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National Grid Electricity Distribution plc

Annual Report and Accounts 2025/26

Company number 09223384

Contents

Strategic report
For the year ended 31 March 2026

The directors present their annual report and the audited financial statements of National Grid Electricity Distribution plc ("NGED plc" or the "Company") and its subsidiary undertakings (the "NGED Group", "the Group" or "NGED") for the year ended 31 March 2026. These are prepared 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.

At a glance

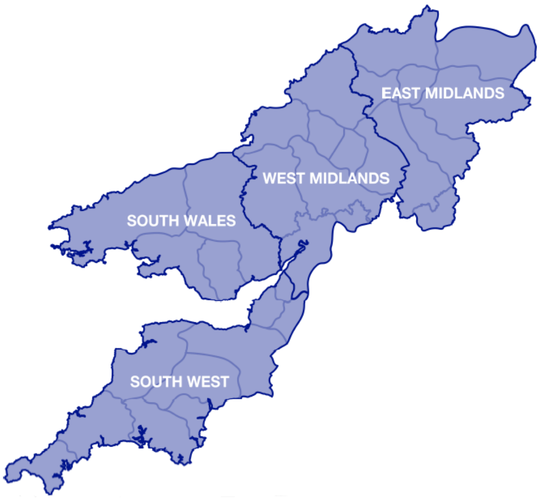
The NGED Group plays a vital role in transforming our region's energy systems, safely and reliably connecting millions of people to the energy they use, while investing to power growth, resilience and the transition to a cleaner future.

Overview

The NGED Group mainly comprises the four Distribution Network Operators ("DNOs"): National Grid Electricity Distribution (South West) plc ("NGED South West"), National Grid Electricity Distribution (South Wales) plc ("NGED South Wales"), National Grid Electricity Distribution (East Midlands) plc ("NGED East Midlands"), and National Grid Electricity Distribution (West Midlands) plc ("NGED West Midlands").

NGED is the largest DNO in the UK by geography, with a network of over 230,000 km of overhead lines and underground cables. With 8.1 million homes and businesses connected to our network, we power the lives of over 20 million customers and directly support over 7,200 jobs.

	Connections (million)
NGED South West	1.7
NGED South Wales	1.2
NGED East Midlands	2.7
NGED West Midlands	2.5
	8.1



Every day we connect people to the power they need by looking after a network of poles, pylons, cables and substations, delivering energy to homes and businesses in our region. We are also committed to supporting the UK's ambition to grow the economy, build more homes, develop industry, and transition to a clean power system. In doing so, we have developed roles as Distribution System Operators ("DSO"), in addition to our traditional role as DNO. The DSO allows us to anticipate growth, develop and utilise flexibility markets, unlock capacity, and instruct investment in the network of the future.

In addition to the DNOs, the Group also consists of a number of other smaller subsidiaries including National Grid Telecoms Limited, National Grid Electricity Distribution Generation Limited and National Grid Helicopters Limited. The primary purpose of these businesses is to support the DNOs and network related activities of the Group. The Group also owns property companies, to facilitate the management of non-operational and investment properties of the Group.

Ownership

The NGED Group is owned by National Grid Electricity Distribution plc, which is a public limited company registered in England and Wales. The ultimate controlling parent of the Company is National Grid plc ("National Grid"), registered in England and Wales. National Grid plc is one of the world's largest investor-owned energy utilities, operating in the UK and the US.

More information on the National Grid Group can be found in the National Grid plc Annual Report and Accounts 2025/26 and on the National Grid website: https://www.nationalgrid.com/

Financial highlights

	2025/26	2024/25	% change
	£m	£m	%
Revenue	1,986.6	2,477.2	(20)%
Profit before tax	766.7	1,250.4	(39)%
Cash generated from operations	1,516.9	1,768.5	(14)%

	2025/26	2024/25
Regulatory asset value ("RAV")	13,198.5	12,306.6
Return on equity ("ROE")	8.1%	7.9%

See pages 14 and 16 for details on financial highlights.

Non-financial highlights

	2025/26	2024/25
Customer satisfaction score (out of 10)	9.01	8.98
Network reliability	99.988%	99.983%

See pages 22-31 for further details on our key performance indicators ("KPIs").

What we do - Industry

The electricity industry connects generation sources to homes and businesses through transmission and distribution networks. Companies that pay to use transmission and distribution networks buy electricity from generators and sell it to consumers.

The UK electricity industry has five main sectors:

Generation

Generation is the production of electricity from fossil fuel and nuclear power stations, as well as renewable sources such as wind and solar. We and the rest of the National Grid Group do not own or operate any commercial electricity generation facilities.

The UK is moving away from a historical reliance on large thermal power generation and there is now a greater diversity of supply and flexible demand than ever before, with significant growth in distributed renewable generation installations across the UK networks. The electricity distribution network has a pivotal role to play in the future energy mix, with evolving roles enabling a range of possible energy futures for the long-term benefit of consumers.

Interconnectors

Transmission grids are often interconnected so that energy can flow from one country or region to another. This helps to provide a safe, secure, reliable and affordable energy supply for citizens and society across the region. Interconnectors also allow power suppliers to sell their energy to customers in other countries.

Great Britain is linked via interconnectors with Ireland, Northern Ireland, France, Belgium, Norway, Denmark and Netherlands. The National Grid Group is continuing to work on developing additional interconnector projects, which will include multi-purpose interconnectors.

National Grid plc, through separate companies held outside of NGED, sells capacity on its UK interconnectors through auctions.

Transmission

National Grid plc, through a separate company outside of NGED, owns and operates the high-voltage electricity transmission network in England and Wales. Electricity transmission ensures electricity is transported safely and efficiently from where it is produced, to reach homes and businesses reliably. Transmission systems generally include overhead lines, underground cables and substations and connect to industrial properties and distribution networks who deliver the electricity on to homes and commercial properties. They also facilitate the connection of generation assets to the transmission system.

What we do - Industry (continued)

Distribution

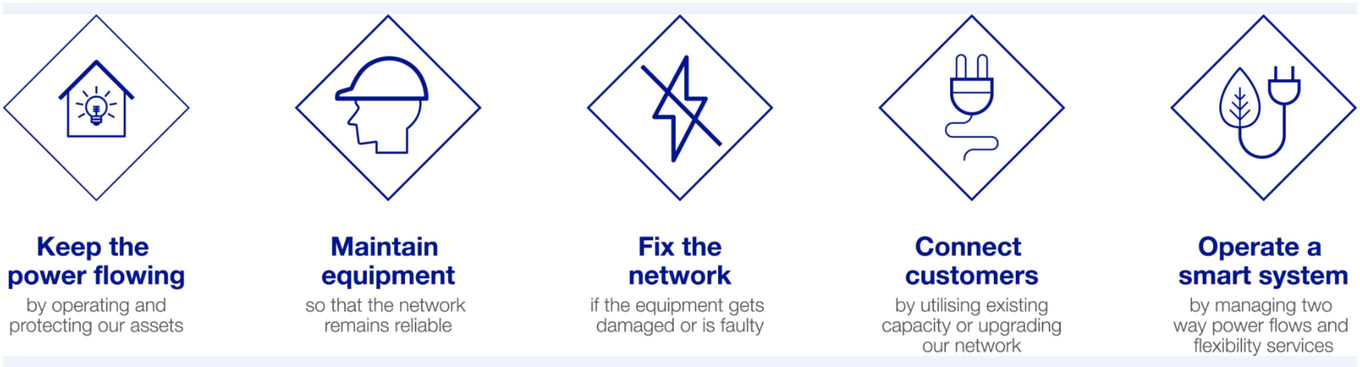
NGED is a distribution network and system operator and our distribution network connects customers to the National Grid electricity transmission network. We convert the high voltage electricity generated by large power generation sites, such as power stations, and delivered through the National Grid transmission network, to lower voltages that can be used by customers. We deliver it safely into homes and businesses in our regions, via our safe and reliable network. As the country drives towards decarbonisation, the traditional, one-way flow of energy is changing, with many smaller-scale renewable generation installations connecting directly into our network, bypassing transmission and creating a two-way, dynamic distribution network. We are currently undergoing an unprecedented change in our industry, including a rise in electric vehicles, heat pumps and battery storage. We aim to deliver transformation efficiently, while continuing to provide a resilient electricity supply.

Supply

The supply of electricity involves the buying of electricity and selling it on to customers. It also involves customer services, billing and the collection of customer accounts. NGED does not sell electricity or bill directly to our consumers. Our customers are registered with licensed electricity suppliers, who in turn pay us for use of the network. This is managed by a separate publicly owned organisation, National Energy System Operator ("NESO").

What we do - NGED Business model

Our core activities are:



The Group's network comprises approximately 89,000km (2025: 89,000km) of overhead lines, 142,000km (2025: 141,000km) of underground cable and 191,000 (2025: 191,000) transformers. We maintain our network assets to ensure safe and reliable distribution of electricity to homes and businesses across our four regions.

Our costs are regulated and based on an agreed allowance set by the Office of Gas and Electricity Markets ("Ofgem"); on average (based on an annual consumption of 2,700 kilowatt hours), NGED domestic customers pay £99.20 per annum (2025: £126.37 per annum) for electricity distribution costs. Our costs form part of the bill to customers from the electricity suppliers. The weighted % change for 2025/26 from 2024/25 is a 21% reduction. This is principally driven by the removal of the 2024/25 Ukraine war inflation uplift component in allowed revenue.

We provide a safe and reliable network that represents good value for our customers. We also play an important role providing support to the most vulnerable people in the areas we serve. We are a regional business and believe in the power of our regional, in-house workforce. Our local teams understand their local network, providing efficient and knowledgeable service to the customers and communities we serve. In addition to keeping the power flowing, we are also committed to supporting economic and regional growth whilst enabling a more sustainable future. We are facilitating growth and responding to the changing energy landscape, playing our part to support the UK's ambition of achieving a clean power energy system.

What we do - Regulatory framework

DNOs are natural monopolies and, to ensure value for money for consumers, are regulated by the Gas and Electricity Markets Authority, which operates through Ofgem. The operations are regulated under the Electricity Distribution licence which sets the requirements that NGED needs to deliver for its customers. Ofgem has a statutory duty under the Electricity Act 1989 ("the Act") to protect the interests of consumers. Ofgem also has responsibility to enable competition and innovation and to protect consumers from the ability of companies to set unduly high prices. Ofgem has established price controls that limit the amount of revenue our regulated business can earn. In setting price controls, Ofgem must also have regard to ensuring that licence holders are able to finance their obligations under the Act.

The regulatory framework is based on sustainable network regulation, known as the "RIIO" model where Revenues=Incentives + Innovation + Outputs. Under the RIIO model there is an emphasis on companies playing a full role in developing a more sustainable energy sector and delivering value for money network services for customers. The outputs we deliver are clearly articulated and are integrally linked to the calculation of our allowed revenue, although some outputs and deliverables have only a reputational impact or are linked to legislation. A substantial proportion of our allowances are dependent on the delivery of specified outputs. A key feature of the RIIO model is that the expected outputs delivered by network companies are influenced by its stakeholders through extensive engagement. In the development of our current RIIO-ED2 business plan, we engaged with over 25,000 stakeholders to develop our business outcomes.

Ofgem, using information we have submitted, along with independent assessments, determines the efficient level of expected costs necessary for these deliverables to be achieved. Under RIIO this is known as total expenditure ("totex"), which is broadly the sum of operating expenditure ("opex") and capital expenditure ("capex").

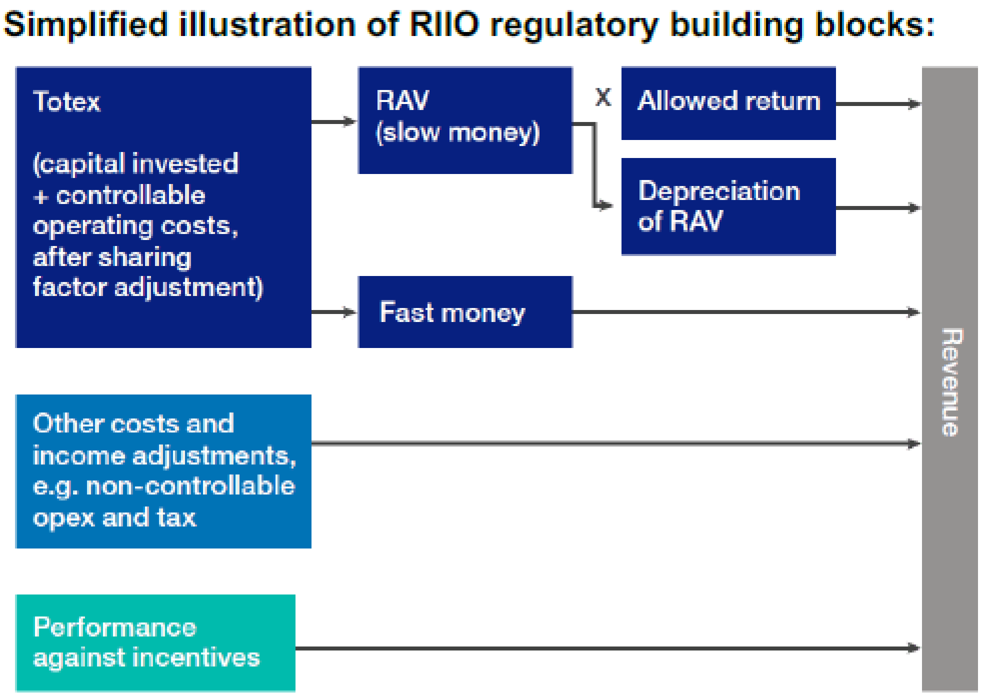
A number of assumptions are necessary in setting the outputs, such as certain prices or the volumes of works that will be needed. Consequently, there are a number of uncertainty mechanisms within the RIIO framework that can result in adjustments to totex allowances if actual volumes differ from the assumptions. These mechanisms protect us and our customers from windfall gains and losses. Under or overspends against allowed totex are shared between DNOs and consumers at a level determined through the price control setting process - this is known as the "totex sharing factor". This mechanism provides symmetrical protection to DNOs and consumers, and encourages networks to deliver outputs efficiently by rewarding the achievement of savings, but conversely penalising overspends.

Allowed revenue to fund totex costs is split between ‘fast’ and ‘slow’ money categories using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex we are able to recover in the year of expenditure. Slow money is added to the Regulatory Asset Value ("RAV") and recovered through revenue over the long term through regulatory depreciation. In addition to fast money and regulatory depreciation, our allowed revenue includes a return on the outstanding RAV balance at a level set by Ofgem. Over time, the RAV is indexed by Ofgem's chosen measure of general inflation - RIIO-ED2 had a phased transition from RPI to CPIH as the chosen inflationary measure. We are also allowed to collect additional revenues related to non controllable costs, output delivery incentives, and a notional allowance for the tax we pay on our regulated activities. In addition to the Totex Incentive Mechanism, the RIIO framework includes a package of additional output delivery incentives designed to deliver positive outcomes for consumers - our performance against these attract rewards or penalties that flow into our allowed revenue. Allowed revenue is recovered from network users through Distribution Use of System ("DUoS") charges.

Strategic report (continued)

For the year ended 31 March 2026

What we do - Regulatory framework (continued)



The current price control (known as RIIO-ED2) runs for the five-year period April 2023 to March 2028, against which NGED has been been granted £5.9bn (in 2020/21 prices) of totex allowance. As a result of the Government legislating for net zero carbon by 2050, DNOs will be at the forefront of its delivery, enabling the transition to a smart, flexible, low cost and low carbon energy system for all consumers and network users. Our business plan was co-created with our stakeholders following an enhanced and robust approach to stakeholder engagement and outlines the network investment we propose to deliver over the five year period, how much it will cost and the benefits to customers and stakeholders.

