricity in Great Britain and of electricity and gas in northeastern US. The Company is a public limited liability company incorporated and domiciled in England and Wales, with its registered office at 1–3 Strand, London, WC2N 5EH.

The Company, National Grid plc, which is the ultimate parent of the Group, has its primary listing on the London Stock Exchange and is also quoted on the New York Stock Exchange.

These consolidated financial statements were approved for issue by the Board on 14 May 2025.

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and IFRS as adopted by the UK. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for the period ended 31 March 2025 and in accordance with the Companies Act 2006. The comparative financial information has also been prepared on this basis.

The consolidated financial statements have been prepared on a historical cost basis, except for the recording of pension assets and liabilities, the revaluation of derivative financial instruments and certain commodity contracts and certain financial assets and liabilities measured at fair value.

These consolidated financial statements are presented in pounds sterling, which is also the functional currency of the Company.

The notes to the financial statements have been prepared on a continuing basis unless otherwise stated.

Our income statement and segmental analysis separately identify financial results before and after exceptional items and remeasurements. We continue to use a columnar presentation as we consider it improves the clarity of the presentation, is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee, and assists users of the financial statements to understand the results. The inclusion of total profit for the period from continuing operations before exceptional items and remeasurements is used to derive part of the incentive target set annually for remunerating certain Executive Directors and accordingly, we believe it is important for users of the financial statements to understand how this compares with our results on a statutory basis and period on period.

A. Going concern

As part of the Directors' consideration of the appropriateness of adopting the going concern basis of accounting in preparing these financial statements, the Directors have assessed the principal risks discussed on pages 34 – 41 alongside potential downside business cash flow scenarios impacting the Group's operations. The Directors specifically considered both a base case and reasonable worst-case scenario for business cash flows.

The main cash flow impacts identified in the reasonable worst-case scenario are:
- the timing of the sale of assets classified as held for sale (see note 10);
- adverse impacts of higher spend on our capital expenditure programme;
- adverse impact from timing across the Group (i.e. a net under-recovery of allowed revenues or reductions in over-collections) and slower collections of outstanding receivables;
- higher operating and financing costs than expected, including non-delivery of planned efficiencies across the Group; and
- the potential impact of further significant storms in the US.

As part of its analysis, the Board also considered the following potential levers at their discretion to improve the position identified by the analysis if the debt capital markets are not accessible:
- the payment of dividends to shareholders;
- significant changes in the phasing of the Group's capital expenditure programme, with elements of non-essential works and programmes delayed; and
- a number of further reductions in operating expenditure across the Group.

Having considered the reasonable worst-case scenario and the further levers at the Board's discretion, the Group continues to have headroom against the Group's committed facilities identified in note 33 to the financial statements.

In addition to the above, the ability to raise new and extend existing financing was separately included in the analysis, and the Directors noted £3.2 billion of new long-term senior debt issued in the period from 1 April 2024 to 31 March 2025 as evidence of the Group's ability to continue to have access to the debt capital markets if needed.

Based on the above, the Directors have concluded the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

1. Basis of preparation and recent accounting developments continued

B. Basis of consolidation

The consolidated financial statements incorporate the results, assets and liabilities of the Company and its subsidiaries, together with a share of the results, assets and liabilities of joint operations.

A subsidiary is defined as an entity controlled by the Group. Control is achieved where the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group accounts for joint ventures and associates using the equity method of accounting, where the investment is carried at cost plus post-acquisition changes in the share of net assets of the joint venture or associate, less any provision for impairment. Losses in excess of the consolidated interest in joint ventures and associates are not recognised, except where the Company or its subsidiaries have made a commitment to make good those losses.

Where necessary, adjustments are made to bring the accounting policies used in the individual financial statements of the Company, subsidiaries, joint operations, joint ventures and associates into line with those used by the Group in its consolidated financial statements under IFRS. Intercompany transactions are eliminated.

The results of subsidiaries, joint operations, joint ventures and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Acquisitions are accounted for using the acquisition method, where the purchase price is allocated to the identifiable assets acquired and liabilities assumed on a fair value basis and the remainder recognised as goodwill.

C. Foreign currencies

Transactions in currencies other than the functional currency of the Company or subsidiary concerned are recorded at the rates of exchange prevailing on the date of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. Non-monetary assets are not retranslated unless they are carried at fair value.

Gains and losses arising on the retranslation of monetary assets and liabilities are included in the income statement, except where the application of hedge accounting requires inclusion in other comprehensive income (see note 32(e)).

On consolidation, the assets and liabilities of operations that have a functional currency different from the Company's functional currency of pounds sterling, principally our US operations that have a functional currency of US dollars, are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period where these do not differ materially from rates at the date of the transaction. Exchange differences arising are recognised in other comprehensive income and transferred to the consolidated translation reserve within other equity reserves (see note 28).

D. Disposal of the UK Electricity System Operator (ESO)

In October 2023, legislation required to enable the separation of the ESO and the formation of the National Energy System Operator (NESO), which is now responsible across both the electricity and gas systems, was passed through Parliament (see note 10). On 1 October 2024, the Group completed the disposal for consideration of £673 million, recognising a gain on disposal of £187 million which has been classified as exceptional (see note 5). The ESO did not meet the criteria for classification as a discontinued operation and therefore its results have not been separately disclosed on the face of the income statement, and are instead included within the results from continuing operations.

E. Disposal of the UK Gas Transmission business

As described in note 10, on 26 September 2024 the Group completed the disposal of its final 20% interest in the UK Gas Transmission business (held through its associate GasT TopCo Limited) that was classified as held for sale. The gain on disposal of GasT TopCo Limited has been recorded within discontinued operations. As an associate held for sale, the Group did not recognise any share of results in the period prior to disposal.

Notes to the consolidated financial statements continued

1. Basis of preparation and recent accounting developments continued

F. Areas of judgement and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimations is in the notes to the financial statements, and the key areas are summarised below.

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are:

- categorisation of certain items as exceptional items or remeasurements and the definition of adjusted earnings (see notes 5 and 8). In applying the Group's exceptional items framework, we have considered a number of key matters, as detailed in note 5;
- the judgement that it is appropriate to classify our liquefied natural gas storage business at the Isle of Grain in the UK (Grain LNG) and National Grid Renewables Development LLC (NG Renewables), our US onshore renewables business, as held for sale, as detailed in note 10; and
- the judgement that, notwithstanding legislation enacted and targets committing the states of New York and Massachusetts to achieving net zero greenhouse gas emissions by 2050, these do not shorten the remaining useful economic lives (UELs) of our US gas network assets, which we consider will have an expected use and utility beyond 2050 (see key sources of estimation uncertainty below and note 13).

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- the cash flows and real discount rates applied in determining the US environmental provisions, in particular relating to three Superfund sites and certain other legacy Manufacturing Gas Plant (MGP) sites (see note 26);
- the estimates made regarding the UELs of our gas network assets due to uncertainty over the pace of delivery of the energy transition and the multiple pathways by which it could be delivered. Our estimates consider anticipated changes in customer behaviour and developments in new technology, the potential to decarbonise fuel through the use of renewable natural gas and green hydrogen, and the feasibility and affordability of increased electrification (see note 13 for details and sensitivity analysis); and
- the valuation of liabilities for pensions and other post-retirement benefits (see note 25).

In order to illustrate the impact that changes in assumptions for the valuation of pension assets and liabilities and cash flows for environmental provisions could have on our results and financial position, we have included sensitivity analysis in note 35.

G. Impact of climate change and the transition to net zero

In preparing these financial statements for the year ended 31 March 2025, management has taken into account the Group's commitments regarding its transition to net zero and the impact of climate change. The Group has a published climate transition plan which sets out its targets to achieve this commitment by 2050, in line with the Paris Agreement. Management has also identified a number of significant climate-related risks and opportunities, as set out within the Task Force on Climate-related Financial Disclosures (TCFD) on pages 59 – 78. Changes to the Group's commitments and the impact of climate change may have a material impact on the currently reported amounts of the Group's assets and liabilities and on similar assets and liabilities that may be recognised in future reporting periods, as set out above with respect to the judgement and key source of estimation uncertainty regarding the UELs of our US gas network assets. Other climate and transition impacts are further detailed below.

Repairs to property, plant and equipment and climate adaptation activities

The Group's network assets recorded within property, plant and equipment (PP&E) are at risk of physical impacts from extreme weather events such as major storms which may be accentuated by increased frequency of weather incidents and changing long-term climate trends, thereby leading to asset damage. As set out in the Financial review on pages 79 – 92, major storm costs in the US, net of deductibles and disallowances, incurred by the Group are recoverable as revenue in future periods under our rate plans but the associated repair costs are expensed as incurred as other operating costs under IFRS.

Impairment of property, plant and equipment and goodwill

Included within the Group's plant and machinery (see note 13) are £295 million of oil- and gas-fired electricity generation units with approximately 3,800 MW of electric generation capacity located in Long Island, New York. While the Group retains ownership of these assets, it sells all of the capacity, energy in response to dispatch requests, and any related ancillary services provided by the generating facilities to the Long Island Power Authority (LIPA) via a Power Supply Agreement running until 2028.

The maximum UEL for these units ends in 2040, which aligns to the target set by the state of New York to achieve decarbonised power generation by 2040. However, there is a risk that the UEL of certain, or all, of the units may be shortened, depending on the progress of decarbonisation activities in Long Island. The Group believes there are no material accounting judgements in respect of the generation assets and the UELs have not been accelerated in the year.

The UELs of our assets related to our commercial operations in LNG at Providence, Rhode Island are informed by the recovery periods used for ratemaking purposes and the majority of the UELs are covered by fixed price service contracts. The net book value of these assets will be immaterial by 2050. The assets related to the Group's LNG storage facility at the Isle of Grain in the UK were classified as held for sale in the year and have a maximum UEL to 2045, which is in line with the current commercial contracts. Accordingly, the Group believes there are no material accounting judgements in respect of the UELs of the LNG assets as of 31 March 2025.

1. Basis of preparation and recent accounting developments continued

G. Impact of climate change and the transition to net zero continued

The net zero pathway may also impact our US gas networks which in turn may affect the recoverable amount of our New York and New England cash-generating units (CGUs). In assessing the recoverability of our CGUs (see note 11), we calculate the value-in-use based on projections that incorporate our best estimates of future cash flows and assumptions pertaining to the net zero plans of the jurisdictions that we operate in. In respect of our New York and New England CGUs, our forecast cash flow duration used in our impairment testing is five years. We apply a terminal growth rate informed by expected long-term economic inflation and the discount rate used takes into consideration the potential impact of net zero plans on our gas business. Accordingly, the impact of certain variables that will play out in the medium to long term as a result of the anticipated transition to decarbonised power generation are not anticipated to have an impact on the recoverable amount of our New York and New England CGUs.

Decommissioning provisions

Provisions to decommission significant portions of our regulated transmission and distribution assets are not recognised where no legal obligations exist, and a realistic alternative exists to incurring costs to decommission assets at the end of their life. Included within the Group's decommissioning provisions as at 31 March 2025 (see note 26) is £62 million relating to legal requirements to remove asbestos upon major renovation or demolition of our oil- and gas-fired electricity generation structures and facilities located in Long Island, New York. As noted above, the progress of decarbonisation activities in Long Island may bring forward the decommissioning of these assets, thereby increasing the present value of associated decommissioning provisions. In the current year, there have been no material changes to the expected timing of decommissioning expenditures. Currently, the expected timing of decommissioning expenditures has not materially been brought forward but management will continue to review the facts and circumstances.

Sensitivity to commodity contract derivatives

The Group has contracts associated with the forward purchase of gas and enters into derivative financial instruments linked to commodity prices, including gas options and swaps which are used to manage market price volatility (see note 17(b)). As at 31 March 2025, the Group's gas commodity contract derivatives are primarily short-term and, accordingly, we do not anticipate a risk as a result of the transition to net zero.

H. Accounting policy choices

IFRS provides certain options available within accounting standards. Choices we have made, and continue to make, include the following:
- Presentational formats: we use the nature of expense method for our income statement and aggregate our statement of financial position to net assets and total equity. In the income statement, we present subtotals of total operating profit, profit before tax and profit after tax from continuing operations, together with additional subtotals excluding exceptional items and remeasurements as a result of the three-columnar presentation described earlier. Exceptional items and remeasurements are presented in a separate column on the face of the income statement.
- Financial instruments: we normally opt to apply hedge accounting in most circumstances where this is permitted (see note 32(e)).

I. New IFRS accounting standards and interpretations effective for the year ended 31 March 2025

The Group adopted the following new standards and amendments to standards which have had no material impact on the Group's results or financial statement disclosures:
- amendments to IAS 1 'Non-current Liabilities with Covenants' and 'Classification of Liabilities as Current or Non-current';
- amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'; and
- amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements'.

J. New IFRS accounting standards and interpretations not yet adopted

The following new accounting standards and amendments to existing standards have been issued but are not yet effective or have not yet been endorsed by the UK:
- amendments to IAS 21 'Lack of exchangeability';
- IFRS 18 'Presentation and Disclosure in Financial Statements';
- IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments';
- amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature-dependent Electricity';
- Annual Improvements to IFRS Accounting Standards – Volume 11; and
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'.

Effective dates will be subject to the UK endorsement process.

The Group is currently assessing the impact of the above standards, but they are not expected to have a material impact other than in respect of IFRS 18.

IFRS 18 replaces IAS 1 and requires that companies classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Management-defined performance measures are disclosed in a single note and enhanced guidance is provided on the aggregation and disaggregation of information presented in the financial statements. The Group is in the process of assessing the impact of IFRS 18 and anticipates changes to certain presentational and disclosure-related matters in its consolidated financial statements in future periods.

The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

Notes to the consolidated financial statements continued

2. Segmental analysis

This note sets out the financial performance for the year split into the different parts of the business (operating segments). The performance of these operating segments is monitored and managed on a day-to-day basis. Revenue and the results of the business are analysed by operating segment, based on the information the Board of Directors uses internally for the purposes of evaluating the performance of each operating segment and determining resource allocation between them. The Board is National Grid's chief operating decision maker (as defined by IFRS 8 'Operating Segments') and as a matter of course, the Board considers multiple profitability measures by segment, being 'adjusted profit' and 'underlying profit'. Adjusted profit excludes exceptional items and remeasurements (as defined in note 5) and is used by management and the Board to monitor financial performance as it is considered that it aids the comparability of our reported financial performance from year to year. Underlying profit, as presented in the Annual Report and Accounts, represents adjusted profit and also excludes the effects of timing, major storm costs and deferred tax expenses in our UK Electricity Transmission and UK Electricity Distribution businesses. The measure of profit disclosed in this note and the primary profitability benchmark considered by the chief operating decision maker is operating profit before exceptional items and remeasurements, adjusted profit, as this is the measure that is most consistent with the IFRS results reported within these financial statements.

The results of our six principal businesses are reported to the Board of Directors and are accordingly treated as reportable operating segments. All other operating segments are reported to the Board of Directors on an aggregated basis. The following table describes the main activities for each reportable operating segment:

UK Electricity Transmission	The high-voltage electricity transmission networks in England and Wales. This includes our Accelerated Strategic Transmission Investment projects to connect more clean, low-carbon power to the transmission network in England and Wales.
UK Electricity Distribution	The electricity distribution networks of NGED in the East Midlands, West Midlands and South West of England and South Wales.
UK Electricity System Operator	The Great Britain system operator. The Group completed the disposal of the ESO to the UK Government on 1 October 2024 (see note 10).
New England	Electricity distribution networks, high-voltage electricity transmission networks and gas distribution networks in New England.
New York	Electricity distribution networks, high-voltage electricity transmission networks and gas distribution networks in New York.
National Grid Ventures	Comprises all commercial operations in LNG at the Isle of Grain in the UK and Providence, Rhode Island in the US, our electricity generation business in the US, our electricity interconnectors in the UK and our investment in NG Renewables, our renewables business in the US. While NGV operates outside our regulated core business, the electricity interconnectors in the UK are subject to indirect regulation by Ofgem regarding the level of returns they can earn. NG Renewables and Grain LNG were classified as held for sale in the year (see note 10).

Other activities that do not form part of any of the segments in the above table primarily relate to our UK property business together with insurance and corporate activities in the UK and US and the Group's investments in technology and innovation companies through National Grid Partners.

(a) Revenue

Revenue primarily represents the sales value derived from the generation, transmission and distribution of energy, together with the sales value derived from the provision of other services to customers. Refer to note 3 for further details.

Sales between operating segments are priced considering the regulatory and legal requirements to which the businesses are subject. The analysis of revenue by geographical area is on the basis of destination. There are no material sales between the UK and US geographical areas.

	2025			2024			2023		
	Total sales £m	**Sales between segments £m**	**Sales to third parties £m**	Total sales £m	Sales between segments £m	Sales to third parties £m	Total sales £m	Sales between segments £m	Sales to third parties £m
Operating segments – continuing operations:									
UK Electricity Transmission	**2,619**	**(135)**	**2,484**	2,735	(40)	2,695	1,987	(41)	1,946
UK Electricity Distribution	**2,424**	**(3)**	**2,421**	1,795	(5)	1,790	2,045	(12)	2,033
UK Electricity System Operator	**1,029**	**(17)**	**1,012**	3,788	(35)	3,753	4,690	(31)	4,659
New England	**4,306**	**—**	**4,306**	3,948	—	3,948	4,427	—	4,427
New York	**6,689**	**—**	**6,689**	6,094	—	6,094	6,994	—	6,994
National Grid Ventures	**1,397**	**(47)**	**1,350**	1,389	(57)	1,332	1,341	(58)	1,283
Other	**122**	**(6)**	**116**	244	(6)	238	317	—	317
Total revenue from continuing operations	**18,586**	**(208)**	**18,378**	19,993	(143)	19,850	21,801	(142)	21,659
Split by geographical areas – continuing operations:									
UK			**6,707**			9,063			9,611
US			**11,671**			10,787			12,048
Total revenue from continuing operations			**18,378**			19,850			21,659

2. Segmental analysis continued

(b) Operating profit

A reconciliation of the operating segments' measure of profit to profit before tax from continuing operations is provided below. Further details of the exceptional items and remeasurements are provided in note 5.

	Before exceptional items and remeasurements			Exceptional items and remeasurements			After exceptional items and remeasurements		
	2025 £m	2024 £m	2023 £m	**2025 £m**	2024 £m	2023 £m	**2025 £m**	2024 £m	2023 £m
Operating segments – continuing operations:									
UK Electricity Transmission	**1,277**	1,677	995	**—**	(3)	(2)	**1,277**	1,674	993
UK Electricity Distribution	**1,610**	993	1,091	**(12)**	(18)	(22)	**1,598**	975	1,069
UK Electricity System Operator	**(364)**	880	238	**151**	(498)	(1)	**(213)**	382	237
New England	**982**	643	708	**26**	(2)	424	**1,008**	641	1,132
New York	**1,023**	860	741	**246**	(498)	(200)	**1,269**	362	541
National Grid Ventures	**380**	469	490	**(375)**	89	467	**5**	558	957
Other	**(143)**	(60)	31	**133**	(57)	(81)	**(10)**	(117)	(50)
Total operating profit from continuing operations	**4,765**	5,462	4,294	**169**	(987)	585	**4,934**	4,475	4,879
Split by geographical area – continuing operations:									
UK	**2,775**	3,923	2,825	**257**	(487)	26	**3,032**	3,436	2,851
US	**1,990**	1,539	1,469	**(88)**	(500)	559	**1,902**	1,039	2,028
Total operating profit from continuing operations	**4,765**	5,462	4,294	**169**	(987)	585	**4,934**	4,475	4,879

	Before exceptional items and remeasurements			Exceptional items and remeasurements			After exceptional items and remeasurements		
	2025 £m	2024 £m	2023 £m	**2025 £m**	2024 £m	2023 £m	**2025 £m**	2024 £m	2023 £m
Reconciliation to profit before tax:									
Operating profit from continuing operations	**4,765**	5,462	4,294	**169**	(987)	585	**4,934**	4,475	4,879
Share of post-tax results of joint ventures and associates	**75**	101	190	**(2)**	(64)	(19)	**73**	37	171
Finance income	**449**	244	166	**1**	4	(28)	**450**	248	138
Finance costs	**(1,810)**	(1,723)	(1,680)	**3**	11	82	**(1,807)**	(1,712)	(1,598)
Profit before tax from continuing operations	**3,479**	4,084	2,970	**171**	(1,036)	620	**3,650**	3,048	3,590

The following items are included in the total operating profit by segment:

Depreciation, amortisation and impairment[1]	**2025 £m**	2024 £m	2023 £m
Operating segments:			
UK Electricity Transmission	**(540)**	(521)	(484)
UK Electricity Distribution	**(249)**	(223)	(223)
UK Electricity System Operator	**—**	(61)	(101)
New England	**(469)**	(420)	(393)
New York	**(731)**	(658)	(620)
National Grid Ventures	**(173)**	(166)	(149)
Other	**(13)**	(12)	(14)
Total	**(2,175)**	(2,061)	(1,984)
Asset type:			
Property, plant and equipment	**(1,878)**	(1,769)	(1,700)
Non-current intangible assets	**(297)**	(292)	(284)
Total	**(2,175)**	(2,061)	(1,984)

1. Depreciation, amortisation and impairment relates to property, plant and equipment and other intangible assets. The charge is stated net of depreciation and amortisation capitalised.

Notes to the consolidated financial statements continued

2. Segmental analysis continued

(c) Capital investment

Capital investment represents additions to property, plant and equipment, prepayments to suppliers to secure production capacity in relation to our capital projects, non-current intangibles and additional equity investments in joint ventures and associates. Capital investments exclude additions for assets or businesses from the point they are classified as held for sale.

	2025 £m	2024 £m	2023 £m
Operating segments:			
UK Electricity Transmission	**2,999**	1,912	1,301
UK Electricity Distribution	**1,426**	1,247	1,220
UK Electricity System Operator	**—**	85	108
New England	**1,751**	1,673	1,527
New York	**3,289**	2,654	2,454
National Grid Ventures	**378**	662	970
Other	**4**	2	13
Total	**9,847**	8,235	7,593
Asset type:			
Property, plant and equipment	**8,894**	7,124	6,783
Non-current intangible assets	**478**	481	578
Equity investments in joint ventures and associates	**116**	332	197
Capital expenditure prepayments	**359**	298	35
Total	**9,847**	8,235	7,593

(d) Geographical analysis of non-current assets

Non-current assets by geography comprise goodwill, other intangible assets, property, plant and equipment, investments in joint ventures and associates and other non-current assets.

	2025 £m	2024 £m	2023 £m
Split by geographical area:			
UK	**42,623**	40,065	38,043
US	**46,131**	44,270	41,761
	88,754	84,335	79,804
Reconciliation to total non-current assets:			
Pension assets	**2,489**	2,407	2,645
Financial and other investments	**798**	880	859
Derivative financial assets	**369**	324	276
Non-current assets	**92,410**	87,946	83,584

3. Revenue

Revenue arises in the course of ordinary activities and principally comprises:
- transmission services;
- distribution services; and
- generation services.

Transmission services, distribution services and certain other services (excluding rental income) fall within the scope of IFRS 15 'Revenue from Contracts with Customers', whereas generation services (which solely relate to the contract with LIPA in the US) are accounted for under IFRS 16 'Leases' as rental income, also presented within revenue. Revenue is recognised to reflect the transfer of goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services and excludes amounts collected on behalf of third parties and value added tax. The Group recognises revenue when it transfers control over a product or service to a customer.

Revenue in respect of regulated activities is determined by regulatory agreements that set the price to be charged for services in a given period based on pre-determined allowed revenues. Variances in service usage can result in actual revenue collected exceeding (over-recoveries) or falling short (under-recoveries) of allowed revenues. Where regulatory agreements allow the recovery of under-recoveries or require the return of over-recoveries, the allowed revenue for future periods is typically adjusted. In these instances, no assets or liabilities are recognised for under- or over-recoveries respectively, because the adjustment relates to future customers and services that have not yet been delivered.

Revenue in respect of non-regulated activities primarily relates to the sale of capacity on our interconnectors, which is determined at auctions. Capacity is sold in either day, month, quarter or year-ahead tranches. The price charged is determined by market fundamentals rather than regulatory agreement. The interconnectors are subject to indirect regulation with regard to the levels of returns they are allowed to earn. Where amounts fall below this range they receive top-up revenues and where amounts exceed this range they must pass back the excess. In these instances, assets or liabilities are recognised for the top-up or pass-back respectively.

Below, we include a description of principal activities, by reportable segment, from which the Group generates its revenue. For more detailed information about our segments, see note 2.

(a) UK Electricity Transmission

The UK Electricity Transmission segment principally generates revenue by providing electricity transmission services in England and Wales. Our business operates as a monopoly regulated by Ofgem, which has established price control mechanisms that set the amount of annual allowed returns our business can earn (along with the Scottish and Offshore transmission operators amongst others).

The transmission of electricity encompasses the following principal services:
- the supply of high-voltage electricity – revenue is recognised based on usage. Our performance obligation is satisfied over time as our customers make use of our network. We bill monthly in advance and our payment terms are up to 60 days. Price is determined prior to our financial year end with reference to the regulated allowed returns and estimated annual volumes; and
- construction work (principally for connections) – revenue is recognised over time, as we provide access to our network. Customers can either pay over the useful life of the connection or up front. Where the customer pays up front, revenues are deferred as a contract liability and released over the life of the asset.

For other construction where there is no consideration for any future services (for example diversions), revenues are recognised as the construction work is completed.

(b) UK Electricity Distribution

The UK Electricity Distribution segment principally generates revenue by providing electricity distribution services in the Midlands and South West of England and South Wales. Similar to UK Electricity Transmission, UK Electricity Distribution operates as a monopoly in the jurisdictions that it operates in and is regulated by Ofgem.

The distribution of electricity encompasses the following principal services:
- electricity distribution – revenue is recognised based on usage by customers (over time), based upon volumes and price. The price control mechanism that determines our annual allowances is similar to UK Electricity Transmission. Revenues are billed monthly and payment terms are typically within 14 days; and
- construction work (principally for connections) – revenue is recognised over time as we provide access to our network. Where the customer pays up front, revenues are deferred as a contract liability and released over the life of the asset.

For other construction where there is no consideration for any future services, revenues are recognised as the construction work is completed.

(c) UK Electricity System Operator

The Group disposed of the UK Electricity System Operator on 1 October 2024. Prior to its disposal and the formation of the NESO, the UK Electricity System Operator earned revenue for balancing supply and demand of electricity on Great Britain's electricity transmission system, where it acted as principal. Balancing services are regulated by Ofgem and revenue payable by generators and suppliers of electricity was recognised as the service was provided.

The UK Electricity System Operator also collected revenues on behalf of transmission operators, principally National Grid Electricity Transmission plc and the Scottish and Offshore transmission operators, from users (electricity suppliers) who connect to or use the transmission system. As the UK Electricity System Operator acted as an agent in this capacity, transmission network revenues were recorded net of payments to transmission operators.

Notes to the consolidated financial statements continued

3. Revenue continued

(d) New England

The New England segment principally generates revenue by providing electricity and gas supply and distribution services and high-voltage electricity transmission services in New England. Supply and distribution services are regulated by the Massachusetts Department of Public Utilities (MADPU) and transmission services are regulated by the Federal Energy Regulatory Commission (FERC), both of whom regulate the rates that can be charged to customers.

The supply and distribution of electricity and gas and the provision of electricity transmission facilities encompasses the following principal services:
- electricity and gas supply and distribution and electricity transmission – revenue is recognised based on usage by customers (over time). Revenues are billed monthly and payment terms are 30 days; and
- construction work (principally for connections) – revenue is recognised over time as we provide access to our network. Where the customer pays up front, revenues are deferred as a contract liability or customer contributions (where they relate to government entities) and released over the life of the connection.

(e) New York

The New York segment principally generates revenue by providing electricity and gas supply and distribution services and high-voltage electricity transmission services in New York. Supply and distribution services are regulated by the New York Public Service Commission (NYPSC) and transmission services are regulated by the FERC, both of which regulate the rates that can be charged to customers.

The supply and distribution of electricity and gas and the provision of electricity transmission facilities encompasses the following principal services:
- electricity and gas supply and distribution and electricity transmission – revenue is recognised based on usage by customers (over time). Revenues are billed monthly and payment terms are 30 days; and
- construction work (principally for connections) – revenue is recognised over time as we provide access to our network. Where the customer pays up front, revenues are deferred as a contract liability or customer contributions (where they relate to government entities) and released over the life of the connection.

(f) National Grid Ventures

National Grid Ventures generates revenue from electricity interconnectors, LNG at the Isle of Grain in the UK and Providence, Rhode Island in the US, NG Renewables and rental income.

The Group recognises revenue from transmission services through interconnectors and LNG importation at the Isle of Grain and Providence by means of customers' use of capacity and volumes. Revenue is recognised over time and is billed monthly. Payment terms are up to 30 days. Grain LNG was classified as held for sale in the year (see note 10).

Electricity generation revenue is earned from the provision of energy services and supply capacity to produce energy for the use of customers of LIPA through a power supply agreement, where LIPA receives all of the energy and capacity from the asset until at least 2028. The arrangement is treated as an operating lease within the scope of the leasing standard where we act as lessor, with rental income being recorded as other revenue, which forms part of total revenue. Lease payments (capacity payments) are recognised on a straight-line basis and variable lease payments are recognised as the energy is generated.

Other revenue in the scope of IFRS 15 principally includes sales of renewables projects from NG Renewables to Emerald Energy Venture LLC (Emerald), which is jointly controlled by National Grid and Washington State Investment Board (WSIB). NG Renewables develops wind and solar generation assets in the US, while Emerald has a right of first refusal to buy, build and operate those assets. Revenue is recognised as it is earned. NG Renewables, together with Emerald, was classified as held for sale in the year (see note 10).

Other revenue, recognised in accordance with standards other than IFRS 15, primarily comprises adjustments in respect of the interconnector cap and floor and Use of Revenue regimes constructed by Ofgem for certain wholly owned interconnector subsidiaries. Under the cap and floor regime, where an interconnector expects to exceed its total five-year cap, a provision and reduction in revenue is recognised in the current reporting period (see note 26). Where an interconnector does not expect to reach its five-year floor, either an asset will be recognised where a future inflow of economic benefits is considered virtually certain, or a contingent asset will be disclosed where the future inflow is concluded to be probable. Under the Use of Revenue framework, any revenues in excess of an agreed incentive level must be passed on as savings to consumers. Where the obligation to transfer excess revenues arises, a payable and reduction in revenue is recognised in the current reporting period.

(g) Other

Revenue in Other relates to our UK commercial property business. Revenue is predominantly recognised in accordance with standards other than IFRS 15 and comprises property sales by our UK commercial property business. Property sales are recorded when the sale is legally completed.

3. Revenue continued

(h) Disaggregation of revenue

In the following tables, revenue is disaggregated by primary geographical market and major service lines. The table below reconciles disaggregated revenue with the Group's reportable segments (see note 2).

Revenue for the year ended 31 March 2025	**UK Electricity Transmission £m**	**UK Electricity Distribution £m**	**UK Electricity System Operator £m**	**New England £m**	**New York £m**	**National Grid Ventures £m**	**Other £m**	**Total £m**
Revenue under IFRS 15								
Transmission[1]	**2,265**	**—**	**46**	**85**	**252**	**879**	**1**	**3,528**
Distribution	**—**	**2,327**	**—**	**4,193**	**6,371**	**—**	**—**	**12,891**
System Operator	**—**	**—**	**966**	**—**	**—**	**—**	**—**	**966**
Other[2]	**29**	**90**	**—**	**9**	**16**	**171**	**3**	**318**
Total IFRS 15 revenue	**2,294**	**2,417**	**1,012**	**4,287**	**6,639**	**1,050**	**4**	**17,703**
Other revenue								
Generation	**—**	**—**	**—**	**—**	**—**	**384**	**—**	**384**
Other[3]	**190**	**4**	**—**	**19**	**50**	**(84)**	**112**	**291**
Total other revenue	**190**	**4**	**—**	**19**	**50**	**300**	**112**	**675**
Total revenue from continuing operations	**2,484**	**2,421**	**1,012**	**4,306**	**6,689**	**1,350**	**116**	**18,378**

1. The UK Electricity System Operator transmission revenue generated in the period up until its disposal represents transmission revenues collected, net of payments made to transmission owners.
2. The UK Electricity Distribution other IFRS 15 revenue principally relates to engineering recharges, which are the recovery of costs incurred for construction work requested by customers, such as the rerouting of existing network assets. Within NGV, the other IFRS 15 revenue principally relates to revenue generated from our NG Renewables business which was classified as held for sale in the year (see note 10).
3. Other revenue, recognised in accordance with accounting standards other than IFRS 15, includes property sales by our UK commercial property business, rental income, income arising in connection with the Transition Services Agreements following the sales of NECO, the UK Gas Transmission business and the ESO, and an adjustment to NGV revenue in respect of the interconnector cap and floor and Use of Revenue regimes constructed by Ofgem.