RIIO-ED2 price control framework also includes a challenging incentive package designed to drive customer service improvements. Ofgem sets demanding customer service targets for each regulatory reporting period, requiring DNO's to meet these performance targets in order to earn additional revenue and avoid penalties. As we plan for the challenges of a rapidly changing energy market, our ambition is to build on the successes of RIIO-ED1 to deliver a reliable and innovative network, and fully meet the demands of RIIO-ED2 price control framework.

Key parameters from Ofgem's RIIO-ED2 determination for NGED:

Allowed return on equity	5.3%-5.6% real, relative to CPIH The cost of equity is subject to annual adjustments that are calculated using the Capital Asset Pricing Model, through indexation of the 'risk-free rate' parameter. The range shown above is Ofgem's estimate of the allowed RoE over the five years of RIIO-ED2, as updated in the RIIO-ED2 Price Control Financial Model published in January 2025.
Allowed debt funding	Calculated and updated each year using 17 year trailing average of iBoxx Utilities 10+ year index, plus55 bps calibration adjustment, 25bps additional cost of borrowing, plus 6bps small issuer premium for West Midlands, South Wales and South West.
Depreciation of RAV	Straight line 45 year depreciation.
Notional gearing	60%
Split between fast/slow money	Capitalisation Rate 1 - 77%-79% capitalisation rate, being slow money. Capitalisation Rate 2 - 85% capitalisation rate, being slow money (used for specific categories of totex).
Sharing factor	50%
Core baseline totex in 2020/21 prices (cumulative for RIIO-ED2)	£5.9billion

Our mission, values and strategy

National Grid Electricity Distribution plc is the largest electricity distribution network group in the UK, providing a great platform from which to play our role in the energy transition to net-zero.

In delivering our RIIO-ED2 commitments and achieving our net-zero targets, we work within the mission, values and strategic priorities of the National Grid Group to ensure we are well positioned to respond to the changes in our operating environment.

Our mission

We bring energy to power possibilities.

Our values

Our values underpin everything we do at NGED:

Our strategic priorities

In April 2026, National Grid introduced an updated strategic framework, focused on operational excellence, strengthening organisational capability, and scaling technology, data and AI, against which we will report from 2026/27.

At the heart of our refreshed strategic framework is a clear and enduring new mission: **we bring energy to power possibilities**. This is not a shift in direction, but a sharper focus on how we translate ambition into consistent delivery across a complex organisation.

Having a clear sense of what we stand for and how we create value is fundamental to our success. Our mission brings together our people, guiding how we serve customers and communities and shaping the pride we take in our work.

We are strengthening our focus on the operational fundamentals with what we call the **“brilliant basics”**, including delivering our capital programme on time and on budget, maximising asset reliability, providing a consistently strong customer experience, and ensuring our functions effectively support the business. These foundations are critical to building credibility and trust, turning investment into tangible impact.

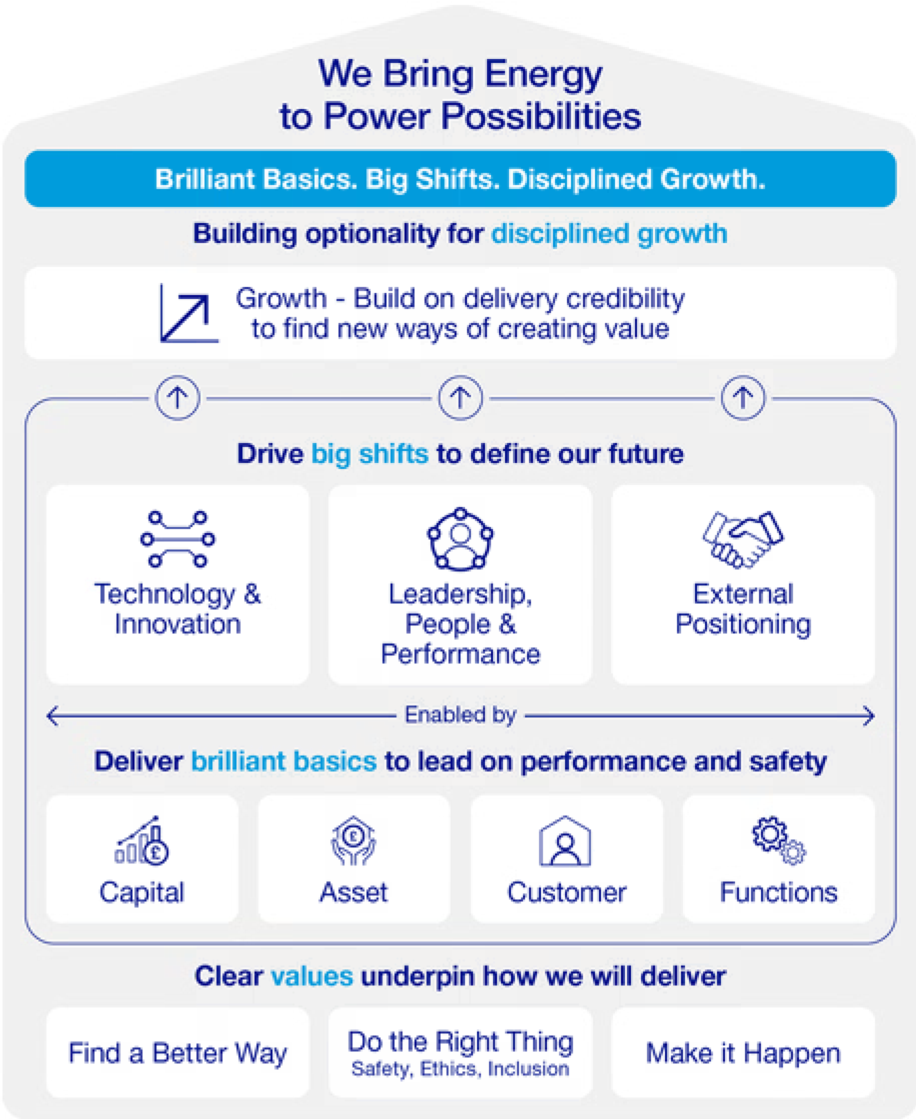
Alongside this, we are driving a set of targeted **"big shifts"** to improve performance and scale delivery. This includes strengthening leadership and capability, harnessing technology, data and AI to unlock productivity and accelerate connections, and taking a more active role in shaping policy and regulatory outcomes that support affordability, resilience and growth.

Our focus is also on getting more from the networks we have, investing efficiently, making trade-offs transparent and delivering **"disciplined growth"**.

Together, this approach ensures we deliver for customers today while building a smarter, more flexible and resilient network for the future.

As these changes were introduced during 2025/26, this report primarily reflects progress delivered against the strategic priorities previously in place.

Our refreshed strategic framework focuses our organisation



We have been guided by five strategic priorities in 2025/26:

Enabling the energy transition for all: At NGED, we are at the heart of a structural shift in how energy is produced and used. This will mean moving from centralised, fossil-fuel based systems to a more decentralised grid with higher renewable generation and storage. Working with policymakers, regulators, the wider industry and communities our goal is to build the networks that ensure the success of this transition.

Building the networks of the future now: Our aim is to build out the network of the future, continuing to connect low carbon generation and storage, and use our network to support the electrification of heat and transport. We are also working hard manage the impact of energy infrastructure on the natural environment.

To achieve this, we are growing our supply chain and network operations capabilities to deliver the capital investment to meet our ambition. Beyond simply building more infrastructure, we are deploying better, more efficient technologies to maximise the value of our existing and new assets. This will drive innovation on our networks, while centring customer benefit, affordability and the environment.

Delivering for our customers: We aspire to provide excellent service to all our customers, ensuring they can connect to the network in a timely fashion, that their energy provision is reliable, and that we are easy to do business with. We know our customers expect the best possible experience from us, whether they are residential and commercial customers relying on our networks to transport energy to their homes and businesses, or industrial and generator customers seeking a connection to our grid. We are committed to meeting today's needs and anticipating tomorrow's.

Operating safely and efficiently: Nothing is more important than the safety of our colleagues and the people in our communities. By embedding behavioural safety principles at all levels – across all business units and within our supply chain – we are shaping a proactive safety culture where everyone has the confidence, skills and environment to work safely every day. We also know efficiency is central for us in playing our part to keep energy bills down. Our goal is to be industry-leading on efficiency.

Building tomorrow's workforce today: To deliver on our commitments, we need to attract, develop and retain the skilled workforce needed to respond to changes in our external environment and within the business. Our focus is on providing development opportunities for our leaders and all our colleagues, creating an inclusive culture and enhancing the health and wellbeing of our employees.

Our strategic priorities are also aligned to our core business plan commitments. For RIIO-ED2 we aim to achieve four crucial outcomes for our customers as follows:

Sustainability: We will support the UK's ambitions to achieve net zero carbon emissions by 2050, driving crucial changes in energy usage and customer green behaviour. We will set the benchmark by achieving net zero in our own operations by 2043 (excluding Scope 3 emissions) and we will work towards ensuring the network is ready to enable local authorities to achieve similar ambitions in their regions. We will also actively work with industry and Government to achieve 'Clean Power 2030', within which at least 95% of the country's generation will come from clean sources including renewables. This will see us actively engaging with areas of reform to ensure that the grid is decarbonised in a sustainable way.

Connectability: We will strive to ensure that a lack of network capacity is not a barrier for our customers. We will ensure that the network can cater for the increasing demand of low carbon technologies and renewable energy over RIIO-ED2, while recognising that the generation mix needs to be balanced to retain resilience for security of supply. We will actively work with Ofgem and industry to reform the Connections processes, including continuing engagement on a review of the End-to-End Connections journey. This will ensure that the connections process meets customer need, while enabling investment ahead of need to support decarbonisation.

Vulnerability: We will aim to deliver a first class programme of inclusive support. This will include offering smart energy action plans for vulnerable customers each year, ensuring no one is left behind in a smart future. We will also more than double our fuel poverty support to deliver over £60m of savings for 113,000 fuel poor customers over the course of RIIO-ED2.

Affordability: We will continue to deliver the highest standards of safety, reliability and customer service that customers have come to expect from us. We aim to keep power cuts at their lowest ever levels and crucially we will achieve all of this while keeping our portion of the average domestic customer bill affordable.

Our strategic priorities enable us to deliver our business plan outputs by investing our allowance efficiently. For further details on our RIIO-ED2 business plan commitments and our progress against those commitments please refer to our business plan commitments report at the link below:

https://yourpowerfuture.nationalgrid.co.uk/performance-reporting-riio-ed2

Business Review

Customers

We continue to play a vital role in keeping over 8 million homes and businesses powered and supporting the regional growth. In 2025/26 we placed a strong emphasis on enhancing customer service and engagement. We achieved a Broad Measure Customer Satisfaction score of 9/10, thanks in part to the modernisation of our contact centre through the rollout of Amazon Connect and the complete digitisation of agent knowledge with a new knowledge management platform. We achieved 99.988% network reliability and improved customer journeys for unplanned outages and connections, making it simpler for customers to access information and support whenever they need.

We have maintained a strong focus on delivery for our customers, providing clear, timely information and access to our expert team. Our customer engagement efforts during the year has included delivery of 10 customer webinars, running of 47 customer surgeries and holding 91 in-person events. We supported planning reform, with the Planning and Infrastructure Act becoming law in December 2025. The Government has announced its intent to make legislation changes following the Electricity Infrastructure Consents, Land Access and Rights consultation, which should speed up and reduce costs of delivery for our customers.

During the year, we responded proactively to a number of severe weather events, mobilising teams to restore supplies safely and keeping customers informed throughout. Notably, we acted quickly during Storm Goretti, one of the worst storms on record to hit the South West. The South West saw winds of over 90mph, the biggest storm in the region for two decades. We recorded over 1,300 incidents related to Goretti, with approximately 246,000 customers impacted; impressively, 73% had their supply restored within 24 hours. We also made over 97,000 proactive calls to the Priority Service Register ("PSR").

Throughout 2025/26, we have continued to focus on customer affordability and are proud of the support provided to our most vulnerable customers. During the year we supported 25,000 customers to save a total of £25m through our fuel poverty programmes, and continued to grow our Priority Services Register. We also awarded £1m to 240 grassroots organisations through our Community Matters Fund.

Network investment and innovation

We remained focused on investing at pace to expand capacity and enable the region’s growth and net zero ambitions, delivering record capital investment, up 14% year-on-year. We are connecting new sources of renewable low-carbon generation to our network, increasing capacity by 635MW to over 14GW across our region. Also increasing capacity in our secondary network by 250MVA (a 39% increase on the previous year). During the year we received over 134,000 Low Carbon Technology (LCT) connection applications, including 68,000 electric vehicle charging points and heat pumps, and over 28,000 microgenerators (< 3.6kW capacity). 96% of these enquiries were approved on the same day. In addition we processed enquiries for more than 36,000 LCT's generating up to 30kW.

The launch of our day-ahead flexibility procurement was a major improvement on our previous week-ahead approach. This change means we can respond more quickly and accurately to changing conditions on the network, using up-to-date demand information rather than estimates, allowing NGED to take more targeted action, working with customers to reduce electricity use at the times it's most needed.

With an increasing focus on the future role of networks, we have delivered a step change in our external engagement, shaping policy and ensuring we are supporting stakeholders with their growth and net zero agendas. We responded to Ofgem's RIIO-ED3 Sector Specific Methodology Consultation, which included dedicated climate resiliency questions linked to the RIIO-ED3 price control framework. Highlighting that transforming the UK’s energy system will require investment at an unprecedented scale, supported by a regulatory framework that enables economic growth, decarbonisation and strong customer outcomes. Delivered a wide-ranging programme of 19 engagement events, with a strong focus on Connections Reform, alongside community engagement, IDNO and ICP collaboration, and emerging transport and innovation themes.

Ahead of RIIO-ED3, we launched our BIG Conversation initiative, engaging directly with customers and stakeholders, and established our Independent Stakeholder Group to ensure our business plan is customer led and reflects regional priorities. Furthermore, our largest ever winter campaign achieved record engagement, driving a 71% increase on Priority Services Register impact and in 2025, we earned the accolade of ‘Campaign of the Year’ at the Energy Awards 2025.

Business Review (continued)

Environment

We continue to monitor our Business Carbon Footprint ("BCF"), including fluid-filled cable losses and SF_6 emissions, as part of our commitment to achieving net zero by 2043 (excluding scope 3 emissions). Our BCF decreased by 5.5% compared to the previous year, but exceeded our internal target by 6.6%.

Fluid-filled cable losses reduced significantly year on year by over 27,500 litres to approximately 16,900 litres, and out performing our internal target of 17,233 litres. These results reflect managements decision to establish a dedicated working group prioritising the replacement of leak-prone circuits, standardising reporting across all four licence areas, and enhancing leak detection and mitigation processes

At NGED we remain focused on improving biodiversity on our operational sites. We have committed to a six–year formal partnership with Heart of England Forest to support woodland management and restoration in our West Midlands licence area. During the year, we surveyed 18 sites to establish baseline habitat type and quality, allowing us to develop habitat maintenance plans to guide vegetation management on these sites.

People

We have embedded our Strategic Workforce Plan to provide a forward-looking view of the skills and capabilities required to meet future business needs. Our operations continue support thousands of jobs, both directly and across the wider supply chain. In line with this plan, we have continued to invest in our workforce, hiring more than 670 people during 2025/26 and contributing towards a safe, reliable and growing regional network. Our recent Ofsted inspection in England (strong standard in all categories) recognised the strength of our apprenticeship provision, the quality of training delivered by our teams, and the confidence and capability our apprentices develop as they progress into critical operational roles.

We continued to strengthen leadership capability through targeted development interventions for leaders at all levels, including colleagues aspiring to leadership roles.

We remain focused on prioritising the safety, health, and wellbeing of our people alongside our continued commitment to enhancing diversity, equity and inclusion ("DE&I"). During the year, we focused on broadening talent pipelines, increasing Employee resource Group ("ERG") membership and supporting leaders through targeted development activity. We have also placed focus on targeted development interventions for our leaders, sourcing from diverse talent pools. We also continue to work constructively with our four recognised trade unions on key areas including safety, health, policy development and inclusion, helping to create an environment where colleagues can thrive at work.

Ensuring every employee's safety is our top a priority, this year, a group-wide behavioural safety training programme was designed and delivered, training delivered to over 6,000 colleagues to date. Although the Group's Long Term Injury Frequency Rate ("LTIFR") decreased to 0.15 (2024/25: 0.18) it remains above NGED's target of less than 0.10. The positive trend of a reduction in the severity of recorded incidents has been sustained from the prior year.

Looking ahead

We will continue to scale up our operations, delivering significant investments in groundbreaking projects that will expand our networks and enable a secure, affordable and clean energy future. Building a culture of innovation at NGED ensures the delivery of high-quality infrastructure efficiently. Policy support will be translated into full-scale construction programmes that create jobs, uplift communities, and ensure flexible and resilient energy systems for the future. Delivering affordable energy and enabling economic growth will remain a focus, with critical infrastructure projects completed on time and within budget.

NGED expects to invest £9billion in the next five years. We continue to deliver against our RIIO-ED2 business plan (RIIO-ED2 price control period runs from 1 April 2023 to 31 March 2028), to ensure the readiness of the electricity network to unlock the potential for customers to electrify further and faster. We'll continue to engage customers and stakeholders as we refine and get ready to submit our RIIO-ED3 business plan to Ofgem in December 2026 for the RIIO-ED3 price control period, which will run from 1 April 2028 to 31 March 2033. RIIO-ED3 will be a critical period in transforming electricity distribution networks to achieve the UK's climate targets.

We will continue to work closely with regional, devolved and national governments to ensure our voice is heard on key public policy issues, such as planning reform, devolution, and the renewed industrial strategy. The role of energy networks sits at the heart of multiple government priorities but we must also ensure the policy environment allows us to respond at pace. The Government's recent response to the National Infrastructure Commission's recommendations, and consultation on permitted development rights and land access, are key topics for continued engagement in the coming year.

Business Review (continued)

Financial highlights

Financial measure	2025/26 £m	2024/25 £m	% change	Performance and comments
Revenue	1,986.6	2,477.2	(20)%	Our allowed revenues are set in accordance with our regulatory price control. We calculate the tariffs we charge our customers based on the estimated volume of energy we expect will be delivered during the coming period. The actual volumes delivered will differ from this estimate. Therefore, our total actual revenue will be different from our total allowed revenue. These differences are commonly referred to as timing differences. If we collect more than the allowed level of revenue, the balance must be returned to customers in subsequent periods, and if we collect less than the allowed level of revenue we may recover the balance from customers in subsequent periods. The allowed revenue for 2024/25 included an additional inflation uplift component, compensating for the effect of the Ukraine war. This component is not applied in 2025/26 principally driving the decrease in revenues. In addition there has been a reduction in tax allowances previously assumed to be higher for the periods in 2023/24 and 2024/25. The compounding effect of these reductions has led to a forecast drop in allowed income for 2025/26 versus 2024/25.
Profit before taxation ("PBT")	766.7	1,250.4	(39)%	The primary drivers for the reported decrease in profit before tax is a reduction in revenue. Ofgem sets the allowed rate of return within each price control period. Ofgem changes that have resulted in a decrease of allowed revenue are discussed in the section above. We invest profits back into the networks to ensure that we continue to provide an efficient, reliable and secure service to our customers. This is evidenced by the increased capital expenditure year on year in accordance in accordance with our RIIO-ED2 business plan.
Capital expenditure	1,591.7	1,402.0	14 %	The Group operates in a capital intensive industry and thus invests a major proportion of profits into replacing and adding electricity infrastructure, as is evident from the overall extent of our capital expenditure and increase during the year. Due to the age of the network and technological advancements significant investment is required in capital related activities. During the current year, there was a notable increase in fixed asset additions, primarily driven by an acceleration in capital work to meet the delivery requirements of the RIIO-ED2 business plan. This increase reflects our strategic commitment to enhancing network resilience, supporting decarbonisation, and delivering long-term value for consumers.
Cash generated from operations	1,516.9	1,768.5	(14)%	Cash generated from operations has decreased due to a decreased revenue in the year.

Business Review (continued)

Financial highlights (continued)

Financial measure			Performance and comments
RAV *Because of timing, the 2025/26 RAV used in these calculations is the latest draft and not the finalised value. As directed by Ofgem, the RAV is calculated using an average of March 2026 and April 2026 inflation.*	**2025/26 £m** 13,198.5	**2024/25 £m** 12,306.6	RAV is a regulatory concept to represent assets with a long term life. It is essentially equivalent to the net book value of the fixed assets of the business calculated in regulatory terms using methodology provided by Ofgem. It is an important measure for all DNOs as the allowed revenue in any year includes a return on RAV and amortisation of RAV as determined by Ofgem. Other important measures, such as gearing ratios and recoverable amounts of DNOs with respect to impairment calculations, are calculated using RAV. The movement in RAV is largely driven by additions to our RAV during the year which are based on a percentage of our totex calculated in accordance with methodology provided by Ofgem and after application of the totex incentive. *The differences in the carrying value of our fixed assets based on IFRS methodology and RAV based on regulatory guidance have accumulated over time and as such cannot be reconciled.*

Gearing ratio	2025/26	2024/25	Performance and comments
Net debt (£m)	7,113.8	6,760.1	Gearing for NGED is calculated as the ratio of net debt to RAV. The gearing ratio is monitored in relation to the covenants for several bond issuances of the NGED companies and is used as a key internal measure. To comply with covenants, the gearing ratio for the NGED Group does not exceed 85%. The regulatory gearing target for the four DNOs individually is 60% for RIIO-ED2 onwards. Although net debt has increased year on year a comparatively larger increase in RAV has resulted in a 1% reduction in gearing ratio.
RAV (£m)	13,198.5	12,306.6	
Net debt to RAV	53.9 %	54.9 %	
Refer to note 25 on page 135 for the calculation of net debt.			

Interest cover	2025/26	2024/25	Performance and comments
PBT (£m)	766.7	1,250.4	A minimum ratio of earnings before interest, tax, depreciation and amortisation ("EBITDA") to interest payable is used as a key internal indicator of the financial health of the DNOs. The Group aims for interest cover ratio to not fall below 3:1.
Finance cost (£m)	326.8	353.5	There is an observed decrease in interest cover year on year. This is mainly due to the fall in allowed revenue, which is slightly offset by a reduction in finance costs. NGED continues to generate sufficient earnings to cover interest payments and maintain a significant headroom above the internal benchmark of 3:1.
Depreciation (£m)	343.3	320.5	
Amortisation (£m)	4.3	4.3	
EBITDA (£m)	1,441.1	1,928.6	
Interest payable (£m)	326.8	353.5	
Interest cover	4.4	5.5	

Business Review (continued)

Financial highlights (continued)

Financial measure			Performance and comments
Return on equity ("ROE")	**2025/26 %**	**2024/25 %**	Our ROE is based on the allowed regulated return on equity. Regulated return on equity is a measure of how a business is performing operationally against the assumptions used by Ofgem. These returns are calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure, at the assumed cost of debt and that UK taxation paid is at the level assumed by Ofgem. As part of the regulatory process Ofgem sets the allowed rate of return which fluctuates based on the risk free rate. For RIIO-ED2 this is set five months prior in advance of commencing the next financial year. For the year ended 31 March 2026, this was set at 5.96%, normalised for a long-run inflation rate of 2%, base ROE was at 7.6%. Totex outperformance relates to the totex incentive mechanism under which we share in any under or over spend on our allowances through our adjustment to allowed revenue in future years. Incentives can increase or decrease our allowed revenues to reflect our performance against various other measures related to our outputs. *ROE is a performance measure based on the allowed regulated return on equity and cannot be reconciled to any statutory measure. ROE has been included as an APM to reflect our performance within the regulatory regime and to align with performance reporting by our ultimate parent company, National Grid plc.*
Base return	7.6 %	7.7 %	
Totex outperformance	0.1 %	– %	
Incentives	0.4 %	0.2 %	
ROE	8.1 %	7.9 %	

Succeeding with our strategy

We deployed our five updated priorities across the organisation in 2025/26.

Enable the energy transition for all

KPI link: Business carbon footprint, SF6 emissions and Fluid cable losses (pages 22 - 23)

What this means	2025/26 achievements
We have an important role in the energy transition across all sectors of the economy through our networks. We work with the regulators and the wider industry to shape policy and regulatory frameworks needed to reach shared energy objectives.	• Our flexibility services approach to maximising network security. Over the past year, we have made significant progress in both the scale and maturity of our flexibility markets. Notably, we transitioned our short-term market from a week-ahead to a day-ahead model, enabling more responsive and targeted procurement. • We secured our largest ever long-term flexibility portfolio, awarding 196 GWh of availability. Participation continues to grow with the number of flexibility assets registered on our Market Gateway nearly doubling to over 309,000, and the number of Flexibility Service Providers increasing from 13 to 43 year on year. Operational activity also increased substantially, with dispatch volumes reaching 6.5 GWh, more than double the previous year, across over 110,000 dispatch events. • In addition, we dispatched 498 MWh across our Demand Turn Up trial zones. We also developed and procured a new flexibility use case, FlexUp, designed to reduce renewable curtailment and unlock whole-system benefits, making us the first Distribution System Operator to implement such an initiative. We expect our flexibility markets to continue expanding, alongside growing competition across our constraint management zones. • We strengthened national influence for Community Energy by representing sector views directly to Government, working collaboratively with DESNZ and Great British Energy to inform policy development and delivery.Elevating the voice of Community Energy at a parliamentary level, contributing evidence and insights to a Select Committee and ensuring local and community perspectives were reflected in national discussions.Our efforts have supported regional growth and resilience by actively engaging with Community Energy groups at a local level, providing practical guidance, materials, and on the ground support. • We are investing £13m to install 176 EV charger bays across 84 primary substation sites and 13 additional bays at strategic office locations, bringing the total to 500. This makes NGED one of the UK's largest privately-owned charging networks. The locations were selected based on frequently travelled routes of our workforce, ensuring our front-line staff can operate 24/7 with an increasingly electrified fleet. To date we have installed and commissioned 62 of the 83 primary substation sites, and all office locations.

Succeeding with our strategy (continued)

Build the networks of the future now

KPI link: Interruption Incentive Scheme (pages 25 - 26)

What this means	2025/26 achievements
We will scale a once-in-a-generation increase in capacity to connect to, and transport electricity across, our networks. We will modernise our electricity networks to improve capacity, visibility, security and reliability.	• Distribution Future Energy Scenarios ("DFES") 2025. The DFES process forecasts electricity demand and generation on our network to 2050. For 2025, engagement was streamlined to align with major reforms, including the new connections process and NESO's Regional Energy Strategic Plans ("tRESPs"), involving stakeholders such as local authorities, industrial clusters, and major energy users. • In 2025 we published our Distribution Network Options Assessment ("DNOA") Roadmap. This sets out plans to develop our DNOA process in line with new flexibility use cases that will be deployed moving into the RIIO-ED3 price control period. Alongside these changes we also present our plans to improve our Cost Benefit Analysis ("CBA") and overall Optioneering processes. The efficacy of this approach is evidenced by our latest Flexibility tender. We have taken learnings from Demand Turn Up flexibility services trials, a programme to mitigate generation driven constraints across our network, and rolled out at scale, covering 54% of our geographic area to date. • We soft launched day ahead trading. This greatly improved NGED's ability to respond faster to changing network conditions e.g. high solar and wind variability, voltage constraints. The shorter procurement horizon simplifies things for Flexibility Services Providers ("FSPs") as there is lower risk of delivery failure, easier operational planning. This aligns our market with wholesale and balancing markets which operate on day ahead. • Our flexibility market data is now available in one place within our data portal, providing transparency and visibility into how distributed energy resources are being procured, dispatched and used across our network. Flexibility Service Providers(FSPs) and market participants get transparent, up-to-date insights they need to make smarter decisions and unlock new opportunities.

Succeeding with our strategy (continued)

Deliver for our customers

KPI link: Customer satisfaction score and Network reliability (pages 24 and 28)

What this means	2025/26 achievements
We aspire to provide excellent service to all our customers, ensuring they can connect to the network in a timely fashion, that their energy provision is reliable and that we are easy to do business with.	• We continue to enhance customer service by mapping and implementing improved customer journeys, alongside introducing a range of initiatives to standardise these approaches across the group. This has involved close collaboration with both customers and internal stakeholders to refine and align processes, ensuring greater consistency and efficiency in how services are delivered. Particular focus has been placed on improving key customer touchpoints, including enhancements to the connections offer letter for small demand connections and domestic service alterations, making communications clearer, more consistent, and easier for customers to navigate. • Several structured tools and resources have been introduced to support customer experience. These include the development of an NGED Connections playbook focused on Simple Service Quotations ("SSQ"), as well as the implementation of a comprehensive SSQ communications pack comprising a connections guide, standardised email templates, a leaflet, and an animated video. To further embed best practice and continuous improvement, Connections Journey Management has also been launched across NGED, establishing a Community of Practice dedicated to small demand connections and providing a platform for shared learning, collaboration, and ongoing service enhancement. • We have successfully provided a grid connection for the UK's most powerful AI supercomputer, which has just become fully operational. The Bristol-based Isambard-AI is 100,000 times faster than the average laptop and will accelerate advances in artificial intelligence, machine learning and large-scale data analysis across academia, government and industry. Backed by government investment and developed by the University of Bristol in close partnership with tech firms HPE and NVIDIA, the £225m supercomputer aims to boost the UK's capabilities in responsible and cutting-edge AI development and is ranked the 11th fastest supercomputer in the world. • We have completed a major power upgrade to support the expanding operations of the Midlands Air Ambulance — strengthening a service that saves lives across the region every day. The project delivered a new high-capacity electricity supply to support the charity's £1.2m airbase redevelopment at Strensham. Key works included installing a new distribution substation at Strensham Northbound motorway services and connecting it to the existing 11,000-volt network. • Thousands of LV monitors are being installed on our network to provide greater visibility of load-related issues and potential fault activity. By having a greater view of our network, we could save £24.8m for our customers.

Succeeding with our strategy (continued)

Operate safely and efficiently

KPI link: Connections and Level of work related injuries (pages 27 and 29)

What this means	2025/26 achievements
To deliver our part in a changing energy system, we are transforming our internal processes, strengthening our customer focus and sharpening our commercial edge. We are investing in the capabilities we will need in future and our ability to operate safely remains our top priority.	•We have continued our safety campaign "See it, Sort it, Report it" on near miss and good catches reporting relating to safety incidents. During this year we have seen the total of near misses reported to over 4992, a 217% increase against last year. This has enabled learning opportunities and improvements to be implemented. • In October 2025 we began trialling the 1Streetworks application in the Bristol and Telford operational areas. 1Streetworks is a web-based traffic management planning system that uses rules from the Safety at Street Works legislation and other relevant Codes of Practice to generate safe and compliant street works setups in minutes. It integrates live data from Street Manager, enabling users to identify potential work clashes and explore opportunities for collaborative working. The primary benefit of this application is therefore to improve the overall safety of NGED teams, our working partners and the public. • We are proactively reducing risks and keeping children safe by undergrounding, insulating, or diverting overhead lines that cross school playing areas. An initial survey identified over 700 assets requiring action. Each pole near a school has been risk assessed and categorized from 0 (very low risk) to 5 (high risk). These assets are logged in our asset management systems to monitor progress throughout RIIO-ED2. To date we have addressed 371 potential overhead risks through further survey, undergrounding, insulating or diverting overhead lines. We have a clear programme of works for the remainder of RIIO-ED2 to ensure that we complete the school risk removal programme. • We have commenced safety inspections at customer properties as part of our safety inspection programme. We aim to complete 800,000 inspections of cut-outs in homes and small businesses across the Midlands, South West, and South Wales annually over the next 20 years. Inspectors will visually examine cut-outs, take photos and notes for our records, and NGED engineers will repair any defective cut-outs at no cost to the customer. These visits also help us confirm the types of LCTs connected to our network, aiding future load growth planning and quicker LCT connections. • We continue to drive efficiencies in our fault response activities across all regions by leveraging technology. A case in point being the launch of a new app that streamlines the evidence gathering and claims process for cable damages and illegal connections. • We have delivered investigation and root cause analysis training to 50 operational and safety team members to further enhance our learning from investigations. We have completed the delivery of NEBOSH leadership training behavioural safety to our operational senior leadership teams to further enhance the safety capability and mature our safety culture.