Geographical split for the year ended 31 March 2025	**UK Electricity Transmission £m**	**UK Electricity Distribution £m**	**UK Electricity System Operator £m**	**New England £m**	**New York £m**	**National Grid Ventures £m**	**Other £m**	**Total £m**
Revenue under IFRS 15								
UK	**2,294**	**2,417**	**1,012**	**—**	**—**	**889**	**1**	**6,613**
US	**—**	**—**	**—**	**4,287**	**6,639**	**161**	**3**	**11,090**
Total IFRS 15 revenue	**2,294**	**2,417**	**1,012**	**4,287**	**6,639**	**1,050**	**4**	**17,703**
Other revenue								
UK	**190**	**4**	**—**	**—**	**—**	**(111)**	**11**	**94**
US	**—**	**—**	**—**	**19**	**50**	**411**	**101**	**581**
Total other revenue	**190**	**4**	**—**	**19**	**50**	**300**	**112**	**675**
Total revenue from continuing operations	**2,484**	**2,421**	**1,012**	**4,306**	**6,689**	**1,350**	**116**	**18,378**

Revenue for the year ended 31 March 2024	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	National Grid Ventures £m	Other £m	Total £m
Revenue under IFRS 15								
Transmission[1]	2,591	—	(10)	73	493	869	—	4,016
Distribution	—	1,712	—	3,786	5,500	—	—	10,998
System Operator	—	—	3,763	—	—	—	—	3,763
Other[2]	25	73	—	8	15	168	4	293
Total IFRS 15 revenue	2,616	1,785	3,753	3,867	6,008	1,037	4	19,070
Other revenue								
Generation	—	—	—	—	—	360	—	360
Other[3]	79	5	—	81	86	(65)	234	420
Total other revenue	79	5	—	81	86	295	234	780
Total revenue from continuing operations	2,695	1,790	3,753	3,948	6,094	1,332	238	19,850

1. The UK Electricity System Operator transmission revenue generated in the year represents transmission revenues collected, net of payments made to transmission owners.
2. The UK Electricity Transmission and UK Electricity Distribution other IFRS 15 revenue principally relates to engineering recharges, which are the recovery of costs incurred for construction work requested by customers, such as the rerouting of existing network assets. Within NGV, the other IFRS 15 revenue principally relates to revenue generated from our NG Renewables business.
3. Other revenue, recognised in accordance with accounting standards other than IFRS 15, includes property sales by our UK commercial property business, rental income, income arising in connection with the Transition Services Agreements following the sales of NECO and the UK Gas Transmission business, and a provision and adjustment to NGV revenue in respect of the interconnector cap and floor and Use of Revenue regimes constructed by Ofgem.

Notes to the consolidated financial statements continued

3. Revenue continued

(h) Disaggregation of revenue continued

Geographical split for the year ended 31 March 2024	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	National Grid Ventures £m	Other £m	Total £m
Revenue under IFRS 15								
UK	2,616	1,785	3,753	—	—	878	1	9,033
US	—	—	—	3,867	6,008	159	3	10,037
Total IFRS 15 revenue	2,616	1,785	3,753	3,867	6,008	1,037	4	19,070
Other revenue								
UK	79	5	—	—	—	(76)	22	30
US	—	—	—	81	86	371	212	750
Total other revenue	79	5	—	81	86	295	234	780
Total revenue from continuing operations	2,695	1,790	3,753	3,948	6,094	1,332	238	19,850

Revenue for the year ended 31 March 2023	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	National Grid Ventures £m	Other £m	Total £m
Revenue under IFRS 15								
Transmission	1,868	—	126	52	567	791	—	3,404
Distribution	—	1,951	—	4,314	6,373	—	—	12,638
System Operator	—	—	4,533	—	—	—	—	4,533
Other[1]	31	77	—	8	13	131	—	260
Total IFRS 15 revenue	1,899	2,028	4,659	4,374	6,953	922	—	20,835
Other revenue								
Generation	—	—	—	—	—	394	—	394
Other[2]	47	5	—	53	41	(33)	317	430
Total other revenue	47	5	—	53	41	361	317	824
Total revenue from continuing operations	1,946	2,033	4,659	4,427	6,994	1,283	317	21,659

1. The UK Electricity Transmission and UK Electricity Distribution other IFRS 15 revenue principally relates to engineering recharges, which are the recovery of costs incurred for construction work requested by customers, such as the rerouting of existing network assets. Within NGV, the other IFRS 15 revenue principally relates to revenue generated from our NG Renewables business.
2. Other revenue, recognised in accordance with accounting standards other than IFRS 15, includes property sales by our UK commercial property business and rental income, income arising in connection with the Transition Services Agreements following the sales of NECO and the UK Gas Transmission business, and a provision and adjustment to NGV revenue in respect of the interconnector cap and floor regime constructed by Ofgem. In the year ended 31 March 2023, the Group also recognised other income relating to an insurance claim.

Geographical split for the year ended 31 March 2023	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	National Grid Ventures £m	Other £m	Total £m
Revenue under IFRS 15								
UK	1,899	2,028	4,659	—	—	799	—	9,385
US	—	—	—	4,374	6,953	123	—	11,450
Total IFRS 15 revenue	1,899	2,028	4,659	4,374	6,953	922	—	20,835
Other revenue								
UK	47	5	—	—	—	(31)	205	226
US	—	—	—	53	41	392	112	598
Total other revenue	47	5	—	53	41	361	317	824
Total revenue from continuing operations	1,946	2,033	4,659	4,427	6,994	1,283	317	21,659

Contract liabilities (see note 23) represent revenue to be recognised in future periods relating to contributions in aid of construction of £2,514 million (2024: £2,246 million; 2023: £2,006 million). Revenue is recognised over the life of the asset. The asset lives for connections in UK Electricity Transmission, UK Electricity Distribution, New England and New York are up to 40 years, 69 years, 50 years and 50 years respectively. The weighted average amortisation period over which revenue for contract liabilities is recognised is 22 years.

Future revenues in relation to unfulfilled performance obligations amount to £1.5 billion (2024: £6.1 billion; 2023: £5.0 billion). £1.5 billion (2024: £1.9 billion; 2023: £1.8 billion) relates to connection contracts in UK Electricity Transmission which will be recognised as revenue over a weighted average of 26 years. The comparative balances include revenues to be earned under contracts held by Grain LNG, which was classified as held for sale in the year.

The amount of revenue recognised for the year ended 31 March 2025 from performance obligations satisfied (or partially satisfied) in previous periods, mainly due to changes in the estimate of the stage of completion, is £nil (2024: £nil; 2023: £nil).

4. Other operating costs

Below we have presented separately certain items included in our operating costs from continuing operations. These include a breakdown of payroll costs (including disclosure of amounts paid to key management personnel) and fees paid to our auditors.

	Before exceptional items and remeasurements			Exceptional items and remeasurements			Total		
	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m
Depreciation, amortisation and impairment[1]	2,175	2,061	1,984	–	–	–	2,175	2,061	1,984
Payroll costs	2,093	2,007	1,929	50	36	29	2,143	2,043	1,958
Purchases of electricity	1,501	1,487	1,808	(72)	10	247	1,429	1,497	2,055
Purchases of gas	1,633	1,323	2,413	(55)	(34)	103	1,578	1,289	2,516
Property and other taxes	1,402	1,279	1,302	–	–	–	1,402	1,279	1,302
UK electricity balancing costs	1,143	2,486	4,052	–	–	–	1,143	2,486	4,052
Impairment of joint venture	–	–	–	303	–	–	303	–	–
Other	3,466	3,578	3,670	(395)	975	12	3,071	4,553	3,682
Other operating costs	13,413	14,221	17,158	(169)	987	391	13,244	15,208	17,549
Provision for bad and doubtful debts	200	179	220	–	–	–	200	179	220
Total operating costs from continuing operations	13,613	14,400	17,378	(169)	987	391	13,444	15,387	17,769
Operating costs from continuing operations include:									
Inventory consumed							506	408	723
Research and development expenditure							43	32	23

1. Depreciation, amortisation and impairment relates to property, plant and equipment and other intangible assets. The charge is stated net of depreciation and amortisation capitalised.

(a) Payroll costs

	2025 £m	2024 £m	2023 £m
Wages and salaries[1]	3,497	3,206	2,971
Social security costs	279	256	244
Defined contribution scheme costs	144	129	98
Defined benefit pension costs	114	96	121
Share-based payments	37	37	46
Severance costs (excluding pension costs)	10	12	3
	4,081	3,736	3,483
Less: payroll costs capitalised	(1,938)	(1,693)	(1,525)
Total payroll costs from continuing operations	2,143	2,043	1,958

1. Included within wages and salaries are US other post-retirement benefit costs of £25 million (2024: £26 million; 2023: £37 million). For further information, refer to note 25.

(b) Number of employees

	31 March 2025	Monthly average 2025	31 March 2024	Monthly average 2024	31 March 2023	Monthly average 2023
UK	13,477	13,919	13,956	13,439	12,572	12,024
US	18,177	17,888	17,469	17,406	16,878	16,539
Total number of employees (continuing operations)	31,654	31,807	31,425	30,845	29,450	28,563

Notes to the consolidated financial statements continued

4. Other operating costs continued

(c) Key management compensation

	2025 £m	2024 £m	2023 £m
Short-term employee benefits	8	7	7
Share-based payments	4	5	6
Total key management compensation	**12**	12	13

Key management compensation relates to the Board, including the Executive Directors and Non-executive Directors, for the years presented.

(d) Directors' emoluments

Details of Executive Directors' emoluments are contained in the Remuneration Report on page 128 and those of Non-executive Directors on page 135. The Remuneration Report does not form part of these financial statements.

(e) Auditor's remuneration

Auditor's remuneration is presented below in accordance with the requirements of the Companies Act 2006 and the principal accountant fees and services disclosure requirements of Item 16C of Form 20-F:

	2025 £m	2024 £m	2023 £m
Audit fees payable to the Parent Company's auditor and their associates in respect of:			
Audit of the Parent Company's individual and consolidated financial statements[1]	2.8	2.8	2.9
The auditing of accounts of any associate of the Company	8.7	8.8	9.0
Other services supplied[2]	7.2	7.3	7.4
	18.7	18.9	19.3
Total other services[3]			
All other fees:			
Other assurance services[4]	1.0	4.0	1.4
Other non-audit services not covered above	–	–	0.2
	1.0	4.0	1.6
Total auditor's remuneration	**19.7**	22.9	20.9

1. Audit fees in each year represent fees for the audit of the Company's financial statements for the years ended 31 March 2025, 2024 and 2023.
2. Other services supplied represent fees payable for services in relation to other statutory filings or engagements that are required to be carried out by the auditor. In particular, this includes fees for reports under section 404 of the US Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley Act), audit reports on regulatory returns and the review of interim financial statements for the six-month periods ended 30 September 2024, 2023 and 2022 respectively.
3. There were no tax compliance or tax advisory fees and no audit-related fees as described in Item 16C(b) of Form 20-F.
4. In all years, principally relates to assurance services provided in relation to comfort letters for debt issuances and reporting accountant services. The year ended 31 March 2025 also includes fees for ESG reporting assurance.

The Audit & Risk Committee considers and makes recommendations to the Board, to be put to shareholders for approval at each AGM, in relation to the appointment, reappointment, removal and oversight of the Company's independent auditor. The Committee, under authority granted at the AGM, also considers and approves the audit fees on behalf of the Board in accordance with the Competition and Markets Authority Audit Order 2014. Details of our policies and procedures in relation to non-audit services to be provided by the independent auditor are set out on page 118 of the Corporate Governance Report.

Certain services are prohibited from being performed by the external auditor under the Sarbanes-Oxley Act and the FRC's 2019 Revised Ethical Standard. Of the above services, none were prohibited.

5. Exceptional items and remeasurements

To monitor our financial performance, we use an adjusted consolidated profit measure that excludes certain income and expenses. We exclude items from adjusted profit because, if included, these items could distort understanding of our performance for the year and the comparability between periods. This note analyses these items, which are included in our results for the year but are excluded from adjusted profit.

Exceptional items and remeasurements from continuing operations

	2025 £m	2024 £m	2023 £m
Included within operating profit			
Exceptional items:			
Provision for UK electricity balancing costs	151	(498)	—
Net gain on the sale of the ESO	187	—	—
Major transformation programme	(74)	—	—
Changes in environmental provisions	146	(496)	176
Transaction, separation and integration costs[1]	(65)	(44)	(117)
Impairment of joint venture	(303)	—	—
Cost efficiency programme	—	(65)	(100)
IFA fire	—	92	130
Net gain on disposal of NECO	—	—	511
Net gain on disposal of Millennium Pipeline Company LLC	—	—	335
	42	(1,011)	935
Remeasurements – commodity contract derivatives	127	24	(350)
	169	(987)	585
Included within finance income and costs			
Remeasurements:			
Net gains/(losses) on financial assets at fair value through profit and loss	1	4	(28)
Net gains on financing derivatives	3	11	82
	4	15	54
Included within share of post-tax results of joint ventures and associates			
Remeasurements:			
Net losses on financial instruments	(2)	(64)	(19)
Total included within profit before tax	171	(1,036)	620
Included within tax			
Tax on exceptional items	76	159	(316)
Tax on remeasurements	(36)	(7)	75
	40	152	(241)
Total exceptional items and remeasurements after tax	211	(884)	379
Analysis of total exceptional items and remeasurements after tax			
Exceptional items after tax	118	(852)	619
Remeasurements after tax	93	(32)	(240)
Total exceptional items and remeasurements after tax	211	(884)	379

1. Transaction, separation and integration costs represent the aggregate of distinct activities undertaken by the Group in the years presented.

Exceptional items

Management uses an exceptional items framework that has been discussed and approved by the Audit & Risk Committee. This follows a three-step process which considers the nature of the event, the financial materiality involved and any particular facts and circumstances. In considering the nature of the event, management focuses on whether the event is within the Group's control and how frequently such an event typically occurs. With respect to restructuring costs, these represent additional expenses incurred that are not related to the normal business and day-to-day activities. These can take place over multiple reporting periods given the scale of the Group, the nature and complexity of the transformation initiatives and due to the impact of strategic transactions. In determining the facts and circumstances, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions, the precedent for similar items, the number of periods over which costs will be spread or gains earned, and the commercial context for the particular transaction. The exceptional items framework was last updated in March 2022.

Items of income or expense that are considered by management for designation as exceptional items include significant restructurings, write-downs or impairments of non-current assets, significant changes in environmental or decommissioning provisions, integration of acquired businesses, gains or losses on disposals of businesses or investments and significant debt redemption costs as a consequence of transactions such as significant disposals or issues of equity, and the related tax, as well as deferred tax arising on changes to corporation tax rates.

Notes to the consolidated financial statements continued

5. Exceptional items and remeasurements continued

Exceptional items continued

Costs arising from efficiency and transformation programmes include redundancy costs. Redundancy costs are charged to the consolidated income statement in the year in which a commitment is made to incur the costs and the main features of the restructuring plan have been announced to affected employees.

Set out below are details of the transactions against which we have considered the application of our exceptional items framework in each of the years for which results are presented.

2025

Provision for UK electricity balancing costs

During the prior year, the ESO's operating profit increased due to a substantial over-recovery of allowed revenues received under its regulatory framework. As described in note 3, under IFRS a corresponding liability is not recognised for the return of over-recoveries as this relates to future customers and services that have not yet been delivered. Following legislation to enable the separation of the ESO and the formation of the NESO, the Group recognised a liability of £498 million in the year ended 31 March 2024 representing the element of the over-recovery that was expected to be settled through the sale process. In the year ended 31 March 2025 the liability was remeasured at £347 million to reflect the final amount of over-recovered revenues that transferred through with the ESO on disposal on 1 October 2024 (see note 10).

Net gain on sale of the ESO

On 1 October 2024, the Group completed the disposal of the ESO to the UK Government for consideration of £673 million (see note 10). As a result, the Group derecognised net assets of £486 million, resulting in a gain of £187 million. The receipt of cash has been recognised within net cash used in investing activities within the consolidated cash flow statement.

Major transformation programme

Following the announcement of our new strategic priorities in May 2024, the Group entered into a new four-year transformation programme designed to implement our refreshed strategy to be a pre-eminent pureplay networks business. In the period, the Group incurred £74 million of costs in relation to the programme. The costs recognised primarily relate to technology implementation costs, employee costs and professional fees incurred in delivering the programme. While the costs incurred since the commencement of the programme do not meet the quantitative threshold to be classified as exceptional on a standalone basis, when taken in aggregate with the costs expected to be incurred over the duration of the programme, we have concluded that the costs should be classified as exceptional in line with our exceptional items policy. Estimated costs expected to be incurred in future years are disclosed in the Financial review on page 86. The total cash outflow for the period was £62 million.

Changes in environmental provisions

In the US, we recognise environmental provisions related to the remediation of the Gowanus Canal, Newtown Creek and the former manufacturing gas plant facilities previously owned or operated by the Group or its predecessor companies. The sites are subject to both state and federal environmental remediation laws in the US. Potential liability for the historical contamination may be imposed on responsible parties jointly and severally, without regard to fault, even if the activities were lawful when they occurred. The provisions and the Group's share of estimated costs are re-evaluated at each reporting period. During the period, following discussions with the New York State Department of Environmental Conservation and the Environmental Protection Agency on the scope and design of remediation activities related to certain of our responsible sites, we have re-evaluated our estimates of total costs and recognised a net decrease of £64 million in relation to our provisions. Under the terms of our rate plans, we are entitled to recovery of environmental clean-up costs from rate payers in future reporting periods. Such recoveries through overall allowed revenues are not classified as exceptional in the future periods that they occur due to the extended duration over which such costs are recovered and the immateriality of the recoveries in any given year.

The real discount rate applied to the Group's environmental provisions was also revised in the year to 2.0% (2024: 1.5%) to reflect the substantial and sustained change in US Government bond yield curves (see note 26). The principal impact of this rate increase was a £82 million decrease in our US environmental provisions. The weighted average remaining duration of our cash flows is now around 10 years.

Transaction, separation and integration costs

In May 2024, we announced the sale of NG Renewables and Grain LNG as part of our strategic focus on becoming a leading pureplay networks business. Transaction and separation costs of £26 million were incurred in relation to the planned disposal of NG Renewables and £8 million in relation to the planned disposal of Grain LNG. The costs incurred primarily related to professional fees and employee costs. In remeasuring the NG Renewables disposal group to fair value less costs to sell in accordance with IFRS 5, the Group has also recognised a £31 million impairment loss (see note 10). These costs have been classified as exceptional in accordance with our exceptional items policy. While the costs incurred in the current year in isolation are not sufficiently material to warrant classification as an exceptional item, when taken in aggregate with the respective disposals which are anticipated in the year ended 31 March 2026, the impact to the consolidated income statement incurred over both years will be sufficiently material to be classified as exceptional in line with our policy. The total cash outflow for the year was £6 million.

Impairment of joint venture

In the year, we agreed with our joint venture partner, RWE Renewables, that our investment in Community Offshore Wind, LLC will pause project development for the time being. The Group has determined that the investment currently has negligible value and an impairment of £303 million has been recognised (see note 16).

5. Exceptional items and remeasurements continued

Exceptional items continued

2024

Provision for UK electricity balancing costs

As described above, during the prior year the ESO's operating profit increased due to a substantial over-recovery of allowed revenues received under its regulatory framework. The Group recognised a liability for the over-recovered revenues which were forecasted to transfer through the sales process.

Changes in environmental provisions

In the prior year, following discussions with the New York State Department of Environmental Conservation and the Environmental Protection Agency on the scope and design of remediation activities related to certain of our responsible sites, we re-evaluated our estimates of total costs and increased our US environmental provision by £496 million (see note 26). Under the terms of our rate plans, we are entitled to recovery of environmental clean-up costs from rate payers in future reporting periods.

Transaction, separation and integration costs

Separation costs of £11 million were incurred in relation to the disposal of NECO, £6 million in relation to the disposal of the UK Gas Transmission business and £27 million in connection with the integration of NGED. The costs incurred primarily related to professional fees, relocation costs and employee costs. The costs were classified as exceptional in accordance with our exceptional items policy. While the transaction, separation and integration costs incurred during the prior year did not meet the quantitative threshold to be classified as exceptional on a standalone basis, when taken in aggregate with the £340 million of costs in previous periods, the costs qualified for exceptional treatment in line with our exceptional items policy. The total cash outflow for the period was £33 million. The Group is entitled to cost recovery in relation to the separation of the ESO. Accordingly, these costs were not classified as exceptional.

Cost efficiency programme

During the prior year, the Group incurred £65 million of costs in relation to the major cost efficiency programme announced in November 2021, that targeted at least £400 million savings per annum across the Group by the end of three years. The costs recognised in the period primarily related to redundancy provisions, employee costs and professional fees incurred in delivering the programme. While the costs incurred during the year did not meet the quantitative threshold to be classified as exceptional on a standalone basis, when taken in aggregate with the £142 million of costs incurred since the announcement of the programme, the costs qualified for exceptional treatment in line with our exceptional items policy. The total cash outflow for the year was £53 million. The cost efficiency programme completed in the prior year.

Fire at IFA converter station

In September 2021, a fire at the IFA1 converter station in Sellindge, Kent caused significant damage to infrastructure on site. In the period, the Group recognised net insurance claims of £92 million, which were recognised as exceptional in line with our exceptional items policy and consistent with related claims in the prior year. The total cash inflow in the period in relation to the insurance proceeds was £92 million.

2023

Transaction, separation and integration costs

Separation costs of £39 million were incurred in relation to the disposal of NECO, £38 million in relation to the disposal of a majority stake in our UK Gas Transmission business and £40 million in connection with the integration of NGED. The costs incurred primarily relate to legal fees, bankers' fees, professional fees and employee costs. The total cash outflow for the period was £84 million.

Cost efficiency programme

The Group incurred £100 million of costs in relation to the major cost efficiency programme announced in November 2021. The costs recognised primarily related to property costs, employee costs and professional fees incurred in delivering the programme. The total cash outflow for the period was £85 million.

Fire at IFA converter station

In September 2021, a fire at the IFA1 converter station in Sellindge, Kent caused significant damage to infrastructure on site. In the year, the Group recognised £130 million of insurance claims (net of asset write-offs), which have been recognised as exceptional in line with our exceptional items policy. The total cash inflow for the period was £79 million.

Changes in environmental provisions

The real discount rate applied to the Group's environmental provisions was revised to 1.5% (2022: 0.5%) to reflect the substantial and sustained change in US Government bond yield curves (see note 26). The principal impact of this rate increase was a £165 million decrease in our US environmental provisions and a £11 million decrease in our UK environmental provision. The weighted average remaining duration of our cash flows was around 10.5 years.

Notes to the consolidated financial statements continued

5. Exceptional items and remeasurements continued

Exceptional items continued

Net gain on disposal of NECO

On 25 May 2022, the Group completed the sale of a wholly owned subsidiary, NECO, to PPL Rhode Island Holdings, LLC for cash consideration of £3.1 billion. As a result, the Group derecognised net assets of £2.7 billion, resulting in a pre-tax gain of £511 million. The receipt of cash was recognised within net cash used in investing activities within the consolidated cash flow statement.

Net gain on disposal of Millennium Pipeline Company LLC

The Group recognised a gain of £335 million on the disposal of its entire 26.25% equity interest in the Millennium Pipeline Company LLC associate to DT Midstream for cash consideration of £497 million. The receipt of cash was recognised within net cash used in investing activities within the consolidated cash flow statement.

Remeasurements

Remeasurements comprise unrealised gains or losses recorded in the consolidated income statement arising from changes in the fair value of certain of our financial assets and liabilities accounted for at fair value through profit and loss (FVTPL). Once the fair value movements are realised (for example, when the derivative matures), the previously recognised fair value movements are then reversed through remeasurements and recognised within earnings before exceptional items and remeasurements. These assets and liabilities include commodity contract derivatives and financing derivatives to the extent that hedge accounting is not available or is not fully effective.

The unrealised gains or losses reported in profit and loss on certain additional assets and liabilities treated at FVTPL are also classified within remeasurements. These relate to financial assets (which fail the 'solely payments of principal and interest test' under IFRS 9), the money market fund investments used by Group Treasury for cash management purposes and the net foreign exchange gains and losses on borrowing activities. These are offset by foreign exchange gains and losses on financing derivatives measured at fair value. In all cases, these fair values increase or decrease because of changes in foreign exchange, commodity or other financial indices over which we have no control.

We report unrealised gains or losses relating to certain discrete classes of financial assets accounted for at FVTPL within adjusted profit. These comprise our portfolio of investments made by National Grid Partners and our investment in Sunrun Neptune 2016 LLC (both within NGV). The performance of these assets (including changes in fair value) is included in our assessment of adjusted profit for the relevant business units.

Remeasurements excluded from adjusted profit are made up of the following categories:

i. Net gains/(losses) on commodity contract derivatives represent mark-to-market movements on certain physical and financial commodity contract obligations in the US and UK. These contracts primarily relate to the forward purchase of energy for supply to customers, or to the economic hedging thereof, that are required to be measured at fair value and that do not qualify for hedge accounting. Under the existing rate plans in the US, commodity costs are recoverable from customers although the timing of recovery may differ from the pattern of costs incurred;

ii. Net gains/(losses) on financing derivatives comprise gains and losses arising on derivative financial instruments, net of interest accrued, used for the risk management of interest rate and foreign exchange exposures and the offsetting foreign exchange losses and gains on the associated borrowing activities. These exclude gains and losses for which hedge accounting has been effective and have been recognised directly in the consolidated statement of other comprehensive income or are offset by adjustments to the carrying value of debt (see notes 17 and 32). Net foreign exchange gains and losses on financing derivatives used for the risk management of foreign exchange exposures are offset by foreign exchange losses and gains on borrowing activities;

iii. Net gains/(losses) on financial assets measured at FVTPL comprise gains and losses on the investment funds held by our insurance captives which are categorised as FVTPL (see note 15); and

iv. Unrealised net gains/(losses) on derivatives and other financial instruments within our joint ventures and associates.

6. Finance income and costs

This note details the interest income generated by our financial assets and interest expense incurred on our financial liabilities, primarily our financing portfolio (including our financing derivatives). It also includes the net interest on our pensions and other post-retirement assets. In reporting adjusted profit, we adjust net financing costs to exclude any net gains or losses on financial instruments included in remeasurements (see note 5).

Finance income and costs remeasurements include unrealised gains and losses on certain assets and liabilities treated at FVTPL. The effective interest income and interest expense and dividends on these items are included in finance income and finance costs before remeasurements respectively.

	Notes	**2025 £m**	2024 £m	2023 £m
Finance income (excluding remeasurements)				
Net interest income on pensions and other post-retirement benefit obligations	25	**98**	100	85
Interest income on financial instruments:				
Bank deposits and other financial assets		**341**	139	80
Dividends received on equities held at fair value through other comprehensive income (FVOCI)		**1**	1	1
Other income		**9**	4	—
		449	244	166
Finance costs (excluding remeasurements)				
Interest expense on financial liabilities held at amortised cost:				
Bank loans and overdrafts		**(110)**	(140)	(328)
Other borrowings[1]		**(1,553)**	(1,424)	(1,330)
Interest on derivatives		**(285)**	(277)	(170)
Unwinding of discount on provisions and other payables		**(130)**	(102)	(88)
Other interest		**(26)**	(31)	(13)
Less: interest capitalised[2]		**294**	251	249
		(1,810)	(1,723)	(1,680)
Remeasurements – Finance income				
Net gains/(losses) on FVTPL financial assets		**1**	4	(28)
		1	4	(28)
Remeasurements – Finance costs				
Net gains on financing derivatives[3]				
Derivatives designated as hedges for hedge accounting		**4**	13	22
Derivatives not designated as hedges for hedge accounting		**(1)**	(2)	60
		3	11	82
Total remeasurements – Finance income and costs		**4**	15	54
Finance income		**450**	248	138
Finance costs[4]		**(1,807)**	(1,712)	(1,598)
Net finance costs from continuing operations		**(1,357)**	(1,464)	(1,460)

1. Includes interest expense on lease liabilities (see note 13 for details).
2. Interest on funding attributable to assets in the course of construction in the current year was capitalised at a rate of 4.3% (2024: 4.7%; 2023: 4.7%). In the UK, capitalised interest qualifies for a current year tax deduction with tax relief claimed of £39 million (2024: £39 million; 2023: £30 million). In the US, capitalised interest is added to the cost of property, plant and equipment, and qualifies for tax depreciation allowances.
3. Includes a net foreign exchange gain on borrowing and investment activities of £241 million (2024: £271 million gain; 2023: £86 million loss) offset by foreign exchange gains and losses on financing derivatives measured at fair value and the impacts of hedge accounting.
4. Finance costs include principal accretion on inflation-linked liabilities of £152 million (2024: £208 million; 2023: £483 million).

Notes to the consolidated financial statements continued

7. Tax

Tax is payable in the territories where we operate, mainly the UK and the US. This note gives further details of the total tax charge and tax liabilities, including current and deferred tax. Current tax charge is the tax payable on this year's taxable profits. Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences in the accounting and tax bases.

The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in the statement of changes in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted by the reporting date.

The Group operates internationally in territories with different and complex tax codes. Management exercises judgement in relation to the level of provision required for uncertain tax outcomes. Where there are tax positions not yet agreed with the tax authorities, different interpretations of legislation could lead to a range of outcomes. Judgements are made for each position having regard to particular circumstances and advice obtained.

Deferred tax is provided for, using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor the taxable profit or loss.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and joint arrangements except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority, and the Company and its subsidiaries intend to settle their current tax assets and liabilities on a net basis.

Tax charged to the consolidated income statement – continuing operations

	2025 £m	2024 £m	2023 £m
Tax before exceptional items and remeasurements	**861**	983	635
Total tax reported within exceptional items and remeasurements	**(40)**	(152)	241
Total tax charge from continuing operations	**821**	831	876

Tax as a percentage of profit before tax – continuing operations

	2025 %	2024 %	2023 %
Before exceptional items and remeasurements – continuing operations	**24.7**	24.1	21.4
After exceptional items and remeasurements – continuing operations	**22.5**	27.3	24.4

7. Tax continued

The tax charge for the year can be analysed as follows:

	2025 £m	2024 £m	2023 £m
Current tax:			
UK corporation tax at 25% (2024: 25%; 2023: 19%)	**66**	410	161
UK corporation tax adjustment in respect of prior years	**(36)**	(36)	—
	30	374	161
Overseas corporation tax	**47**	82	225
Overseas corporation tax adjustment in respect of prior years	**(39)**	(90)	(16)
	8	(8)	209
Total current tax from continuing operations	**38**	366	370
Deferred tax:			
UK deferred tax	**524**	388	255
UK deferred tax adjustment in respect of prior years	**25**	43	13
	549	431	268
Overseas deferred tax	**195**	(40)	233
Overseas deferred tax adjustment in respect of prior years	**39**	74	5
	234	34	238
Total deferred tax from continuing operations	**783**	465	506
Total tax charge from continuing operations	**821**	831	876

Tax charged/(credited) to the consolidated statement of comprehensive income and equity

	2025 £m	2024 £m	2023 £m
Current tax:			
Share-based payments	**(1)**	(2)	(1)
Deferred tax:			
Investments at fair value through other comprehensive income	**—**	1	(1)
Cash flow hedges, cost of hedging and own credit reserve	**36**	56	(7)
Remeasurements of pension assets and post-retirement benefit obligations	**(23)**	(50)	(344)
Share-based payments	**2**	—	1
	14	5	(352)
Total tax recognised in the statements of comprehensive income from continuing operations	**13**	7	(352)
Total tax relating to share-based payments recognised directly in equity from continuing operations	**1**	(2)	—
	14	5	(352)

Notes to the consolidated financial statements continued

7. Tax continued

The tax charge for the year, after exceptional items and remeasurements for continuing operations, is lower (2024: higher tax charge; 2023: higher tax charge) than the standard rate of corporation tax in the UK of 25% (2024: 25%; 2023: 19%):

	Before exceptional items and remeasurements 2025 £m	After exceptional items and remeasurements 2025 £m	Before exceptional items and remeasurements 2024 £m	After exceptional items and remeasurements 2024 £m	Before exceptional items and remeasurements 2023 £m	After exceptional items and remeasurements 2023 £m
Profit before tax from continuing operations						
Before exceptional items and remeasurements	3,479	3,479	4,084	4,084	2,970	2,970
Exceptional items and remeasurements	—	171	—	(1,036)	—	620
Profit before tax from continuing operations	3,479	3,650	4,084	3,048	2,970	3,590
Profit before tax from continuing operations multiplied by UK corporation tax rate of 25% (2024: 25%; 2023: 19%)	870	913	1,021	762	564	682
Effect of:						
Adjustments in respect of prior years[1]	(11)	(11)	(9)	(9)	2	2
Expenses not deductible for tax purposes	32	40	28	155	28	92
Non-taxable income[2]	(18)	(107)	(18)	(43)	(47)	(75)
Adjustment in respect of foreign tax rates[3]	5	4	(10)	(20)	73	147
Deferred tax impact of change in UK tax rate	—	—	—	—	62	66
Adjustment in respect of post-tax profits of joint ventures and associates included within profit before tax	(19)	(18)	(25)	(9)	(36)	(27)
Other[4]	2	—	(4)	(5)	(11)	(11)
Total tax charge from continuing operations	861	821	983	831	635	876
	%	%	%	%	%	%
Effective tax rate – continuing operations	24.7	22.5	24.1	27.3	21.4	24.4

1. The prior year adjustments are primarily due to agreement of prior period tax returns.
2. Includes tax on chargeable disposals after the offset of capital losses. The gain on disposal of the ESO during the year is subject to the Substantial Shareholding Exemption.
3. Included in 2023 are remeasurements of US closing state deferred tax balances as a result of an expected increase in the blended state tax rate following the disposal of NECO.
4. Other primarily comprises the movement in the deferred tax asset on previously unrecognised capital losses, claims for land remediation relief and claims for Research & Development credit.

The mandatory exception to recognising and disclosing information about the deferred tax assets and liabilities related to Pillar Two income taxes has been applied as required by IAS 12. The Pillar Two global minimum corporation tax rate of 15% introduced by the Organisation for Economic Co-operation and Development (OECD) was enacted into UK law on 11 July 2023 and was applicable to National Grid from 1 April 2024. Exposure to additional taxation under Pillar Two is immaterial to the Group.