Succeeding with our strategy (continued)

Build tomorrow's workforce today

KPI link: Employee turnover ratio and Employee gender pay gap (pages 29 and 31)

What this means

Our colleagues shape the delivery of outcomes that exceed the expectations of all our stakeholders. By attracting high-quality talent and developing our people, we will ensure our colleagues are best placed to deliver our future energy system.

2025/26 achievements

• To future-proof the organisation, we continue to invest in both our existing workforce and external talent to support the long-term sustainability of the organisation. Recruitment has been strengthened through optimisation of our Applicant Tracking System ("ATS"), improving the efficiency and targeting of sourcing, screening and onboarding. To attract talent, we have now fully embedded "Superpowered", our Employer Value Proposition across all hiring activity. The inclusion of Superpowered messaging in all external job advertisements, strengthens brand awareness and supports our position as an employer of choice.

• In parallel we are developing our people through technical training, target development programmes, coaching, mentoring and bitesize learning. Since April 2025 we have onboarded over 300 external hires including an additional 200 early career hires enhancing our capability to support the transition to net zero.

• We are developing entry level talent through our apprenticeship and graduate programmes to support a sustainable future workforce. Currently, over 500 apprentices and graduates are enrolled, with a further 150 planned for recruitment in September 2026, reinforcing our long term investment in talent and career progression.

• Our technician development scheme offers employees the chance to develop their knowledge and apply for Technician roles when available. The 12-month scheme includes a structured development plan with work within the depot, other business locations, and formal training courses. Participants gain exposure to various departments, including spending time in the Control Centre and an overview of financial awareness relevant to a Technician role. This year, 14 employees were enrolled in the scheme.

• We have a range of leadership development support offerings. Our aspiring leaders have attended our Future Leaders Development Programme, designed for those with leadership potential. Additionally, existing leaders have participated in various leadership programmes aimed at different levels of leadership. For FY26 we also developed a First Line leaders programme to support all our newly appointed and promoted leaders in their first managerial roles. As a result, the 2026 Employee survey (Grid Voice) saw a Leadership Index score of 80%.

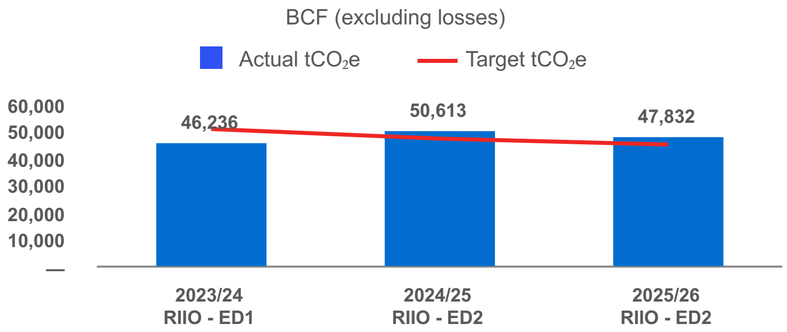
• Utilising the Lencioni model of Team Effectiveness, all senior leadership teams and their teams are immersed in this process. Our ambition is to embed this within leadership teams to ensure healthy and productive teams across the business.

Key performance indicators ("KPIs")

NGED utilises KPIs to assess progress against our overall purpose and strategic priorities.

Business carbon footprint ("BCF")

Strategy link: Enable the energy transition for all



The above represents our BCF performance excluding losses. For full details on our BCF performance refer to our environment report at the link below:

https://www.nationalgrid.co.uk/customers-and-community/environment

Performance and comments: Our BCF details the impact that our operational activities have on the environment in terms of associated carbon dioxide ("CO_2") emissions. We report our BCF using equivalent tonnes of carbon dioxide ("tCO_2e"). NGED follows the UK Government GHG Carbon Reporting guidance as provided by DENSZ / DEFRA, the 2025 UK Government GHG Conversion Factors for Company Reporting and ISO14064-3.

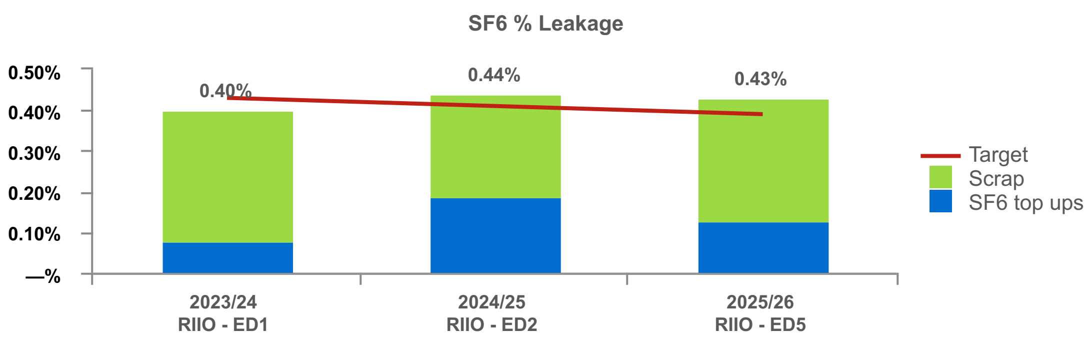
NGED has committed to becoming a net zero organisation by 2043 (for scope 1 and 2 emissions) in line with a validated 1.5 ºC science-based target ("SBT"). To monitor our progress, we established a pathway with annual targets for each year of RIIO-ED2 and monitor progress against this pathway.

For 2025/26 BCF emissions, excluding losses, were 47,831 tCO2e against a target of 44,677 tCO2e. This is 6.6% over the year-end target but represents a 5.5% improvement on the previous year and an overall 13% reduction on our 2019/20 baseline.

During 2025/26, the largest emissions reductions have been seen in building electricity consumption. This is in part due to the reduction in carbon intensity of the grid but also shows the impact of an LED lighting retrofit programme, the first phase of which (18 sites) has been completed for both internal and external lighting. Internal Combustion Engine ("ICE") fleet emissions in 2025/26 have remained largely unchanged, whilst emissions from EV fleet vehicles continue to grow, with 12% of the light duty fleet now electrified. We recognise that our ED2 emission reduction targets will be challenging to achieve and we are focussed on aligning our ED3 plans to ensure that we achieve our overall net zero targets for 2043. Areas of focus include Operational Transport and SF6.

For details on the methodology for the calculation of our BCF refer to page 67.

SF6 emissions (emissions as % of SF6 bank)



Key performance indicators (KPIs) (continued)

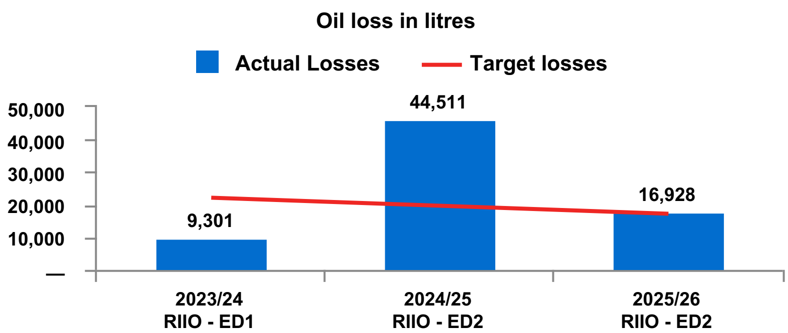
SF6 emissions (emissions as % of SF6 bank) (continued)

Performance and comments: SF6 gas is used throughout our industry as an insulating medium in switchgear. Although it provides many benefits it is a potent greenhouse gas. The amount of SF6 emitted is expressed as a percentage of the overall 'bank' of SF6 contained within our switchgear. Action to detect and rectify SF_6 leaks at the earliest opportunity is a key part of our strategy. Where leaks are detected, if necessary we will replace equipment, however equipment repairs are also a cost effective and viable option in some cases, helping to avoid disruption to the network. This involves active engagement with the manufacturers, particularly where leaks have been detected on assets which contain a large volume of SF_6; to identify the leak, source spares and conduct repairs. We continue to work at an industry level across multiple suppliers and at all voltage levels to progress viable alternatives to SF_6. We have already standardised the use of non-SF_6 132kV live tank circuit breakers and we expect to be able to implement further non-SF_6 apparatus over the coming years.

The rate of SF6 emissions from the network has shown a small improvement compared to 2024/25, with a reduction in fugitive emissions in the East Midlands being most notable compared to the previous year. SF6 leakage from scrapped assets remains the largest contributor to NGED total leakage, accounting for approximately 70% of emissions.

Fluid cable losses

Strategy link: Enable the energy transition for all



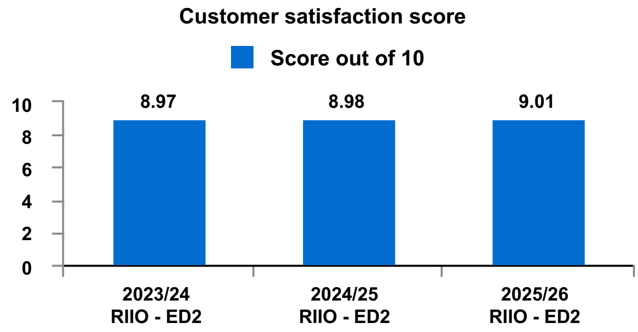
Performance and comments: Fluid-filled cables have been in operation in the UK since the late 1940s. These underground electricity cables contain insulating fluid to provide an insulation medium and coolant as cables expand and contract under load. Over time, leaks can occur as the cable sheath deteriorates with age, at joint failures or as a result of third-party damage. This creates an environmental impact as insulation fluid leaks into the ground, causing pollution and the risk of contamination of land and water bodies. Fluid-filled cables are no longer installed today, and when due for replacement this is done with modern cross-linked polyethylene alternatives. It is our commitment to reduce fluid filled cable losses by 50% over the course of RIIO-ED2 and in line with this we have an asset replacement delivery plan to decommission fluid-filled cables and address the worst leaking circuits.

The volume of oil leaked from fluid filled cables during 2025/26 has improved in comparison to the previous year and represents a 31% reduction from our baseline. Whilst this is positive and on track to meet our ED3 target we recognise that leakage can be volatile and we therefore continue to implement a range of activities to ensure continued improvement. This includes coordinated knowledge sharing between regional teams by the establishment in 2025/26 of a dedicated Fluid Filled Cable working group.

Key performance indicators (KPIs) (continued)

Overall customer satisfaction

Strategy link: Deliver for our customers



Performance and comments: As part of Ofgem's Broad Measure of Customer Satisfaction ("BMCS") Incentive, a research agency undertakes a monthly satisfaction survey assessing customers' satisfaction for connection quotations and delivery, power interruptions and general enquiries. The customer satisfaction score is given out of 10. For NGED's four licence areas around 19,000 customers are surveyed per year.

For RIIO-ED2, a score of 8.90 or lower results in penalty and a score of 9.12 or higher generates a reward under the Ofgem's incentive scheme. NGED South Wales scored above the reward threshold.NGED's other DNO's scored above the penalty threshold. We continue to investigate areas of good practice across our licence areas, developing actions to deliver year-on-year improvement toward our targets and hence our performance scores.

To address this, we have launched a targeted intervention through the implementation of a new Connections Playbook in the South West. This playbook consolidates best practices from high-performing and rapidly improving depots across the business, aiming to standardise and elevate service delivery. The initiative focuses on improving quotation timeliness, customer engagement, and consistency of approach across depots. The playbook is part of a broader effort to not only improve BMCS scores but also enhance margin performance and customer trust. Early indicators suggest that this structured approach is helping to close the performance gap and align service standards across NGED DNO's.

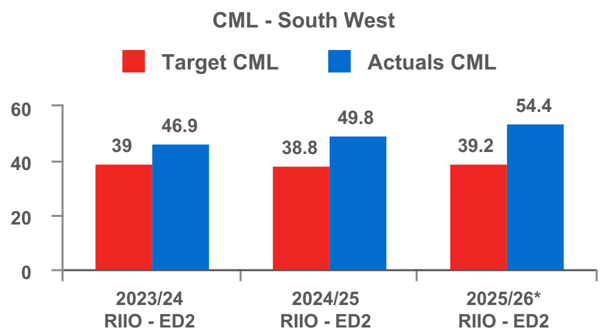
Strategic report (continued)

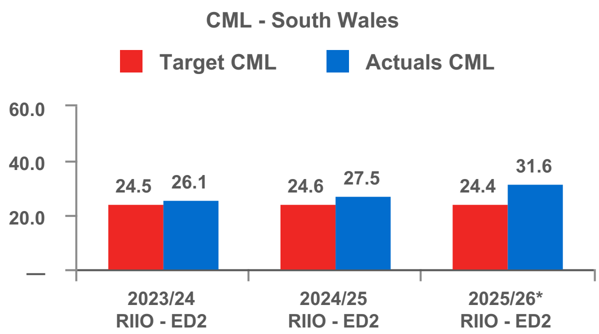
For the year ended 31 March 2026

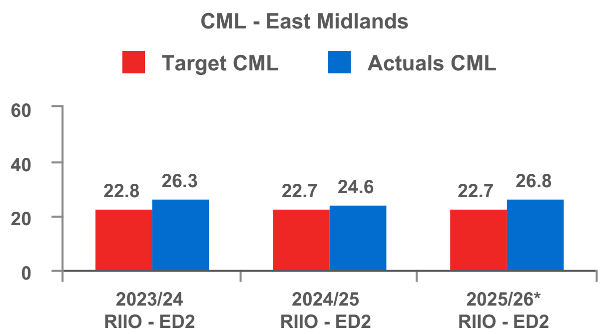
Interruption Incentive Scheme ("IIS")

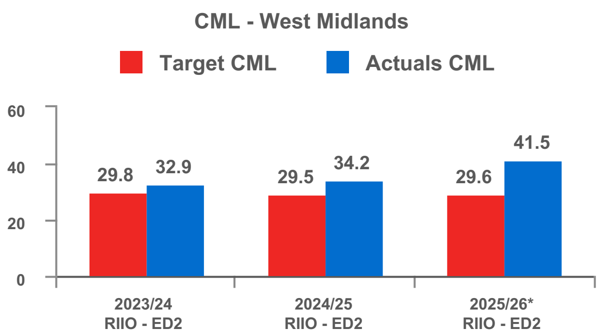
Strategy link: Build the networks of the future now

Customer minutes lost ("CML")



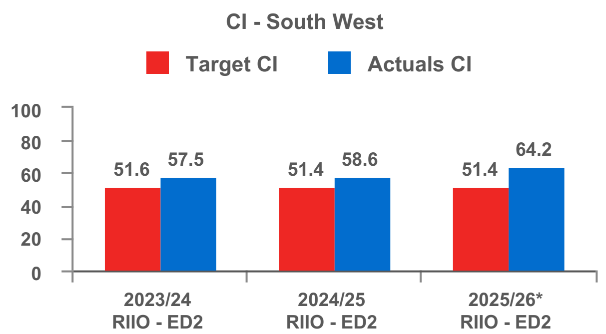


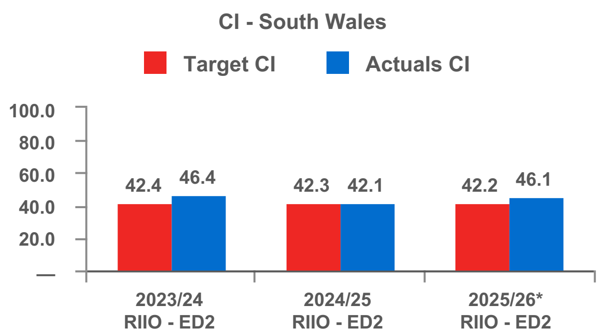


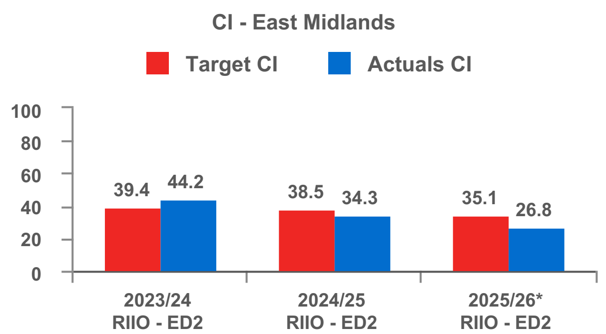


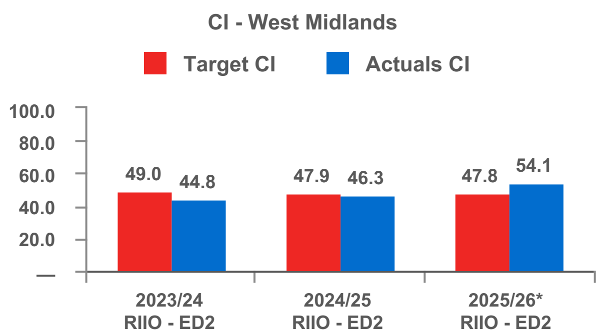
*The 2025/26 actuals are subject to Ofgem confirmation.

Number of customer interruptions ("CI")









*The 2025/26 actuals are subject to Ofgem confirmation.

Key performance indicators (KPIs) (continued)

Interruption Incentive Scheme ("IIS") (continued)

Performance and comments: CML represents the average time a customer is without power during the year. It is calculated by taking a sum of customer minutes lost for all incidents divided by customers connected. CI represents supply interruptions experienced by connected customers per 100 customers. Adjustment for exceptional one off events that are outside the control of DNOs is allowed by Ofgem. The targets are defined by Ofgem at each DNO level.

We have underperformed on this KPI and exceeded the regulatory targets for CML across all four NGED licence areas, and for CI in NGED South West, South Wales and West Midlands. The above results are currently subject to Ofgem review and confirmation. Once the regulatory performance results are finalised, performance under this metric could result in a negative financial impact in respect of our allowed revenue in future periods.

The current targets are significantly more challenging than the previous regulatory period and reflect the increased performance challenge that RIIO-ED2 poses compared to RIIO-ED1. Extreme weather events continue to pose a risk to our networks. During the year, we responded proactively to a number of severe weather events, mobilising teams to restore supplies safely and keeping customers informed throughout. For the year under review there were 6 named storms, including storm Goretti, one of the worst storms on record to specifically hit the South West. During Goretti, which also significantly impacted the West Midlands and South Wales, we recorded over 1,300 related incidents with approximately 246,000 customers impacted. Impressively, 73% had their supply restored within 24hrs.

Improving performance under the current demanding standards is a key priority for the year ahead. To address these challenges and enhance future performance, we are actively progressing our ED2 asset health programme. This includes the targeted replacement and refurbishment of deteriorating and ageing assets across our network, aimed at reducing fault rates and improving overall reliability.

Strategic report (continued)

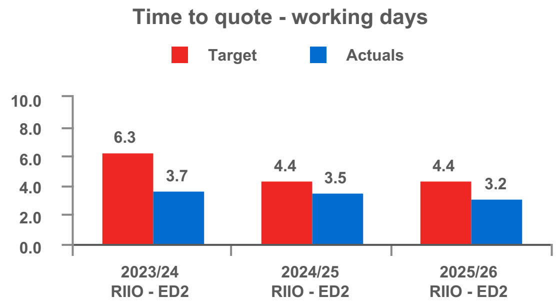
For the year ended 31 March 2026

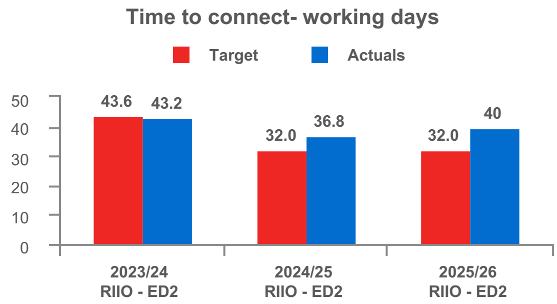
Key performance indicators (KPIs) (continued)

Connections (time to quote and time to connect)

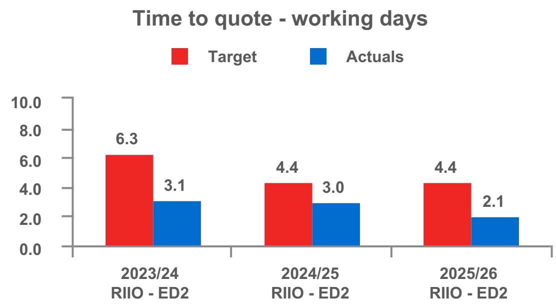
Strategy link: Operate safely and efficiently

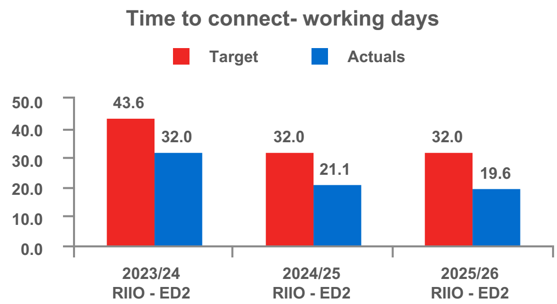
South West



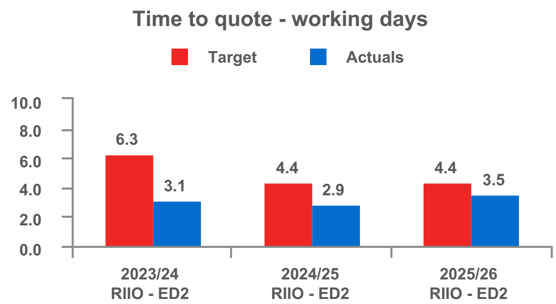


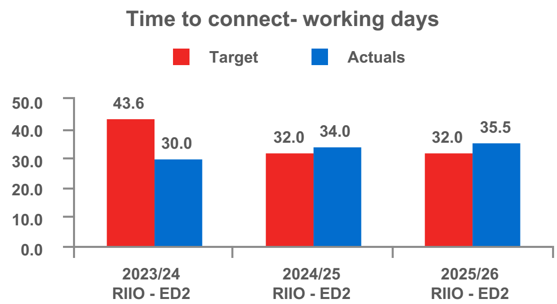
South Wales



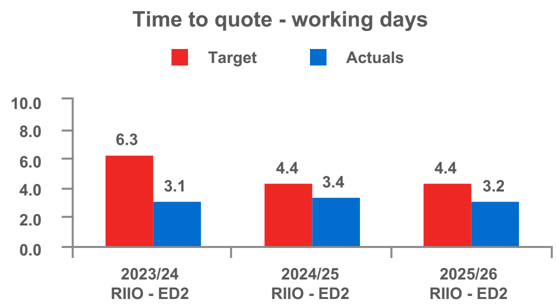


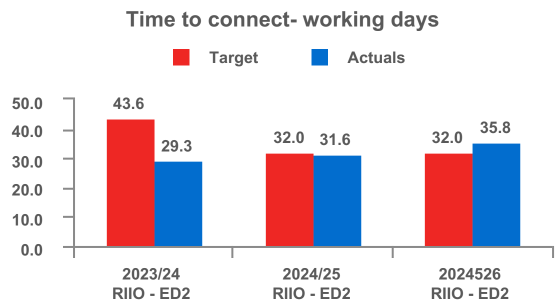
East Midlands





West Midlands





Key performance indicators (KPIs) (continued)

Connections (time to quote and time to connect) (continued)

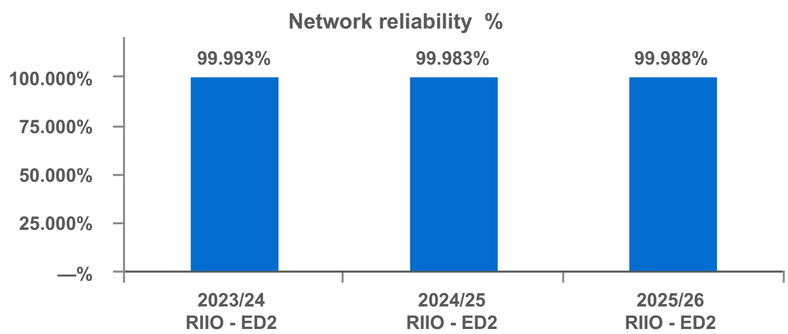
Performance and comments: For RIIO-ED2, this performance measure is an incentive and penalty measure. The above targets are based on the reward threshold scores set by Ofgem for the overall "time to quote" and "time to connect" for single domestic connections and small commercial connections. LVSSA customers are those seeking single domestic connections requiring no mains work at low voltage. LVSSB customers are those seeking two to four domestic connections or one-off commercial connections at low voltage requiring no network reinforcement work. LVSSA and LVSSB actuals are reported separately against separate targets. The above actuals and targets are an average for LVSSA and LVSSB.

The above reflects that we have met the reward threshold for time to quote but missed the reward threshold for time to connect in some areas. We have not incurred a penalty for this performance measure.

There have been particular challenges in meeting the time to connect target, in part due to increasing customer requests for larger capacity LCT connections. We are focused on improving customer journey's by implementing several initiatives to standardise best practices across the NGED group. We have introduced an NGED Connections playbook focussed on simple service quotations (SSQ), and upgraded our connections website, online self-serve and budget estimate tools.

Network reliability

Strategy link: Deliver for our customers



Performance and comments: There has been a slight increase in our network reliability as compared to last year as we continue to maintain high levels of reliability. This KPI does not carry a direct financial penalty or reward. Instead, it serves as an overarching indicator of quality of service performance under the IIS. While the KPI itself is not directly incentivised, the IIS framework, within which it sits, does include mechanisms for both rewards and penalties based on overall service performance. Refer to page 25. We aim to continue delivering highest level of reliability by planning our capital investments to meet challenging demand and supply patterns, designing and building robust networks, having risk-based maintenance and replacement programmes, and detailed and tested incident response plans.

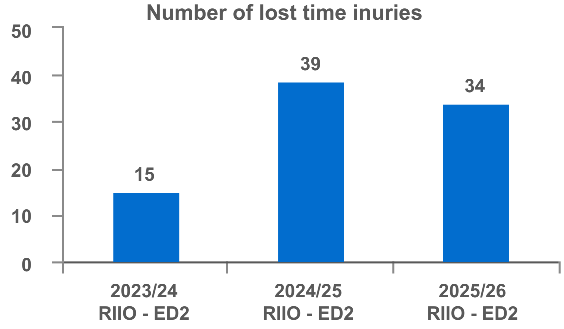
Strategic report (continued)

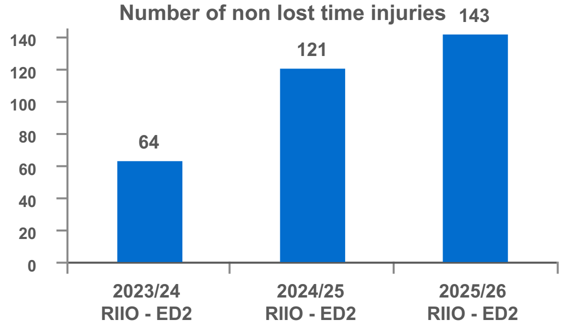
For the year ended 31 March 2026

Key performance indicators (KPIs) (continued)

Level of work related injuries

Strategy link: Operate safely and efficiently





Performance and comments: Ensuring every employee's safety is our top a priority, this year, a group-wide behavioural safety training programme was designed and delivered, training delivered to over 6,000 colleagues to date. Although the Group's Long Term Injury Frequency Rate ("LTIFR") decreased to 0.15 (2024/25: 0.18) it remains above NGED's target of less than 0.10. The positive trend of a reduction in the severity of recorded incidents has been sustained from the prior year.

This year marked a big shift in our safety culture. Building on the success of FY25, over 11,000 near misses and good catches were reported. A 417% increase on last year. We also built our capabilities to aid learning from our near misses and good catches, with over 38 operational and safety leaders trained in incident investigation, and the introduction of new communication channels for incidents, actions and learnings. We have also made great progress on ensuring that our PPE and equipment is tested and inspected, improving from 91.1% at the start of the year to 97.6%.

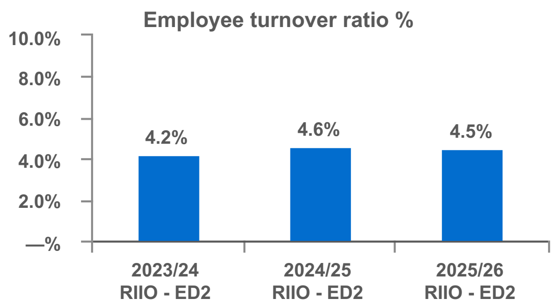
In accordance with UK legislation governing reporting of injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR"), there has been a 10% (2024/25:11%) reduction in total number of lost time injuries during the year. During the year under review there were 5 specified injuries and no fatality incidents.

There has been a 15% increase in recorded non lost time injuries year on year. To reduce injuries we continue to focus on our behavioural safety programme, educating and reinforcing employees awareness of hazards within the work environment and their safety responsibilities to themselves and others. We will continue to ensure all planned safety inspection and maintenance programmes are completed in scheduled periods.

NGED also monitors the all accidents rate per 100 employee. The accident rate for the NGED Group for 2025/26 is 1.67 (2024/25: 1.95).

Employee turnover ratio

Strategy link: Build tomorrow's workforce today



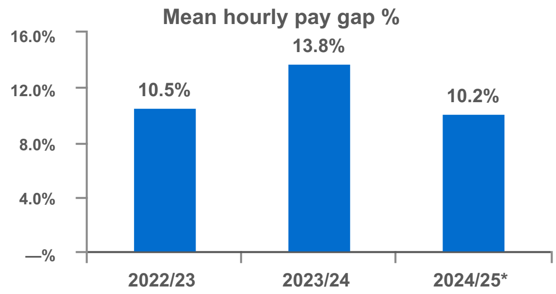
Performance and comments: There is a very small decrease in the turnover ratio year on year. Over the last three annual periods the NGED employee turnover ratio has averaged 4.4% indicating a positive working environment for our colleagues and comparing very favourably to a rate of 20.3% for the electricity and gas industry.

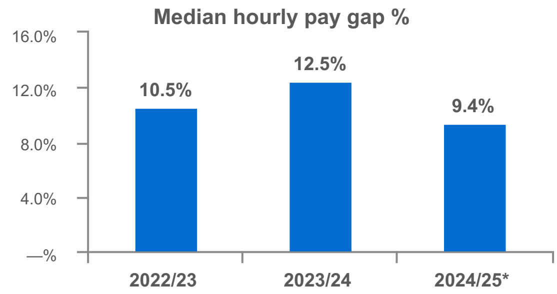
Key performance indicators (KPIs) (continued)

Employee gender pay gap

Strategy link: Build tomorrow's workforce today

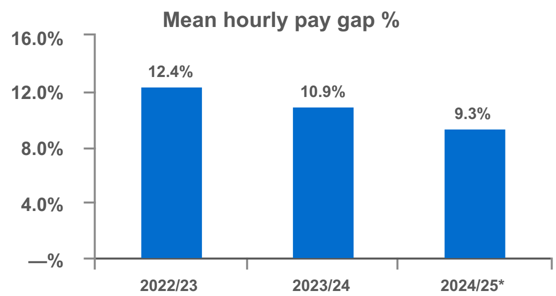
South West

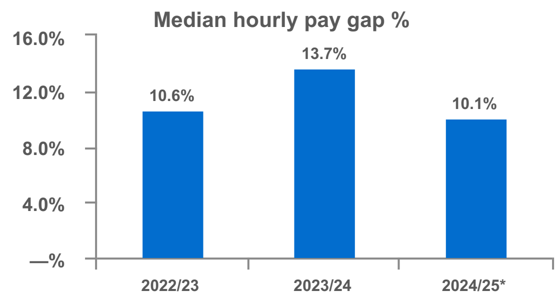




Performance and comments: We employed 1,908 full pay relevant employees in NGED South West on 5 April 2025 and female representation has had a slight increase from 2024. The mean and median hourly pay have narrowed year on year by 3.6% and 3.1% respectively.