Factors that may affect future tax charges

The main UK corporation tax rate is 25% and deferred tax balances as at 31 March 2025 have been calculated at 25%.

In light of the US Government's desire to extend certain provisions of the 2017 Tax Cuts and Jobs Act (TCJA) expiring at the end of 2025, the US Congress and the US Administration are considering changes to federal tax legislation that could impact National Grid. However, since no changes have been substantively enacted at the balance sheet date, the income tax balances as at 31 March 2025 have been calculated at the prevailing tax rates based on the current tax laws.

7. Tax continued

Tax included within the statement of financial position

The following are the major deferred tax assets and liabilities recognised, and the movements thereon, during the current and prior reporting periods:

	Regulatory licences £m	Accelerated tax depreciation £m	Share-based payments £m	Pensions and other post-retirement benefits £m	Financial instruments £m	Other net temporary differences[1] £m	Total £m
Deferred tax liabilities/(assets)							
At 1 April 2023	429	8,242	(21)	490	(370)	(1,589)	7,181
Exchange adjustments and other[2]	—	(132)	—	(1)	—	23	(110)
Charged/(credited) to income statement	—	720	(5)	26	38	(312)	467
(Credited)/charged to other comprehensive income and equity	—	—	—	(50)	57	—	7
Disposals	—	(2)	—	—	—	—	(2)
Reclassification to held for sale (note 10)	—	(12)	1	(4)	—	(9)	(24)
At 1 April 2024	429	8,816	(25)	461	(275)	(1,887)	7,519
Exchange adjustments and other[2]	—	(147)	—	(5)	—	57	(95)
Charged/(credited) to income statement	—	925	(3)	58	62	(256)	786
(Credited)/charged to other comprehensive income and equity	—	—	2	(23)	38	—	17
Disposals	—	(60)	—	—	—	(5)	(65)
Reclassification to held for sale (note 10)	—	(122)	—	—	—	(2)	(124)
At 31 March 2025	**429**	**9,412**	**(26)**	**491**	**(175)**	**(2,093)**	**8,038**

1. The deferred tax asset of £2,093 million as at 31 March 2025 (2024: £1,887 million) in respect of other net temporary differences relates to losses of £298 million (2024: £184 million), US contract and lease liabilities of £603 million (2024: £575 million), US environmental provisions of £575 million (2024: £646 million), US bad debt provision of £155 million (2024: £150 million) and other short-term temporary differences of £462 million (2024: £332 million).
2. Exchange adjustments and other primarily comprises foreign exchange arising on translation of the US dollar deferred tax balances.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The deferred tax balances (after offset) for statement of financial position purposes consist solely of deferred tax liabilities of £8,038 million (2024: £7,519 million).

Deferred tax assets in respect of some capital losses as well as trading losses and non-trade deficits have not been recognised as their future recovery is uncertain or not currently anticipated. The total deferred tax assets not recognised are as follows:

	2025 £m	2024 £m
Capital losses	**2,484**	2,483
Trading losses	**9**	4

The capital losses arose in the UK on disposal of certain businesses or assets. They are available to carry forward indefinitely but can only be offset against future capital gains.

At 31 March 2025 and 31 March 2024, there were no recognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or its associates as there are no significant corporation tax consequences of the Group's UK, US or overseas subsidiaries or associates paying dividends to their parent companies. There are also no significant income tax consequences for the Group from the payment of dividends by the Group to its shareholders.

Notes to the consolidated financial statements continued

8. Earnings per share (EPS)

EPS is the amount of profit after tax attributable to each ordinary share. Basic EPS is calculated as profit after tax for the year attributable to equity shareholders divided by the weighted average number of shares in issue during the year. Diluted EPS shows what the impact would be if all outstanding share options were exercised and treated as ordinary shares at year end. The weighted average number of shares is increased by additional shares issued as scrip dividends and reduced by shares repurchased by the Company during the year. The earnings per share calculations are based on profit after tax attributable to equity shareholders of the Company which excludes non-controlling interests.

Adjusted earnings and EPS, which exclude exceptional items and remeasurements, are provided to reflect the adjusted profit subtotals used by the Company. We have included reconciliations from this additional EPS measure to earnings for both basic and diluted EPS to provide additional detail for these items. For further details of exceptional items and remeasurements, see note 5.

(a) Basic EPS

	Earnings 2025 £m	**EPS 2025 pence**	Earnings 2024 £m	EPS 2024[1] pence	Earnings 2023 £m	EPS 2023[1] pence
Adjusted earnings from continuing operations	**2,615**	**55.6**	3,100	77.7	2,335	59.0
Exceptional items and remeasurements after tax from continuing operations (see note 5)	**211**	**4.4**	(884)	(22.2)	379	9.6
Earnings from continuing operations	**2,826**	**60.0**	2,216	55.5	2,714	68.6
Adjusted earnings from discontinued operations (see note 10)	**4**	**—**	13	0.3	320	8.1
Exceptional items and remeasurements after tax from discontinued operations	**72**	**1.6**	61	1.6	4,763	120.4
Earnings from discontinued operations	**76**	**1.6**	74	1.9	5,083	128.5
Total adjusted earnings	**2,619**	**55.6**	3,113	78.0	2,655	67.1
Total exceptional items and remeasurements after tax (including discontinued operations)	**283**	**6.0**	(823)	(20.6)	5,142	130.0
Total earnings	**2,902**	**61.6**	2,290	57.4	7,797	197.1

	2025 millions	2024[1] millions	2023[1] millions
Weighted average number of ordinary shares – basic	**4,707**	3,991	3,956

1. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue (see note 27).

(b) Diluted EPS

	Earnings 2025 £m	**EPS 2025 pence**	Earnings 2024 £m	EPS 2024[1] pence	Earnings 2023 £m	EPS 2023[1] pence
Adjusted earnings from continuing operations	**2,615**	**55.4**	3,100	77.3	2,335	58.8
Exceptional items and remeasurements after tax from continuing operations (see note 5)	**211**	**4.4**	(884)	(22.0)	379	9.5
Earnings from continuing operations	**2,826**	**59.8**	2,216	55.3	2,714	68.3
Adjusted earnings from discontinued operations	**4**	**—**	13	0.3	320	8.1
Exceptional items and remeasurements after tax from discontinued operations (see note 10)	**72**	**1.6**	61	1.5	4,763	119.8
Earnings from discontinued operations	**76**	**1.6**	74	1.8	5,083	127.9
Total adjusted earnings	**2,619**	**55.4**	3,113	77.6	2,655	66.9
Total exceptional items and remeasurements after tax (including discontinued operations)	**283**	**6.0**	(823)	(20.5)	5,142	129.3
Total earnings	**2,902**	**61.4**	2,290	57.1	7,797	196.2

	2025 millions	2024[1] millions	2023[1] millions
Weighted average number of ordinary shares – diluted	**4,729**	4,008	3,973

1. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue (see note 27).

(c) Reconciliation of basic to diluted average number of shares

	2025 millions	2024[1] millions	2023[1] millions
Weighted average number of ordinary shares – basic	**4,707**	3,991	3,956
Effect of dilutive potential ordinary shares – employee share plans	**22**	17	17
Weighted average number of ordinary shares – diluted	**4,729**	4,008	3,973

1. Comparative amounts have been restated to reflect the impact of the bonus element of the Rights Issue (see note 27).

9. Dividends

Interim dividends are recognised when they become payable to the Company's shareholders. Final dividends are recognised when they are approved by shareholders.

	2025			2024			2023		
	Pence per share	**Cash dividend £m**	**Scrip dividend £m**	Pence per share	Cash dividend £m	Scrip dividend £m	Pence per share	Cash dividend £m	Scrip dividend £m
Final dividend in respect of the prior year	**39.12**	**811**	**643**	37.60	1,325	56	33.76	1,119	114
Interim dividend in respect of the current year	**15.84**	**718**	**59**	19.40	393	320	17.84	488	163
	54.96	**1,529**	**702**	57.00	1,718	376	51.60	1,607	277

For comparability purposes the table below presents dividends per share adjusted for a factor of 1.0811 to reflect the bonus element of the Rights Issue:

	2025			2024			2023		
	Pence per share (actual)	**Impact of Rights Issue**	**Pence per share (adjusted)**	Pence per share (actual)	Impact of Rights Issue	Pence per share (adjusted)	Pence per share (actual)	Impact of Rights Issue	Pence per share (adjusted)
Final dividend in respect of the prior year	**39.12**	**(2.93)**	**36.19**	37.60	(2.82)	34.78	33.76	(2.53)	31.23
Interim dividend in respect of the current year	**15.84**	**—**	**15.84**	19.40	(1.46)	17.94	17.84	(1.34)	16.50
	54.96	**(2.93)**	**52.03**	57.00	(4.28)	52.72	51.60	(3.87)	47.73

The Directors are proposing a final dividend for the year ended 31 March 2025 of 30.88p per share that would absorb approximately £1,512 million of shareholders' equity (assuming all amounts are settled in cash). It will be paid on 17 July 2025 to shareholders who are on the register of members at 30 May 2025 (subject to shareholders' approval at the AGM). A scrip dividend will be offered as an alternative.

Notes to the consolidated financial statements continued

10. Assets held for sale and discontinued operations

The results and cash flows of significant assets or businesses sold during the year are shown separately from our continuing operations and presented within discontinued operations in the income statement and cash flow statement. Assets and businesses are classified as held for sale when their carrying amounts are expected to be recovered through sale rather than through continuing use. They only meet the held for sale condition when the assets are ready for immediate sale in their present condition, management is committed to the sale and it is highly probable that the sale will complete within one year. Depreciation ceases on assets and businesses when they are classified as held for sale and the assets and businesses are impaired if the proceeds less sale costs fall short of the carrying value.

The following assets and liabilities were classified as held for sale:

	2025			2024		
	Total assets held for sale £m	**Total liabilities held for sale £m**	**Net assets/ (liabilities) held for sale £m**	Total assets held for sale £m	Total liabilities held for sale £m	Net assets/ (liabilities) held for sale £m
UK Electricity System Operator	—	—	—	1,134	(1,427)	(293)
National Grid Renewables	**1,528**	**(108)**	**1,420**	—	—	—
Grain LNG	**1,100**	**(326)**	**774**	—	—	—
Investment in GasT TopCo Limited	—	—	—	689	—	689
RAA	—	—	—	—	(47)	(47)
Net assets/(liabilities) held for sale	**2,628**	**(434)**	**2,194**	1,823	(1,474)	349

Gain on disposal of the ESO

In October 2023, legislation required to enable the separation of the ESO and the formation of the NESO, which will undertake responsibilities across both the electricity and gas systems, was passed through Parliament. The assets and liabilities of the ESO were consequently presented as held for sale in the consolidated financial statements in the year ended 31 March 2024. The disposal subsequently completed on 1 October 2024 for consideration of £673 million.

Based on the scale and pass-through nature of the ESO, it is not considered a separate major line of business or geographic operation under IFRS 5 for treatment as a discontinued operation, and its disposal is not part of a single coordinated plan being undertaken by the Group. Accordingly, the results have not been separately disclosed on the face of the income statement, and are instead included within the results from continuing operations. Financial information relating to the gain arising on disposal of the ESO is set out below:

	£m
Intangible assets	**485**
Property, plant and equipment	**121**
Trade and other receivables	**375**
Pension asset	**16**
Cash and cash equivalents	**51**
Financial investments	**501**
Total assets on disposal	**1,549**
Borrowings	**(13)**
Other liabilities	**(703)**
Provision for UK electricity balancing costs (note 5)	**(347)**
Total liabilities on disposal	**(1,063)**
Net assets on disposal	**486**
Total consideration received[1]	**673**
Gain on sale	**187**

1. Included within total consideration is deferred proceeds of £45 million which were settled after 31 March 2025.

Up until its disposal, the ESO generated profit after tax of £103 million for the year ended 31 March 2025 (2024: £178 million profit; 2023: £182 million profit).

10. Assets held for sale and discontinued operations continued

NG Renewables and Grain LNG

On 24 February 2025, the Group agreed to sell NG Renewables, its US onshore renewables business, to Brookfield Asset Management. Completion of the transaction will be subject to certain consents and regulatory approvals and is expected to complete in the first half of the year ending 31 March 2026. The Group has also previously announced its intention to sell Grain LNG, its UK LNG asset. As both sales are considered to be highly probable and expected to complete within a year, the associated assets and liabilities have been presented as held for sale in the consolidated statement of financial position at 31 March 2025. However, as NG Renewables and Grain LNG do not represent separate major lines of business or geographical operations, they have not met the criteria for classification as discontinued operations and therefore their results for the period are not separately disclosed on the face of the income statement.

The following assets and liabilities were classified as held for sale at 31 March 2025.

	National Grid Renewables £m	Grain LNG £m
Goodwill	53	—
Other intangible assets	—	25
Property, plant and equipment	340	898
Investments in joint ventures and associates	873	—
Trade and other receivables	51	31
Cash and cash equivalents	30	123
Financial investments	40	—
Other assets	141	23
Total assets	1,528	1,100
Borrowings	(2)	(132)
Other liabilities	(106)	(194)
Total liabilities	(108)	(326)
Net assets	1,420	774

The Group has recognised a £31 million impairment loss on remeasuring the NG Renewables disposal group to fair value less costs to sell, with the loss allocated to goodwill. No impairment losses were recognised following reclassification of the Grain LNG assets and liabilities classified to held for sale. The aggregate profit after tax for NG Renewables and Grain LNG for the period ended 31 March 2025 was £60 million (2024: £49 million; 2023: £108 million).

The UK Gas Transmission business

On 31 January 2023, the Group disposed of 100% of the UK Gas Transmission business for cash consideration of £4.0 billion and a 40% interest in a newly incorporated UK limited company, GasT TopCo Limited. The other 60% was purchased by Macquarie Infrastructure and Real Assets (MIRA) and British Columbia Investment Management Corporation (BCI) (together, the 'Consortium'). The Group also entered into a Further Acquisition Agreement (the FAA option) with the Consortium over its remaining 40% interest. Both the investment in GasT TopCo Limited and the FAA option were immediately classified as held for sale and so the Group has not applied equity accounting in relation to its investment in GasT TopCo Limited.

The FAA was partially exercised by the Consortium on 11 March 2024 and the Group disposed of 20% of the 40% interest in GasT TopCo Limited, as detailed in the Annual Report and Accounts for the year ended 31 March 2024. As part of the transaction, the Group also entered into a new agreement with the Consortium, the Remaining Acquisition Agreement (the 'RAA'), to replace the FAA option for the potential sale of all or part of the remaining 20% equity interest in GasT TopCo Limited.

On 26 July 2024, the Consortium exercised its option under the RAA and the disposal of the Group's remaining interest in GasT TopCo Limited completed on 26 September 2024. The total sales proceeds were £686 million and the gain on disposal, after transaction costs, was £25 million.

The disposal of the Group's remaining interest in GasT TopCo Limited was the final stage of the plan to dispose of the UK Transmission business first announced in 2021. As a result, the gain on disposal and any remeasurements pertaining to the financial derivatives noted above are shown separately from the continuing business for all periods presented on the face of the income statement as a discontinued operation. This is also reflected in the statement of comprehensive income, as well as earnings per share (EPS) being shown split between continuing and discontinued operations.

Notes to the consolidated financial statements continued

10. Assets held for sale and discontinued operations continued

The summary income statements for the years ended 31 March 2025, 2024 and 2023 are as follows:

	Before exceptional items and remeasurements			Exceptional items and remeasurements			Total		
	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m
Discontinued operations									
Revenue	—	—	1,604	—	—	—	—	—	1,604
Other operating costs	—	—	(890)	—	—	1	—	—	(889)
Operating profit	—	—	714	—	—	1	—	—	715
Finance income	5	17	15	—	—	6	5	17	21
Finance costs[1]	—	—	(310)	47	62	(53)	47	62	(363)
Profit before tax	5	17	419	47	62	(46)	52	79	373
Tax	(1)	(4)	(99)	—	3	6	(1)	(1)	(93)
Profit after tax from discontinued operations	4	13	320	47	65	(40)	51	78	280
Gain/(loss) on disposal	—	—	—	25	(4)	4,803	25	(4)	4,803
Total profit after tax from discontinued operations	4	13	320	72	61	4,763	76	74	5,083

1. Exceptional finance costs include the remeasurement of the FAA option and the RAA.

The summary statements of comprehensive income for the years ended 31 March 2025, 2024 and 2023 are as follows:

	2025 £m	2024 £m	2023 £m
Profit after tax from discontinued operations	76	74	5,083
Other comprehensive (loss)/income from discontinued operations			
Items from discontinued operations that will never be reclassified to profit or loss:			
Remeasurement losses on pension assets and post-retirement benefit obligations	—	—	(313)
Tax on items that will never be reclassified to profit or loss	—	—	78
Total losses from discontinued operations that will never be reclassified to profit or loss	—	—	(235)
Items from discontinued operations that may be reclassified subsequently to profit or loss:			
Net gains in respect of cash flow hedges	—	—	6
Net gains in respect of cost of hedging	—	—	4
Net (losses)/gains on investments in debt instruments measured at fair value through other comprehensive income	(13)	13	—
Tax on items that may be reclassified subsequently to profit or loss	3	(3)	(2)
Total (losses)/gains from discontinued operations that may be reclassified subsequently to profit or loss	(10)	10	8
Other comprehensive (loss)/income for the year, net of tax from discontinued operations	(10)	10	(227)
Total comprehensive income for the year from discontinued operations	66	84	4,856

Details of the cash flows relating to discontinued operations are set out within the consolidated cash flow statement.

11. Goodwill

Goodwill represents the excess of what we paid to acquire businesses over the fair value of their net assets at the acquisition date. We assess whether goodwill is recoverable by performing an impairment review annually or more frequently if events or changes in circumstances indicate a potential impairment.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate. Goodwill is allocated to CGUs and this allocation is made to those CGUs that are expected to benefit from the acquisition in which the goodwill arose.

Impairment is recognised where there is a difference between the carrying value of the CGU and the estimated recoverable amount of the CGU to which that goodwill has been allocated. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Any impairment loss is first allocated to the carrying value of the goodwill and then to the other assets within the CGU. Recoverable amount is defined as the higher of fair value less costs to sell and estimated value-in-use at the date the impairment review is undertaken. Value-in-use represents the present value of expected future cash flows, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

	Total £m
Net book value at 1 April 2023	9,847
Exchange adjustments	(118)
Net book value at 1 April 2024	9,729
Exchange adjustments	(117)
Reclassification to held for sale (note 10)	(80)
Net book value at 31 March 2025	**9,532**

Following the announcement of the planned sale of NG Renewables (see note 10), goodwill was reclassified as held for sale in the year.

There was no significant accumulated impairment charge as at 31 March 2025 or 31 March 2024.

Impairment review of goodwill and indefinite-lived intangibles

Goodwill and indefinite-lived intangibles (see note 12) are reviewed annually for impairment and the recoverability is assessed by comparing the carrying amount of our operations with the expected recoverable amount on a value-in-use basis which uses pre-financing and pre-tax cash flow projections based on the Group's financial plans, approved by the Directors. See below for a summary of which operations our goodwill and indefinite-lived intangibles are allocated to.

CGU or group of CGUs	2025 £m	2024 £m
Goodwill:		
National Grid Ventures – US	**100**	188
New England	**1,506**	1,541
New York	**3,205**	3,279
UK Electricity Distribution[1]	**4,721**	4,721
Total goodwill	**9,532**	9,729
Indefinite-lived intangibles (regulatory licences related to UK Electricity Distribution):		
West Midlands	**518**	518
East Midlands	**519**	519
South Wales	**257**	257
South West	**420**	420
Total indefinite-lived intangibles	**1,714**	1,714

1. This is a combination of the West Midlands, East Midlands, South Wales and South West CGUs, reflecting the level at which the goodwill is monitored.

In each assessment, the value-in-use has been calculated assuming a stable regulatory framework and is based on projections that incorporate our best estimates of future cash flows, including costs, changes in commodity prices, future rates and growth. Such projections reflect our current regulatory agreements and allow for future agreements and recovery of investment, including those related to achieving the net zero plans of the jurisdictions that we operate in. Our plans have proved to be reliable guides in the past and the Directors believe the estimates are appropriate.

Notes to the consolidated financial statements continued

11. Goodwill continued

(a) Cash flow periods, terminal value and discount rate assumptions

We select cash flow durations longer than five years, when our forecasts are considered reliable. The cash flow durations selected reflect our knowledge and understanding of the regulatory environments in which we operate, and most significantly, where markets have legislated decarbonisation commitments by 2050, we may utilise longer cash flow forecasts that reflect the investment required to deliver those commitments before applying a terminal value at the point those commitments are due to be fulfilled and market growth is expected to stabilise. For our regulated UK ED operations, we consider cash flow durations that run until 2050, reflecting the expected investment required in the network, in excess of economy-wide long-term growth rates in order to deliver the energy transition. Total expenditure forecasts, comprising capital and operating expenditure, are estimated with reference to the Group's strategic modelling and expectations around a reasonable energy transition based upon the policies and commitments in place today. Cash flows related to uncommitted future restructurings and enhancement capital expenditure (beyond activity to reinforce the network and build new connections) are excluded from the projections. For our regulated US operations (New York and New England CGUs), we use a five-year cash flow forecast. For our National Grid Ventures operations, we typically model cash flows extending out to the end of each project's operational life based on the long-term horizon of our projects.

For our UK ED business, a nominal terminal growth rate of 1.8% (2024: 2.3%) is assumed upon the terminal year cash flows, reflecting management's best view, based on market and operational experience, of the expected long-term growth in the relevant market. For our regulated US operations we apply a growth rate of 2.3% (2024: 2.4%). This has been determined with regard to data on industry growth projections, specifically related to the energy transition, and projected growth in real Gross Domestic Product (GDP) for the territory within which the CGU is based.

Pre-tax cash flows are discounted by applying a pre-tax discount rate reflecting the time value of money and the risks specific to the group of assets. In practice, the post-tax discount rate for the group of assets in question is derived from a post-tax weighted average cost of capital. The assumptions used in the calculation of the weighted average cost of capital are benchmarked to externally available data. The determined discount rate is independent of the entity's capital structure and reflects a market participant's view of a risk adjusted discount rate specific to the CGU or group of CGUs. The post-tax discount rate is then grossed up to a pre-tax discount rate that is applied to pre-tax cash flows. The pre-tax discount rates used for the year ended 31 March 2025 were as follows: UK ED Group 5.4% (2024: 5.0%); UK ED distribution network operators 5.3% (2024: 5.0%); New York 6.3% (2024: 6.2%); New England 6.2% (2024: 6.1%); and National Grid Ventures – US 6.7% (2024: 7.2%).

(b) Key inputs and sensitivity analysis

In assessing the carrying value of goodwill and licences, we have sensitised our forecasts to factor in adjustments to key inputs to each model. While regulatory licences are tested for impairment before we test goodwill, we consider the sensitivity for goodwill attributable to UK ED and our regulated US operations and those related to licences separately below.

Goodwill – UK ED, regulated US operations (New York and New England) and National Grid Ventures – US

While key assumptions underpinning the goodwill valuations will change over time, the Directors consider that no reasonably foreseeable change would result in an impairment of goodwill. This is in view of the long-term nature of the key assumptions, including those used in determining an appropriate discount rate, and specifically the risk-free rate and total market return, the margin by which the estimated value-in-use exceeds the carrying amount and the nature of the regulatory regimes that UK ED and our regulated US businesses operate under.

Indefinite-lived regulatory licences – UK ED

No reasonably possible changes to inputs to the impairment test performed over the South West, East Midlands, West Midlands and South Wales Distribution Network Operator licences were identified as resulting in an impairment.

12. Other intangible assets

Other intangible assets are the software assets controlled by us and the electricity distribution licences which provide us with the right to operate and invest in the relevant network that operates as a monopoly in the licensed geographical area. The regulatory licences were acquired following the Group's acquisition of NGED.

Our electricity distribution licences are indefinite-lived intangible assets for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows. Once granted by Ofgem, the licence is issued to a licensee on the basis that it remains active into perpetuity. On that basis, the value attributed to the electricity distribution network licence assets is considered to have an indefinite useful life. The regulatory licence assets are subject to a review for impairment annually, or more frequently if events or circumstances indicate a potential impairment (see note 11 for details of impairment tests performed over indefinite-lived intangible assets). Any impairment is charged to the income statement as it arises.

Software is recorded at cost less accumulated amortisation and any provision for impairment. Our software assets are tested for impairment only if there is an indication that their carrying values may have been impaired. Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the CGU to which that asset belongs is estimated. Impairments are recognised in the consolidated income statement within other operating costs. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

Internally generated intangible assets are recognised only if: i) an asset is created that can be identified; ii) it is probable that the asset created will generate future economic benefits; and iii) the development cost of the asset can be measured reliably. Where no internally generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred.

Cloud computing arrangements are reviewed to determine if the Group has control of the software intangible asset. Control is considered to exist where the Group has the right to take possession of the software and run it on its own or a third party's computer infrastructure or if the Group has exclusive rights to use the software such that the supplier is unable to make the software available to other customers.

Costs relating to configuring or customising the software in a cloud computing arrangement are assessed to determine if there is a separate intangible asset over which the Group has control. If an asset is identified, it is capitalised and amortised over the useful economic life of the asset. To the extent that no separate intangible asset is identified, then the costs are either expensed when incurred or recognised as a prepayment and spread over the term of the arrangement if the costs are concluded to not be distinct.

Notes to the consolidated financial statements continued

12. Other intangible assets continued

(a) Analysis of other intangible assets

	Regulatory licences £m	Software £m	Assets in the course of construction £m	Total £m
Cost at 1 April 2023	1,714	3,066	561	5,341
Exchange adjustments	–	(45)	(6)	(51)
Additions	–	17	464	481
Disposals	–	(23)	–	(23)
Reclassifications[1]	–	598	(436)	162
Reclassification to held for sale (note 10)	–	(520)	(191)	(711)
Cost at 1 April 2024	1,714	3,093	392	5,199
Exchange adjustments	–	(61)	(7)	(68)
Additions	–	16	462	478
Disposals	–	(7)	–	(7)
Reclassifications[1]	–	376	(363)	13
Reclassification to held for sale (note 10)	–	(16)	–	(16)
Cost at 31 March 2025	1,714	3,401	484	5,599
Accumulated amortisation at 1 April 2023	–	(1,727)	(10)	(1,737)
Exchange adjustments	–	23	–	23
Amortisation charge for the year	–	(301)	–	(301)
Accumulated amortisation of disposals	–	23	–	23
Reclassifications[1]	–	(161)	–	(161)
Reclassification to held for sale (note 10)	–	385	–	385
Accumulated amortisation at 1 April 2024	–	(1,758)	(10)	(1,768)
Exchange adjustments	–	36	–	36
Amortisation charge for the year	–	(323)	–	(323)
Accumulated amortisation of disposals	–	7	–	7
Reclassifications[1]	–	2	–	2
Reclassification to held for sale (note 10)	–	11	–	11
Accumulated amortisation at 31 March 2025	–	(2,025)	(10)	(2,035)
Net book value at 31 March 2025[2]	**1,714**	**1,376**	**474**	**3,564**
Net book value at 31 March 2024	1,714	1,335	382	3,431

1. Reclassifications includes amounts transferred to property, plant and equipment (see note 13).
2. The Group has capitalised £271 million (2024: £320 million) in relation to the Gas Business Enablement system in the US, of which £271 million (2024: £320 million) is in service and is being amortised over 10 years, with the remainder included within assets in the course of construction. A further £82 million (2024: £81 million) relates to our UK general ledger system within software and is being amortised over 10 years.

(b) Asset useful economic lives

No amortisation is provided on regulatory licences. Software is amortised over the period we expect to receive a benefit from the asset. An amortisation expense is charged to the income statement to reflect the reduced value of the asset over time. Amortisation is calculated by estimating the number of years we expect the asset to be used (its useful economic life, or UEL) and charging the cost of the asset to the income statement equally over this period.

	Years
Software	3 to 10
Regulatory licences	Indefinite

13. Property, plant and equipment

Property, plant and equipment are the physical assets controlled by us. The Group's interest comprises legally protected statutory or contractual rights of use. Property, plant and equipment is recorded at cost, less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment primarily represents the amount initially paid or the fair value on the date of acquisition of a business. Cost includes the purchase price of the asset; any payroll and finance costs incurred which are directly attributable to the construction of property, plant and equipment together with an appropriate portion of overheads which are directly linked to the capital work performed; and the cost of any associated asset retirement obligations.

Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacement of, existing assets. All costs associated with projects or activities which have not been fully commissioned at the period end are classified within assets in the course of construction.

A depreciation expense is charged to the income statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years we expect the asset to be used (its useful economic life or UEL) and charging the cost of the asset to the income statement equally over this period.

Items within property, plant and equipment are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired. Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which that asset belongs is estimated. Impairments are recognised in the income statement and, if immaterial, are included within the depreciation charge for the year.

We operate an energy networks business and therefore have a significant physical asset base. We continue to invest in our networks to maintain reliability, create new customer connections and ensure our networks are flexible, resilient and prepared for the transition to net zero. Our business plan envisages these additional investments will be funded through a mixture of cash generated from operations and the issue of new debt and equity.

(a) Analysis of property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office equipment £m	Total £m
Cost at 1 April 2023	4,066	69,765	6,760	1,222	81,813
Exchange adjustments	(49)	(841)	(67)	(19)	(976)
Additions	59	1,157	5,754	197	7,167
Disposals	(55)	(271)	(5)	(134)	(465)
Adjustment for change in discount rate on decommissioning provisions (note 26)	—	29	—	—	29
Reclassifications[1]	277	4,725	(5,389)	218	(169)
Reclassification to held for sale (note 10)	(88)	(13)	(31)	(134)	(266)
Cost at 1 April 2024	4,210	74,551	7,022	1,350	87,133
Exchange adjustments	(55)	(965)	(91)	(21)	(1,132)
Additions	60	1,172	7,529	220	8,981
Disposals	(59)	(387)	(9)	(239)	(694)
Adjustment for change in discount rate on decommissioning provisions (note 26)	—	7	—	—	7
Reclassifications[1]	198	4,583	(4,876)	83	(12)
Reclassification to held for sale (note 10)	(110)	(1,195)	(502)	(19)	(1,826)
Cost at 31 March 2025	4,244	77,766	9,073	1,374	92,457
Accumulated depreciation at 1 April 2023	(794)	(15,926)	(55)	(605)	(17,380)
Exchange adjustments	10	177	—	12	199
Depreciation charge for the year[2]	(80)	(1,515)	(20)	(189)	(1,804)
Disposals	50	252	2	134	438
Reclassifications[1]	(3)	281	—	(112)	166
Reclassification to held for sale (note 10)	59	1	6	89	155
Accumulated depreciation at 1 April 2024	(758)	(16,730)	(67)	(671)	(18,226)
Exchange adjustments	12	200	—	11	223
Depreciation charge for the year[2]	(93)	(1,632)	4	(203)	(1,924)
Disposals	49	387	9	236	681
Reclassifications[1]	(32)	33	3	(5)	(1)
Reclassification to held for sale (note 10)	51	817	—	13	881
Accumulated depreciation at 31 March 2025	(771)	(16,925)	(51)	(619)	(18,366)
Net book value at 31 March 2025	**3,473**	**60,841**	**9,022**	**755**	**74,091**
Net book value at 31 March 2024	3,452	57,821	6,955	679	68,907

1. Represents amounts transferred between categories, (to)/from other intangible assets (see note 12), (to)/from inventories.
2. Depreciation of assets in the course of construction relates to impairment provision adjustments.

Notes to the consolidated financial statements continued

13. Property, plant and equipment continued

(b) Asset useful economic lives

No depreciation is provided on freehold land or assets in the course of construction. Other items of property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated UELs. In assessing UELs, consideration is given to any contractual arrangements and operational requirements relating to particular assets. The assessments of estimated UELs and residual values of assets are performed annually.

Certain network assets are depreciated using the group method of depreciation, in which a single composite depreciation rate is applied to a particular class of property, plant and equipment. This method pools similar assets together, and then depreciates each group as a whole over their respective useful lives. In the US, the Company conducts independent depreciation studies on a periodic basis as part of the regulatory ratemaking process to estimate group depreciation rates. These depreciation studies are subject to review and approval by the US state and federal regulators, with the depreciation expense recovered through rates charged to customers. Likewise in the UK, the composite depreciation rates are benchmarked to internal engineering studies and known asset performance lives. Depreciation expense includes a component for the original cost of assets and a component for estimated cost of future removal, net of any salvage value at retirement. Upon retirement of components of the Company's network assets, the original cost of the retired assets, net of salvage value, is charged against accumulated depreciation, with no gain or loss recognised.

Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of property, plant and equipment are shown in the table that follows split between the UK and US, along with the weighted average remaining UEL for each class of property, plant and equipment (which is calculated by dividing the net book value of that class of asset by the respective annual depreciation charge).

	Years		
	UK	US	Weighted average remaining UEL
Freehold and leasehold buildings	up to 60	up to 100	39
Plant and machinery:			
Electricity transmission plant and wires	up to 100	10 to 85	31
Electricity distribution plant	14 to 99	5 to 85	46
Electricity generation plant	n/a	10 to 93	8
Interconnector plant and other	5 to 70	5 to 54	18
Gas plant – mains, services and regulating equipment	n/a	20 to 95	51
Gas plant – storage	n/a	20 to 60	20
Gas plant – meters	n/a	14 to 45	24
Motor vehicles and office equipment	up to 30	up to 34	3

(c) Gas asset lives

The role that our US gas networks play in the pathway to achieving the greenhouse gas emissions reductions targets set in the jurisdictions in which we operate is currently uncertain. Policymakers in New York and Massachusetts continue to indicate an increase in electrification to meet their respective decarbonisation targets, while as a Group we are committed in our transition to net zero. As a result, there is a risk that the UELs of certain elements of our gas networks may be shortened in line with future policy, regulatory frameworks and planning systems aimed to support the decarbonisation of the energy sector.

In the US, our gas distribution asset lives are assessed as part of detailed depreciation studies completed as part of each separate rate proceeding. Depreciation studies consider the physical condition of assets and the expected operational life of an asset. The weighted average remaining UEL for our US gas distribution fixed asset base is circa 51 years; however, a proportion of our assets are assumed to have UELs which extend beyond 2080. In assessing these UELs, we consider a range of different pathways related to our gas assets. These pathways factor in the net zero ambitions of the Group and the jurisdictions that we operate in, anticipated changes in customer behaviour, developments in new technology, the feasibility and affordability of electrification, and the ability to decarbonise fuel through the use of renewable natural gas (RNG) and green hydrogen. On balance of the different pathways considered, we continue to believe the lives identified by rate proceedings are the best estimate of the assets' UELs given the need to provide safe, affordable and reliable heating services. We keep this assumption under review and we continue to actively engage and support our regulators to enable the clean energy transition.

Asset depreciation lives feed directly into our US regulatory recovery mechanisms, such that any shortening of asset lives and regulatory recovery periods as agreed with regulators should be recoverable through future rates, subject to agreement, over future periods, as part of wider considerations around ensuring the continuing affordability of gas in our service territories.

Given the uncertainty described relating to the UELs of our gas assets, below we provide a sensitivity analysis for the depreciation charge for our New York and New England segments were a shorter UEL presumed. It should be noted that the net zero pathways which we consider probable all suggest some role for gas in heating buildings beyond 2050, so our sensitivity analysis for 2050 illustrates an unlikely worst-case scenario.

	Increase in depreciation expense for the year ended 31 March 2025		Increase in depreciation expense for the year ended 31 March 2024	
	New York £m	**New England £m**	New York £m	New England £m
UELs limited to 2050	**235**	**78**	208	66
UELs limited to 2060	**110**	**32**	100	26
UELs limited to 2070	**54**	**9**	46	6

13. Property, plant and equipment continued

(c) Gas asset lives continued

Note that this sensitivity calculation excludes any assumptions regarding the residual value for our asset base and the effect that shortening asset depreciation lives would be expected to have on our regulatory recovery mechanisms. In the event that any of the US gas distribution assets are stranded, the Group would expect to recover the associated costs. While recovery is not guaranteed and is determined by regulators in the US, there are precedents for stranded asset cost recovery for US utility companies.

(d) Right-of-use assets

The Group leases various properties, land, equipment and cars. New lease arrangements entered into are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use asset and associated lease liability arising from a lease are initially measured at the present value of the lease payments expected over the lease term. The lease payments include fixed payments, any variable lease payments dependent on an index or a rate, and any break fees or renewal option costs that we are reasonably certain to incur. The discount rate applied is the rate implicit in the lease or, if that is not available, the incremental rate of borrowing for a similar term and similar security. This is determined based on observable data for borrowing rates for the specific Group entity that has entered into the lease, with specific adjustments for the term of the lease and any lease-specific risk premium. The lease term takes account of extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as computers), the Group continues to recognise a lease expense on a straight-line basis.

The table that follows shows the movements in the net book value of right-of-use assets included within property, plant and equipment at 31 March 2025 and 31 March 2024, split by category. The associated lease liabilities are disclosed in note 21.

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office equipment £m	Total £m
Net book value at 1 April 2023	281	150	—	240	671
Exchange adjustments	(5)	(2)	—	(5)	(12)
Additions	52	2	—	146	200
Reclassifications	—	(5)	—	5	—
Reclassification to held for sale (note 10)	(12)	—	—	(1)	(13)
Disposals	(1)	—	—	(2)	(3)
Depreciation charge for the year	(22)	(17)	—	(76)	(115)
Net book value at 31 March 2024	293	128	—	307	728
Exchange adjustments	(6)	(2)	—	(7)	(15)
Additions	39	2	—	159	200
Reclassification to held for sale (note 10)	(2)	(15)	—	—	(17)
Disposals	—	—	—	(3)	(3)
Depreciation charge for the year	(21)	(12)	—	(87)	(120)
Net book value at 31 March 2025	**303**	**101**	**—**	**369**	**773**

The following balances have been included in the income statement for the years ended 31 March 2025 and 31 March 2024 in respect of right-of-use assets:

	2025 £m	2024 £m
Included within net finance income and costs:		
Interest expense on lease liabilities	**(40)**	(69)
Included within revenue:		
Lease income[1]	**406**	384
Included within operating expenses:		
Expense relating to short-term and low-value leases	**(24)**	(20)

1. Included within lease income is £384 million (2024: £360 million) of variable lease payments, the majority of which relates to the power supply arrangement entered into with LIPA (see note 3).

Notes to the consolidated financial statements continued

14. Other non-current assets

Other non-current assets include assets that do not fall into specific non-current asset categories (such as goodwill or property, plant and equipment) where the benefit to be received from the asset is not due to be received until after 31 March 2026.

	2025 £m	2024 £m
Other receivables[1]	**299**	458
Prepayments[2]	**660**	390
	959	848

1. Primarily comprises amounts due in relation to property sales to The Berkeley Group. These amounts will be fully received by 2031.
2. Included within prepayments are capital expenditure prepayments made to suppliers to secure production capacity for certain of our capital projects. The associated cash flows for capital expenditure prepayments are included within purchases of property, plant and equipment within the consolidated cash flow statement.

15. Financial and other investments

The Group holds a range of financial and other investments. These investments include short-term money market funds, quoted investments in bonds of other companies, investments in our venture capital portfolio (National Grid Partners), and investments that cannot be readily used in operations, principally collateral deposited in relation to derivatives.

The classification of each investment held by the Group is determined based on two main factors:
- its contractual cash flows – whether the asset's cash flows are solely payments of the principal and interest on the financial asset on pre-determined dates or whether the cash flows are determined by other factors such as the performance of a company; and
- the business model for holding the investments – whether the intention is to hold onto the investment for the longer term (collect the contractual cash flows) or to sell the asset with the intention of managing any gain or loss on sale or to manage any liquidity requirements.

The three categories of financial and other investments are as follows:
- Financial assets at amortised cost – debt instruments that have contractual cash flows that are solely payments of principal and interest, and which are held within a business model whose objective is to collect contractual cash flows, are held at amortised cost. This category includes our receivables in relation to deposits and collateral;
- FVOCI debt and other investments – debt investments, such as bonds, that have contractual cash flows that are solely payments of principal and interest, and which are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, are measured at FVOCI, with gains or losses recognised in the consolidated statement of comprehensive income instead of through the income statement. On disposal, any gains or losses are recognised within finance income in the income statement (see note 6). Other investments include insurance contracts which are held to back the present value of unfunded pension liabilities (see note 25); and
- FVTPL investments – other financial investments are subsequently measured at fair value with any gains or losses recognised in the income statement (FVTPL). This primarily comprises our money market funds, insurance company fund investments and corporate venture capital investments held by National Grid Partners.

Financial and other investments are initially recognised on trade date. Subsequent to initial recognition, the fair values of financial assets that are quoted in active markets are based on bid prices. When independent prices are not available, fair values are determined by applying valuation techniques used by the relevant markets, including observable market data where possible (see note 32(g) for further details).

15. Financial and other investments continued

	2025 £m	2024 £m
Non-current		
FVOCI debt and other investments	384	397
FVTPL investments	407	483
Financial assets at amortised cost	7	—
	798	880
Current		
FVTPL investments	5,156	3,084
Financial assets at amortised cost	597	615
	5,753	3,699
	6,551	4,579
Financial and other investments include the following:		
Investments in short-term money market funds	4,725	2,668
Investments held by National Grid Partners	346	375
Investments in Sunrun	60	108
Balances that are restricted or not readily used in operations:		
Collateral[1]	506	496
Insurance company and non-qualified plan investments	578	578
Cash surrender value of life insurance policies	238	235
Other investments	98	119
	6,551	4,579

1. The collateral balance includes £477 million (2024: £466 million) of collateral placed with counterparties with whom we have entered into a credit support annex to the International Swaps and Derivatives Association (ISDA) Master Agreement, £24 million (2024: £24 million) of restricted amounts allocated for specific projects within National Grid Electricity Transmission plc and £5 million (2024: £6 million) insurance captive letters of credit.

FVTPL and FVOCI investments are recorded at fair value. The carrying value of current financial assets at amortised cost approximates their fair values, primarily due to short-dated maturities. The exposure to credit risk at the reporting date is the fair value of the financial investments. For further information on our credit risk, refer to note 32(a).

For the purposes of impairment assessment, the investments in bonds are considered to be low risk as they are investment grade securities; life insurance policies are held with regulated insurance companies; and deposits, collateral receivable and other financial assets at amortised cost have an average credit rating on a weighted basis of AA or better at all times based on investment policy. All financial assets held at FVOCI or amortised cost are therefore considered to have low credit risk and have an immaterial impairment loss allowance equal to 12-month expected credit losses.

In determining the expected credit losses for these assets, some or all of the following information has been considered: credit ratings, the financial position of counterparties, the future prospects of the relevant industries and general economic forecasts.

No FVOCI or amortised cost financial assets have had modified cash flows during the period. There has been no change in the estimation techniques or significant assumptions made during the year in assessing the loss allowance for these financial assets. There were no significant movements in the gross carrying value of financial assets during the year that contribute to changes in the loss allowance. No collateral is held in respect of any of the financial investments in the above table. No balances are more than 30 days past due and no balances were written off during the year.

Notes to the consolidated financial statements continued

16. Investments in joint ventures and associates

Investments in joint ventures and associates represent businesses we do not control but over which we exercise joint control or significant influence. They are accounted for using the equity method. A joint venture is an arrangement established to engage in economic activity, which the Group jointly controls with other parties and has rights to a share of the net assets of the arrangement. An associate is an entity which is neither a subsidiary nor a joint venture, but over which the Group has significant influence.

	2025			2024		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
Share of net assets at 1 April	158	1,262	1,420	154	1,146	1,300
Exchange adjustments	(4)	(46)	(50)	(3)	(28)	(31)
Additions	23	93	116	13	319	332
Share of post-tax results for the year	11	62	73	9	28	37
Impairment	—	(303)	(303)	—	—	—
Dividends received	(18)	(53)	(71)	(15)	(152)	(167)
Disposals	(1)	—	(1)	(1)	—	(1)
Reclassification to held for sale (note 10)	—	(582)	(582)	—	—	—
Other movements[1]	5	1	6	1	(51)	(50)
Share of net assets at 31 March	174	434	608	158	1,262	1,420

1. Other movements in the prior year relate to tax liabilities for US and certain UK associates and joint ventures which are borne by the Group and the elimination of profits arising from sales to the Group's share of joint ventures.

A list of joint ventures and associates, including the name and proportion of ownership, is provided in note 34. Transactions with and outstanding balances with joint ventures and associates are shown in note 31. The joint ventures and associates have no significant contingent liabilities to which the Group is exposed and the Group has no significant contingent liabilities in relation to its interests in the joint ventures and associates. The Group has capital commitments in relation to its joint ventures and associates of £635 million (2024: £1,286 million), which primarily relate to the funding of new capital investment projects.

The following table describes the Group's material joint ventures and associates at 31 March 2025:

Joint venture[1]	% stake	
BritNed Development Limited[1]	50%	BritNed is a joint venture with the Dutch transmission system operator, TenneT, and operates the subsea electricity interconnector between Great Britain and the Netherlands, commissioned in 2011.
Nemo Link Limited[1]	50%	Nemo is a joint venture with the Belgian transmission operator, Elia, and operates the subsea electricity interconnector between Great Britain and Belgium, which became operational in 2019.

1. The joint ventures have reporting periods ending on 31 December with monthly management reporting information provided to the Group.

The Group also holds a 51% interest in Emerald Energy Venture, LLC, a joint venture with Washington State Investment Board which builds and operates wind and solar assets. In the year, the Group classified its interest in Emerald, together with NG Renewables, as held for sale and ceased equity accounting for its share of results (see note 10).

In March 2021, the Group entered into an offshore partnership agreement with RWE Renewables to form Community Offshore Wind, LLC. The purpose of the joint venture is to explore, develop, and eventually construct and operate renewable facilities in the northeastern US offshore wind market. In February 2022, the partnership successfully bid in the New York Bight seabed lease auction. The Group's investment in Community Offshore Wind represents our share of the seabed lease and initial development costs incurred to date. As of 31 March 2025, the project has not yet reached the construction stage.

On 20 January 2025, an Executive Memorandum was issued by the US Administration on wind power, temporarily suspending offshore wind leasing, ordering a review of existing leases and directing a review and pause on permitting. Accordingly, we have agreed with RWE Renewables to place a temporary pause on development of the project. This reflects the uncertainty surrounding the longer-term consequences of the changes in US energy policy on the renewable energy sector. Certain developments after 31 March 2025 have further reaffirmed the view that the issuance of the Executive Memorandum will likely suspend any development for the foreseeable future.

Given the recent changes in US energy-related policies, the Group has assessed that these developments currently affect our ability to complete physical construction of the development and the ability to recover costs from customers through applicable frameworks. We have considered the potential impact on our valuation of our investment in Community Offshore Wind and determined that the investment currently has negligible value. Accordingly, the carrying value of the £303 million investment has been fully impaired. The impairment charge has been recognised in the NGV operating segment and classified as exceptional in line with our exceptional items framework (see note 5). Whilst development activity is currently suspended, we continue to consider Community Offshore Wind could play an important role in New York's future energy strategy. We will reassess the project development pause should market conditions improve in the future.

16. Investments in joint ventures and associates continued

Summarised financial information as at 31 March, together with the carrying amount of material investments, is as follows:

	BritNed Development Limited		Nemo Link Limited	
	2025 £m	2024 £m	**2025 £m**	2024 £m
Statement of financial position				
Non-current assets	**352**	376	**447**	478
Cash and cash equivalents	**76**	69	**118**	46
All other current assets	**48**	36	**8**	6
Non-current liabilities	**(51)**	(57)	**(3)**	(3)
Non-current financial liabilities	**(32)**	(31)	**(32)**	(32)
Current liabilities	**(39)**	(39)	**(109)**	(55)
Net assets	**354**	354	**429**	440
Group's ownership interest in joint venture/associate	**177**	177	**215**	220
Group adjustment: elimination of profits on sales to joint venture	**—**	—	**—**	—
Carrying amount of the Group's investment	**177**	177	**215**	220

	BritNed Development Limited		Nemo Link Limited	
	2025 £m	2024 £m	**2025 £m**	2024 £m
Income statement				
Revenue	**108**	158	**102**	109
Depreciation and amortisation	**(16)**	(16)	**(23)**	(23)
Other (costs)/income	**(23)**	(25)	**(16)**	(15)
Operating profit	**69**	117	**63**	71
Net interest (expense)/income	**(1)**	(2)	**1**	—
Profit before tax	**68**	115	**64**	71
Income tax expense	**(18)**	(31)	**(16)**	(17)
Profit for the year	**50**	84	**48**	54
Group's share of post-tax results for the year	**25**	42	**24**	27

The aggregate information of associates and joint ventures that are not individually material is as follows:

	2025 £m	2024 £m
Share of post-tax results for the year[1]	**24**	25
Impairment	**(303)**	—
Share of total comprehensive income	**(279)**	25
Aggregate carrying value of the Group's interests	**216**	1,023

1. The amount for the year ended 31 March 2024 excludes £42 million loss generated by Emerald Energy Venture LLC in 2024 as it has now been reclassified to held for sale (see note 10).

Notes to the consolidated financial statements continued

17. Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of an underlying item such as interest rates, foreign exchange rates, credit spreads, commodities, equities or other indices. In accordance with policies approved by the Board, derivatives are transacted generally to manage exposures to fluctuations in interest rates, foreign exchange rates and commodity prices. Our derivatives balances comprise two broad categories:

- financing derivatives – these are used to manage our exposure to interest rates and foreign exchange rates. Specifically, we use these derivatives to manage our financing portfolio, holdings in foreign operations and contractual operational cash flows; and
- commodity contract derivatives – these are used to manage exposure to price and supply risks related to our US customers and UK business. Some forward contracts for the purchase of commodities meet the definition of derivatives. We also enter into derivative financial instruments linked to commodity prices, including options and swaps, which are used to manage market price volatility.

Derivatives are initially recognised at fair value and subsequently remeasured to fair value at each reporting date. Changes in fair values are recorded in the period they arise, in either the consolidated income statement or other comprehensive income. Where the gains or losses recorded in the income statement arise from changes in the fair value of derivatives to the extent that hedge accounting is not applied or is not fully effective, these are recorded as remeasurements, detailed in notes 5 and 6. Where the fair value of a derivative is positive it is carried as a derivative asset, and where negative as a derivative liability.

The fair value of derivative financial instruments is calculated by taking the present value of future cash flows, primarily incorporating market observable inputs where available. The various inputs include foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate and inflation curves, the forward rate curves of underlying commodities and, for those positions that are not fully cash collateralised, the credit quality of the counterparties.

Certain clauses embedded in non-derivative financial instruments or other contracts are presented as derivatives because they impact the risk profile of their host contracts and they are deemed to have risks or rewards not closely related to those host contracts.

Further information on how derivatives are valued and used for risk management purposes is presented in note 32. Information on commodity contracts and other commitments not meeting the definition of derivatives is presented in note 30.

The fair values of derivatives by category are as follows:

	2025			2024		
	Assets £m	**Liabilities £m**	**Total £m**	Assets £m	Liabilities £m	Total £m
Current	**113**	**(381)**	**(268)**	44	(335)	(291)
Non-current	**369**	**(821)**	**(452)**	324	(909)	(585)
	482	**(1,202)**	**(720)**	368	(1,244)	(876)
Financing derivatives	**375**	**(1,138)**	**(763)**	333	(1,126)	(793)
Commodity contract derivatives	**107**	**(64)**	**43**	35	(118)	(83)
	482	**(1,202)**	**(720)**	368	(1,244)	(876)

(a) Financing derivatives

The fair values of financing derivatives by type are as follows:

	2025			2024		
	Assets £m	**Liabilities £m**	**Total £m**	Assets £m	Liabilities £m	Total £m
Interest rate swaps	**98**	**(196)**	**(98)**	43	(110)	(67)
Cross-currency interest rate swaps	**193**	**(766)**	**(573)**	234	(844)	(610)
Foreign exchange forward contracts[1]	**53**	**(81)**	**(28)**	16	(68)	(52)
Inflation-linked swaps	**31**	**(95)**	**(64)**	40	(104)	(64)
	375	**(1,138)**	**(763)**	333	(1,126)	(793)

1. Included within the foreign exchange forward contracts balance are £45 million (2024: £36 million) of derivative liabilities in relation to the hedging of capital expenditure.

17. Derivative financial instruments continued

(a) Financing derivatives continued

The maturity profile of financing derivatives is as follows:

	2025			2024		
	Assets £m	**Liabilities £m**	**Total £m**	Assets £m	Liabilities £m	Total £m
Current						
Less than 1 year	**19**	**(355)**	**(336)**	18	(249)	(231)
	19	**(355)**	**(336)**	18	(249)	(231)
Non-current						
In 1 to 2 years	**46**	**(61)**	**(15)**	6	(80)	(74)
In 2 to 3 years	**41**	**(77)**	**(36)**	31	(44)	(13)
In 3 to 4 years	**47**	**(73)**	**(26)**	32	(74)	(42)
In 4 to 5 years	**6**	**(25)**	**(19)**	49	(83)	(34)
More than 5 years	**216**	**(547)**	**(331)**	197	(596)	(399)
	356	**(783)**	**(427)**	315	(877)	(562)
	375	**(1,138)**	**(763)**	333	(1,126)	(793)

The notional contract amounts of financing derivatives by type are as follows:

	2025 £m	2024 £m
Interest rate swaps	**(7,763)**	(2,175)
Cross-currency interest rate swaps	**(16,019)**	(15,602)
Foreign exchange forward contracts	**(7,761)**	(7,675)
Inflation-linked swaps	**(3,190)**	(3,190)
	(34,733)	(28,642)

(b) Commodity contract derivatives

The fair values of commodity contract derivatives by type are as follows:

	2025			2024		
	Assets £m	**Liabilities £m**	**Total £m**	Assets £m	Liabilities £m	Total £m
Commodity purchase contracts accounted for as derivative contracts						
Forward purchases of gas	**3**	**(7)**	**(4)**	—	(3)	(3)
Derivative financial instruments linked to commodity prices						
Electricity capacity	**2**	**(17)**	**(15)**	—	—	—
Electricity swaps	**74**	**(38)**	**36**	33	(82)	(49)
Electricity options	**1**	**(1)**	**—**	—	(1)	(1)
Gas swaps	**15**	**(1)**	**14**	2	(22)	(20)
Gas options	**12**	**—**	**12**	—	(10)	(10)
	107	**(64)**	**43**	35	(118)	(83)

Notes to the consolidated financial statements continued

17. Derivative financial instruments continued

(b) Commodity contract derivatives continued

The maturity profile of commodity contract derivatives is as follows:

	2025			2024		
	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Current						
Less than one year	94	(26)	68	26	(86)	(60)
	94	(26)	68	26	(86)	(60)
Non-current						
In 1 to 2 years	12	(20)	(8)	3	(28)	(25)
In 2 to 3 years	1	(12)	(11)	5	(4)	1
In 3 to 4 years	—	(2)	(2)	1	—	1
In 4 to 5 years	—	(2)	(2)	—	—	—
More than 5 years	—	(2)	(2)	—	—	—
	13	(38)	(25)	9	(32)	(23)
	107	(64)	43	35	(118)	(83)

The notional quantities of commodity contract derivatives by type are as follows:

	2025	2024
Forward purchases of gas[1]	74m Dth	38m Dth
Electricity capacity	5 TWh	— TWh
Electricity swaps	14,040 GWh	14,128 GWh
Gas swaps	30m Dth	44m Dth
Gas options	89m Dth	78m Dth

1. Forward gas purchases have terms up to three years (2024: one year). The contractual obligations under these contracts are £46 million (2024: £14 million).

18. Inventories

Inventories represent assets that we intend to use in order to generate revenue in the short term, either by selling the asset itself (for example fuel stocks) or by using it to fulfil a service to a customer or to maintain our network (consumables).

Inventories are stated at the lower of weighted average cost and net realisable value. Where applicable, cost comprises direct materials and direct labour costs as well as those overheads that have been directly incurred in bringing the inventories to their present location and condition.

Emission allowances, principally relating to the emissions of carbon dioxide in the UK and sulphur and nitrous oxides in the US, are recorded as inventory. They are initially recorded at cost and subsequently at the lower of cost and net realisable value. A liability is recorded in respect of the obligation to deliver emission allowances and emission charges are recognised in the income statement in the period in which emissions are made.

	2025 £m	2024 £m
Fuel stocks	95	188
Raw materials and consumables	356	542
Emission allowances	106	98
	557	828

There is a provision for obsolescence of £1 million against inventories as at 31 March 2025 (2024: £4 million).

19. Trade and other receivables

Trade and other receivables include amounts which are due from our customers for services we have provided, accrued income which has not yet been billed, prepayments, contract assets where certain milestones are required to be fulfilled and other receivables that are expected to be settled within 12 months.

Trade and other receivables are initially recognised at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price, and are subsequently measured at amortised cost, less any appropriate allowances for estimated irrecoverable amounts.

	2025 £m	2024 £m
Trade receivables	3,050	2,501
Accrued income	1,083	885
Provision for impairment of receivables and accrued income	(578)	(559)
Trade receivables and accrued income, net	3,555	2,827
Prepayments	340	385
Contract assets	—	76
Other receivables	197	127
	4,092	3,415

Trade receivables are non-interest-bearing and generally have a term of up to 60 days. Due to their short maturities, the fair value of trade and other receivables approximates their carrying value. The maximum exposure of trade and other receivables to credit risk is the carrying amount reported on the balance sheet.

Provision for impairment of receivables

A provision for credit losses is recognised at an amount equal to the expected credit losses that will arise over the lifetime of the trade receivables and accrued income.

	2025 £m	2024 £m
At 1 April	559	560
Exchange adjustments	(11)	(12)
Charge for the year, net of recoveries	200	179
Uncollectible amounts written off	(168)	(163)
Reclassification to held for sale (note 10)	(2)	(5)
At 31 March	578	559

The trade receivables balance, accrued income balance and provisions balance split by geography are as follows:

	As at 31 March 2025			As at 31 March 2024		
	UK £m	US £m	Total £m	UK £m	US £m	Total £m
Trade receivables	265	2,785	3,050	162	2,339	2,501
Accrued income	513	570	1,083	337	548	885
Provision for impairment of receivables and accrued income	(3)	(575)	(578)	(3)	(556)	(559)
	775	2,780	3,555	496	2,331	2,827

There are no retail customers in the UK businesses. A provision matrix is not used in the UK, as an assessment of expected losses on individual debtors is performed and the provision is not material.

In the US, £2,813 million (2024: £2,437 million) of the trade receivables and accrued income balance is attributable to retail customers. For non-retail US customer receivables, a provision matrix is not used and expected losses are determined on individual debtors.

The provision for retail customer receivables in the US is calculated based on a series of provision matrices which are prepared by regulated entity and by customer type. The expected loss rates in each provision matrix are based on historical loss rates adjusted for current and forecast economic conditions at the balance sheet date. The inclusion of forward-looking information in the provision matrix-setting process under IFRS 9 results in loss rates that reflect expected future economic conditions and the recognition of an expected loss on all debtors even where no loss event has occurred.

In March 2020, the Group's US distribution business temporarily ceased certain customer cash collection activities in response to regulatory instructions and to changes in state-, federal- and city-level regulations and guidance, and actions to minimise risk to the Group's employees as a result of COVID-19. Customer termination activities also ceased in line with requests by relevant local authorities and this resulted in the recognition of additional expected credit losses, although cash collection and customer termination activities have subsequently resumed in both New England and New York.

Notes to the consolidated financial statements continued

19. Trade and other receivables continued

Provision for impairment of receivables continued

In calculating our provision for impairment of receivables at 31 March 2025, we incorporate actual cash collection levels experienced over a three-year period to determine the expected loss rates per category of outstanding receivable by operating company. These are benchmarked against provision matrices run on pre-COVID-19 behaviour and data. Factored into our analysis are expected cash collections based on the collection activities in New England and New York, as well as the outlook for the wider macroeconomic environment. The resulting rates are summarised in the provision matrix shown below.

Based on our review, we recognised a charge of £200 million (2024: £176 million), which represents our best estimate based on the information available. We based our review on certain macroeconomic factors, including unemployment levels, inflation, average commodity rate changes and our experience regarding debtor recoverability.

The average expected loss rates and gross balances for the retail customer receivables in our US operations are set out below. Loss rates have increased across the majority of our ageing categories, primarily due to the impact of ongoing cash collection activities.

	2025		2024	
	%	£m	%	£m
Accrued income	**5**	**546**	3	533
0 – 30 days past due	**5**	**1,033**	3	822
30 – 60 days past due	**16**	**313**	14	219
60 – 90 days past due	**24**	**154**	21	125
3 – 6 months past due	**31**	**172**	27	173
6 – 12 months past due	**38**	**186**	34	191
Over 12 months past due	**53**	**409**	73	374
		2,813		2,437

US retail customer receivables are not collateralised. Trade receivables are written off when regulatory requirements are met. Write-off policies vary between jurisdictions as they are aligned with the local regulatory requirements, which differ between regulators. There were no significant amounts written off during the period that were still subject to enforcement action. Our internal definition of default is aligned with that of the individual regulators in each jurisdiction.

For further information on our wholesale and retail credit risk, refer to note 32(a).

20. Cash and cash equivalents

Cash and cash equivalents include cash balances, together with short-term investments with an original maturity of three months or less that are readily convertible to cash.

The carrying amounts of cash and cash equivalents approximate their fair values.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods varying between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

Cash and cash equivalents held in currencies other than sterling have been converted into sterling at year-end exchange rates. For further information on currency exposures, refer to note 32(c).

Cash and cash equivalents at 31 March 2025 include £nil (2024: £11 million) that is restricted. The restricted cash balances included cash balances that could only be used for low-carbon network fund projects.

	2025 £m	2024 £m
Cash at bank	**625**	259
Short-term deposits	**553**	300
Cash and cash equivalents	**1,178**	559

21. Borrowings

We borrow money primarily in the form of bonds and bank loans. These are for a fixed term and may have fixed or floating interest rates or are linked to inflation indices. We use derivatives to manage risks associated with interest rates, inflation rates and foreign exchange. Lease liabilities are also included within borrowings.

Our price controls and rate plans lead us to fund our networks within a certain ratio of debt to equity or regulatory asset value and, as a result, we have issued a significant amount of debt. As we continue to invest in our networks, the value of debt is expected to increase over time. To maintain a strong balance sheet and to allow us to access capital markets at commercially acceptable interest rates, we balance the amount of debt we issue with the value of our assets, and we take account of certain other metrics used by credit rating agencies.

Borrowings, which include interest-bearing and inflation-linked debt, overdrafts and collateral payable, are initially recorded at fair value. This normally reflects the proceeds received (net of direct issue costs for liabilities measured at amortised cost). Subsequently, borrowings are stated either: i) at amortised cost; or ii) at fair value though profit and loss. Where a borrowing is held at amortised cost, any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

	2025 £m	2024 £m
Current		
Bank loans	**488**	460
Bonds	**1,828**	2,841
Commercial paper	**2,226**	1,444
Lease liabilities	**120**	114
	4,662	4,859
Non-current		
Bank loans	**1,834**	2,434
Bonds	**40,334**	39,114
Lease liabilities	**709**	665
	42,877	42,213
Total borrowings	**47,539**	47,072

Total borrowings are repayable as follows:

	2025 £m	2024 £m
Less than 1 year	**4,662**	4,859
In 1 to 2 years	**3,283**	2,706
In 2 to 3 years	**2,458**	3,134
In 3 to 4 years	**4,281**	2,948
In 4 to 5 years	**2,261**	4,375
More than 5 years:		
By instalments	**337**	736
Other than by instalments	**30,257**	28,314
	47,539	47,072

The fair value of borrowings, excluding lease liabilities, at 31 March 2025 was £43,137 million (2024: £42,617 million). Where market values were available, the fair value of borrowings (Level 1) was £34,639 million (2024: £34,281 million). Where market values were not available, the fair value of borrowings (Level 2) was £8,498 million (2024: £8,336 million) and calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio at 31 March 2025 was £46,739 million (2024: £46,141 million). There have been no new issuances since the year end.

Collateral is placed with or received from any derivative counterparty where we have entered into a credit support annex to the ISDA Master Agreement once the current mark-to-market valuation of the trades between the parties exceeds an agreed threshold. Included in current bank loans is £49 million (2024: £72 million) in respect of cash received under collateral agreements. For further details of our borrowing facilities, refer to note 33. For further details of our bonds in issue, please refer to the debt investor section of our website. Unless included herein, the information on our website is unaudited.

Notes to the consolidated financial statements continued

21. Borrowings continued

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments expected over the lease term. The discount rate applied is the rate implicit in the lease or, if that is not available, the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option as well as any lease termination options, unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method.

	2025 £m	2024 £m
Gross lease liabilities are repayable as follows:		
Less than 1 year	**143**	133
1 to 5 years	**425**	370
More than 5 years	**494**	507
	1,062	1,010
Less: finance charges allocated to future periods	**(233)**	(231)
	829	779
The present value of lease liabilities are as follows:		
Less than 1 year	**120**	114
1 to 5 years	**347**	300
More than 5 years	**362**	365
	829	779

22. Trade and other payables

Trade and other payables include amounts owed to suppliers, tax authorities and other parties which are due to be settled within 12 months. The total also includes deferred amounts, some of which represent monies received from customers but for which we have not yet delivered the associated service. These amounts are recognised as revenue when the service is provided.

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

	2025 £m	2024 £m
Trade payables	**2,965**	2,786
Deferred payables	**401**	327
Customer contributions[1]	**32**	34
Social security and other taxes	**131**	—
Other payables	**943**	929
	4,472	4,076

1. Relates to amounts received from government-related entities for connecting to our networks, where we have obligations remaining under the contract.

Due to their short maturities, the fair value of trade and other payables approximates their carrying value.

23. Contract liabilities

Contract liabilities primarily relate to the advance consideration received from customers for construction contracts, mainly in relation to connections, for which revenue is recognised over the life of the asset.

	2025 £m	2024 £m
Current	**96**	127
Non-current	**2,418**	2,119
	2,514	2,246

Significant changes in the contract liabilities balances during the period are as follows:

	2025 £m	2024 £m
As at 1 April	**2,246**	2,006
Exchange adjustments	**(28)**	(27)
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(129)**	(252)
Increases due to cash received, excluding amounts recognised as revenue during the period	**425**	519
At 31 March	**2,514**	2,246

24. Other non-current liabilities

Other non-current liabilities include deferred income and customer contributions which will not be recognised as income until after 31 March 2026. It also includes other payables that are not due until after that date.

Other non-current liabilities are initially recognised at fair value and subsequently measured at amortised cost.

	2025 £m	2024 £m
Deferred income	**6**	11
Customer contributions[1]	**403**	411
Other payables[2]	**467**	458
	876	880

1. Relates to amounts received from government-related entities for connecting to our networks, where we have obligations remaining under the contract.
2. Included within other payables are payments due in respect of the IFA1 interconnector in accordance with the Use of Revenue regime constructed by Ofgem.