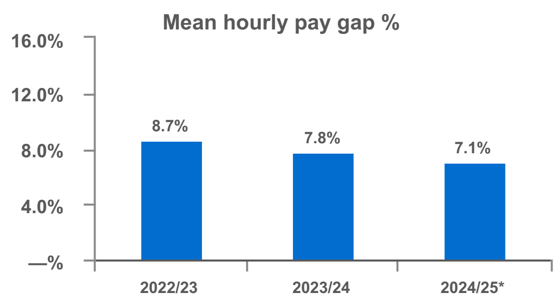
South Wales

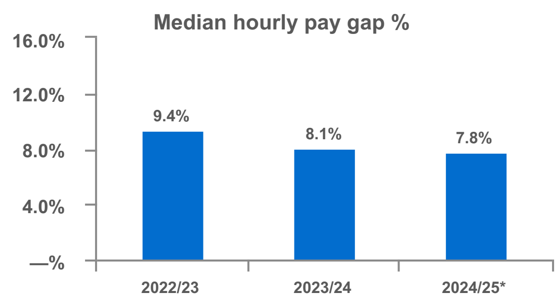




Performance and comments: We employed 1,127 full pay relevant employees in NGED South Wales on 5 April 2025. The median hourly pay gap has narrowed 3.6% year on year. The mean hourly pay gap has trended favourably over 3 years, declining by 3.1% over the period.

East Midlands



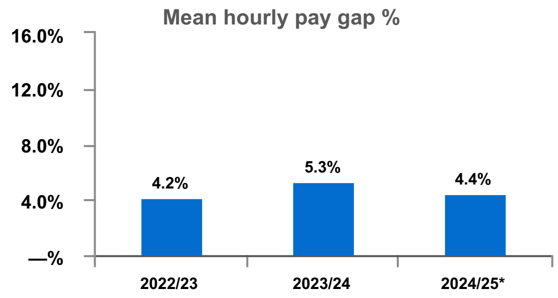


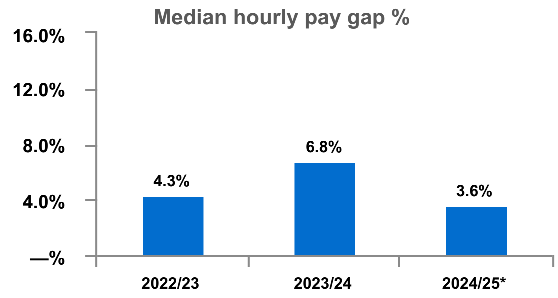
Performance and comments: The mean hourly pay gap and median hourly pay gap has shown an improvement year on year. Both measurements have trended favourable over the last 3 years narrowing by 1.6% each.

Key performance indicators (KPIs) (continued)

Employee gender pay gap (continued)

West Midlands





Performance and comments: We employed 1,845 full pay relevant employees in NGED West Midlands on 5 April 2025. The mean and median hourly pay gap have narrowed by a respective 0.9% and 3.2% year on year.

Our full gender pay gap report can be found at link below:

https://www.nationalgrid.com/careers/understanding-our-uk-gender-pay-gap

*2024/25 are the latest available results and is for data on the snapshot date of 5 April 2025. The report for the snapshot date of April 2026 will be available by April 2027.

Our business environment

Our business environment is shaped by rising electricity demand, an evolving supply mix, and major reforms which are changing how energy systems are planned, built and operated. Against a backdrop of geopolitical uncertainty and rapid technological change, we are delivering the adaptive and reliable infastructure needed to support economic growth for custimers and communities.

	Impact on our industry	Our response
Energy transition Growth in renewable and low carbon energy continues to be a major driver of growth for our portfolio. Smarter and larger networks are needed to connect these new sources of generation and storage, at new locations, to customers	• The energy supply mix in our areas of operation is continuing to shift towards low carbon generation, renewables and storage, with generation connected to our distribution. • Demand for electricity also continues to grow, driven partly by the electrification of conventionally fossil fuel-based technologies. Across the UK, we expect electricity demand to increase by almost 50% from 2024 levels by 2035. • Our networks will need to adapt and grow to facilitate these changes. • The UK Government has set out ambitious energy targets in the Clean Power 2030 report, calling for 95% of Great Britain's generation to be produced by clean sources by 2030.	• During the year we made progress against our long-term carbon reduction goal of Net Zero 2043, reporting a 13 per cent reduction on our 2019/20 baseline. • We have invested a record breaking £38m in 657 new electric vehicles. In addition, fleet workshops have delivered over 25,000 vehicle jobs during the year, maintaining an excellent MOT pass rate over 99% (against and industry average of 85%) and fleet uptime of over 99%. • Vehicle emissions are being slashed as we complete one of the largest transitions to EV contract hire cars in the UK. NGED has partnered with global leasing specialists Ayvens to make the switch from an employee car ownership scheme involving 1,000 vehicles. The move has saved 4,474 tonnes of CO2 emissions annually for the country's largest distribution network operator, which covers the South West, the Midlands and South Wales. • We are on track to achieve our target of zero waste landfill by 2028; in FY26 just 1.3% (FY25: 2.61%) of waste arising was sent to landfill. Also 62% of our UK supplier GHG emissions are from suppliers who are committed to setting a science based target. • We have achieved our 2025/26 target for reducing the volume of leakage from fluid-filled cables and have formed an internal working group to ensure continued progress against our long-term goal to remove all fluid-filled cables by 2060. • We are working with the wider National Grid Group to transform our supply chain, focusing on circular economy principles, addressing scope 3 emissions, and reducing unnecessary waste. • Replacing SF6 gas in our asset base with an alternative is technically complex, but we are committed to moving away from installing apparatus containing SF6 where technology allows. We aim to stop using technical grade SF6 as soon as practicable and will, where possible, only utilise equipment that does not contain environmentally harmful gases as an insulation medium.

Our business environment (continued)

	Impact on our industry	Our response
Affordability and economic development Governments are focused on driving economic growth and development in our jurisdictions. Some of our customers continue to struggle with the cost of living.	•Energy affordability is a challenge for communities in all the areas we serve. We are focused on ways to lower energy costs for our customers and consumers. • Economic growth agendas at national level mean continued need for grid investments, as AI-enabling data centres and other industrial infrastructure seek to connect or electrify.	• NGED has awarded £1 million to grass-roots organisations that focus on fuel poverty, employability or skills through our shareholder-funded Community Matters Fund. This includes: – **£500,000 to tackle fuel poverty:** Supported 121 local organisations by providing warm packs, energy efficiency advice, and welcoming spaces for customers struggling with energy affordability with a focus on grassroots organisations serving historically underrepresented and marginalised groups; – **£250,000 for future skills:** Grants to 60 groups delivering targeted programmes that develop practical skills and enhance employability for people facing the greatest barriers to employment, including placements and work experience, accredited pathways into skilled roles, employability support and tailored help for those returning to work helping; – **£250,000 to low carbon communities:** awarded to 66 organisations to deliver energy-efficiency initiatives focused on reducing carbon impact, lowering energy costs and improving efficiency outcomes in disadvantaged communities and for marginalised groups, including upgrades to community buildings, sustainability education and support for sustainable transport. • Working alongside governments and regulators, we ensure that prudent long-term planning leads us to the best overall solution for the customer. Our Distribution Future Energy Scenarios ("DFES") forecast how customers will use our network, guiding our investment decisions to ensure sufficient network capacity as the country transitions to net zero. This year, we published our DFES Customer Behaviour Report, providing open-access datasets on customer load profiles, seasonal energy projections, and distributed generation forecasts, enhancing transparency and planning support for local authorities and energy planners. • To play our part in delivering affordable energy and enabling economic growth, we are focused on delivering our critical infrastructure projects as quickly and affordable as possible while avoiding both premature investment and delays to critical projects. • We continue to partner with Solar for Schools to deliver our £2.7 million commitment to fund solar panel installations in schools in economically deprived areas. Our grant funding has unlocked projects for schools that might not otherwise afford solar panels. 19 schools have now completed installations, reducing approximately 175 tons of Co2 emissions annually and delivering projected savings of over £4 million over the lifetime of the solar panels.

Our business environment (continued)

	Impact on our industry	Our response
Technological change The past year has seen a rapid shift in the technological landscape, impacting both energy supply and demand. The most significant change has been the rapid rise of generative Artificial Intelligence ("AI"), and the associated impact of data centre development.	• Customers are increasingly demanding the same smooth digital experience provided by consumer technologies and online retail in other areas of their life, including how they produce and consume energy. • They are seeking ways to optimise their energy bill, including through flexible tariffs and in some instances, compensated demand reduction or selling energy back to the grid from their own generation and storage. • As more of our lives become digital, the importance of protecting against cyber risk is increasing. • The rise of AI and associated data centre infrastructure is likely to be a significant driver of new energy demand. There is still uncertainty around the scale of AI-driven demand growth, although we believe efficiency gains could mitigate this impact. • AI advancements also present deployment opportunities for the energy industry to improve efficiency and resilience, including through supply demand balancing, infrastructure planning, predictive maintenance and physical safety improvements.	• During the year, we introduced day ahead flexibility procurement, a major improvement on our previous week ahead approach. This change means we can respond more quickly and accurately to changing conditions on the network, using up to date demand information rather than estimates. We have also expanded Demand Turn Up ("DTU"), a flexibility service that asks customers to increase electricity use when there is excess generation on the network. • STEP UP 220 kV project is exploring whether DNOs should introduce an additional 220 kV network voltage to enhance capacity. The project may begin our journey towards developing a ‘distribution superhighway’ which could alleviate congestion and enable connections of large-scale generation or demand, without overloading existing infrastructure. Higher voltage distribution reduces network resistive losses, so improving overall energy efficiency and by facilitating more renewable energy at distribution level, NGED could support decarbonisation in the UK. • The STAR Position project is rolling out new technology that will help us to reduce the length of customer outages and improve the overall resilience of our 11 kV network. The fault management tool can identify emerging issues, as well as determine a more precise location and cause of an overhead line fault. This will have a direct impact on our Field Operations teams, reducing time and resource spent on foot patrols and fault restoration. For our customers, it is forecast that the tool could save £475,000 per year by reducing Customer Interruptions ("CI") and Customer Minutes Lost ("CML") across 25 primary substations. • We have launched a Data and AI Academy with training programmes for employees at all levels of AI competence to develop the skills and knowledge they need to thrive in a data-driven future. We continually review and update our approach to AI in line with regulatory, sustainability, and technological advancements. • To improve customer service and reduce response times, we rolled out the Where’s My Engineer app across NGED. The innovative tool provides real-time visibility of field engineers’ locations and authorisations, helping teams quickly identify the best-qualified and closest resource for each job. • We continue to monitor cyber risks and implement control improvements recommended by government and private intelligence to manage the increasing threat landscape. • This year, we made significant improvements to our Data Portal, whereby we migrated to a modern, scalable cloud-based platform with enhanced data quality tools. The improved stakeholder experience, including better usability, discoverability, accessibility and visualisation tools which, when combined with API Consistency, supports increased use/ consumption of our data. This led to over 790,000 downloads provided by our Data Portal this year.

Our business environment (continued)

	Impact on our industry	Our response
Technological change (continued)		• As part of our Distribution Future Energy Scenarios in 2025, we included data centres as a technology for the first time, doing a detailed literature review and stakeholder engagement exercise with developers to understand where data centres look to locate.
Global uncertainty Today's world is characterised by economic uncertainty posing challenges to business planning. In the face of this uncertainty, resilient and secure energy supplies have never been more important.	• While energy supply chains have adjusted to the cessation of Russian gas imports to Europe, geopolitical conflicts and trade tensions pose an ongoing risk. Armed conflict is the biggest risk identified in the World Economic Forum's Global Risks 2025 report. • The return to a more protectionist global economic order, with a focus on domestic economic growth and security, creates challenges and opportunities for the energy sector. Supply chains have been stressed since the pandemic, and may tighten further if trade disagreements escalate. At the same time, there is renewed focus on the importance of energy networks in delivering domestic energy security and prosperity. • For governments, organisations and communities, resilient and secure energy supplies are crucial in adapting to disruptions in this more uncertain world.	• We continue to monitor global market conditions, commodity trends and wider supply chain risks across critical equipment and materials categories. Our supply chain strategy is built on strong collaboration with our supply partners and internal functions, enabling the de-risking of delivery and the realisation of value across cost, performance, and customer outcomes. • NGED is building resilience in our supply chains. In the UK, our new supply chain partnership model is propelling a c.£8 billion programme of substation upgrades by providing exclusive long term contracts to regional suppliers. • As part of the National Grid Group, we actively participate in key working groups including the Energy Networks Association to advocate for policies that deliver a smooth energy transition. • Our strategy is continually reviewed in response to changes in the business environment, with close monitoring of geopolitical and economic shifts. We focus on developing equitable relations with our supply chain to grow and thrive together, becoming a client of choice. • We remain focused on delivering resilient and secure infrastructure – helping to reduce the risk of disruption for the communities we serve • We remain focused on delivering resilient and secure infrastructure, against the increase in physical and cyber threats into our networks and operations.

Distribution System Operator (“DSO”) Function

The DSO function focuses on developing and operating a smarter, more flexible electricity system. This requires investment in data, systems, and processes to enable and exploit these capabilities. Over the past three years, we have implemented a meaningful functional separation of the DSO from the DNO while keeping the DSO within NGED's licensed DNO business. This approach balances mitigating potential conflicts of interest, facilitating transparent decision-making, sharing data and services between DNO and DSO functions, and keeping consumer costs down while delivering quality service.

Although the price control incentive for the DSO function commenced in RIIO-ED2, our DSO has been delivering benefits since 2016. We ran the first UK distribution flexibility trials, created Distribution Future Energy Scenarios ("DFES"), led the creation of flexibility markets via the Market Gateway, launched domestic flexibility trials, and deferred significant network reinforcement costs. Throughout our DSO journey, we have shared and developed our learning with industry peers, stakeholders, and customers, driving a collaborative and customer-focused DSO model. Our consistent engagement makes our DSO unique, involving stakeholders from the beginning in building the Market Gateway, issuing the first DFES, and co-creating our DSO vision and action plan. Key achievements for our DSO this year include:

- Meeting the commitments made to stakeholders in the two-year, 2024 DSO Strategic Action Plan.
- Creating the DSO’s new 10-year strategy and performance indicators, which will run through to 2035 and shape our long-term ambitions.
- Facilitating whole system coordination to improve operational decision-making, developing dynamic network modelling techniques to minimize generation curtailment during planned outages, preventing 835GWh of renewable generation curtailment, and lowering network costs for customers. This was a significant increase on our annual target of 300GWh.
- Dispatched 6.5GWh of Flexibility across 110,000 dispatches this year. Of this, no fossil fuel-based flexibility was instructed by the DSO in all but 3 days over the financial year.
- Published our curtailment dataset, a comprehensive dataset, populated with power system analysis and historic network loadings containing over 150 million data points.
- Visibility of our network has continued to increase at a faster rate than anticipated in the year to date, with smarter data from 72.3% of our secondary network now informing our Strategic Planning. This reflects work across the sector to improve the availability of data and adoption of smart meters throughout the network. The overall benefit is an increase in confidence for customers and developers to connect new low carbon technologies.
- We oversaw a significant increase in the number of Flexibility Market Zones, with 28 now recognised as having sufficient liquidity. We further increased the number of assets on our Market Gateway to over 309,000.
- Closer to real-time procurement: our week ahead flex market has been moved to day-ahead to better align with wider flex markets, (e.g., NESO markets). This has led to a lower barrier for market participation; and created the foundation for whole system coordination.

Our independent DSO panel has provided crucial scrutiny and guidance, driving transparent governance and decision-making processes for greater customer assurance. The panel has constructively challenged DSO activities, such as mapping conflicts of interest and investment assessment plans, ensuring high quality and stakeholder-focused outcomes. They have also pushed for greater collaboration with other DSOs, standardising key interfaces for Market Flexibility portals, and improving general data availability.

For further details in relation to our DSO strategic plan and our performance against our DSO KPIs, please refer to the following link:
https://www.nationalgrid.co.uk/dso

Innovation and Development

NGED is developing innovative projects to deliver the networks of the future in a way that allows all customers to be part of the transition, as well as unlocking advances in safety and network efficiency. Large projects are funded by the Ofgem Strategic Innovation Fund ("SIF") and broken down into Discovery, Alpha and Beta phases to identify potential issues early before significant costs are committed. The Network Innovation Allowance ("NIA") is another funding stream through Ofgem which supports our work in innovation. Projects through the NIA have the potential to address consumer vulnerability or could deliver longer-term financial and environmental benefits for consumers. Our business-funded roll-out projects follow on from our investments in innovation throughout ED1. Where the learnings from projects have shown the opportunity of scaling-up and are now in the process of rolling-out across our BAU operations in RIIO-ED2.

EQUINOX was the first and largest domestic heat pump flexibility project ever carried out in the UK. The project sought to address the challenges electricity distribution network operators face with the electrification of heat, while meeting the needs of all customers including the fuel poor and vulnerable. The project secured £7m in funding from the now defunct Network Innovation Competition. Over the course of three trials including 1,800 participants the project demonstrated heat pumps can be reliable flexible assets that could easily be integrated into the networks for daily operations and could be used by customers to manage their electricity consumptions. Equinox has so far yielded over 8,000 heat pump registrations in flexibility markets and improved network planing for customers with these assets on time of use tariffs.

Roll-out project Arc-Aid is standardising the installation and use of sensors to identify HV feeders with an earth fault in Cornwall. The sensors will also provide information as to where on the feeder the fault is located. Arc suppression coils are unique in this area of NGED due to high earth resistivity. With the increase in embedded generation and underground cables, the existing earthing is having to be reinforced. Current methods used to identify phase-to-earth faults are very time consuming, creating additional Customer Interruptions ("CIs") and Customer Minutes Lost ("CMLs"). In addition, the length of time taken to find the faults is causing additional stress to our network assets. Working closely with Field Operations teams in Bodmin and Redruth, a total of 130 sensors are being installed in 130 locations across over 60 HV feeders. The benefits are predicted to be up to £1,500 per overhead HV incident, with an estimated annual saving of £354,000.

Through our Connection Journeys AI project, we sought to understand where artificial intelligence ("AI") could be applied in the connection journey, where it should be prioritised and the specific gaps which could prevent the full capability of AI from being realised. By harnessing the power of AI, we have the opportunity to support our teams with the backlog of HV and EHV connection requests. It could also enable us to speed up the processes and future-proof our connection journeys. The first phase of the project concluded in December 2025, identifying 9 use cases and developing a proof of concept. Work is now underway on a potential phase 2 of the project where we could run a pilot.

Project PRIDE (Planning Regional Infrastructure in a Digital Environment) is working with local government to create a digital tool and governance mechanism that will support the planning and connection of low carbon technology. Funded through the Strategic Innovation Fund, the Beta phase project is currently one of the largest in our innovation portfolio with a budget of over £4m. A critical barrier to meeting the UK’s climate targets is the lack of dynamic information exchanges between stakeholders. This is vital to enable integrated local and regional planning to support decarbonisation of major energy demands. By using digital tools to share data and work more closely on an integrated approach to planning and connecting low carbon technologies, such as heat pumps and electric cars, there is the potential to better assess the viability of projects and reduce cost.

For further information on the innovation and development activities being undertaken by NGED, please refer to the following link:

https://www.nationalgrid.co.uk/innovation

Internal controls and risk management

The National Grid Electricity Distribution Plc Board has overall responsibility for NGED's system of risk management and internal control across the NGED Group. The NGED Board is committed to protecting and enhancing our reputation and assets, while safeguarding the interests of our stakeholders.

Managing our risks

NGED is exposed to a range of uncertainties that could have a material effect on achieving its strategic objectives, its financial condition, operational results, reputation, and its value. The National Grid Plc Board establishes and oversees the level of the risk that the National Grid Group is willing to accept in pursuit of its strategic objectives through the National Grid Group's risk appetite framework. This framework is applicable to NGED in all instances, unless explicitly stated otherwise.

The Board has delegated oversight of risk management and internal control to the NGED Risk and Audit Committee ("RAC") in order to support detailed and focused scrutiny of the Company's risk profile. The Committee is responsible for reviewing the Company's Principal Risks on behalf of the Board, including the effectiveness of mitigating controls and for ensuring that any emerging or urgent risks are escalated to the Board as appropriate. This delegated arrangement enables more in-depth consideration of risk matters than is possible within the constraints of the full Board agenda, while maintaining clear accountability. The Board receives a report from the Chair of the Risk and Audit Committee following each Committee meeting, enabling it to maintain effective oversight of the risk profile. The Risk and Audit Committee met five times between April 2025 and March 2026.

Additionally, there is quarterly NGED Ethics, Risk & Compliance Committee ("ERCC"), which includes the senior leadership team and focuses on monitoring both Principal and Emerging Risks ("ERs"). ERs are defined as risks that do not present an immediate threat or opportunity but have the potential for significant impact.

There are additional 'management' level risk committees which help surface and manage risks at a more granular level than NGED's Principal Risk level, including some risks which feed into the overall Principal Risks. This helps ensure both a 'top down' and 'bottom up' risk identification and management programme.

To help ensure NGED is managing risks in the most effective and efficient way possible NGED operates a control testing programme, managed by its Risk & Controls Team. This tests the most material controls of the business, in line with the risk appetite set by the Group and building on best practice learnings from other parts of National Grid. Results of the testing programme are monitored at the Risk and Audit Committee and ERCC.

Further details regarding the risk management framework and processes can be found in our Code of Corporate Governance statement on page 56.

Actions during the year

Our risk profile continues to be managed by drawing upon the insights of the leadership teams, their subject matter experts and National Grid Group guidance; considering NGED's strategic objectives and business plan commitments and undertaking regular reviews of the appropriateness of key controls. Over the course of the year our Risk and Controls team has focused on further strengthening the 'bottom-up' risk identification processes, complementing existing risk identification channels.

Overall our risk profile remains broadly in line with last year, albeit with a few additional risk areas identified at the PR level. (Refer to the key risks section on page 40 below). There is also increasing focus on both the threat and opportunity to be derived from artificial intelligence and further consideration of emerging risk areas such as wildfire risks.

Our control design and testing programmes ensures we are managing risks in the most effective and efficient way possible, in line with the risk appetite set by the National Grid Group, and building on best practice learnings from other parts of National Grid as appropriate. For controls helping to manage our PRs, this involves the second line team annually testing those controls assessed as 'effective' by the control owner through sample based testing and walkthroughs to check both the design and operation of the control. We have rolled out usage of the Group risk management system, enabling greater transparency and consistency across our risk and controls landscape. We also set up a dedicated Risk and Audit Committee, which met for the first time in April 2025. This Committee will allow additional, independent review of NGED's risk and controls landscape.

Internal controls and risk management (continued)

Internal controls over financial reporting

Periodic Sarbanes-Oxley ("SOX") reports regarding management's opinion on the effectiveness of internal control over financial reporting are received by the Board in advance of the full year results. Reports conclude the Group's compliance with the requirements of Section 404 of the US Sarbanes-Oxley Act of 2002 and are received directly from the Group Finance Risk, Controls & Compliance team and through the Executive and Audit Committees. This is to satisfy the reporting requirements for our parent company, National Grid plc.

We have specific internal mechanisms that govern the financial reporting process. Our financial controls guidance sets out the fundamentals of internal control over financial reporting, which are applied across the Group. Our financial processes include a range of system, transactional and management oversight controls. In addition, our businesses prepare detailed monthly management reports that include analysis of their results, along with comparisons to relevant budgets, forecasts and prior year results. These are presented to, and reviewed by, senior management within our Finance function. These reviews are supplemented by monthly business reviews attended by the National Grid Group CEO and CFO, during which financial and non-financial metrics are considered via analysis of performance contract scorecards. Deep dives on particular topics are driven by identified risks and opportunities.

Internal controls and risk management (continued)

Principal risks

NGED's principal risks are presented below:

Strategic risks	
Risk	**Actions taken by management**
Organisational capability & capacity: There is a risk that the NGED business does not have a sufficiently diverse and engaged workforce, or leadership with the appropriate skills and capabilities, to meet our long-term strategic priorities. *Strategic Objective: Build tomorrow's workforce today.*	To effectively manage this risk, we are: • Utilising strategic workforce planning to gain insights into the capabilities required for the future, enabling us to proactively develop these skills within our workforce, and creating talent pipelines to build capability in the future (e.g. apprentices and talent management); • Utilising our SuperPowered branding to create diverse / broad talent pools, combined with internal development programmes for existing employees; • Providing comprehensive training across leadership and technical skills areas; • Creating an inclusive environment that encourages all colleagues to actively contribute to the growth and success of our business.
Political & societal expectations and perceptions: There is a risk of unfavourable public/regulatory policy or negative societal perception regarding our core business purpose and performance, including climate change and energy transition . *Strategy Objective: Enable the energy transition for all.*	To effectively manage this risk, we have a comprehensive suite of well-established controls, which include: • An annual programme of stakeholder engagement initiatives designed to gain insights into stakeholder needs and ensure that our priorities are aligned effectively with their expectations. This is supported by engagement strategies which are regularly reviewed and scrutinized by external parties; • Continuous and thorough horizon scanning for political, policy, or social changes, with findings reported monthly to our Policy, Regulation, and Reputation Committee to facilitate informed decision-making; • Corporate Affairs awareness and tone of voice training roadshows. • Regular review of climate change and energy transition sub-risks and management of these with the Distribution System Operator.
Delivering the RIIO-ED2 Price Control: There is a risk that we fail to deliver the RIIO-ED2 price control commitments to the strategic business plan cost *Strategy Objective: Deliver for our customers*	To effectively manage this risk, we concentrate on the following areas: • Strategic business plan covering what we have to deliver, when and to what price during the RIIO-ED2 price control; • Governance structures to provide oversight of the progress versus RIIO-ED2 price control deliverables; • Maintaining a strategic investment plan that aligns with the needs of key stakeholders throughout the entire energy system.

Internal controls and risk management (continued)

Principal risks (continued)

Strategic risks (continued)	
Risk	**Actions taken by management**
Business transformation: There is a risk that we fail to identify and/or implement appropriate transformational initiatives to future proof the business. *Strategy Objective: Enable the energy transition for all.*	To effectively manage this risk, we have: • A comprehensive multi-year business transformation plan that is aligned with NGED's strategic priorities, developed collaboratively with input from, and approved by, the NGED Executive; • Consistent reporting against the transformation plan to monitor progress and ensure accountability; • Clear and transparent communication to support the successful implementation of the plan across all levels of the organisation; • Added transformation and capacity to effectively help execute the transformation plan, ensuring that resources are aligned with strategic objectives; • Engaged in horizon scanning to assess external factors and ensure that the transformation plan remains relevant and responsive to changing circumstances.
Satisfactory regulatory outcomes : There is a risk that we fail to influence future energy policies and secure sufficient funding from regulatory agreements to deliver customer outputs. *Strategy Objective: Enable the energy transition for all*	To effectively manage this risk, we have: • A dedicated and experienced Regulation team in place who lead on engagement with Ofgem; • Regular horizon scanning for potential changes to the regulatory landscape and impacts; • Governance mechanisms to support effective preparation for future price control negotiations; • Dedicated resources to support with all regulatory submissions and reopener claims. • A dedicated team who monitor stakeholder feedback into Ofgem and government, and ensuring this is factored into our business planning – e.g., for RIIO-ED3 we reviewed 80+ stakeholder responses to Ofgem's sector specific methodology consultation and fed this into our RIIO-ED3 planning.
Major occupational health & safety event: There is a risk of unsafe employee/contractor behaviour whilst undertaking NGED activities. *Strategy Objective: Operate safely and efficiently.*	To effectively manage this risk, our preventative and detective safety controls concentrate on the following key areas: • A risk management framework that encompasses safety policies, procedures, standards, risk assessments, and action plans to ensure a systematic approach to safety; • Continued delivery of the Annual Safety Plan, which includes robust executive-level oversight aimed at fostering a strong organisational safety culture, clarifying safety accountabilities, enhancing control measures, and improving incident management processes; • Providing safety training to meet all safety requirements within relevant roles. • Engaging with our suppliers to ensure that we collaborate effectively on safety.

Internal controls and risk management (continued)

Principal risks (continued)

Operational risks	
Risk	**Actions taken by management**
Asset failure: There is a risk of failure to one or more of our critical assets which could lead to a significant safety, environmental or operational impacts. *Strategy Objective: Operate safely and efficiently.*	To effectively manage this risk, we have implemented extensive controls and mitigating measures across our assets, systems, and broader infrastructure, which include: • Robust asset/network design processes; • Purchasing and construction quality control mechanisms; • Detailed asset health risk assessment processes; • A policy-led, planned asset inspection and maintenance programme; • Training and authorisation processes for operating assets; • Asset failure investigation procedures. • A dedicated asset risk governance framework to enable prioritised escalation and action where needed.
Significant disruption of energy : There is a risk that we fail to predict, and respond effectively to, a significant disruption of energy resulting from asset failure, severe weather event or other emergency events leading to significant customer harm, lasting reputational damage and material financial losses. *Strategy Objective: Deliver for our customers.*	To effectively manage this risk, we have implemented extensive controls and mitigating measures across our assets, systems, and broader infrastructure, which include: • Robust governance processes to review how, when and to what level we add connections to our network; • A policy led, planned asset inspection and maintenance programme; • Physical and cyber security controls; • Advanced warning mechanisms for adverse weather; • Business resilience activities.
Supply chain management: There is a risk of NGED being unable to secure key equipment/services within required timeframes. *Strategy Objective: Build the networks of the future now.*	To effectively manage this risk, our key mitigation strategies include: • Using a combination of market intelligence, supplier engagement and risk monitoring tools, the business continues to track inflationary pressures, supply chain disruption indicators and broader geopolitical developments that may impact the Electricity Distribution supply chain; • Within construction procurement, we are securing supply chain capacity significantly earlier than in the past by proactively sharing forward work programmes and collaborating closely with our contractors. This is supported by appropriate contractual frameworks that give suppliers the confidence to invest in the resources required for delivery, strengthening resilience and reducing exposure to market volatility; • We are also transforming our procurement approach, moving away from tendering individual projects towards the strategic allocation of portfolios of work. This enables greater programme efficiencies, aligns work with contractor strengths, and fosters long-term, collaborative partnerships with shared incentives.