There is no material difference between the fair value and the carrying value of other payables.

Notes to the consolidated financial statements continued

25. Pensions and other post-retirement benefits

All of our employees are eligible to participate in a pension plan. We have defined contribution (DC) and defined benefit (DB) pension plans in the UK and the US. In the US, we also provide healthcare and life insurance benefits to eligible employees, post-retirement. The fair value of associated plan assets and present value of DB obligations are updated annually in accordance with IAS 19 'Employee Benefits'. We separately present our UK and US pension plans to show the geographical split. Below we provide a more detailed analysis of the amounts recorded in the primary financial statements and the actuarial assumptions used to value the DB obligations.

UK pension plans

Defined contribution plan

UK employees are eligible to join the National Grid UK Retirement Plan (NGUKRP), a section of a Master Trust arrangement managed by Legal & General. National Grid pays contributions into the NGUKRP to provide DC benefits on behalf of its employees, generally providing a double match of member contributions up to a maximum Company contribution of 12% of salary.

Investment risks are borne by the member and there is no legal or constructive obligation on National Grid to pay additional contributions in the instance that investment performance is poor. Payments to this DC plan are charged as an expense as they fall due.

Defined benefit plans

National Grid operates various DB pension arrangements in the UK. These include Section A of the National Grid UK Pension Scheme (NGUKPS), three sections of the industry-wide Electricity Supply Pension Scheme (ESPS), a legacy scheme (WPUPS), a DB section within WPPS and some unfunded pension obligations. These plans each hold assets in separate Trustee administered funds and are managed by Trustee companies with boards consisting of company and member appointed Directors. These plans are all closed to new members, except for the ESPS schemes in very rare circumstances.

The arrangements are subject to independent actuarial funding valuations carried out by the Trustees every three years. Following consultation and agreement with the Company, the qualified actuary certifies the employers' contributions which, together with the specified contributions payable by the employees and proceeds from the plans' assets, are expected to be sufficient to fund the benefits payable. The latest full actuarial valuations for each of the DB plans were carried out at 31 March 2022, with three of the plans showing a funding shortfall at the valuation date. These shortfalls were funded via recovery plan payments from the Company, which as at 31 March 2025 had all been paid. The Company also funds the cost of future benefit accrual (over and above member contributions) for each of the DB plans, with the aggregate level of ongoing contributions (excluding recovery plan payments) over the year to 31 March 2025 totalling £100 million (2024: £95 million). For some of the DB plans, the Company also pays contributions in respect of the costs of plan administration and the Pension Protection Fund (PPF) levies.

The Company has also established security arrangements with two of its DB plans. For National Grid Electricity Group (NGEG) of ESPS, the Company provides contingent security in the form of surety bonds, letters of credit or cash payments which are implemented if certain trigger events occur in respect of National Grid Electricity Transmission plc. The security, which is currently capped at £180 million, would then become payable to NGEG on certain company-related events, such as loss of licence or insolvency. In respect of Section A of NGUKPS, there is a guarantee in place which is enforceable on insolvency or on failure to pay pension obligations to Section A and can be claimed against National Grid plc, National Grid Holdings One plc or Lattice Group Limited.

During the year, the National Grid Electricity System Operator (ESO) transferred out of the Group. The sale was completed on 1 October 2024, with the ESO's share of DB pension assets and liabilities leaving the Group's balance sheet on that date, having previously been reallocated as held for sale (see note 10). In addition, on 31 October 2024 the Trustee of NGEG of ESPS carried out a bulk annuity transaction, securing approximately £1.7 billion of pensioner liabilities with Aviva plc. As part of the transaction, the scheme's existing longevity swap policy was novated to Aviva and is no longer recorded as a scheme asset.

US pension plans

The US pension plans are governed by the Retirement Plan Committee (RPC), a fiduciary committee. The RPC is structured in accordance with US laws governing retirement plans under the Employee Retirement Income Security Act (ERISA) and comprises appointed employees of the Company.

Defined contribution plan

National Grid has a DC pension plan which allows employee as well as Company contributions. Non-union employees hired after 1 January 2011, as well as most new hire union employees, receive a core contribution into the DC plan ranging from 3% to 9% of salary, irrespective of the employee's contribution into the plan. Most employees also receive a matching contribution that varies between 25% and 50% of employee contributions up to a maximum Company contribution of 8%. The assets of the plans are held in trusts and administered by the RPC.

25. Pensions and other post-retirement benefits continued

US pension plans continued

Defined benefit plans

National Grid sponsors four non-contributory qualified DB pension plans, which provide vested non-union employees hired before 1 January 2011, and vested eligible union employees, with retirement benefits within prescribed limits as defined by the US Internal Revenue Service. National Grid also provides non-qualified DB pension arrangements for a closed group of current and former employees with designated company investments set aside to fund these obligations. Benefits under the DB plans generally reflect age, years of service and compensation, and are paid in the form of an annuity or lump sum. The Company funds the DB plans by contributing no less than the minimum amount required, but no more than the maximum tax-deductible amount allowed under US Internal Revenue Service regulations. The range of contributions determined under these regulations can vary significantly depending upon the funded status of the plans. At present, there is some flexibility in the amount that is contributed on an annual basis. In general, the Company's policy for funding the US pension plans is to contribute the amounts collected in rates and capitalised in the rate base during the year, to the extent that the funding is no less than the minimum amount required. For the current financial year, these contributions amounted to approximately £27 million (2024: £26 million).

In the prior year, some of our US DB pension plans undertook annuity buyout transactions in which a portion of existing retiree pension payments were transferred to a reputable insurance company in exchange for single bulk premium payments. As a result, all associated financial, governance and administrative responsibilities for those payments were transferred to the selected insurer.

US other post-retirement benefits

National Grid provides post-retirement healthcare and life insurance benefits to eligible employees. Eligibility is based on certain age and length of service requirements and, in most cases, retirees contribute to the cost of their healthcare coverage. In the US, there is no governmental requirement to pre-fund post-retirement healthcare and life insurance plans. However, in general, the Company's policy for funding the US retiree healthcare and life insurance plans is to contribute amounts collected in rates and capitalised in the rate base during the year. For the current financial year, these contributions amounted to £10 million (2024: £21 million).

In the prior year, several post-retirement benefit plans were consolidated in an effort to simplify the plan and trust structure. This consolidation did not impact the benefits or plan obligations.

Actuarial assumptions

On retirement, members of DB plans receive benefits whose value is dependent on factors such as salary and length of pensionable service. National Grid's obligation in respect of DB pension plans is calculated separately for each DB plan by projecting the estimated amount of future benefit payments that employees have earned for their pensionable service in the current and prior periods. These future benefit payments are discounted to determine the present value of the liabilities.

Advice is taken from independent actuaries relating to the appropriateness of the key assumptions applied, including life expectancy, expected salary and pension increases, and inflation. Comparatively small changes in the assumptions used may have a significant effect on the amounts recognised in the consolidated income statement, the consolidated statement of other comprehensive income and the net asset or liability recognised in the consolidated statement of financial position. The sensitivities to significant risks are disclosed in note 35. Remeasurements of pension assets and post-retirement benefit obligations are recognised in full in the period in which they occur in the consolidated statement of other comprehensive income.

The Company has applied the following financial assumptions in assessing DB liabilities:

	UK pensions			US pensions			US other post-retirement benefits		
	2025 %	2024 %	2023 %	**2025 %**	2024 %	2023 %	**2025 %**	2024 %	2023 %
Discount rate – past service	**5.73**	4.87	4.80	**5.50**	5.15	4.85	**5.50**	5.15	4.85
Discount rate – future service	**5.95**	4.92	4.80	**5.50**	5.15	4.85	**5.50**	5.15	4.85
Rate of increase in RPI – past service	**2.99**	3.05	3.17	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Rate of increase in RPI – future service	**2.85**	2.92	3.07	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Salary increases	**3.08**	3.10	3.11	**4.50**	4.50	4.50	**4.50**	4.50	4.50
Initial healthcare cost trend rate	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**7.80**	7.10	6.80
Ultimate healthcare cost trend rate	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**4.50**	4.50	4.50

For UK pensions, single equivalent financial assumptions are shown above for presentational purposes, although full yield curves have been used in our calculations. The discount rate is determined by reference to high-quality UK corporate bonds at the reporting date. The rate of increase in salaries has been set using a promotional scale where appropriate. The rates of increases stated are not indicative of historical increases awarded or a guarantee of future increase, but merely an appropriate assumption used in assessing DB liabilities. Our DB plans in the UK provide for pension increases that are generally linked to the Retail Price Index (RPI), subject to relevant caps and floors.

Discount rates for US pension liabilities have been determined by reference to appropriate yields on high-quality US corporate bonds at the reporting date based on the duration of plan liabilities. The healthcare cost trend rate is expected to reach the ultimate trend rate by 2033 (2024: 2033).

Notes to the consolidated financial statements continued

25. Pensions and other post-retirement benefits continued

Actuarial assumptions continued

The table below sets out the projected life expectancies adopted for the UK and US pension arrangements:

	UK pensions			US pensions		
	2025 years	2024 years	2023 years	**2025 years**	2024 years	2023 years
Assumed life expectation for a retiree aged 65						
Males	**21.5**	21.5	21.9	**21.8**	21.6	21.6
Females	**23.9**	23.5	23.7	**23.8**	23.9	23.8
In 20 years:						
Males	**22.4**	22.6	23.0	**23.4**	23.3	23.2
Females	**25.3**	24.9	25.1	**25.4**	25.5	25.4

The weighted average duration of the DB obligation for each category of plan is 11 years for UK pension plans, 11 years for US pension plans and 12 years for US other post-retirement benefit plans. The table below summarises the split of DB obligations by status for each category of plan:

	UK pensions		US pensions		US other post-retirement benefits	
	2025 %	2024 %	**2025 %**	2024 %	**2025 %**	2024 %
Active members	**11**	14	**40**	37	**28**	29
Deferred members	**7**	8	**10**	10	**—**	—
Pensioner members	**82**	78	**50**	53	**72**	71

Amounts recognised in the consolidated statement of financial position

The geographical split of pensions and other post-retirement benefits is as shown below:

	UK pensions		US pensions		US other post-retirement benefits		Total	
	2025 £m	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Present value of funded obligations	**(9,424)**	(10,465)	**(4,508)**	(4,702)	**(2,222)**	(2,434)	**(16,154)**	(17,601)
Fair value of plan assets	**10,603**	11,782	**5,180**	5,320	**2,658**	2,631	**18,441**	19,733
	1,179	1,317	**672**	618	**436**	197	**2,287**	2,132
Present value of unfunded obligations	**(51)**	(56)	**(196)**	(210)	**—**	—	**(247)**	(266)
Other post-employment liabilities	**—**	—	**—**	—	**(47)**	(52)	**(47)**	(52)
	1,128	1,261	**476**	408	**389**	145	**1,993**	1,814
Restrictions on asset recognised	**—**	—	**—**	—	**(77)**	—	**(77)**	—
Net defined benefit asset	**1,128**	**1,261**	**476**	**408**	**312**	**145**	**1,916**	**1,814**
Represented by:								
Liabilities	**(51)**	(56)	**(196)**	(210)	**(326)**	(327)	**(573)**	(593)
Assets	**1,179**	1,317	**672**	618	**638**	472	**2,489**	2,407
	1,128	1,261	**476**	408	**312**	145	**1,916**	1,814

The extent to which pension assets have been recognised in the UK and in the US reflects legal and actuarial advice that we have taken regarding recognition of surpluses under IFRIC 14. In the UK, the Group has an unconditional right to a refund in the event of a winding up. In the US, surplus assets of a plan may be used to pay for future benefits expected to be earned under that plan.

At 31 March 2025, the Group recognised an irrecoverable surplus of £77 million related to one OPEB plan. The economic benefit from reductions in future contributions to the plan is not sufficient to cover the surplus and this plan does not have an unconditional right to a refund of surplus assets in the event of a winding up without incurring significant tax charges.

25. Pensions and other post-retirement benefits continued

Amounts recognised in the income statement and statement of other comprehensive income

The expense or income arising from all Group retirement benefit arrangements recognised in the Group income statements is shown below:

	2025 £m	2024 £m	2023 £m
Included within operating costs			
Administration costs	**22**	22	19
Included within payroll costs			
Defined benefit plan costs:			
Current service cost	**138**	143	194
Past service cost – augmentations and redundancies	**1**	9	8
Gains on settlement	**—**	(30)	(45)
	139	122	157
Included within finance income and costs			
Net interest income	**(98)**	(100)	(85)
Total included in income statement	**63**	44	91
Exchange adjustments	**(20)**	(6)	41
Remeasurement losses of pension assets and post-retirement benefit obligations	**(29)**	(218)	(1,364)
Adjustments for restrictions on the defined benefit asset	**(77)**	—	—
Total included in the statement of other comprehensive income	**(126)**	(224)	(1,323)

The geographical split of pensions and other post-retirement benefits is shown below:

	UK pensions			US pensions			US other post-retirement benefits		
	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m	2025 £m	2024 £m	2023 £m
Included within operating costs									
Administration costs	**14**	13	9	**6**	7	8	**2**	2	2
Included within payroll costs									
Defined benefit plan costs:									
Current service cost	**45**	45	69	**68**	72	88	**25**	26	37
Past service cost – augmentations and redundancies	**1**	9	8	**—**	—	—	**—**	—	—
Gains on settlement	**—**	—	—	**—**	(30)	(45)	**—**	—	—
	46	54	77	**68**	42	43	**25**	26	37
Included within finance income and costs									
Net interest income	**(68)**	(84)	(64)	**(19)**	(13)	(21)	**(11)**	(3)	—
Total included in income statement	**(8)**	(17)	22	**55**	36	30	**16**	25	39
Exchange adjustments	**—**	—	—	**(10)**	(5)	36	**(10)**	(1)	5
Remeasurement (losses)/gains of pension assets and post-retirement benefit obligations	**(257)**	(474)	(1,183)	**106**	99	(242)	**122**	157	61
Adjustments for restrictions on the defined benefit asset	**—**	—	—	**—**	—	—	**(77)**	—	—
Total included in the statement of other comprehensive income	**(257)**	(474)	(1,183)	**96**	94	(206)	**35**	156	66

Notes to the consolidated financial statements continued

25. Pensions and other post-retirement benefits continued

Reconciliation of the net defined benefit asset

	UK pensions		US pensions		US other post-retirement benefits		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Opening net defined benefit asset	1,261	1,614	408	324	145	13	1,814	1,951
Income/(cost) recognised in the income statement (including discontinued operations)	8	17	(55)	(36)	(16)	(25)	(63)	(44)
Remeasurement and foreign exchange effects recognised in the statement of other comprehensive income	(257)	(474)	96	94	112	156	(49)	(224)
Employer contributions	112	118	27	26	143[1]	21	282	165
Other movements	4	3	–	–	5	(20)	9	(17)
Reclassification to held for sale (note 10)	–	(17)	–	–	–	–	–	(17)
	1,128	1,261	476	408	389	145	1,993	1,814
Restrictions on the defined benefit asset	–	–	–	–	(77)	–	(77)	–
Closing net defined benefit asset	1,128	1,261	476	408	312	145	1,916	1,814

1. In addition to the regular employer contributions that are described above, the Company made a one-off contribution of £133 million to the OPEB schemes in the current year.

Changes in the present value of defined benefit obligations (including unfunded obligations)

The table below shows the movement in defined benefit obligations across our DB plans over the year.

	UK pensions		US pensions		US other post-retirement benefits		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Opening defined benefit obligations	(10,521)	(10,964)	(4,912)	(5,736)	(2,434)	(2,526)	(17,867)	(19,226)
Current service cost	(45)	(45)	(68)	(72)	(25)	(26)	(138)	(143)
Interest cost	(533)	(536)	(246)	(258)	(120)	(117)	(899)	(911)
Actuarial (losses)/gains – experience	(41)	(2)	(4)	(34)	116	73	71	37
Actuarial gains/(losses) – demographic assumptions[1]	(74)	98	(22)	12	19	(4)	(77)	106
Actuarial gains/(losses) – financial assumptions	989	165	156	190	36	(7)	1,181	348
Past service cost – augmentations and redundancies	(1)	(9)	–	–	–	–	(1)	(9)
Liabilities extinguished on settlements	–	–	–	543	–	–	–	543
Medicare subsidy received	–	–	–	–	(31)	(26)	(31)	(26)
Employee contributions	(5)	(10)	–	–	–	–	(5)	(10)
Benefits paid	756	710	282	312	165	152	1,203	1,174
Exchange adjustments	–	–	110	131	52	58	162	189
Reclassification from other post-employment liabilities	–	–	–	–	–	(11)	–	(11)
Reclassification to held for sale (note 10)	–	72	–	–	–	–	–	72
Closing defined benefit obligations	(9,475)	(10,521)	(4,704)	(4,912)	(2,222)	(2,434)	(16,401)	(17,867)

1. For the year ended 31 March 2025 this included actuarial losses of £0.2 billion resulting from the purchase of a bulk annuity policy with Aviva.

Changes in the value of plan assets

The table below shows the movement in pension assets across our DB plans over the year.

	UK pensions		US pensions		US other post-retirement benefits		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Opening fair value of plan assets	11,782	12,578	5,320	6,060	2,631	2,608	19,733	21,246
Interest income	601	620	265	271	131	120	997	1,011
Return on plan assets (less than)/in excess of interest[1]	(1,131)	(735)	(24)	(69)	(49)	95	(1,204)	(709)
Administration costs	(14)	(13)	(6)	(7)	(2)	(2)	(22)	(22)
Assets distributed on settlements	–	–	–	(513)	–	–	–	(513)
Employer contributions	112	118	27	26	143	21	282	165
Employee contributions	5	10	–	–	–	–	5	10
Benefits paid	(752)	(707)	(282)	(312)	(134)	(152)	(1,168)	(1,171)
Exchange adjustments	–	–	(120)	(136)	(62)	(59)	(182)	(195)
Reclassification to held for sale (note 10)	–	(89)	–	–	–	–	–	(89)
Closing fair value of plan assets	10,603	11,782	5,180	5,320	2,658	2,631	18,441	19,733
Actual return on plan assets	(530)	(115)	241	202	82	215	(207)	302
Expected contributions to plans in the following year	89	108	19	28	–	15	108	151

1. For the year ended 31 March 2025 this included actuarial losses of £0.2 billion resulting from the purchase of a bulk annuity policy with Aviva.

25. Pensions and other post-retirement benefits continued

Asset allocations

The allocation of assets by asset class is set out below. Within these asset allocations there is significant diversification across regions, asset managers, currencies and bond categories.

UK pensions

	2025			2024			2023		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	716	123	839	576	153	729	475	179	654
Corporate bonds	1,338	(1)	1,337	1,910	—	1,910	1,892	—	1,892
Government securities and liability-driven investments	—	3,938	3,938	—	5,259	5,259	762	4,906	5,668
Property[1]	—	451	451	—	679	679	23	860	883
Diversified alternatives	381	428	809	669	572	1,241	708	680	1,388
Bulk annuity policies	—	3,239	3,239	—	2,060	2,060	—	2,126	2,126
Longevity swap	—	—	—	—	(94)	(94)	—	(88)	(88)
Cash and cash equivalents	1	—	1	3	—	3	8	—	8
Other (including net current assets and liabilities)	—	(11)	(11)	—	(5)	(5)	59	(12)	47
	2,436	8,167	10,603[2]	3,158	8,624	11,782[2]	3,927	8,651	12,578[2]

1. The allocation in property includes £294 million (2024: £288 million, 2023: £304 million) of investments in forestry funds.
2. The fair value of plan assets set out above includes employer-related investment exposure of £nil (2024: £44 million, 2023: £23 million). The investment strategies for some of the DB plans use repurchase agreements to increase market exposure of their liability-driven investments, with the fair value of these instruments totalling approximately £2.9 billion at 31 March 2025 (2024: £2.7 billion, 2023: £3.4 billion).

US pensions

	2025			2024			2023		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	—	887	887	99	1,224	1,323	154	1,346	1,500
Corporate bonds	1,955	401	2,356	1,987	403	2,390	2,147	528	2,675
Government securities	737	467	1,204	360	444	804	410	514	924
Property	—	196	196	—	237	237	—	299	299
Diversified alternatives	—	384	384	54	502	556	85	550	635
Cash and cash equivalents	152	—	152	9	—	9	16	—	16
Other (including net current assets and liabilities)	(2)	3	1	1	—	1	7	4	11
	2,842	2,338	5,180	2,510	2,810	5,320	2,819	3,241	6,060

US other post-retirement benefits

	2025			2024			2023		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	31	522	553	37	524	561	74	510	584
Corporate bonds	1,350	47	1,397	1,351	46	1,397	1,332	2	1,334
Government securities	441	1	442	410	1	411	431	2	433
Diversified alternatives	103	—	103	92	9	101	100	9	109
Other (including insurance contracts)	—	163	163	—	161	161	1	147	148
	1,925	733	2,658	1,890	741	2,631	1,938	670	2,608

Main defined benefit risks

National Grid underwrites the financial and demographic risks associated with the Group's DB plans. Although the governing bodies have sole responsibility for setting investment strategies and managing risks, National Grid closely works with and supports the governing bodies of each plan, to assist them in mitigating the risks associated with their plans and to ensure that the plans are funded to meet their obligations.

Notes to the consolidated financial statements continued

25. Pensions and other post-retirement benefits continued

Main defined benefit risks continued

The most significant risks associated with the DB plans are as follows:

Main risks	Description and mitigation
Investment risk	The plans invest in a variety of asset classes, with actual returns likely to differ from the underlying discount rate adopted, impacting on the funding position of the plan through the net balance sheet asset or liability. Each plan seeks to balance the level of investment return required with the risk that it can afford to take, to design the most appropriate investment portfolio.
Changes in bond yields	Liabilities will fluctuate as yields change. Volatility of the net balance sheet asset or liability is controlled through liability-matching strategies. The investment strategies allow for the use of synthetic as well as physical assets to be used to hedge interest rate risk.
Inflation risk	Changes in inflation will affect current and future pensions but are partially mitigated through investing in inflation-matching assets and hedging instruments as well as bulk annuity policies. The investment strategies allow for the use of synthetic as well as physical assets to be used to hedge inflation risk.
Member longevity	Improvements in life expectancy will lead to pension payments being paid for longer than expected and benefits ultimately being more expensive. This risk has been partly mitigated by the investment in bulk annuity policies for NGEG of ESPS and two buy-in policies for Section A of NGUKPS.
Counterparty risk	This is managed by having a diverse range of counterparties and through having a strong collateralisation process. Measurement and management of counterparty risk is delegated to the relevant investment managers. For our bulk annuity policies, various termination provisions were included in the contracts, managing our exposure to counterparty risk. The insurers' operational performance and financial strength are monitored on a regular basis.
Default risk	Debt investments are predominantly made in regulated markets in assets considered to be of investment grade. Where investments are made either in non-investment grade assets or outside of regulated markets, investment levels are kept to prudent levels and subject to agreed ranges, to control the risk.
Liquidity risk	The pension plans hold sufficient cash to meet benefit requirements, with other investments being held in liquid or realisable assets to meet unexpected cash flow requirements. These could include collateral calls relating to the plans' liability-matching assets which could result from extreme market movements. Should the plans not have sufficient liquidity to meet cash flow requirements, they could be forced to take sub-optimal investment decisions such as selling assets at a reduced price. The plans do not borrow money, or act as guarantor, to provide liquidity to other parties (unless it is temporary).
Currency risk	Fluctuations in the value of foreign denominated assets due to exposure to currency exchange rates are managed through currency hedging overlay and currency hedging carried out by some of the investment managers.

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited versus NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. A subsequent appeal was dismissed in July 2024 by the Court of Appeal. The Group has performed its review of past significant changes made to its UK defined benefit pension arrangements and it has concluded that there is no financial impact from the ruling of the case.

Investment strategies

The Trustees and RPC, after taking advice from professional investment advisors and in consultation with National Grid, set their key principles, including expected returns, risk and liquidity requirements. They formulate an investment strategy to manage risk through diversification, taking into account expected contributions, maturity of the pension liabilities and, in the UK, the strength of the covenant. These strategies allocate investments between return-seeking assets such as equities and property, and liability-matching assets such as bulk annuity policies, government securities and corporate bonds which are intended to protect the funding position.

The approximate investment allocations for our plans at 31 March 2025 are as follows:

	UK pensions %	US pensions %	US other post-retirement benefits %
Return-seeking assets	20	28	31
Liability-matching assets	80	72	69

The governing bodies generally delegate responsibility for the selection of specific bonds, securities and other investments to appointed investment managers, who are selected based on the required skills, expertise in those markets, process and financial security to manage the investments. Their performance is regularly reviewed against measurable objectives, consistent with each pension plan's long-term objectives and accepted risk levels.

In the UK, each of our pension plans has Responsible Investment (RI) Policies, which consider ESG factors and generally incorporate the six UN-backed Principles for Responsible Investment (UNPRI). While each Trustee board understands its fiduciary responsibility to maximise return on investments based on an appropriate level of risk, they each also recognise that ESG factors can be material to financial outcomes and can have a potential impact on the quality and sustainability of long-term investment returns. The principal defined contribution arrangement in the UK embeds ESG factors in the investment options offered to members. As well as offering a range of self-select ethical funds, it directly incorporates its Climate Impact Pledge into the default investment options, which act to align the funds to a carbon net zero future.

While in the US there is no regulatory requirement to have ESG-specific principles embedded in investment policies, our investment managers consider ESG principles to inform their decision-making process. US DC plan members can access ESG investment funds through the mutual fund brokerage window.

26. Provisions

Provisions are recognised where a legal or constructive obligation exists at the reporting date, as a result of a past event, where the outflow of economic benefit is probable and where the amount of the obligation can be reliably estimated.

Provisions are recognised for the costs of environmental remediation; decommissioning costs for certain assets that we are required to remove at the end of their useful economic lives; restructuring costs; and for certain other situations where the above thresholds are met.

Long-term provisions are measured based on management's best estimates of the likely cash flows, discounted at an appropriate discount rate. The unwinding of the discount is included within the income statement within finance costs. Short-term provisions are measured at the expected cash outflow and are not discounted.

	Environmental £m	Decommissioning £m	Other £m	Total provisions £m
At 1 April 2023	1,891	297	454	2,642
Exchange adjustments	(37)	(2)	(8)	(47)
Additions[1]	600	34	138	772
Unused amounts reversed	(18)	(7)	(100)	(125)
Adjustment for change in discount rate	4	29	—	33
Unwinding of discount	85	11	6	102
Utilised	(107)	(9)	(149)	(265)
Reclassification to held for sale (note 10)	—	—	(3)	(3)
At 31 March 2024	2,418	353	338	3,109
Exchange adjustments	(47)	(5)	(1)	(53)
Additions	60	45	211	316
Unused amounts reversed	(126)	(8)	(16)	(150)
Adjustment for change in discount rate[2]	(82)	7	—	(75)
Unwinding of discount	105	13	5	123
Utilised	(139)	(6)	(58)	(203)
Reclassification to held for sale (note 10)	(17)	—	(1)	(18)
At 31 March 2025	**2,172**	**399**	**478**	**3,049**

	2025 £m	2024 £m
Current	**357**	298
Non-current	**2,692**	2,811
	3,049	3,109

1. Included within prior year additions was a £496 million increase in provision related to changes in the scope of work required on the Group's clean-up operations on the Gowanus Canal and nearby legacy MGP sites in Brooklyn, New York. These arose from remediation design changes as communicated in the prior year by US environmental agencies. See note 5 for more information.
2. In the year, US environmental provisions decreased by £82 million as a result of the change in the real discount rate from 1.5% to 2.0% (see note 5 details).

Notes to the consolidated financial statements continued

26. Provisions continued

Environmental provisions

We recognise environmental provisions for the estimated restoration and remediation costs relating to a number of sites owned and managed by subsidiary undertakings, together with certain US sites that National Grid no longer owns. The environmental provision is as follows:

	2025			2024		
	Discounted £m	Real undiscounted £m	Real discount rate	Discounted £m	Real undiscounted £m	Real discount rate
UK sites	107	115	1.0%	108	118	1.0%
US sites	2,065	2,440	2.0%	2,310	2,579	1.5%
	2,172	2,555		2,418	2,697	

Remediation expenditure in the US is expected to be incurred until 2082, of which the majority relates to three Superfund sites (being sites where hazardous substances are present as a result of the historical operations of manufacturing gas plants previously owned or operated by the Group or its predecessor companies in Brooklyn, New York). The weighted average duration of the forecasted cash flows is 10 years. Under the terms of our rate plans, we are entitled to recovery of environmental clean-up costs from rate payers.

Remediation expenditure in the UK relates to old gas manufacturing sites and also to electricity transmission sites. Cash flows are expected to be incurred until 2070.

The real undiscounted amount is management's best estimate of the actual cash flows that will be required. The provisions are calculated based on these cash flows discounted at the appropriate real discount rate for the jurisdiction, which is determined using the relevant government bond yield curve and the weighted average life of the provisions.

Numerous estimation uncertainties affect the calculation of these provisions, including the impact of and possibility of changes to regulatory requirements, the accuracy of site surveys, unexpected contaminants, the scope of remediation work, transportation costs, the impact of alternative technologies, the expected timing, cost and duration of cash flows, and changes in the real discount rate. These provisions incorporate our best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could materially impact the calculation of the provision.

Changes in the provision arising from revised estimates, discount rates or changes in the expected timing of expenditure are recognised in the income statement. A sensitivity of the impact of changes to the US environmental provision real discount rate and changes in estimated future cash flows is shown in note 35. The facts and circumstances relating to particular cases are evaluated regularly in determining whether an environmental provision should be revised (see note 30).

Decommissioning provisions

We recognise provisions for decommissioning costs for various assets we are required to remove at the end of their lives, including the safe removal of asbestos for certain of our generation units and the restoration of seabeds in respect of our interconnectors. Provisions to decommission significant portions of our regulated transmission and distribution assets are not recognised where no legal obligations exist and where a realistic alternative exists to incurring costs to decommission the assets at the end of their lives.

An initial estimate of decommissioning costs attributable to property, plant and equipment is recorded as part of the cost of the related property, plant and equipment. Changes in the provision arising from revised estimates, discount rates or changes in the expected timing of expenditure that relates to property, plant and equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated useful economic lives. Expenditure is expected to be incurred until 2109.

Other provisions

Included within other provisions at 31 March 2025 are the following amounts:
- £172 million (2024: £170 million) of estimated liabilities in respect of past events insured by subsidiary undertakings and policy excesses incurred by operating companies. Estimates are based on experience from previous years. We expect that cash flows will be incurred until 2041; and
- £159 million (2024: £76 million) of estimated liabilities in respect of interconnector excess revenues which will be repayable in future reporting periods in accordance with the cap and floor regime agreed with Ofgem (see note 3(f)). These estimates are based on the respective interconnectors' performance against their cumulative caps and cash outflows will be required to settle these liabilities by the financial year ending 31 March 2028.

27. Share capital

Ordinary share capital represents the total number of shares issued which are publicly traded. We also disclose the number of treasury shares the Company holds, which are shares that the Company has bought itself, predominantly to actively manage scrip issuances and settle employee share option and reward plan liabilities.

Share capital is accounted for as an equity instrument. An equity instrument is any contract that includes a residual interest in the consolidated assets of the Company after deducting all its liabilities and is recorded at the proceeds received, net of direct issue costs, with an amount equal to the nominal amount of the shares issued included in the share capital account and the balance recorded in the share premium account.

	Allotted, called-up and fully paid	
	Shares million	Nominal value £m
At 1 April 2023	3,930	488
Issued during the year in lieu of dividends[1]	37	5
At 31 March 2024	3,967	493
Rights Issue	1,085	135
Issued during the year in lieu of dividends[1]	81	10
At 31 March 2025	**5,133**	**638**

1. The issue of shares under the scrip dividend programme is considered to be a bonus issue under the terms of the Companies Act 2006, and the nominal value of the shares is charged to the share premium account.

The share capital of the Company consists of ordinary shares of $12^{204}/_{473}$ pence nominal value each including ADSs. The ordinary shares and ADSs (each of which represents five ordinary shares) allow holders to receive dividends and vote at general meetings of the Company. The Company holds treasury shares but may not exercise any rights over these shares, including the entitlement to vote or receive dividends. There are no restrictions on the transfer or sale of ordinary shares.

In line with the provisions of the Companies Act 2006, the Company has amended its Articles of Association and ceased to have authorised share capital.

The Company conducts a share forfeiture programme following the completion of a tracing and notification exercise to any shareholders who have not had contact with the Company over the past 12 years, in accordance with the provisions set out in the Company's Articles of Association. Under the share forfeiture programme, the shares and dividends associated with shares of untraced members have been forfeited, with the resulting proceeds transferred to the Company to use in line with the Company's strategy in relation to corporate responsibility. During the financial year, the Company received £5 million (2024: £2 million) of proceeds from the sale of untraced shares and derecognised £3 million (2024: £5 million) of liabilities related to unclaimed dividends, which are reflected in share premium and the income statement respectively.

Rights Issue

In June 2024, the Company completed a Rights Issue to support the future capital investment plans of the Group. The Company raised £6,839 million (net of expenses of £162 million) through the issue of 1,085 million new ordinary shares at 645 pence each on the basis of 7 new ordinary shares for every 24 existing ordinary shares. The issue price represented a discount of 33% to the closing ex-dividend share price on 23 May 2024, the announcement date of the Rights Issue. The structure of the Rights Issue gave rise to a merger reserve, representing the net proceeds of the Rights Issue less the nominal value of the new shares issued. Following the receipt of the cash proceeds through the structure, the excess of the net proceeds over the nominal value of the share capital issued was considered realised and has been transferred from the merger reserve to retained earnings.

The discount element inherent in the Rights Issue is treated as a bonus issue of shares. Basic and diluted earnings per share figures have been restated for the comparative period, by adjusting the weighted average number of shares for a factor of 1.0811 to reflect the bonus element of the Rights Issue, in accordance with IAS 33 Earnings per Share (note 8). For comparability, dividends per share are also restated after taking account of the bonus element of the Rights Issue, in note 9.

Treasury shares

At 31 March 2025, the Company held 235 million (2024: 247 million) of its own shares. The market value of these shares as at 31 March 2025 was £2,377 million (2024: £2,637 million).

For the benefit of employees and in connection with the operation of the Company's various share plans, the Company made the following transactions in respect of its own shares during the year ended 31 March 2025:

i. National Grid settles share awards under its Long-Term Incentive Plan and the Save As You Earn scheme, by the transfer of treasury shares to its employee share trusts. During the year, 9 million (2024: 4 million) treasury shares were gifted to National Grid Employee Share Trusts and 3 million (2024: 3 million) treasury shares were reissued in relation to employee share schemes, in total representing approximately 0.2% (2024: 0.2%) of the ordinary shares in issue as at 31 March 2025. The nominal value of these shares was £1 million (2024: £1 million) and the total proceeds received were £18 million (2024: £21 million).
ii. During the year, the Company made payments totalling £11 million (2024: £6 million) to National Grid Employee Share Trusts to enable the Trustees to make purchases of National Grid plc shares to settle share awards in relation to all employee share plans and discretionary reward plans. The cost of such purchases is deducted from retained earnings in the period that the transaction occurs.

The maximum number of ordinary shares held in Treasury during the year was 247 million (2024: 254 million), representing approximately 4.8% (2024: 6.4%) of the ordinary shares in issue as at 31 March 2025 and having a nominal value of £31 million (2024: £32 million).

Notes to the consolidated financial statements continued

28. Other equity reserves

Other equity reserves are different categories of equity as required by accounting standards and represent the impact of a number of our historical transactions or fair value movements on certain financial instruments that the Company holds.

Other equity reserves comprise the translation reserve (see note 1C), cash flow hedge reserve and the cost of hedging reserve (see note 32), debt instruments at fair value through other comprehensive income reserve (FVOCI debt) (see note 15), the capital redemption reserve and the merger reserve.

The merger reserve arose as a result of the application of merger accounting principles under the then prevailing UK GAAP, which under IFRS 1 was retained for mergers that occurred prior to the IFRS transition date. Under merger accounting principles, the difference between the carrying amount of the capital structure of the acquiring vehicle and that of the acquired business was treated as a merger difference and included within reserves. The merger reserve represents the difference between the carrying value of subsidiary undertaking investments and their respective capital structures following the Lattice demerger from BG Group plc and the 1999 Lattice refinancing.

The cash flow hedge reserve will either amortise as the committed future cash flows from borrowings are paid, be capitalised in fixed assets, or amortise as committed future cash flows from revenue are received (as described in note 32). See note 15 for further detail on FVOCI debt and note 32 in respect of cost of hedging reserve.

As the amounts included in other equity reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

	Translation £m	Cash flow hedge £m	Cost of hedging £m	FVOCI debt £m	Capital redemption £m	Merger £m	Total £m
At 1 April 2022	594	(85)	(29)	103	19	(5,165)	(4,563)
Exchange adjustments[1]	882	—	—	—	—	—	882
Exchange differences reclassified to the consolidated income statement on disposal	(170)	—	—	—	—	—	(170)
Net gains/(losses) taken to equity	—	142	(12)	(25)	—	—	105
Share of net gains of associates taken to equity	—	1	—	—	—	—	1
Transferred to profit or loss	—	(136)	—	—	—	—	(136)
Net gains in respect of cash flow hedging of capital expenditure	—	10	—	—	—	—	10
Tax	—	2	3	1	—	—	6
Cash flow hedges transferred to the statement of financial position, net of tax	—	5	—	—	—	—	5
At 1 April 2023	1,306	(61)	(38)	79	19	(5,165)	(3,860)
Exchange adjustments[1]	(335)	—	—	—	—	—	(335)
Net gains taken to equity	—	16	37	34	—	—	87
Transferred to profit or loss	—	224	(11)	—	—	—	213
Net losses in respect of cash flow hedging of capital expenditure	—	(37)	—	—	—	—	(37)
Tax	—	(50)	(6)	(4)	—	—	(60)
Cash flow hedges transferred to the statement of financial position, net of tax	—	2	—	—	—	—	2
At 1 April 2024	971	94	(18)	109	19	(5,165)	(3,990)
Exchange adjustments[1]	(352)	—	—	—	—	—	(352)
Net gains/(losses) taken to equity	—	30	(46)	(12)	—	—	(28)
Transferred to profit or loss	—	188	(6)	—	—	—	182
Rights Issue[2]	—	—	—	—	—	6,704	6,704
Transfer to retained earnings	—	—	—	—	—	(6,704)	(6,704)
Net losses in respect of cash flow hedging of capital expenditure	—	(16)	—	—	—	—	(16)
Tax	—	(50)	13	3	—	—	(34)
Cash flow hedges transferred to the statement of financial position, net of tax	—	5	—	—	—	—	5
At 31 March 2025	**619**	**251**	**(57)**	**100**	**19**	**(5,165)**	**(4,233)**

1. The exchange adjustments recorded in the translation reserve comprise a loss of £408 million (2024: loss of £397 million; 2023: gain of £1,080 million) relating to the translation of foreign operations, offset by a gain of £56 million (2024: gain of £62 million; 2023: loss of £198 million) relating to borrowings, cross-currency swaps and foreign exchange forward contracts used to hedge the net investment in non sterling-denominated subsidiaries.
2. For details of the Rights Issue and subsequent transfer to retained earnings see note 27.

29. Net debt

We define net debt as the amount of borrowings and financing derivatives less cash and current financial investments.

(a) Composition of net debt

Net debt is comprised as follows:

	2025 £m	2024 £m	2023 £m
Cash and cash equivalents (see note 20)	**1,178**	559	163
Current financial investments (see note 15)	**5,753**	3,699	2,605
Borrowings (see note 21)	**(47,539)**	(47,072)	(42,985)
Financing derivatives[1] (see note 17)	**(763)**	(793)	(756)
	(41,371)	(43,607)	(40,973)

1. The financing derivatives balance included in net debt excludes the commodity derivatives (see note 17).

(b) Analysis of changes in net debt

	Notes	Borrowings £m	Financing derivatives used to hedge debt £m	Total liabilities from financing activities £m	Cash and cash equivalents £m	Financial investments £m	Other financing derivatives £m	Total[1] £m
At 1 April 2024		(47,072)	(764)	(47,836)	559	3,699	(29)	(43,607)
Net increase in cash and cash equivalents		—	—	—	765	—	—	765
Included within financing cash flows:								
Proceeds received from loans		(3,237)	—	(3,237)	—	—	—	(3,237)
Repayment of loans		2,861	—	2,861	—	—	—	2,861
Payments of lease liabilities		130	—	130	—	—	—	130
Net movements in short-term borrowings		(925)	—	(925)	—	—	—	(925)
Cash inflows on derivatives		—	(62)	(62)	—	—	—	(62)
Cash outflows on derivatives		—	106	106	—	—	—	106
Interest paid		1,608	312	1,920	—	—	—	1,920
Non-net debt financing cash flows		(8)	—	(8)	—	—	—	(8)
Included within investing cash flows:								
Net movements in short-term financial investments		—	—	—	—	2,606	—	2,606
Cash inflows on derivatives		—	—	—	—	—	(11)	(11)
Cash outflows on derivatives		—	—	—	—	—	6	6
Derivative cash flows included in capital expenditure		—	—	—	—	—	9	9
Interest received		—	—	—	—	(332)	—	(332)
Derivative cash flows included in revenue		—	—	—	—	—	(8)	(8)
Fair value gains and losses		(26)	(30)	(56)	—	1	(7)	(62)
Foreign exchange movements		866	—	866	(23)	(25)	—	818
Interest (charges)/income	6	(1,663)	(295)	(1,958)	—	338	10	(1,610)
Other non-cash movements		(207)	—	(207)	—	—	—	(207)
Reclassification to held for sale[2]	10	134	—	134	(123)	(534)	—	(523)
At 31 March 2025		**(47,539)**	**(733)**	**(48,272)**	**1,178**	**5,753**	**(30)**	**(41,371)**
Balances at 31 March 2025 comprise:								
Non-current assets		—	340	340	—	—	16	356
Current assets		—	5	5	1,178	5,753	14	6,950
Current liabilities		(4,662)	(347)	(5,009)	—	—	(8)	(5,017)
Non-current liabilities		(42,877)	(731)	(43,608)	—	—	(52)	(43,660)
		(47,539)	**(733)**	**(48,272)**	**1,178**	**5,753**	**(30)**	**(41,371)**

1. Includes accrued interest of £477 million.
2. Reclassification to held for sale represents the closing net debt position of NG Renewables and Grain LNG and the disposal of the ESO (see note 10).

Notes to the consolidated financial statements continued

29. Net debt continued

	Notes	Borrowings £m	Financing derivatives used to hedge debt £m	Total liabilities from financing activities £m	Cash and cash equivalents £m	Financial investments £m	Other financing derivatives £m	Total[1] £m
At 1 April 2023		(42,985)	(793)	(43,778)	163	2,605	37	(40,973)
Net increase in cash and cash equivalents		—	—	—	427	—	—	427
Included within financing cash flows:								
Proceeds received from loans		(5,563)	—	(5,563)	—	—	—	(5,563)
Repayment of loans		1,701	—	1,701	—	—	—	1,701
Payments of lease liabilities		118	—	118	—	—	—	118
Net movements in short-term borrowings		(544)	—	(544)	—	—	—	(544)
Cash inflows on derivatives		—	(86)	(86)	—	—	—	(86)
Cash outflows on derivatives		—	58	58	—	—	—	58
Interest paid		1,330	297	1,627	—	—	—	1,627
Non-net debt financing cash flows		(18)	—	(18)	—	—	—	(18)
Included within investing cash flows:								
Net movements in short-term financial investments		—	—	—	—	1,141	—	1,141
Cash inflows on derivatives		—	—	—	—	—	(123)	(123)
Cash outflows on derivatives		—	—	—	—	—	—	—
Derivative cash flows included in capital expenditure		—	—	—	—	—	5	5
Interest received		—	—	—	—	(148)	—	(148)
Derivative cash flows included in revenue		—	—	—	—	—	(11)	(11)
Fair value gains and losses		(69)	40	(29)	—	4	60	35
Foreign exchange movements		718	—	718	(1)	(49)	—	668
Interest (charges)/income	6	(1,564)	(284)	(1,848)	—	152	7	(1,689)
Other non-cash movements		(209)	4	(205)	—	—	(4)	(209)
Reclassification to held for sale[2]		13	—	13	(30)	(6)	—	(23)
At 31 March 2024		**(47,072)**	**(764)**	**(47,836)**	**559**	**3,699**	**(29)**	**(43,607)**

1. Includes accrued interest of £490 million.
2. Reclassification to held for sale represents the closing net debt position of the ESO (see note 10).

	Notes	Borrowings £m	Financing derivatives used to hedge debt £m	Total liabilities from financing activities £m	Cash and cash equivalents[1] £m	Financial investments £m	Other financing derivatives £m	Total[2] £m
At 1 April 2022		(45,465)	(750)	(46,215)	204	3,145	57	(42,809)
Net decrease in cash and cash equivalents		—	—	—	(48)	—	—	(48)
Included within financing cash flows:								
Proceeds received from loans		(11,908)	—	(11,908)	—	—	—	(11,908)
Repayment of loans		15,260	—	15,260	—	—	—	15,260
Payments of lease liabilities		155	—	155	—	—	—	155
Net movements in short-term borrowings		511	—	511	—	—	—	511
Cash inflows on derivatives		—	(190)	(190)	—	—	—	(190)
Cash outflows on derivatives		—	118	118	—	—	—	118
Interest paid		1,277	153	1,430	—	—	—	1,430
Non-net debt financing cash flows		(27)	—	(27)	—	—	—	(27)
Included within investing cash flows:								
Net movements in short-term financial investments		—	—	—	—	(586)	—	(586)
Cash outflows on derivatives		—	—	—	—	—	362	362
Derivative cash outflow in relation to capital expenditure		—	—	—	—	—	12	12
Interest received		—	—	—	—	(65)	—	(65)
Fair value gains and losses		367	46	413	—	(18)	(394)	1
Foreign exchange movements		(1,311)	—	(1,311)	7	61	—	(1,243)
Interest (charges)/income	6	(1,658)	(170)	(1,828)	—	73	—	(1,755)
Other non-cash movements		(283)	—	(283)	—	—	—	(283)
Reclassification to held for sale[3]		97	—	97	—	(5)	—	92
At 31 March 2023		**(42,985)**	**(793)**	**(43,778)**	**163**	**2,605**	**37**	**(40,973)**

1. Cash and cash equivalents at the start of the year exclude the Group's bank overdraft as at 1 April 2023 of £22 million.
2. Includes accrued interest of £401 million.
3. Reclassification to held for sale represented the disposal of NECO, which was not classified as a discontinued operation.

30. Commitments and contingencies

Commitments are those amounts that we are contractually required to pay in the future as long as the other party meets its obligations. These commitments primarily relate to energy purchase agreements and contracts for the purchase of assets which, in many cases, extend over a long period of time. We also disclose any contingencies, which include guarantees that companies have given, where we pledge assets against current obligations that will remain for a specific period.

Contingent assets are disclosed where the Group concludes that an inflow of economic benefits is probable.

	2025 £m	2024 £m
Future capital expenditure		
Contracted for but not provided	**5,017**	3,329
Energy purchase commitments[1]		
Less than 1 year	**1,265**	1,244
In 1 to 2 years	**1,259**	982
In 2 to 3 years	**1,147**	1,062
In 3 to 4 years	**1,011**	941
In 4 to 5 years	**927**	866
More than 5 years	**8,271**	9,080
	13,880	14,175
Guarantees		
Guarantee of subleases for US properties (expire up to 2037)	**66**	67
Guarantees of certain obligations of Eastern Green Link Joint Operations (various expiry dates)	**2,296**	2,465
Guarantees of certain obligations of Grain LNG (expected expiry 2025)	**20**	32
Guarantees of certain obligations of National Grid North Sea Link Limited (various expiry dates)	**251**	271
Guarantees of certain obligations of St William Homes LLP (various expiry dates)	**25**	44
Guarantees of certain obligations of National Grid IFA 2 Limited (various expiry dates)	**100**	121
Guarantees of certain obligations of National Grid Viking Link Limited (expected expiry 2025)	**60**	243
Other guarantees and letters of credit (various expiry dates)	**334**	123
	3,152	3,366

1. Energy purchase commitments relate to contractual commitments to purchase electricity or gas that are used to satisfy physical delivery requirements to our customers or for energy that we use ourselves (i.e. normal purchase, sale or usage) and hence are accounted for as ordinary purchase contracts (see note 32(f)). Details of commodity contract derivatives that do not meet the normal purchase, sale or usage criteria, and hence are accounted for as derivative contracts, are shown in note 17(b).

Through the ordinary course of our operations, we are party to various litigation, claims and investigations. We do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on our results of operations, cash flows or financial position.

Contingent liabilities

The Group is subject to national and local laws governing the clean-up of sites used previously in its operations. These laws and associated regulations require the Group to take future actions to remediate the effects on the environment of the release of chemicals and other substances. Such contingencies may exist for various sites, including manufactured gas plants, power stations and water courses that were impacted by those activities. The ultimate costs of these clean-ups involve estimation uncertainty as work may be impacted by changing regulations and additional work may be required once sites have been fully surveyed. The estimated clean-up costs have been provided for in note 26 based upon management's best estimate of the likely future cash flows. While the amounts of future possible costs that are not provided for could be material to the Group's results in the period when they are recognised, it is not possible to reliably estimate the amounts involved at this time. As environmental remediation costs are recoverable through the Group's rate-setting processes, the Group does not expect these costs to have a material impact on its liquidity.

Notes to the consolidated financial statements continued

31. Related party transactions

Related parties include joint ventures, associates, investments and key management personnel.

The following significant transactions with related parties were in the normal course of business. Amounts receivable from and payable to related parties are due on normal commercial terms.

	2025 £m	2024 £m	2023 £m
Sales: Goods and services supplied to joint ventures[1]	153	221	100
Sales: Goods and services supplied to associates	1	1	1
Sales: Goods and services supplied to subsidiary of an associate[1]	51	70	6
Purchases: Goods and services received from joint ventures	—	6	—
Purchases: Goods and services received from associates[2]	29	4	31
Purchases: Goods and services received from subsidiaries of an associate	—	1	—
Interest received from joint ventures	6	—	—
Interest paid to joint ventures	2	—	—
Receivables from joint ventures[3]	323	80	58
Receivables from associates	1	—	—
Receivables from subsidiaries of an associate	—	8	8
Payables to joint ventures	15	—	19
Payables to associates	—	1	1
Dividends received from joint ventures[4]	62	152	150
Dividends received from associates[5]	39	117	32

1. During the year, £114 million of sales were made to Emerald Energy Venture LLC (2024: £126 million; 2023: £76 million), £12 million (2024: £71 million; 2023: £nil) of sales were made to Nemo Link Limited and £51 million (2024: £70 million) of sales were made to National Gas Transmission Plc up until its disposal.
2. Includes decommissioning expense in relation to associates.
3. Amounts receivable from joint ventures include £320 million (2024: £77 million; 2023: £55 million) from Emerald Energy Venture LLC.
4. Includes dividends of £22 million (2024: £116 million; 2023: £84 million) received from BritNed Development Limited and £26 million (2024: £17 million; 2023: £47 million) from Nemo Link Limited.
5. Includes dividends received in the period up until disposal of £22 million (2024: £102 million) from GasT TopCo Limited and £17 million (2024: £12 million; 2023: £12 million) from New York Transco LLC.

Details of investments in principal subsidiary undertakings, joint ventures and associates are disclosed in note 34, and information relating to pension fund arrangements is disclosed in note 25. For details of Directors' and key management remuneration, refer to the Directors' Remuneration Report on pages 121 – 149 and note 4(c).

32. Financial risk management

Our activities expose us to a variety of financial risks, including credit risk, liquidity risk, capital risk, currency risk, interest rate risk, inflation risk and commodity price risk. Our risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential volatility of financial performance from these risks. We use financial instruments, including derivative financial instruments, to manage these risks.

Risk management related to financing activities is carried out by a central treasury department under policies approved by the Finance Committee of the Board. The objective of the treasury department is to manage funding and liquidity requirements, including managing associated financial risks, to within acceptable boundaries. The Finance Committee provides written principles for overall risk management and written policies covering the following specific areas: foreign exchange risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Finance Committee has delegated authority to administer the commodity price risk policy and credit policy for US-based commodity transactions to the Energy Procurement Risk Management Committee and the National Grid USA Board of Directors. Details of key activities in the current year are set out in the Finance Committee report on page 120.

We have exposure to the following risks, which are described in more detail below:
- credit risk;
- liquidity risk;
- currency risk;
- interest rate risk;
- commodity price risk;
- valuation risk; and
- capital risk.

Where appropriate, derivatives and other financial instruments used for hedging currency and interest rate risk exposures are formally designated as fair value, cash flow or net investment hedges as defined in IFRS 9. Hedge accounting allows the timing of the profit or loss impact of qualifying hedging instruments to be recognised in the same reporting period as the corresponding impact of hedged exposures. To qualify for hedge accounting, documentation is prepared specifying the risk management objective and strategy, the component transactions and methodology used for measurement of effectiveness.

32. Financial risk management continued

Hedge accounting relationships are designated in line with risk management activities further described below. The categories of hedging entered into are as follows:
- currency risk arising from our forecast foreign currency transactions (capital expenditure or revenues) is designated in cash flow hedges;
- currency risk arising from our net investments in foreign operations is designated in net investment hedges; and
- currency and interest rate risk arising from borrowings are designated in cash flow or fair value hedges.

Critical terms of hedging instruments and hedged items are transacted to match on a 1:1 ratio by notional values. Hedge ineffectiveness can nonetheless arise from inherent differences between derivatives and non-derivative instruments and other market factors, including credit, correlations, supply and demand, and market volatilities. Ineffectiveness is recognised in the remeasurements component of finance income and costs (see note 6). Hedge accounting is discontinued when a hedging relationship no longer qualifies for hedge accounting.

Certain hedging instrument components are treated separately as costs of hedging with the gains and losses deferred in a component of other equity reserves and released systematically into profit or loss to correspond with the timing and impact of hedged exposures, or released in full to finance costs upon an early discontinuation of a hedging relationship.

Refer to sections (c) currency risk and (d) interest rate risk below for further details on hedge accounting.

(a) Credit risk

We are exposed to the risk of loss resulting from counterparties' default on their commitments, including failure to pay or make a delivery on a contract. This risk is inherent in our commercial business activities. Exposure arises from derivative financial instruments, deposits with banks and financial institutions, trade receivables and committed transactions with wholesale and retail customers.

Treasury credit risk

Counterparty risk arises from the investment of surplus funds and from the use of derivative financial instruments. As at 31 March 2025, the following limits were in place for investments and derivative financial instruments held with banks and financial institutions:

	Maximum limit £m	Utilisation of maximum limit £m	Long-term limit £m	Utilisation of long-term limit £m
Triple 'A' G7 sovereign entities (AAA)	2,818	—	2,114	—
Triple 'A' vehicles (AAA)	500	453	—	—
Triple 'A' range institutions and non-G7 sovereign entities (AAA)	2,562	—	1,922	—
Double 'A+' G7 sovereign entities (AA+)	2,562	—	1,922	—
Double 'A' range institutions (AA)	1,537 to 2,050	0 to 337	1,153 to 1,537	0 to 325
Single 'A' range institutions (A)	512 to 1,025	0 to 617	384 to 769	0 to 375

The maximum limit applies to all transactions, including long-term transactions. The long-term limit applies to transactions which mature in more than 12 months' time.

As at 31 March 2025 and 2024, we had a number of exposures to individual counterparties. In accordance with our treasury policies, counterparty credit exposure utilisations are monitored daily against the counterparty credit limits. Counterparty credit ratings and market conditions are reviewed continually, with limits being revised and utilisation adjusted, if appropriate. Management does not expect any significant losses from non-performance by these counterparties. Investments associated with insurance and employee benefit trusts, such as the investments held at FVOCI, sit outside of treasury credit risk and are managed to individual mandates aligned to their regulated purpose.

Commodity credit risk

The credit policy for UK- and US-based commodity transactions is owned by the Finance Committee to the Board, which establishes controls and procedures to determine, monitor and minimise the credit exposure to counterparties.

Wholesale and retail credit risk

Our principal commercial exposure is in the US, where we are required to supply electricity and gas under state regulations. Our policies and practices are designed to limit credit exposure by collecting security deposits prior to providing utility services, or after utility services have commenced if certain applicable regulatory requirements are met. Collection activities are managed on a daily basis. Sales to retail customers are usually settled in cash, cheques, electronic bank payments or by using major credit cards. We are committed to measuring, monitoring, minimising and recording counterparty credit risk in our wholesale business. The utilisation of credit limits is regularly monitored, and collateral is collected against these accounts when necessary.

In March 2020, the Group's US distribution business temporarily ceased certain customer cash collection activities in response to regulatory instructions and to changes in state-, federal- and city-level regulations and guidance, and actions to minimise risk to the Group's employees as a result of COVID-19. Customer termination activities also ceased in line with requests by relevant local authorities and this resulted in the recognition of additional expected credit losses, although cash collection and customer termination activities have subsequently resumed in both New England and New York (see note 19 for further details).

Notes to the consolidated financial statements continued

32. Financial risk management continued

(a) Credit risk continued

Offsetting financial assets and liabilities

The following tables set out our financial assets and liabilities which are subject to offset and to enforceable master netting arrangements or similar agreements. The tables show the amounts which are offset and reported net in the statement of financial position. Amounts which cannot be offset under IFRS, but which could be settled net under terms of master netting arrangements if certain conditions arise, and with collateral received or pledged, are presented to show National Grid's net exposure.

Financial assets and liabilities on different transactions would only be reported net in the balance sheet if the transactions were with the same counterparty, a currently enforceable legal right of offset exists and the cash flows were intended to be settled on a net basis.

Amounts which do not meet the criteria for offsetting on the statement of financial position, but could be settled net in certain circumstances, principally relate to derivative transactions under ISDA agreements, where each party has the option to settle amounts on a net basis in the event of default of the other party.

Commodity contract derivatives that have not been offset on the balance sheet may be settled net in certain circumstances under ISDA or North American Energy Standards Board (NAESB) agreements.

The Group has no offsetting arrangements in relation to bank account balances and bank overdrafts as at 31 March 2025 (2024: £nil).

The gross amounts offset for trade payables and receivables, which are subject to general terms and conditions, are insignificant.

				Related amounts available to be offset but not offset in statement of financial position		
At 31 March 2025	**Gross carrying amounts £m**	**Gross amounts offset £m**	**Net amount presented in statement of financial position £m**	**Financial instruments £m**	**Cash collateral received/ pledged £m**	**Net amount £m**
Assets						
Financing derivatives	**375**	**—**	**375**	**(296)**	**(12)**	**67**
Commodity contract derivatives	**107**	**—**	**107**	**(20)**	**—**	**87**
	482	**—**	**482**	**(316)**	**(12)**	**154**
Liabilities						
Financing derivatives	**(1,138)**	**—**	**(1,138)**	**296**	**462**	**(380)**
Commodity contract derivatives	**(64)**	**—**	**(64)**	**20**	**(7)**	**(51)**
	(1,202)	**—**	**(1,202)**	**316**	**455**	**(431)**
	(720)	**—**	**(720)**	**—**	**443**	**(277)**

				Related amounts available to be offset but not offset in statement of financial position		
At 31 March 2024	Gross carrying amounts £m	Gross amounts offset £m	Net amount presented in statement of financial position £m	Financial instruments £m	Cash collateral received/ pledged £m	Net amount £m
Assets						
Financing derivatives	333	—	333	(246)	(28)	59
Commodity contract derivatives	35	—	35	(27)	—	8
	368	—	368	(273)	(28)	67
Liabilities						
Financing derivatives	(1,126)	—	(1,126)	246	441	(439)
Commodity contract derivatives	(118)	—	(118)	27	11	(80)
	(1,244)	—	(1,244)	273	452	(519)
	(876)	—	(876)	—	424	(452)

32. Financial risk management continued

(b) Liquidity risk

Our policy is to determine our liquidity requirements by the use of both short-term and long-term cash flow forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding requirements for at least a 24-month period and maintain adequate liquidity for a continuous 12-month period.

We believe our contractual obligations, including those shown in commitments and contingencies in note 30, can be met from existing cash and investments, operating cash flows and other financing that we reasonably expect to be able to secure in the future, together with the use of committed facilities if required.

Our debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity, restrictions on disposals and financial covenants, such as restrictions on the level of subsidiary indebtedness. Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of our debt and may restrict our ability to draw upon our facilities or access the capital markets.

The following is a payment profile of our financial liabilities and derivatives:

At 31 March 2025	**Less than 1 year £m**	**1 to 2 years £m**	**2 to 3 years £m**	**More than 3 years £m**	**Total £m**
Non-derivative financial liabilities					
Borrowings, excluding lease liabilities	**(4,111)**	**(3,159)**	**(2,404)**	**(36,381)**	**(46,055)**
Interest payments on borrowings[1]	**(1,552)**	**(1,497)**	**(1,397)**	**(16,707)**	**(21,153)**
Lease liabilities	**(143)**	**(131)**	**(117)**	**(671)**	**(1,062)**
Other non-interest-bearing liabilities	**(3,908)**	**(467)**	**—**	**—**	**(4,375)**
Derivative financial liabilities					
Financing derivatives – receipts[2]	**4,236**	**3,179**	**4,710**	**2,822**	**14,947**
Financing derivatives – payments[2]	**(4,777)**	**(3,514)**	**(5,072)**	**(3,380)**	**(16,743)**
Commodity contract derivatives – receipts[2]	**9**	**5**	**1**	**—**	**15**
Commodity contract derivatives – payments[2]	**(67)**	**(36)**	**(29)**	**(43)**	**(175)**
Derivative financial assets					
Financing derivatives – receipts[2]	**1,907**	**4,032**	**2,598**	**1,460**	**9,997**
Financing derivatives – payments[2]	**(1,897)**	**(3,970)**	**(2,467)**	**(1,369)**	**(9,703)**
Commodity contract derivatives – receipts[2]	**84**	**8**	**—**	**—**	**92**
Commodity contract derivatives – payments[2]	**(16)**	**(6)**	**(3)**	**—**	**(25)**
	(10,235)	**(5,556)**	**(4,180)**	**(54,269)**	**(74,240)**

At 31 March 2024	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	More than 3 years £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding lease liabilities	(4,480)	(2,627)	(3,036)	(35,243)	(45,386)
Interest payments on borrowings[1]	(1,505)	(1,442)	(1,386)	(17,247)	(21,580)
Lease liabilities	(133)	(118)	(97)	(662)	(1,010)
Other non-interest-bearing liabilities	(3,715)	(458)	—	—	(4,173)
Derivative financial liabilities					
Financing derivatives – receipts[2]	5,583	2,993	2,672	5,246	16,494
Financing derivatives – payments[2]	(6,068)	(3,496)	(2,909)	(5,756)	(18,229)
Commodity contract derivatives – receipts[2]	8	3	—	—	11
Commodity contract derivatives – payments[2]	(79)	(24)	(7)	—	(110)
Derivative financial assets					
Financing derivatives – receipts[2]	1,927	311	3,993	2,485	8,716
Financing derivatives – payments[2]	(1,884)	(312)	(3,935)	(2,305)	(8,436)
Commodity contract derivatives – receipts[2]	23	8	1	—	32
Commodity contract derivatives – payments[2]	(9)	(5)	(1)	—	(15)
	(10,332)	(5,167)	(4,705)	(53,482)	(73,686)

1. The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the Company can be required to settle.
2. The receipts and payments line items for derivatives comprise gross undiscounted future cash flows, after considering any contractual netting that applies within individual contracts. Where cash receipts and payments within a derivative contract are settled net, and the amount to be received/(paid) exceeds the amount to be paid/(received), the net amount is presented within derivative receipts/(payments).

Notes to the consolidated financial statements continued

32. Financial risk management continued

(c) Currency risk

National Grid operates internationally with mainly pound sterling as the functional currency for the UK companies and US dollar for the US businesses. Currency risk arises from three major areas: funding activities, capital investment and related revenues, and holdings in foreign operations. This risk is managed using financial instruments including derivatives as approved by policy, typically cross-currency interest rate swaps, foreign exchange swaps and forwards.

Funding activities – we borrow in various debt markets across the world. Foreign currency funding gives rise to risk of volatility in the amount of functional currency cash to be repaid. This risk is reduced by swapping principal and interest back into the functional currency of the issuer. All foreign currency debt and transactions are hedged except where they provide a natural offset to assets elsewhere in the Group.

Capital investment and related revenues – capital projects often incur costs or generate revenues in a foreign currency, most often euro transactions done by the UK business. Our policy for managing foreign exchange transaction risk is to hedge contractually committed foreign currency cash flows over a prescribed minimum size, typically by buying euro forwards to hedge future expenditure and selling euro forwards to hedge future revenues. For hedges of forecast cash flows, our policy is to hedge a proportion of highly probable cash flows.

Holdings in foreign operations – we are exposed to fluctuations on the translation into pounds sterling of our foreign operations. The policy for managing this translation risk is to issue foreign currency debt or to replicate foreign debt using derivatives that pay cash flows in the currency of the foreign operation. The primary managed exposure arises from dollar denominated assets and liabilities held by our US operations, with a smaller euro exposure in respect of joint venture investments.

Derivative financial instruments were used to manage foreign currency risk as follows:

	2025					2024				
	Sterling £m	**Euro £m**	**Dollar £m**	**Other £m**	**Total £m**	Sterling £m	Euro £m	Dollar £m	Other £m	Total £m
Cash and cash equivalents	**1,047**	**—**	**131**	**—**	**1,178**	402	—	157	—	559
Financial investments	**5,129**	**—**	**624**	**—**	**5,753**	1,514	—	2,185	—	3,699
Borrowings	**(13,913)**	**(12,968)**	**(19,217)**	**(1,441)**	**(47,539)**	(14,498)	(11,936)	(18,938)	(1,700)	(47,072)
Pre-derivative position	**(7,737)**	**(12,968)**	**(18,462)**	**(1,441)**	**(40,608)**	(12,582)	(11,936)	(16,596)	(1,700)	(42,814)
Derivative effect	**(8,539)**	**13,886**	**(7,755)**	**1,645**	**(763)**	(9,102)	12,976	(6,625)	1,958	(793)
Net debt position	**(16,276)**	**918**	**(26,217)**	**204**	**(41,371)**	(21,684)	1,040	(23,221)	258	(43,607)

The exposure to dollars largely relates to our net investment hedge activities and exposure to euros largely relates to hedges for our future non-sterling capital expenditure and associated revenues.

The currency exposure on other financial instruments is as follows:

	2025					2024				
	Sterling £m	**Euro £m**	**Dollar £m**	**Other £m**	**Total £m**	Sterling £m	Euro £m	Dollar £m	Other £m	Total £m
Trade and other receivables	**424**	**—**	**2,272**	**—**	**2,696**	280	—	1,878	—	2,158
Trade and other payables	**(1,359)**	**—**	**(2,549)**	**—**	**(3,908)**	(1,330)	—	(2,385)	—	(3,715)
Other non-current liabilities	**(171)**	**—**	**(296)**	**—**	**(467)**	(169)	—	(289)	—	(458)

The carrying amounts of other financial instruments are denominated in the above currencies, which in most instances are the functional currency of the respective subsidiaries. Our exposure to dollars is due to activities in our US subsidiaries. We do not have any other significant exposure to currency risk on these balances.

Hedge accounting for currency risk

Where available, derivatives transacted for hedging are designated for hedge accounting. Economic offset is qualitatively determined because the critical terms (currency and volume) of the hedging instrument match the hedged exposure. If a forecast transaction was no longer expected to occur, the cumulative gain or loss previously reported in equity would be transferred to the income statement. This has not occurred in the current or comparative years.

Cash flow hedging of currency risk of capital expenditure and revenue are designated as either hedging the exposure to movements in the spot or forward translation risk. Gains and losses on hedging instruments arising from undesignated forward points and foreign currency basis spreads are excluded from designation and are recognised immediately in profit or loss, along with any hedge ineffectiveness. On recognition of the hedged purchase or sale in the financial statements, the associated hedge gains and losses, deferred in the cash flow hedge reserve in other equity reserves, are transferred out of reserves and included with the recognition of the underlying transaction. Where a non-financial asset or a non-financial liability results from a forecast transaction or firm commitment being hedged, the amounts deferred in reserves are included directly in the initial measurement of that asset or liability.

Net investment hedging is also designated as hedging the exposure to movements in spot translation rates only: spot-related gains and losses on hedging instruments are presented in the cumulative translation reserve within other equity reserves to offset gains or losses on translation of the hedged balance sheet exposure. Any ineffectiveness is recognised immediately in the income statement. Amounts deferred in the cumulative translation reserve with respect to net investment hedges are subsequently recognised in the income statement in the event of disposal of the overseas operations concerned. Any remaining amounts deferred in the cost of hedging reserve are also released to the income statement.

32. Financial risk management continued

(c) Currency risk continued

Hedges of foreign currency funding are designated as cash flow hedges or fair value hedges of forward exchange risk (hedging both currency and interest rate risk together, where applicable). Gains and losses arising from foreign currency basis spreads are excluded from designation and are treated as a cost of hedging, deferred initially in other equity reserves and released into profit or loss over the life of the hedging relationship. Hedge accounting for funding is described further in the interest rate risk section that follows.

(d) Interest rate risk

National Grid's interest rate risk arises from our long-term borrowings. Our interest rate risk management policy is to seek to minimise total financing costs (being interest costs and changes in the market value of debt). Hedging instruments principally consist of interest rate and cross-currency swaps that are used to translate foreign currency debt into functional currency and to adjust the proportion of fixed rate and floating rate in the borrowings portfolio to within a range set by the Finance Committee of the Board. The benchmark interest rates hedged are currently based on Secured Overnight Financing Rate (SOFR) for USD and Sterling Overnight Index Average (SONIA) for GBP.

We also consider inflation risk and hold some inflation-linked borrowings. We believe that these provide a partial economic offset to the inflation risk associated with our UK inflation-linked revenues.

The table in note 21 sets out the carrying amount, by contractual maturity, of borrowings that are exposed to interest rate risk before taking into account interest rate swaps.

Net debt was managed using derivative financial instruments to hedge interest rate risk as follows:

	2025					2024				
	Fixed rate £m	Floating rate £m	Inflation linked £m	Other[1] £m	Total £m	Fixed rate £m	Floating rate £m	Inflation linked £m	Other[1] £m	Total £m
Cash and cash equivalents	131	1,047	—	—	1,178	157	402	—	—	559
Financial investments	—	5,719	—	34	5,753	—	3,640	—	59	3,699
Borrowings[2]	(39,847)	(3,061)	(4,631)	—	(47,539)	(39,948)	(2,378)	(4,746)	—	(47,072)
Pre-derivative position	(39,716)	3,705	(4,631)	34	(40,608)	(39,791)	1,664	(4,746)	59	(42,814)
Derivative effect	3,841	(4,540)	(64)	—	(763)	5,034	(5,763)	(64)	—	(793)
Net debt position	(35,875)	(835)	(4,695)	34	(41,371)	(34,757)	(4,099)	(4,810)	59	(43,607)

1. Represents financial instruments which are not directly affected by interest rate risk, such as investments in equity or other similar financial instruments.
2. Commercial paper is presented as floating rate as it has short-term maturities between 1–7 months and is regularly refinanced at current market rates.

Hedge accounting for interest rate risk

Borrowings paying variable or floating rates expose National Grid to cash flow interest rate risk, partially offset by cash held at variable rates. Where a hedging instrument results in paying a fixed rate, it is designated as a cash flow hedge because it has reduced the cash flow volatility of the hedged borrowing. Changes in the fair value of the derivative are initially recognised in other comprehensive income as gains or losses in the cash flow hedge reserve, with any ineffective portion recognised immediately in the income statement.

Borrowings paying fixed rates expose National Grid to fair value interest rate risk. Where the hedging instrument pays a floating rate, it is designated as a fair value hedge because it has reduced the fair value volatility of the borrowing. Changes in the fair value of the derivative and changes in the fair value of the hedged item in relation to the risk being hedged are both adjusted on the balance sheet and offset in the income statement to the extent the fair value hedge is effective, with the residual difference remaining as ineffectiveness.

Both types of hedges are designated as hedging the currency and interest rate risk arising from changes in forward points. Amounts accumulated in the cash flow hedge reserve (cash flow hedges only) and the deferred cost of hedging reserve (both cash flow and fair value hedges) are reclassified from reserves to the income statement on a systematic basis as hedged interest expense is recognised. Adjustments made to the carrying value of hedged items in fair value hedges are similarly released to the income statement to match the timing of the hedged interest expense.

When hedge accounting is discontinued, any remaining cumulative hedge accounting balances continue to be released to the income statement to match the impact of outstanding hedged items. Any remaining amounts deferred in the cost of hedging reserve are released immediately to the income statement as finance costs.

Notes to the consolidated financial statements continued

32. Financial risk management continued

(e) Hedge accounting

In accordance with the requirements of IFRS 7, certain additional information about hedge accounting is disaggregated by risk type and hedge designation type in the tables below:

Year ended 31 March 2025	Fair value hedges of foreign currency and/or interest rate risk £m	Cash flow hedges of foreign currency and/or interest rate risk £m	Cash flow hedges of foreign currency risk £m	Net investment hedges £m
Consolidated statement of comprehensive income				
Net gains/(losses) in respect of:				
Cash flow hedges	–	26	(12)	–
Cost of hedging	(14)	(36)	–	4
Net investment hedges	–	–	–	56
Transferred to profit or loss in respect of:				
Cash flow hedges	–	182	6	–
Cost of hedging	1	(3)	–	(4)
Consolidated statement of changes in equity				
Other equity reserves – cost of hedging balances	(24)	(54)	–	3
Consolidated statement of financial position				
Borrowings – carrying value of hedging instruments				
Liabilities – non-current	–	–	–	(1,734)
Derivatives – carrying value of hedging instruments[1]				
Assets – current	–	1	3	6
Assets – non-current	32	194	1	–
Liabilities – current	(253)	(50)	(6)	(2)
Liabilities – non-current	(397)	(183)	(41)	(1)
Profiles of the significant timing, price and rate information of hedging instruments				
Maturity range	Jan 2026 – Sep 2044	Jun 2025 – Nov 2040	Apr 2025 – Jun 2031	Apr 2025 – Jan 2034
Spot foreign exchange range:				
GBP:USD	n/a	1.30 – 1.66	1.25 – 1.30	1.26 – 1.29
GBP:EUR	1.11 – 1.24	1.08 – 1.19	1.11 – 1.21	1.19 – 1.21
EUR:USD	1.05 – 1.15	1.06 – 1.15	n/a	n/a
Interest rate range:				
GBP	SONIA -260bps/+374bps	0.976% – 7.410%	n/a	n/a
USD	SOFR +83bps/+223bps	2.095% – 5.989%	n/a	n/a

1. The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position.

32. Financial risk management continued

(e) Hedge accounting continued

Year ended 31 March 2024	Fair value hedges of foreign currency and/or interest rate risk £m	Cash flow hedges of foreign currency and/or interest rate risk £m	Cash flow hedges of foreign currency risk £m	Net investment hedges £m
Consolidated statement of comprehensive income				
Net gains/(losses) in respect of:				
Cash flow hedges	—	5	(26)	—
Cost of hedging	—	(1)	—	38
Net investment hedges	—	—	—	62
Transferred to profit or loss in respect of:				
Cash flow hedges	—	220	4	—
Cost of hedging	1	(4)	—	(8)
Consolidated statement of changes in equity				
Other equity reserves – cost of hedging balances	(11)	(16)	—	3
Consolidated statement of financial position				
Borrowings – carrying value of hedging instruments				
Liabilities – non-current	—	—	—	(1,768)
Derivatives – carrying value of hedging instruments[1]				
Assets – current	—	—	5	11
Assets – non-current	33	161	1	—
Liabilities – current	(96)	(112)	(4)	(8)
Liabilities – non-current	(499)	(164)	(32)	—
Profiles of the significant timing, price and rate information of hedging instruments				
Maturity range	Jul 2024 – Sep 2044	Jul 2024 – Nov 2040	Apr 2024 – Feb 2030	Apr 2024 – Jan 2034
Spot foreign exchange range:				
GBP:USD	n/a	1.30 – 1.66	1.23 – 1.27	1.22 – 1.29
GBP:EUR	1.11 – 1.24	1.08 – 1.19	1.11 – 1.18	1.17 – 1.17
EUR:USD	1.07 – 1.15	1.07 – 1.15	n/a	n/a
Interest rate range:				
GBP	SONIA +56bps/+374bps	0.976% – 7.410%	n/a	n/a
USD	SOFR +83bps/+223bps	2.095% – 5.989%	n/a	n/a

1. The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position.

Notes to the consolidated financial statements continued

32. Financial risk management continued

(e) Hedge accounting continued

The following tables show the effects of hedge accounting on financial position and year-to-date performance for each type of hedge.

(i) Fair value hedges of foreign currency and interest rate risk on recognised borrowings:

As at 31 March 2025		Balance of fair value hedge adjustments in borrowings		Change in value used for calculating ineffectiveness		
Hedge type	Hedging instrument notional £m	Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Foreign currency and interest rate risk on borrowings[1]	(6,767)	756	(25)	106	(94)	12

1. The carrying value of the hedged borrowings is £6,414 million, of which £118 million is current and £6,296 million is non-current.

As at 31 March 2024		Balance of fair value hedge adjustments in borrowings		Change in value used for calculating ineffectiveness		
Hedge type	Hedging instrument notional £m	Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Foreign currency and interest rate risk on borrowings[1]	(5,096)	720	(35)	40	(22)	18

1. The carrying value of the hedged borrowings was £4,364 million, of which £271 million was current and £4,093 million was non-current.

(ii) Cash flow hedges of foreign currency and interest rate risk:

As at 31 March 2025		Balance in cash flow hedge reserve		Change in value used for calculating ineffectiveness		
Hedge type	Hedging instrument notional £m	Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Foreign currency and interest rate risk on borrowings and forecast cash flows	(14,769)	376	—	(33)	27	(6)
Foreign currency risk on forecast cash flows	(1,907)	(43)	—	12	(12)	—

As at 31 March 2024		Balance in cash flow hedge reserve		Change in value used for calculating ineffectiveness		
Hedge type	Hedging instrument notional £m	Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Foreign currency and interest rate risk on borrowings and forecast cash flows	(9,892)	154	—	(18)	3	(15)
Foreign currency risk on forecast cash flows	(2,039)	(31)	—	28	(28)	—

(iii) Net investment hedges of foreign currency risk:

As at 31 March 2025		Balance in translation reserve		Change in value used for calculating ineffectiveness		
Hedge type	Hedging instrument notional £m	Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Currency risk on foreign operations	(2,641)	55	(2,523)	(56)	56	—

As at 31 March 2024		Balance in translation reserve		Change in value used for calculating ineffectiveness		
Hedge type	Hedging instrument notional £m	Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	Hedge ineffectiveness £m
Currency risk on foreign operations	(2,999)	40	(2,564)	(62)	62	—

32. Financial risk management continued

(f) Commodity price risk

We purchase electricity and gas to supply our customers in the US and to meet our own energy needs. Substantially all our costs of purchasing electricity and gas for supply to customers are recoverable at an amount equal to cost. The timing of recovery of these costs can vary between financial periods leading to an under- or over-recovery within any particular year that can lead to large fluctuations in the income statement. We follow approved policies to manage price and supply risks for our commodity activities.

Our energy procurement risk management policy and delegations of authority govern our US commodity trading activities for energy transactions. The purpose of this policy is to ensure we transact within pre-defined risk parameters and only in the physical and financial markets where we or our customers have a physical market requirement. In addition, state regulators require National Grid to manage commodity risk and cost volatility prudently through diversified pricing strategies. In some jurisdictions we are required to file a plan outlining our strategy to be approved by regulators. In certain cases, we might receive guidance with regard to specific hedging limits.

Energy purchase contracts for the forward purchase of electricity or gas that are used to satisfy physical delivery requirements to customers, or for energy that the Group uses itself, meet the expected purchase or usage requirements of IFRS 9. They are, therefore, not recognised in the financial statements until they are realised. Disclosure of commitments under such contracts is made in note 30.

US states have introduced a variety of legislative requirements with the aim of increasing the proportion of our electricity that is derived from renewable or other forms of clean energy. Annual compliance filings regarding the level of Renewable Energy Certificates (and other similar environmental certificates) are required by the relevant department of utilities. In response to the legislative requirements, National Grid has entered into long-term, typically fixed-price, energy supply contracts to purchase both renewable energy and environmental certificates. We are entitled to recover all costs incurred under these contracts through customer billing.

Under IFRS, where these supply contracts are not accounted for as leases, they are considered to comprise two components, being a forward purchase of power at spot prices and a forward purchase of environmental certificates at a variable price (being the contract price less the spot power price). With respect to our current contracts, neither of these components meets the requirement to be accounted for as a derivative. The environmental certificates are currently required for compliance purposes, and at present there are no liquid markets for these attributes. Furthermore, this component meets the expected purchase or usage exemption of IFRS 9. We expect to enter into an increasing number of these contracts in order to meet our compliance requirements in the short to medium term. In future, if and when liquid markets develop, and to the extent that we are in receipt of environmental certificates in excess of our required levels, this exemption may cease to apply and we may be required to account for forward purchase commitments for environmental certificates as derivatives at fair value through profit and loss.

In the UK, financial transactions have been introduced to manage exposures on the North Sea Link interconnector. These bilateral transactions are cash-settled against the relevant day-ahead prices in order to manage the risk associated with the sale of physical capacity on the link. The mark-to-market exposure of any open positions is calculated based on futures products in the GB and Nordic markets.

(g) Fair value analysis

Included in the statement of financial position are financial instruments which are measured at fair value. These fair values can be categorised into hierarchy levels that are representative of the inputs used in measuring the fair value. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Investments held at FVTPL	5,156	–	407	5,563	3,084	–	483	3,567
Investments held at FVOCI[1]	–	384	–	384	–	397	–	397
Financing derivatives	–	344	31	375	–	293	40	333
Commodity contract derivatives	–	102	5	107	–	35	–	35
	5,156	830	443	6,429	3,084	725	523	4,332
Liabilities								
Financing derivatives	–	(1,043)	(95)	(1,138)	–	(1,022)	(104)	(1,126)
Commodity contract derivatives	–	(39)	(25)	(64)	–	(105)	(13)	(118)
	–	(1,082)	(120)	(1,202)	–	(1,127)	(117)	(1,244)
	5,156	(252)	323	5,227	3,084	(402)	406	3,088

1. Investments held includes instruments which meet the criteria of IFRS 9 or IAS 19.

Level 1:	Financial instruments with quoted prices for identical instruments in active markets.
Level 2:	Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets, and financial instruments valued using models where all significant inputs are based directly or indirectly on observable market data.
Level 3:	Financial instruments valued using valuation techniques where one or more significant inputs are based on unobservable market data.

Notes to the consolidated financial statements continued

32. Financial risk management continued

(g) Fair value analysis continued

Our Level 1 financial investments and liabilities held at fair value are valued using quoted prices from liquid markets and primarily comprise investments in short-term money market funds.

Our Level 2 financial investments held at fair value primarily include bonds with a tenor greater than one year and are valued using quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets. Alternatively, they are valued using models where all significant inputs are based directly or indirectly on observable market data.

Our Level 2 financing derivatives include cross-currency, interest rate and foreign exchange derivatives. We value these by discounting all future cash flows by externally sourced market yield curves at the reporting date, taking into account the credit quality of both parties. These derivatives can be priced using liquidly traded interest rate curves and foreign exchange rates, and therefore we classify our vanilla trades as Level 2 under the IFRS 13 framework.

Our Level 2 US commodity contract derivatives include over-the-counter gas and power swaps as well as forward physical gas deals. We value our contracts based on market data obtained from the New York Mercantile Exchange (NYMEX) and the Intercontinental Exchange (ICE), where monthly prices are available. We discount based on externally sourced market yield curves at the reporting date, taking into account the credit quality of both parties and liquidity in the market. Our commodity contracts can be priced using liquidly traded swaps. Therefore, we classify our vanilla trades as Level 2 under the IFRS 13 framework.

Our Level 3 financing derivatives include inflation-linked swaps, where the market is illiquid. In valuing these instruments, we use in-house valuation models and obtain external valuations to support each reported fair value.

Our Level 3 UK commodity contract derivatives consist of UK electricity capacity swaps.

Our Level 3 US commodity contract derivatives primarily consist of our forward purchases of electricity and gas that we value using proprietary models. Derivatives are classified as Level 3 where significant inputs into the valuation technique are neither directly nor indirectly observable (including our own data, which are adjusted, if necessary, to reflect the assumptions market participants would use in the circumstances).

Our Level 3 financial investments include equity investments accounted for at fair value through profit and loss. These equity holdings are part of our corporate venture capital portfolio held by National Grid Partners and comprise a series of relatively small, early-stage non-controlling minority interest unquoted investments where prices or valuation inputs are unobservable. Twenty-two equity investments (out of 41) are fair valued based on the latest transaction price (a price within the last 12 months), either being the price we paid for the investments, marked to a latest round of funding and adjusted for our preferential rights or based on an internal model. In addition, we have 19 investments without a transaction in the last 12 months that underwent an internal valuation process using the Black-Scholes Merton Option Pricing Model (OPM Backsolve). Between 12 and 18 months, a blend between OPM Backsolve and other techniques is utilised, such as proxy group revenue multiples, discounted cash flow, comparable company analysis and probability weighted expected return approach, in order to triangulate a valuation. After 18 months, the valuation is based on these alternative methods as the last fundraising price is no longer a reliable basis for valuation.

Our Level 3 financial investments also include our investment in Sunrun Neptune 2016 LLC, which is accounted for at fair value through profit and loss. The investment is fair valued by discounting expected cash flows using a weighted average cost of capital specific to Sunrun Neptune 2016 LLC.

32. Financial risk management continued

(g) Fair value analysis continued

The changes in value of our Level 3 financial instruments are as follows:

	Financing derivatives		Commodity contract derivatives		Other[3]		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
At 1 April	(64)	(100)	(13)	(36)	483	433	406	297
Net gains/(losses) for the year[1,2]	—	36	(41)	—	(77)	6	(118)	42
Purchases	—	—	—	(16)	45	35	45	19
Settlements	—	—	25	39	(44)	9	(19)	48
Reclassifications/transfers out of Level 3[4]	—	—	9	—	—	—	9	—
At 31 March	**(64)**	(64)	**(20)**	(13)	**407**	483	**323**	406

1. Loss of £nil (2024: £36 million gain) is attributable to financing derivatives held at the end of the reporting period and has been recognised in finance costs in the consolidated income statement.
2. Includes a loss of £6 million (2024: £18 million loss) attributable to commodity contract derivative financial instruments held at the end of the reporting period and has been recognised in other operating costs in the consolidated income statement.
3. Other comprises our investments in Sunrun Neptune 2016 LLC and the investments made by National Grid Partners, which are accounted for at fair value through profit and loss. Net gains and losses are recognised within revenue in the consolidated income statement.
4. £9 million (2024: £nil) of US Commodity contract derivatives were reclassified out of Level 3 to Level 2 in the period due to improved observability of the fair value of these instruments.

The impacts on a post-tax basis of reasonably possible changes in significant Level 3 assumptions are as follows:

	Financing derivatives		Commodity contract derivatives		Other[3]	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
10% increase in commodity prices[1]	—	—	8	4	—	—
10% decrease in commodity prices[1]	—	—	(7)	(4)	—	—
+10% market area price change	—	—	—	—	—	—
-10% market area price change	—	—	—	—	—	—
+20 basis points change in Limited Price Inflation (LPI) market curve[2]	(33)	(41)	—	—	—	—
-20 basis points change in LPI market curve[2]	33	41	—	—	—	—
+20 basis points increase between RPI and Consumer Price Index (CPI)	31	37	—	—	—	—
-20 basis points decrease between RPI and CPI	(29)	(34)	—	—	—	—
+100 basis points change in discount rate	—	—	—	—	(6)	(7)
-100 basis points change in discount rate	—	—	—	—	7	9
+10% change in venture capital price	—	—	—	—	26	28
-10% change in venture capital price	—	—	—	—	(26)	(28)

1. Level 3 commodity price sensitivity is included within the sensitivity analysis disclosed in note 35.
2. A reasonably possible change in assumption of other Level 3 derivative financial instruments is unlikely to result in a material change in fair values.
3. The investments acquired in the period were on market terms, and sensitivity is considered insignificant at 31 March 2025.

The impacts disclosed above were considered on a contract-by-contract basis, with the most significant unobservable inputs identified.

Notes to the consolidated financial statements continued

32. Financial risk management continued

(h) Capital risk management

The capital structure of the Group consists of shareholders' equity, as disclosed in the consolidated statement of changes in equity, and net debt (note 29). National Grid's objectives when managing capital are: to safeguard our ability to continue as a going concern; to remain within regulatory constraints of our regulated operating companies; and to maintain an efficient mix of debt and equity funding, thus achieving an optimal capital structure and cost of capital. We regularly review and manage the capital structure as appropriate in order to achieve these objectives.

Maintaining appropriate credit ratings for our operating and holding companies is an important aspect of our capital risk management strategy and balance sheet efficiency. We monitor our balance sheet efficiency using several metrics, including retained cash flow/net debt (RCF/debt), regulatory gearing and interest cover. For the year ended 31 March 2025, these metrics for the Group were 9.8% (2024: 9.2%), 61% (2024: 69%) and 3.8x (2024: 3.9x), respectively – see pages 80 and 287. We believe these are consistent with the current credit ratings for National Grid plc in respect of the main companies of the Group, based on guidance from the rating agencies.

We monitor the RAV gearing within National Grid Electricity Transmission plc (NGET) and the four distribution network operators of National Grid Electricity Distribution plc (NGED). This is calculated as net debt expressed as a percentage of RAV, and indicates the level of debt employed to fund our UK-regulated businesses. It is compared with the level of RAV gearing indicated by Ofgem as being appropriate for these businesses, between 55% and 60%. We also monitor net debt as a percentage of rate base for our US operating companies, comparing this with the allowed rate base gearing inherent within each of our agreed rate plans, typically around 50%.

As part of the Group's debt financing arrangements, we are subject to a number of financial covenants associated with existing borrowings and facility arrangements:

- the requirement to maintain subsidiary indebtedness relating to both non-US and US subsidiaries (excluding National Grid North America Inc.) limits the total indebtedness in absolute terms to £45 billion (2024: £35 billion) for non-US subsidiaries and $45 billion (2024: $35 billion) for US subsidiaries. As at 31 March 2025, headroom on these covenants exceeds £20 billion;
- the Articles of Association of National Grid plc limit Group total borrowings less cash and short-term investments in absolute terms to £55 billion. As at 31 March 2025, headroom on the limit exceeds £10 billion; and
- net debt to RAV gearing covenants limit gearing to 85% of RAV for each NGED operating company. As at 31 March 2025, headroom on this covenant exceeds 20 percentage points for all impacted companies based on the covenant definition of net debt. The carrying value of the bonds under this covenant restriction are £3,005 million (2024: £3,405 million).

We consider the risk of breaching these covenants as remote given the level of headroom present.

The majority of our regulated operating companies in the US and the UK are subject to certain restrictions on the payment of dividends by administrative order, contract and/or licence. The types of restrictions that a company may have that would prevent a dividend being declared or paid unless they are met include the following:

- the requirement to notify by certification to regulators and certain lenders;
- dividends must be approved in advance by the relevant US state regulatory commission;
- the subsidiary must have one or two recognised rating agency credit ratings of at least investment grade depending on contractual requirements;
- dividends must be limited to cumulative retained earnings, including pre-acquisition retained earnings and in line with relevant company legislation;
- the securities of National Grid plc must maintain an investment grade credit rating, and if that rating is the lowest investment grade bond rating it cannot have a negative watch/review for downgrade notice by a credit rating agency;
- the subsidiary must not carry out any activities other than those permitted by the licences;
- the subsidiary must not create any cross-default obligations or give or receive any intra-group cross-subsidies;
- the percentage of equity compared with total capital of the subsidiary must remain above certain levels; and
- in the case of NGED, the percentage of debt compared with total RAV of the subsidiary must remain below 85%.

These restrictions are subject to alteration in the US as and when a new rate case or rate plan is agreed with the relevant regulatory bodies for each operating company and, in the UK, through the normal licence review process.

As most of our business is regulated, at 31 March 2025 the majority of our net assets are subject to some of the restrictions noted above. These restrictions are not considered to be significantly onerous, nor do we currently expect they will prevent the planned payment of dividends in the future in line with our dividend policy.

All the above requirements are monitored on a regular basis in order to ensure compliance. The Group has complied with all externally imposed capital requirements to which it is subject.

33. Borrowing facilities

To support our liquidity requirements and provide backup to commercial paper and other borrowings, we agree committed credit facilities with financial institutions over and above the value of borrowings that may be required. These committed credit facilities are undrawn.

An analysis of the maturity of our undrawn committed facilities as at 31 March 2025 is shown below:

	2025 £m	2024 £m
Undrawn committed borrowing facilities expiring:		
Less than 1 year	—	—
In 1 to 2 years	—	—
In 2 to 3 years	5,982	195
In 3 to 4 years	105	5,859
In 4 to 5 years	1,745	106
More than 5 years	—	1,745
	7,832	7,905

Of the unused facilities at 31 March 2025, £7,792 million (2024: £7,864 million) is available for liquidity purposes, while £40 million (2024: £41 million) is available as backup to specific US borrowings.

Notes to the consolidated financial statements continued

34. Subsidiary undertakings, joint arrangements and associates

While we present consolidated results in these financial statements as if we were one company, our legal structure is such that there are a number of different operating and holding companies that contribute to the overall result. This structure has evolved through acquisitions as well as regulatory requirements to have certain activities within separate legal entities.

Subsidiary undertakings

A list of the Group's subsidiaries as at 31 March 2025 is given below. The entire share capital of subsidiaries is held within the Group except where the Group's ownership percentages are shown. These percentages give the Group's ultimate interest and therefore allow for the situation where subsidiaries are owned by partly owned intermediate subsidiaries. Where subsidiaries have different classes of shares, this is largely for historical reasons, and the effective percentage holdings given represent both the Group's voting rights and equity holding. Shares in National Grid (US) Holdings Limited, National Grid Luxembourg SARL, NGG Finance plc and Project SPV (Jersey) Investment Limited are held directly by National Grid plc. All other holdings in subsidiaries are owned by other subsidiaries within the Group. All subsidiaries are consolidated in the Group's financial statements. The Group does not have any branches.

Principal Group companies are identified in **bold**. These companies are incorporated and principally operate in the countries under which they are shown. All entities incorporated in the US are taxed in the US on their worldwide income other than where indicated in the footnotes below. Other entities are tax resident in their jurisdiction of incorporation other than where indicated in the footnotes below.

Incorporated in England and Wales

Registered office: 1–3 Strand, London, WC2N 5EH, UK (unless stated otherwise in footnotes).

Birch Sites Limited
Carbon Sentinel Limited
Central Networks Trustees Limited[1]
Icelink Interconnector Limited
Kelston Properties 2 Limited[1]
Lattice Group Limited
NatgridTW1 Limited
National Grid (US) Holdings Limited[2]
National Grid (US) Investments 4 Limited[2]
National Grid (US) Partner 1 Limited[2]
National Grid Carbon Limited
National Grid Commercial Holdings Limited
National Grid Continental Limited
National Grid Distributed Energy Limited
National Grid Electricity Distribution (East Midlands) plc[1]
National Grid Electricity Distribution (South Wales) plc[1]
National Grid Electricity Distribution (South West) plc[1]
National Grid Electricity Distribution (West Midlands) plc[1]
National Grid Electricity Distribution Generation Limited[1]
National Grid Electricity Distribution Holdings Limited[1]
National Grid Electricity Distribution Investments Limited[1]
National Grid Electricity Distribution Midlands Limited[1]
National Grid Electricity Distribution Network Holdings Limited[1]
National Grid Electricity Distribution plc[1]
National Grid Electricity Distribution Property Investments Limited[1]
National Grid Electricity Group Trustee Limited
National Grid Electricity Transmission plc
National Grid Energy Metering Limited
National Grid Grain LNG Limited
National Grid Helicopters Limited[1]
National Grid Holdings Limited[2]
National Grid Holdings One plc
National Grid Hydrogen Limited
National Grid IFA 2 Limited
National Grid Interconnector Holdings Limited
National Grid Interconnectors Limited
National Grid International Limited[2]
National Grid Lion Link Limited
National Grid Nautilus Limited
National Grid North Sea Link Limited
National Grid Offshore Limited
National Grid Partners Limited
National Grid Plus Limited
National Grid Property Holdings Limited
National Grid Telecoms Limited[1]
National Grid Twelve Limited
National Grid Twenty Eight Limited
National Grid Twenty Seven Limited
National Grid UK Limited
National Grid Ventures Limited
National Grid Viking Link Limited
National Grid William Limited
NG Nominees Limited*[2,3]
NGC Employee Shares Trustee Limited
NGG Finance plc
Ngrid Intellectual Property Limited
Port Greenwich Limited
Sheet Road Management Company Limited (51%)[4]
South Wales Electricity Share Scheme Trustees Limited[1]
Thamesport Interchange Limited
The National Grid Group Quest Trustee Company Limited*[3]
Warwick Technology Park Management Company (No 2) Limited (60.56%)[5]
Western Power Pension Trustee Limited[1]
WPD WEM Holdings Limited[1]
WPD WEM Limited[1]

1. Registered office: Avonbank, Feeder Road, Bristol, Avon, BS2 0TB, UK.
2. Companies where National Grid plc has issued guarantees over the liabilities of the companies as at 31 March 2025 and for which the companies are taking the exemption from the requirements of an audit for their individual financial statements as permitted by section 479A of the Companies Act.
3. Registered office: C/o Interpath Limited, 10 Fleet Place, London, EC4M 7RB, UK.
4. Registered office: Netley Old Hall Farm, Dorrington, Shrewsbury, SY5 7JY, UK.
5. Registered office: Shire Hall, PO Box 9, Warwick, CV34 4RL, UK.

* In liquidation.

34. Subsidiary undertakings, joint arrangements and associates continued
Subsidiary undertakings continued
Incorporated in the US

Registered office: National Registered Agents, Inc., 1209 Orange Street, Wilmington, DE 19801, USA (unless stated otherwise in footnotes).

Apple River Solar, LLC
Apple River Storage, LLC
Armenia Solar, LLC
Bazile Creek Wind Farm, LLC
Bee Hollow Solar, LLC
Belle Plaine Solar, LLC
Blue Ridge Wind, LLC
Blue Spring Solar, LLC
Blues Solar, LLC
Boone Solar, LLC
Boston Gas Company[1]
Brock Solar, LLC
Broken Bridge Corp.[2]
Brook Trout Solar, LLC
Burley Solar, LLC
Burr Ridge Wind, LLC
Cage Ranch Solar II, LLC
Cage Ranch Solar III, LLC
Cage Ranch Solar, LLC
Caldwell Solar II, LLC
Caldwell Solar, LLC
Camp Creek Wind Farm, LLC
Carnation Solar, LLC
Cattle Ridge Wind Farm 2, LLC
Cedar Grove Solar, LLC
Charter Oak Solar, LLC
Charter Oak Storage, LLC
Clay Boswell Solar, LLC
Clermont Solar, LLC
Coles Solar, LLC
Compass Prairie Wind, LLC
Conestoga Wind, LLC
Creekview Solar, LLC
Crocker Wind Farm 2, LLC
Dakota Hills Wind Farm, LLC
Deatsville Solar, LLC
Donnellson Solar, LLC
Doorstep Community LLC[3]
Eldena Solar, LLC
Elk Creek Solar 2, LLC
Elk Creek Solar, LLC
EUA Energy Investment Corporation[1]
Exie Solar, LLC
Firstview Wind Farm, LLC
Fort Solar, LLC
Front Range Wind Farm, LLC
Galaxy Solar 2, LLC
Galaxy Solar, LLC
Golden Solar, LLC
Goldenrod Wind Farm, LLC
Goldfinch Solar, LLC
Granite Rock Wind Farm, LLC[4]
Granite State Power Link LLC[3]
Grant Solar 2, LLC
Grant Solar, LLC
Grayson Solar, LLC
Grazing Hills Wind Farm, LLC
Greenbrier Creek Solar, LLC
Greenwood Solar, LLC
Grid NY LLC[6]
Grindstone Wind Farm, LLC[5]
Hale County Solar, LLC
Hansford Energy Storage, LLC
Harmony Solar ND 2, LLC
Harmony Solar ND, LLC
Harrington Solar, LLC
Hartley Solar, LLC
Hearth Solar, LLC
Honeybee Solar, LLC
Hoosier Solar, LLC
Illumination Solar, LLC
Itasca Energy Development, LLC[4]
Itasca Energy Services, LLC
Jack Rabbit Wind, LLC
Jackson County Solar, LLC
KeySpan CI Midstream Limited[3]
KeySpan Energy Corporation[6]
KeySpan Energy Services Inc.[3]
KeySpan Gas East Corporation[6]
KeySpan International Corporation[3]
KeySpan MHK, Inc.[3]
KeySpan Midstream, Inc.[3]
KeySpan Plumbing Solutions, Inc.[6]
Kit Carson Wind, LLC
Kit Fox Storage, LLC
Knox Solar, LLC
Kota Storage, LLC
KSI Contracting, LLC[3]
KSI Electrical, LLC[3]
KSI Mechanical, LLC[3]
Lake Charlotte Solar, LLC
Lakeside Solar, LLC
Land Management & Development, Inc.[6]
Landwest, Inc.[6]
Lansing Solar, LLC
Las Moras Storage, LLC
Leola Wind Farm, LLC
Liberty Solar, LLC
Lime Creek Wind, LLC
Livingston County Solar, LLC
Long Mount Storage, LLC
Lordsburg Solar, LLC
Louisa Solar, LLC
Lowlands Solar, LLC
Lydia Solar, LLC
Massachusetts Electric Company[1]
Maverick Wind Farm, LLC
Meadowlands Solar, LLC
Mentha Solar, LLC
Metrowest Realty LLC[3]
Millers Ferry Solar, LLC
Morgan County Solar, LLC
Morning Glory Solar, LLC[4]
Muddy Creek Solar, LLC
Mustang Ridge Wind Farm, LLC
Mystic Steamship Corporation[7]
Nantucket Electric Company[1]
National Grid Development Holdings Corp.[3]
National Grid Electric Services LLC[6]
National Grid Energy Trading Services LLC[6]
National Grid Engineering & Survey Inc.[6]
National Grid Generation LLC[6]
National Grid Generation Ventures LLC[6]
National Grid Glenwood Energy Center LLC[3]
National Grid IGTS Corp.[6]
National Grid Insurance USA Ltd[8]
National Grid LNG LLC[3]
National Grid NE Holdings 2 LLC[1]
National Grid North America Inc.[3]
National Grid Partners Inc.[6]
National Grid Partners LLC[3]
National Grid Port Jefferson Energy Center LLC[3]
National Grid Renewables Development, LLC
National Grid Renewables E Wind, LLC[9]
National Grid Renewables Operations, LLC
National Grid Renewables Projects, LLC[4]
National Grid Renewables Stutsman, LLC
National Grid Renewables, LLC[3]
National Grid Services Inc.[3]
National Grid US LLC[3]
National Grid USA Service Company, Inc.[1]
National Grid USA[3]
NEES Energy, Inc.[1]
New England Electric Transmission Corporation[2]
New England Energy Incorporated[1]
New England Hydro Finance Company, Inc. (53.704%)[1]
New England Hydro-Transmission Corporation (53.704%)[2]
New England Hydro-Transmission Electric Company, Inc. (53.704%)[1]
New England Power Company[1]
Newport America Corporation[10]
Newton Solar, LLC
NG Renewables Energy Marketing, LLC

Notes to the consolidated financial statements continued

34. Subsidiary undertakings, joint arrangements and associates continued

Subsidiary undertakings continued

NG Renewables Energy Services, LLC
NG Renewables Remote Operations Center, LLC
NGNE LLC[3]
NGV Emerald Energy Venture Holdings, LLC[3]
NGV H2 Generation LLC[3]
NGV H2 Holdings LLC[3]
NGV LNG Holdings LLC[3]
NGV NGR Acquisition Co, LLC[3]
NGV NGR Holdco, LC[3]
NGV OSW Holdings, LLC[3]
NGV US Distributed Energy Inc.[3]
NGV US Transmission Inc.[3]
NGV US, LLC[3]
Niagara Mohawk Energy, Inc.[3]
Niagara Mohawk Holdings, Inc.[6]
Niagara Mohawk Power Corporation[6]
Niobrara Wind, LLC
NM Properties, Inc.[6]
Noble Solar, LLC[11]
Nordic VOS, LLC
North East Transmission Co., Inc.[3]
North Fork Wind, LLC
Oakland Solar, LLC
Opinac North America, Inc.[3]
Pasture Peaks Wind Farm, LLC
Peony Solar, LLC
Philadelphia Coke Co., Inc.[3]
Pike County Solar, LLC
Pipestone Solar, LLC
Plum Creek Wind Farm 2, LLC
Plum Creek Wind Farm, LLC
Port of the Islands North, LLC[6]
Portage Solar, LLC
Prairie Oasis Solar, LLC
Prairie Rose Wind 2, LLC[4]
Prosperity Wind Farm 2, LLC
Prosperity Wind Farm, LLC
Red Rock Solar SD, LLC
Regal Solar 2, LLC
Regal Solar, LLC
Reunion Solar, LLC
River North Solar, LLC
Robertson Solar, LLC
Rock Ridge Wind Farm, LLC
Rolling Hills Solar, LLC
Royal Solar 2, LLC
Royal Solar, LLC
Royerton Solar, LLC
Royerton Storage, LLC
Saginaw Bay Solar, LLC
Saltillo Storage, LLC
Sandbar Solar, LLC
Sandstone Bluffs Wind Farm, LLC
Sandstone Creek Solar 2, LLC
Sandstone Creek Solar, LLC
Sapphire Sky Wind Farm, LLC
Sherco Solar 2, LLC[4]
Sherco Solar 3, LLC
Silver City Solar, LLC
Simpson Solar, LLC
Spring Brook Solar, LLC
Spring River Solar, LLC
Sprouting Skies Wind Farm, LLC
Stony Brook Wind, LLC
Stony Point Solar, LLC
Summit Lake Solar, LLC
Sunbeam Solar, LLC
Sunrise Solar, LLC
Sycamore Creek Solar, LLC
Tejano Storage, LLC
Thacker Solar, LLC
The Brooklyn Union Gas Company[6]
Torchlight Solar, LLC[4]
Transgas Inc.[1]
Tri-City Solar, LLC
Trout Lily Wind Farm, LLC
Uintah Solar, LLC
Ulysses Crossing Solar, LLC
Upper Hudson Development, Inc.[6]
Valley Solar, LLC
Vermont Green Line Devco, LLC (90%)[3]
Violet Storage, LLC
Virtue Solar, LLC
Vivid Solar, LLC
Wallowa Solar, LLC
Wayfinder Group, Inc.[1]
White Elm Wind Farm, LLC
Wildcat Ridge Wind Farm, LLC
Wilder Solar, LLC
Willard Solar, LLC
Williams County Solar, LLC
Wiregrass Solar, LLC
Woodlands Solar, LLC
Worthington Solar, LLC
Young County Solar, LLC

Incorporated in Guernsey

Registered office: KPMG Advisory Limited, Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey

NG Electricity Distribution Limited*†

Incorporated in the Isle of Man

Registered office: Third Floor, St George's Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man, UK

National Grid Insurance Company (Isle of Man) Limited

Incorporated in Jersey

Registered office: 22 Grenville Street, St. Helier, JE4 8PX, Jersey

Project SPV (Jersey) Investment Limited (89%)†

Incorporated in Luxembourg

Registered office: 412F, Route d'Esch, L-2086, Luxembourg, Grand Duchy of Luxembourg

National Grid Luxembourg SARL

1. Registered office: Corporation Service Company, 84 State Street, Boston MA 02109, USA.
2. Registered office: Corporation Service Company, 10 Ferry Street, Suite 313, Concord NH 03301, USA.
3. Registered office: Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, USA.
4. Registered office: 8400 Normandale Lake Blvd., Suite 1200, Bloomington MN 55437, USA.
5. Registered office: National Registered Agents Inc., 30600 Telegraph Road, Suite 2345, Bingham Farms MI 48025, USA.
6. Registered office: Corporation Service Company, 80 State Street, Albany NY 12207, USA.
7. Registered office: Corporation Trust Company, 1209 Orange Street, Wilmington DE 19801, USA.
8. Registered office: 100 Bank Street, Suite 630, Burlington, Chittenden County VT 05401, USA.
9. Registered office: National Registered Agents, Inc., 301 S. Bedford Street, Suite 1, Madison WI 53703, USA.
10. Registered office: Corporation Service Company, 222 Jefferson Boulevard, Suite 200, Warwick RI 02888, USA.
11. Registered office: National Registered Agents, Inc., 1999 Bryan Street, Dallas TX 75201, USA.

* In liquidation.

† Entity is tax resident in the UK.

34. Subsidiary undertakings, joint arrangements and associates continued

Joint ventures

A list of the Group's joint ventures as at 31 March 2025 is given below. All joint ventures are included in the Group's financial statements using the equity method of accounting.

Incorporated in England and Wales

Registered office: 1–3 Strand, London, WC2N 5EH, UK (unless stated otherwise in footnotes).

BritNed Development Limited (50%)**
National Places LLP (50%)[1]*
Nemo Link Limited (50%)

Incorporated in the US

Registered office: Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, USA (unless stated otherwise in footnotes).

Clean Energy Storage Systems LLC (50%)
Community Offshore Wind, LLC (27.27%)[2]
Emerald Energy Venture, LLC (51%)
Island Park Energy Center, LLC (50%)
LI Energy Storage System, LLC (50%)
LI Solar Generation, LLC (50%)

Incorporated in France

Registered office: 1 Terrasse Bellini, Tour Initiale, TSA 41000 – 9291, Paris La Defense, CEDEX, France.

IFA2 (50%)*

Joint operations

A list of the Group's incorporated joint operations as at 31 March 2025 is given below. All joint operations are included in the Group's financial statements under IFRS 11 Joint arrangements.

Incorporated in England and Wales

Registered office: 1–3 Strand, London, WC2N 5EH, UK (unless stated otherwise in footnotes).

Eastern Green Link 1 Limited (50%)
Eastern Green Link 2 Limited (50%)[3]
NGET/SPT Upgrades Limited (50%)†

Associates

A list of the Group's associates as at 31 March 2025 is given below. Unless otherwise stated, all associates are included in the Group's financial statements using the equity method of accounting.

Incorporated in England and Wales

Registered office: Friars House, Manor House Drive, Coventry, CV1 2TE, UK.

Joint Radio Company Limited (25%)***

Incorporated in the US

Registered office: The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA (unless stated otherwise in footnotes).

Clean Line Energy Partners LLC (32%)
Connecticut Yankee Atomic Power Company (19.5%)[4]
Direct Global Power Inc. (26%)
Energy Impact Fund LP (9.41%)[5]
KHB Venture LLC (33.33%)[6]
Maine Yankee Atomic Power Company (24%)[7]
New York Transco LLC (28.3%)[8]
The Hive IV, LLC (28.2%)
Yankee Atomic Electric Company (34.5%)[9]

Other investments

A list of the Group's other investments as at 31 March 2025 is given below.

Incorporated in England and Wales

Registered office: 1 More London Place, London SE1 2AF, UK.

Energis plc (33.06%)*

Registered office: Third Floor, Northumberland House, 303–306 High Holborn, London, WC1V 7JZ.

Electralink Limited (27.04%)

1. Registered office: 305 Gray's Inn Road, London, England, WC1X 8QR.
2. Registered office: The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA.
3. Registered office: No.1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH, UK.
4. Registered office: Carla Pizzella, 362 Injun Hollow Road, East Hampton CT 06424-3099, USA.
5. Registered office: Harvard Business Services, Inc., 16192 Coastal Highway, Lewes DE 19958, USA.
6. Registered office: c/o de maximis, inc., 135 Beaver Street, 4th Floor, Waltham MA 02452, USA.
7. Registered office: Joseph D Fay, 321 Old Ferry Road, Wiscasset ME 04578, USA.
8. Registered office: Corporation Service Company, 80 State Street, Albany NY 12207, USA.
9. Registered office: Karen Sucharzewski, 49 Yankee Road, Rowe MA 01367, USA.

* In liquidation.
** National Grid Interconnector Holdings Limited owns 284,500,000 €0.20 C Ordinary shares and one £1.00 Ordinary A share.
*** National Grid Electricity Transmission plc owns one £0.50 A Ordinary share.
† National Grid Electricity Transmission plc owns 50 £1.00 A Ordinary shares.
‡ In administration.

Our interests and activities are held or operated through the subsidiaries, joint arrangements or associates as disclosed above. These interests and activities (and their branches) are established in – and subject to the laws and regulations of – these jurisdictions.

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 supported by guarantees issued by National Grid plc over their liabilities for the year ended 31 March 2025:

Company name	Company number
National Grid Holdings Limited	3096772
National Grid International Limited	2537092
National Grid (US) Holdings Limited	2630496
National Grid (US) Investments 4 Limited	3867128
National Grid (US) Partner 1 Limited	4314432
NG Nominees Limited*	2489329

Notes to the consolidated financial statements continued

35. Sensitivities

In order to give a clearer picture of the impact on our results or financial position of potential changes in significant estimates and assumptions, the following sensitivities are presented. These sensitivities are based on assumptions and conditions prevailing at the year end and should be used with caution. The effects provided are not necessarily indicative of the actual effects that would be experienced because our actual exposures are constantly changing.

The sensitivities in the tables below show the potential impact in the income statement (and consequential impact on net assets) for a reasonably possible range of different variables, each of which has been considered in isolation (i.e. with all other variables remaining constant). There are a number of these sensitivities which are mutually exclusive, and therefore if one were to happen another would not, meaning a total showing how sensitive our results are to these external factors is not meaningful.

The sensitivities included in the tables below broadly have an equal and opposite effect if the sensitivity increases or decreases by the same amount unless otherwise stated.

(a) Sensitivities on areas of estimation uncertainty

The table below sets out the sensitivity analysis for certain areas of estimation uncertainty set out in note 1F. These estimates are those that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities in the next year. This includes the impact of changes in assumptions on the net assets recognised at the balance sheet date and the amount charged to the income statement for the following year. Note that the sensitivity analysis for the useful economic lives of our gas network assets is included in note 13.

	2025			2024		
	Assumptions used	**Income statement £m**	**Net assets £m**	Assumptions used	Income statement £m	Net assets £m
Pensions and other post-retirement benefit liabilities (pre-tax):						
UK discount rate change[1]	**1%**	**20**	**920**	1%	22	1,147
US discount rate change[1]	**1%**	**18**	**784**	1%	18	801
UK inflation rate change[2]	**1%**	**6**	**701**	1%	8	902
UK long-term rate of increase in salaries change	**1%**	**1**	**52**	1%	4	81
US long-term rate of increase in salaries change	**1%**	**3**	**46**	1%	2	37
UK change to life expectancy at age 65[3]	**one year**	**—**	**320**	one year	2	402
US change to life expectancy at age 65	**one year**	**2**	**181**	one year	2	288
Assumed US healthcare cost trend rates change	**1%**	**19**	**245**	1%	18	276
US environmental provision:						
Change in the real discount rate	**1%**	**155**	**155**	1%	173	173
Change in estimated future cash flows	**20%**	**413**	**413**	20%	462	462

1. A change in the discount rate is likely to be driven by changes in bond yields and, as such, would be expected to be offset to a significant degree by a change in the value of the bond assets held by the plans. In the UK, there would also be a £288 million (2024: £171 million) net assets offset from the buy-in policies, where the accounting value of the buy-in asset is set equal to the associated liabilities.
2. The projected impact resulting from a change in RPI reflects the associated effect on escalation rates for pensions in payment and in deferment and future salary increases. The buy-in policies would have a £211 million (2024: £150 million) net assets offset to the above.
3. In the UK, the buy-in policies and in the prior year the longevity swap would have a £109 million (2024: £126 million) net assets offset to the above.

Pensions and other post-retirement benefits assumptions

Sensitivities have been prepared to show how the defined benefit obligations and forecast amounts charged to the income statement for the following year could potentially be impacted by changes in the relevant actuarial assumptions that were reasonably possible as at 31 March 2025. In preparing sensitivities, the potential impact has been calculated by applying the change to each assumption in isolation and assuming all other assumptions remain unchanged. This is with the exception of RPI in the UK where the corresponding change to increases to pensions in payment, increases to pensions in deferment and increases in salary are recognised.

(b) Sensitivities on financial instruments

We are further required to show additional sensitivity analysis under IFRS 7 and this is shown separately in the following table due to the additional assumptions that are made in order to produce meaningful sensitivity disclosures. The analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

Our net debt as presented in note 29 is sensitive to changes in market variables, primarily being UK and US interest rates, the UK inflation rate and the dollar to sterling exchange rate. These impact the valuation of our borrowings, deposits and derivative financial instruments. The analysis illustrates the sensitivity of our financial instruments to reasonable possible changes in these market variables.

35. Sensitivities continued

(b) Sensitivities on financial instruments continued

The following main assumptions were made in calculating the sensitivity analysis for continuing operations:

- the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio, and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2025 and 2024 respectively;
- the statement of financial position sensitivity to interest rates relates to items presented at their fair values: derivative financial instruments; and our investments measured at FVTPL and FVOCI. Further debt and other deposits are carried at amortised cost and so their carrying value does not change as interest rates move;
- the sensitivity of interest expense to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- changes in the carrying value of derivatives from movements in interest rates of designated cash flow hedges are assumed to be recorded fully within equity; and
- changes in the carrying value of derivative financial instruments designated as net investment hedges from movements in interest rates are presented in equity as costs of hedging, with a one-year release to the income statement. The impact of movements in the dollar to sterling exchange rate is recorded directly in equity.

	2025			2024		
	Assumptions used	**Income statement £m**	**Other equity reserves £m**	Assumptions used	Income statement £m	Other equity reserves £m
Financial risk (post tax):						
UK inflation change[1]	**1%**	**35**	**—**	1%	36	—
UK interest rates change	**1%**	**13**	**376**	1%	24	304
US interest rates change	**1%**	**18**	**134**	1%	5	39
US dollar exchange rate change[2]	**10%**	**69**	**225**	10%	58	268

1. Excludes sensitivities to LPI curve. Further details on sensitivities are provided in note 32(g).
2. The other equity reserves impact does not reflect the exchange translation in our US subsidiaries' net assets. It is estimated this would change by £1,730 million (2024: £1,680 million) in the opposite direction if the dollar exchange rate changed by 10%.

Our commodity contract derivatives are sensitive to price risk. Additional sensitivities in respect to commodity price risk and to our derivative fair values are as follows:

	2025			2024		
	Assumptions used	**Income statement £m**	**Net assets £m**	Assumptions used	Income statement £m	Net assets £m
Commodity price risk (post tax):						
Increase in commodity prices	**10%**	**62**	**62**	10%	43	43
Decrease in commodity prices	**10%**	**(61)**	**(61)**	10%	(43)	(43)
Assets and liabilities carried at fair value (post tax):						
Fair value change in derivative financial instruments[1]	**10%**	**(57)**	**(57)**	10%	(59)	(59)
Fair value change in commodity contract derivative liabilities	**10%**	**3**	**3**	10%	(6)	(6)

1. The effect of a 10% change in fair value assumes no hedge accounting.

36. Post balance sheet events

On 6 May 2025, NGG Finance plc issued an irrevocable notice of redemption for the £1 billion 5.625% fixed rate resettable capital securities. This was to redeem all outstanding securities on the first optional redemption date of 8 June 2025. The maturity of the securities as at the reporting date was 18 June 2073. In light of this information, the Group estimates that the financial effect of the settlement of this liability for cash in full is the face value of the borrowing as well as the interest accrued, which amounted to £1,044 million as at 31 March 2025.

Company accounting policies

We are required to include the standalone balance sheet of our ultimate Parent Company, National Grid plc, under the Companies Act 2006.

A. Basis of preparation

National Grid plc is the Parent Company of the National Grid Group, which is engaged in the transmission and distribution of electricity and gas in Great Britain and northeastern US. The Company is a public limited company, limited by shares. The Company is incorporated and domiciled in England, with its registered office at 1–3 Strand, London, WC2N 5EH.

The financial statements of National Grid plc for the year ended 31 March 2025 were approved by the Board of Directors on 14 May 2025. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these individual financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements the Company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the UK, but makes amendments where necessary in order to comply with the provisions of the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

These individual financial statements have been prepared on a historical cost basis, except for the revaluation of financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. The comparative financial information has also been prepared on this basis.

These individual financial statements have been prepared on a going concern basis, which presumes that the Company has adequate resources to remain in operation and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. As the Company is part of a larger group, it participates in the Group's centralised treasury arrangements and so shares banking arrangements with its subsidiaries. The Company is expected to generate positive cash flows or be in a position to obtain liquidity via its committed credit facilities to continue to operate for the foreseeable future.

In accordance with the exemption permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account or statement of comprehensive income.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements of the Company in accordance with FRS 101:
- a cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management; and
- the effects of new but not yet effective IFRS standards.

The exemption from disclosing key management personnel compensation has not been taken as there are no costs borne by the Company in respect of employees, and no related costs are recharged to the Company.

As the consolidated financial statements of National Grid plc, which are available from the registered office, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 in respect of certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

There are no areas of judgement or key sources of estimation uncertainty that are considered to have a significant effect on the amounts recognised in the financial statements.

The balance sheet has been prepared in accordance with the Company's accounting policies approved by the Board and described below.

B. Fixed asset investments

Investments held as fixed assets are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its fair value less costs of disposal and its value-in-use. The Company accounts for common control transactions at cost.

C. Tax

Current tax for the current and prior periods is provided at the amount expected to be paid or recovered using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on temporary differences which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the temporary differences reverse based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided for using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

D. Foreign currencies

Transactions in currencies other than the functional currency of the Company are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. Gains and losses arising on retranslation of monetary assets and liabilities are included in the profit and loss account.

E. Financial instruments

The Company's accounting policies are the same as the Group's accounting policies under IFRS, namely IAS 32 'Financial Instruments: Presentation', IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'. The Company applies these policies only in respect of the financial instruments that it has, namely investments, derivative financial instruments, debtors, cash at bank and in hand, borrowings and creditors.

The policies are set out in notes 15, 17, 19, 20, 21 and 22 to the consolidated financial statements. The Company is taking the exemption for financial instruments disclosures, because IFRS 7 disclosures are given in notes 32 and 35 to the consolidated financial statements.

F. Hedge accounting

The Company applies the same accounting policy as the Group in respect of fair value hedges and cash flow hedges. This policy is set out in note 32 to the consolidated financial statements.

G. Parent Company guarantees

The Company has guaranteed the repayment of the principal sum, any associated premium and interest on specific loans due by certain subsidiary undertakings primarily to third parties. Such guarantees are accounted for by the Company as insurance contracts.

H. Share awards to employees of subsidiary undertakings

The issuance by the Company to employees of its subsidiaries of a grant over the Company's options represents additional capital contributions by the Company to its subsidiaries. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the option at the date of grant, allocated over the underlying grant's vesting period. Where payments are subsequently received from subsidiaries, these are accounted for as a return of a capital contribution and credited against the Company's investments in subsidiaries. The Company has no employees except for the Group's Non-executive Directors (refer to the Directors' Remuneration Report on page 135.

I. Dividends

Interim dividends are recognised when they are paid to the Company's shareholders. Final dividends are recognised when they are approved by shareholders.

J. Directors' remuneration

Full details of Directors' remuneration are disclosed on pages 121 – 149.

Company balance sheet
as at 31 March

	Notes	2025 £m	2024 £m
Fixed assets			
Investments	1	**14,554**	14,517
Current assets			
Debtors (amounts falling due within one year)	2	**14,502**	14,628
Debtors (amounts falling due after more than one year)	2	**101**	79
Investments	5	**4,566**	1,746
Cash at bank and in hand		**1,023**	366
Total current assets		**20,192**	16,819
Creditors (amounts falling due within one year)	3	**(5,148)**	(7,264)
Net current assets		**15,044**	9,555
Total assets less current liabilities		**29,598**	24,072
Creditors (amounts falling due after more than one year)	3	**(8,846)**	(9,053)
Net assets		**20,752**	15,019
Equity			
Share capital	7	**638**	493
Share premium account		**1,292**	1,298
Cash flow hedge reserve		**121**	50
Cost of hedging reserve		**(21)**	(7)
Other equity reserves		**591**	554
Profit and loss account	8	**18,131**	12,631
Total shareholders' equity		**20,752**	15,019

The Company's profit after tax for the year was £318 million (2024: £342 million profit). Profits available for distribution by the Company to shareholders were £18 billion at 31 March 2025. The financial statements of the Company on pages 248 – 254 were approved by the Board of Directors on 14 May 2025 and were signed on its behalf by:

John Pettigrew
Chief Executive

Andy Agg
Chief Financial Officer

National Grid plc
Registered number: 4031152

Company statement of changes in equity

for the years ended 31 March

	Share capital £m	Share premium account £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Other equity reserves £m	Profit and loss account £m	Total shareholders' equity £m
At 1 April 2023	488	1,302	(53)	2	517	13,992	16,248
Profit for the year[1]	—	—	—	—	—	342	342
Other comprehensive profit/(loss) for the year							
Transferred (from)/to equity (net of tax)	—	—	103	(9)	—	—	94
Total comprehensive (loss)/profit for the year	—	—	103	(9)	—	342	436
Other equity movements							
Scrip dividend-related share issue[2]	5	(6)	—	—	—	—	(1)
Issue of treasury shares	—	—	—	—	—	21	21
Transactions in own shares	—	2	—	—	—	(6)	(4)
Share awards to employees of subsidiary undertakings	—	—	—	—	37	—	37
Equity dividends	—	—	—	—	—	(1,718)	(1,718)
At 31 March 2024	493	1,298	50	(7)	554	12,631	15,019
Profit for the year[1]	—	—	—	—	—	318	318
Other comprehensive profit/(loss) for the year							
Transferred to/(from) equity (net of tax)	—	—	71	(14)	—	—	57
Total comprehensive profit/(loss) for the year	—	—	71	(14)	—	318	375
Other equity movements							
Rights issue	135	—	—	—	6,704	—	6,839
Transfer between reserves	—	—	—		(6,704)	6,704	—
Scrip dividend-related share issue[2]	10	(10)	—	—	—	—	—
Issue of treasury shares	—	—	—	—	—	18	18
Transactions in own shares	—	4	—	—	—	(11)	(7)
Share awards to employees of subsidiary undertakings	—	—	—	—	37	—	37
Equity dividends	—	—	—	—	—	(1,529)	(1,529)
At 31 March 2025	**638**	**1,292**	**121**	**(21)**	**591**	**18,131**	**20,752**

1. Included within profit for the year is dividend income from subsidiaries of £nil (2024: £150 million).
2. Included within the share premium account are costs associated with scrip dividends.

Notes to the Company financial statements

1. Fixed asset investments

	Shares in subsidiary undertakings £m
Cost at 1 April 2023	16,900
Additions	37
Cost at 31 March 2024	16,937
Additions	37
Disposals	(2,420)
Cost at 31 March 2025	14,554
Provision at 1 April 2023	(2,420)
Charge for the year	—
Provision at 1 April 2024	(2,420)
Charge for the year	—
Disposals	2,420
Provision at 31 March 2025	—
Net book value at 31 March 2025	**14,554**
Net book value at 31 March 2024	14,517

During the year, there was a capital contribution of £37 million (2024: £37 million), which represents the fair value of equity instruments granted to subsidiaries' employees arising from equity-settled employee share schemes.

The Company's direct subsidiary undertakings as at 31 March 2025 were as follows: National Grid (US) Holdings Limited, National Grid Luxembourg SARL, NGG Finance plc and Project SPV (Jersey) Investment Limited. National Grid (US) Investments 2 Limited and National Grid Hong Kong Limited were dissolved during the year. The names of indirect subsidiary undertakings, joint ventures and associates are included in note 34 to the consolidated financial statements.

The Directors believe that the carrying value of the investments is supported by the fair value of their underlying net assets.

2. Debtors

	2025 £m	2024 £m
Amounts falling due within one year		
Derivative financial instruments (note 4)	**20**	68
Amounts owed by subsidiary undertakings	**14,469**	14,550
Other debtors	**13**	10
	14,502	14,628
Amounts falling due after more than one year		
Derivative financial instruments (note 4)	**101**	79
	101	79

The carrying values stated above are considered to represent the fair values of the assets. For the purposes of the impairment assessment, loans to subsidiary undertakings are considered low credit risk as the subsidiaries are solvent and are covered by the Group's liquidity arrangements.

Notes to the Company financial statements continued

3. Creditors

	2025 £m	2024[1] £m
Amounts falling due within one year		
Borrowings (note 6)	**116**	118
Derivative financial instruments (note 4)	**119**	96
Amounts owed to subsidiary undertakings	**4,881**	7,017
Other creditors	**32**	33
	5,148	7,264
Amounts falling due after more than one year		
Borrowings (note 6)	**6,964**	7,153
Derivative financial instruments (note 4)	**222**	245
Amounts owed to subsidiary undertakings	**1,627**	1,641
Deferred tax	**33**	14
	8,846	9,053
Amounts owed to subsidiary undertakings falling due after more than one year are repayable as follows:		
In 1 to 2 years	**–**	–
In 2 to 3 years	**–**	–
In 3 to 4 years	**–**	–
In 4 to 5 years	**–**	–
More than 5 years	**1,627**	1,641
	1,627	1,641

1. The Company adopted the amendments to IAS 1 'Non-current Liabilities with Covenants' and 'Classification of Liabilities as Current or Non-current' during the year and as a result the above maturity table has been amended to be based on the maturity date not the first call date of the debt.

The carrying values stated above are considered to represent the fair values of the liabilities.

4. Derivative financial instruments

The fair values of derivative financial instruments are as follows:

	2025			2024		
	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	**20**	**(119)**	**(99)**	68	(96)	(28)
Amounts falling due after more than one year	**101**	**(222)**	**(121)**	79	(245)	(166)
	121	**(341)**	**(220)**	147	(341)	(194)

For each class of derivative, the notional contract[1] amounts are as follows:

	2025 £m	2024 £m
Interest rate swaps	**(1,801)**	(541)
Cross-currency interest rate swaps	**(7,247)**	(8,154)
Foreign exchange forward contracts	**(10,826)**	(11,026)
	(19,874)	(19,721)

1. The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the balance sheet date.

5. Investments

	2025 £m	2024 £m
Investments in short-term money funds	**4,528**	1,696
Restricted balances – collateral	**38**	50
	4,566	1,746

Notes to the Company financial statements continued

6. Borrowings

The following table analyses the Company's total borrowings:

	2025 £m	2024 £m
Amounts falling due within one year		
Bank loans	**60**	31
Bonds	**56**	87
	116	118
Amounts falling due after more than one year		
Bank loans	**181**	256
Bonds	**6,783**	6,897
	6,964	7,153
Total borrowings	**7,080**	7,271

The maturity of total borrowings is as follows:

	2025 £m	2024 £m
Total borrowings are repayable as follows:		
Less than 1 year	**116**	118
In 1 to 2 years	**598**	—
In 2 to 3 years	**450**	549
In 3 to 4 years	**1,911**	388
In 4 to 5 years	**431**	2,067
More than 5 years	**3,574**	4,149
	7,080	7,271

The notional amount of borrowings outstanding as at 31 March 2025 was £7,176 million (2024: £7,375 million).

7. Share capital

The called-up share capital amounting to £638 million (2024: £493 million) consists of 5,132,617,708 ordinary shares of $12^{204}/_{473}$ pence each (2024: 3,967,138,214 ordinary shares of $12^{204}/_{473}$ pence each). For further information on share capital, refer to note 27 of the consolidated financial statements.

8. Shareholders' equity and reserves

At 31 March 2025, the profit and loss account reserve stood at £18,131 million (2024: £12,631 million), of which profits available for distribution by the Company to shareholders were £18 billion (2024: £12.5 billion).

For further details of dividends paid and payable to shareholders, refer to note 9 of the consolidated financial statements.

9. Parent Company guarantees

The Company has guaranteed the repayment of the principal sum, any associated premium and interest on specific loans due by certain subsidiary undertakings primarily to third parties. At 31 March 2025, the sterling equivalent amounted to £1,972 million (2024: £2,384 million). The guarantees are for varying terms from less than one year to open-ended.

In addition, a guarantee covering insolvency or failure to pay pension obligations has been provided to Section A of the National Grid UK Pension Scheme by National Grid plc, National Grid Holdings One plc and Lattice Group Limited. The guarantee covers all obligations and payments due to Section A. No explicit allowance has been made for this guarantee in the financial statements because of Section A's funding level, where the Trustee estimated Section A to be in surplus on a buyout measure at 31 December 2024 and contribution requirements are forecast to be minimal over the coming years. For more information on this guarantee, refer to note 25 of the consolidated financial statements.

10. Audit fees

The audit fee in respect of the Parent Company was £34,000 (2024: £34,000). Fees payable to Deloitte for non-audit services to the Company are not required to be disclosed as they are included within note 4 to the consolidated financial statements.

11. Post balance sheet events

On 6 May 2025, the Company decided to redeem its £1 billion subordinated term loan to NGG Finance plc. This was in connection with NGG Finance plc's decision to redeem all of its £1 billion 5.625% fixed rate resettable capital securities (see note 36 to the consolidated accounts). The maturity of the loan as at the reporting date was 18 June 2073. The Company estimates that the financial effect of the settlement of this liability for cash in full is the face value of the borrowing as well as the interest accrued, which amounted to £1,044 million as at 31 March 2025.