Internal controls and risk management (continued)

Principal risks (continued)

Operational risks (continued)	
Risk	**Actions taken by management**
Customer reform: There is a risk that NGED fails to mitigate any potential negative impacts from Connections Reform (where possible); or NGED fails to effectively implement Connections Reform, impacting our ability to connect affected customers as quickly and efficiently as we would like. *Strategy Objective: Deliver for our customers.*	To effectively manage this risk, we are: • Working closely with industry bodies to ensure practical solutions are reached regarding changes which will affect DNO's and our customers; • Keeping customers informed about potential changes which may affect them through regular webinars and newsletters; • Engaging as appropriate with NESO and Transmission to remove constraints to customers affected by reform; • Strengthening internal resource to support with connection offer processing.
Data quality & management : There is a risk of failure to adequately identify, collect, and optimize data to support NGED operations and future growth. *Strategy Objective: Deliver for our customers.*	To effectively manage this risk, we are: • Establishing clear data ownership and stewardship through a strengthened enterprise data governance framework; • Introducing more robust data quality controls, supported by validation rules, standardised definitions and automated assurance; • Enhancing integration between core systems to improve data availability for operational decision making and regulatory reporting; • Surfacing governed data products and dashboards within the enterprise data catalogue to provide a single, trusted point of access for operational and reporting use.
Major security incident: There is a risk that we are unable to adequately anticipate and manage disruptive forces on our critical systems, facilities and personnel due to high impact cyber or physical security attacks *Strategy Objective: Deliver for our customers.*	To effectively manage this risk, we are: • A comprehensive risk methodology, aligned to the Group cyber risk methodology. This takes account of threat intelligence, business impact assessments, business architecture, controls and system vulnerabilities. It also considers work which has identified and risk assessed operational and non-operational sites where a high impact event could result in significant outage of operational technology. • Leveraged layered security and continuous monitoring - NGED operate a 'defence in depth' strategy with layered cyber and physical security measures, continuous 24x7 monitoring, and integration with global incident response plans to detect, contain, and recover from incidents; • A targeted investment strategy in preventative and detective cyber and physical security measures to address regulatory compliance requirements; • Monitoring of emerging risks and the defence in depth provided by our cyber and physical security measures and strategic partnerships.

Internal controls and risk management (continued)

Principal risks (continued)

Compliance risk	
Risk	**Actions taken by management**
Legal & regulatory compliance governance : There is a risk that NGED's compliance programme, if identified mitigations are not implemented fully, may be ineffective. Strategy Objective: Operate safely and efficiently.	To effectively manage this risk, we have: • A dedicated compliance team embedding compliance culture across the business; • A training plan which is regularly tracked; 95% completion of mandatory training (Feb 2026).; • An active regulatory pipeline reviewed by senior management to secure necessary resources and budget; • Embedded Conflict of Interest and Gift & Hospitality submission processes across the business; • An effective governance framework for escalation and raising concerns.

Financial risks

While all risks have a direct or indirect financial impact, financial risks are those which relate to financial objectives and performance. Financial risk management is a critical process used to make investment decisions and aims to maximise investment returns and earnings for a given level of risk. None of our financial risks are currently classified as principal risks. Our key financial risks are described in note 30 to the financial statements on page 139.

Our commitment to being a responsible business

The energy sector is experiencing a period of significant and exciting transformation. Delivering this change responsibly in our region is crucial, as we strive to meet the evolving expectations of our customers. This commitment is encapsulated in our purpose: Bring Energy to Life. We prioritize our customers and communities, ensuring responsible engagement and interaction with our stakeholders.

Established in 2021 and updated annually, our Social Contract outlines our commitment to conducting business in a manner that benefits our region and its people, both now and in the future. It focuses on three key areas: our customers and communities, our people, and our environment. This contract is our pledge to listen actively to our communities and colleagues, act with integrity, and provide positive, locally-tailored solutions to the challenges they face.

Our Social Contract can be accessed on our website at the link:
https://www.nationalgrid.co.uk/about-us/our-social-contract

While the Social Contract provides a framework for making a local impact, our alignment with the United Nations Sustainable Development Goals highlights the essential role our communities play in the global society.

Customers and community

We are deeply committed to supporting the diverse communities we serve. Our dedication is reflected in our efforts to deliver broader benefits through grassroots organisation support, employee volunteering, and Science, Technology, Engineering, and Maths ("STEM") outreach.

Some of the key outcomes in 2025/26 were as follows:

- Beyond the Community Matters Fund, highlighted on page 33, we provided over £3,700 in donations and around £141,000 in sponsorships, aiding local charities and community groups. Additionally, our colleagues' personal fundraising efforts resulted in £32,000 in company-matched funding for charities this year.
- Our safety education programme reached more than 91,000 young people through school visits, 'Crucial Crew' events, permanent safety centers, and interactive stands at regional county shows and STEM festivals during the summer.
- In April 2024, we launched our volunteering initiative enabling all employees to dedicate up to three working days each year to support good cause across our region. Since its introduction, colleagues across the NGED Group have contributed over 19,000 volunteering hours including more than 9,000 hours delivered in the last year alone.
- Our STEM ambassador programme continues to thrive, with 30 colleagues delivering outreach and education to students across our region. Promoting careers in STEM and 'green jobs' to young people is crucial for meeting the challenges of decarbonisation. Our colleagues, who are at the forefront of this transition, play a vital role by sharing their passion for STEM careers with the next generation, thereby building relationships with schools and communities and fulfilling our purpose to Bring Energy to Life.
    - We have delivered direct STEM engagement through an interactive stand in the Discovery Zone at the Cheltenham Science Festival, a major annual event attracting over 10,000 visitors. The Stand features hands-on activities including electricity-generating bicycles, virtual reality headsets and a ‘spin the wheel’ game designed to help young students understand our industry and the science of electricity. During the year we had 6,840 children directly engage with our material at this event.
    - We sponsored Ysgol Cynwyd Sant (Primary School) to participate in the national F1 in Schools competition, in which Key Stage 2 pupils design, build and race miniature Formula 1 cars at regional and national levels. Teams are assessed not only on race performance but also on their technical understanding, engineering capability and presentation skills. The Ysgol Cynwyd Sant team achieved outstanding success, winning the Welsh regional competition and going on to be crowned UK National Champions for 2026.

Our commitment to being a responsible business (continued)

Customers and community (continued)

- Working with 2B Enterprising NGED has partnered with five primary schools to deliver 'The Bumbles of Honeywood' enterprise education programme to 450 students. This programme includes resources for students and teachers and covers themes of diversity, sustainability, and wellbeing, focusing on skills such as communication, teamwork, and leadership.

These initiatives underscore our unwavering commitment to making a positive impact on the communities we serve.

Customer vulnerability and fuel poverty

Our Priority Services Register ("PSR") offers essential support during power outages for individuals who may struggle due to age, health conditions, or reliance on medical equipment. Currently, we support 2.6 million customers on our PSR, providing tailored assistance when they contact us or experience supply interruptions. Our dedicated team proactively contacts customers and updates their details at least every two years to ensure the register remains current.

In the current year, our PSR team attended a dialysis unit with Kidney Care UK, the UK's leading kidney patient support charity and Severn Trent Water. This allowed us to engage with kidney patients to understand how power cuts might affect them, add them to the PSR and share power cut resilience advice. In addition, our local teams have been visiting warm spaces in their communities as part of our partnership with the Warm Welcome Campaign.

We have established links with numerous organisations who act as 'referral partners'. The 242 referral partners (up from 223 last year) include charities, local authorities and health organisations help us to find hard-to-reach customers and sign customers up to the PSR and provide power cut resilience advice.

We continue to use trusted partners to deliver fuel poverty and LCT services. Our programme, is delivered through the "Power Up" and Affordable Warmth" projects. By partnering with trusted external organisations, we address fuel poverty strategically and cost-effectively. Our goal is to ensure that customers living in cold homes or struggling to afford their energy bills receive tailored support to make long-term improvements. These projects offer free, independent, and confidential income and energy efficiency advice on various interventions, including benefits and grant applications, energy-saving schemes, and low-carbon technologies.

During 2025/26, we supported over 25,000 customers, helping them save over £25m with our fuel poverty support. Our partners, now upskilled to offer smart energy advice and access to grant funding for LCT measures, also supported over 10,000 customers to save over £4m.

Keeping customers informed about energy-saving methods and effective consumption management remains vital. NGED continues to work with its Customer Panel and interested stakeholders. We offer long-term contracts to partners, providing guaranteed, consistent funding to support customers struggling to heat their homes.

For more details on our work in customer vulnerability and fuel poverty, please refer to the "Affordability and economic growth" section on page 33.

Our commitment to being a responsible business (continued)

Our people

We are dedicated to being a great employer because our people are central to delivering safe, reliable and affordable energy for communities we serve, while enabling the transition to cleaner energy future. Creating a workplace where colleagues feel safe, included, supported and able to grow helps us attract, develop and retain the skills and capabilities we need now and in the future. By prioritising safety, health and wellbeing, enhancing inclusion, and empowering our people to thrive in their careers, we strengthen engagement, performance and resilience across NGED.

Health and Safety

The health and safety of our employees is paramount. Our commitment is demonstrated through comprehensive training programmes, policies, processes, and procedures that align with national and international standards. Our safety management system is ISO 45001 certified and independently audited by National Quality Assurance annually.

We implement an annual safety improvement plan that addresses key topics identified from incident and near-miss statistics, employee feedback, safety culture surveys, and National Grid Group standards. We collaborate with contractor organisations to share best practices and ensure uniform safety standards. Monitoring level of injuries within the business is one of our key KPIs. Monitoring level of injuries within the business is one of our key KPIs. Please see page 29 for details on this.

We foster a proactive safety culture through regular communication and bi-annual safety culture surveys, allowing colleagues to share their views on the Group's safety culture. Managers and colleague representatives meet regularly to discuss, agree, and implement safety initiatives. These efforts embed a 'safety first' approach within all teams. Our "Safe to Say" initiative empowers staff to voice concerns, raise issues, and offer ideas without fear. Following the safety culture survey, a three-year action plan has been created to identify improvements and further mature our safety culture.

Diversity, equity and inclusion ("DE&I")

We are committed to building a workforce that reflects the communities and customers we serve, supported by an inclusive culture where colleagues feel respected, valued and able to contribute fully. During the year, we strengthened our focus on culture and employee experience, deepening our understanding of our people and the actions required to create a more inclusive working environment

We refreshed the NGED DE&I Action Plan during the year, focusing on three priority areas: supporting NGED integration, promoting respect in the workplace, and improving the resources available to colleagues and leaders.

We also remain focused on improving social mobility by creating accessible routes into rewarding careers. Our 'earn and learn' opportunities, including apprenticeships and on-the-job traineeships, provide paid pathways into skills development, higher education and technical training.

We monitor and report on our gender pay gap. Please refer to page 30 for further details.

Examples of how we're actioning DEI within NGED include:

- **Continuation of BIG Respect:** We delivered more than 17 in-person sessions across the business. This includes listening sessions engaging with over 40 colleagues across all license areas and tailored support for more than 200 of our early careers colleagues. These activities include bespoke training and facilitated conversations to reinforce our commitment to a more inclusive, respectful and engaged organisation.
- **Trade Union engagement:** We delivered a three-hour training session for trade union colleagues to explore attitudes, challenges and opportunities relating to DE&I within NGED. We also held a dedicated listening session with broader trade union representatives to better understand the experiences and perspectives of colleagues across the business.

Our commitment to being a responsible business (continued)

Our people (continued)

Diversity, equity and inclusion ("DE&I") (continued)

- **Power Network Craft Assistant ("PNCA") Scheme:** This scheme is designed to support individuals who have left school with limited formal qualifications but have the capability and potential to build successful careers at NGED. It offers a paid 12-15 month training programme, leading to a craft assistant role. During the year, we appointed 10 employees through this scheme.
- **Enhanced DEI Resources:** We've completed a refresh of our DE&I content on our internal intranet, creating mare than 20 new resources for colleagues to across a range of inclusion topics. This includes inclusion moments, short activities, long activities and leadership dialogue toolkits to support meaningful conversations and practical action.
- **IET Power Academy Programme:** This scholarship programme provides paid work experience, personal development and support for aspiring engineers from academic engineering backgrounds. during the year we employed 15 students through the programme, with 9 expected to return in 2026 to further their experience and development.
- **Grid for Good:** This National Grid Group-wide programme supports skills development and employability opportunities for socio-economically disadvantaged and under-represented young people. NGED colleagues volunteer to share their career journeys and experiences through masterclass and career coaching sessions.

We want every colleague to feel a strong sense of belonging, to know that their voice is heard, and to feel confident speaking up. By continuing to focus on inclusion,development and engagement, we are creating an environment where people chose to stay, grow and perform.

Supporting colleagues to thrive at work

We empower our teams to perform their best by prioritising their physical, mental, and emotional wellbeing. During the financial year, we continued to strengthen our integrated Occupational Health and Wellbeing approach, ensuring colleagues have seamless access to high-quality support and resources whenever needed. Key highlights of our support initiatives include:

- **Enhanced Mental Health Support**: We further strengthened our mental health pathways to provide colleagues with access to both internal and external support. Our re-established network of trained Mental Health First Aiders ("MHFAs") continues to offer peer-based signposting and early support across the business, complemented by our strengthened Employee Assistance Programme ("EAP"). Through our partnership with Thrive Mental Wellbeing, colleagues can access clinically informed app-based programmes, extensive self-help resources, structured one-to-one sessions with qualified therapists, and 24/7 in-app counsellor support, enabling early intervention and sustained care where required.
- **Early Intervention Musculoskeletal ("MSK") Support**: We have introduced and embedded a physiotherapy self-referral pathway, enabling colleagues to access assessment and treatment for musculoskeletal concerns without delay. This proactive approach supports early intervention for risks associated with manual handling, overhead line work, jointing and other safety-critical operational activities, helping to reduce the likelihood of long-term absence and maintain safe, reliable service delivery.
- **In-House Occupational Health Expertise**: Our in-house occupational health enables close alignment with operational requirements and legislative duties, helping us manage health risks proactively and support colleagues to remain safe, well and productive at work.

Our commitment to being a responsible business (continued)

Our environment

We continue to take actions to reduce our business carbon footprint across our key emissions sources of operational road transport, building energy use and SF6 fugitive emissions. In 2025/26, we made progress against our long-term carbon reduction goal of Net Zero 2043, reporting a 13% reduction on our 2019/20 baseline. We have continued the transition to an electric vehicle fleet and 12% of light duty vehicles and 100% of company cars are now zero emission vehicles. These are supported by a network of over 500 charge points across our operational and non- operational sites. In 2025/26 we have also completed the first phase of an LED lighting retrofit programme at 18 non-operational properties, with a second phase of the programme due for completion for completion in 2026 and inclusion of sensors and controls to improve energy efficiency.

Business carbon foot print, SF6 emissions, and fluid cable losses are reported and monitored as key KPIs. Refer to pages 22 - 23 for details on our progress on our key KPIs.

In support of our commitment to enhance biodiversity on our land we have completed 39 baseline assessments of operational land holdings with associated habitat management plans. We have continued to work on a sample of sites with our maintenance contractor and an ecological consultant, to trial different grassland management techniques and quantify any changes in biodiversity at the site. These surveys and the habitat management plans have informed our approach to future grounds maintenance regimes and will form the basis of further pilot projects under our RIIO-ED2 commitment.

We have continued our partnership with the Heart of England Forest, with the aim to establish a meaningful environmental project that demonstrates a proactive commitment to conservation and habitat restoration. The Heart of England Forest is a charity whose mission is to reverse woodland decline by creating a 30,000 acre forest through conversation and restoration of habitats primarily within the counties of Worcestershire and Warwickshire.

As part of this ongoing collaboration agreement, our direct support has enabled woodland creation and maintenance activity at the forest’s newest 'hub' The Lenches, covering 700 acres. The projects supported in 2025/26 include woodland management to improve species diversity, new equipment, biodiversity surveys and training of volunteers.

Since 2012, we have maintained certification to the international environment management standard ISO 14001. Continued certification ensures our commitment to continual improvement and innovation while maintaining legal compliance. In 2025/26 we delivered a number of enhancements including refreshing and relaunching the Environment Management System content on the company intranet site to improve visibility to all users. We have also recruited 2 Environmental Advisors to provide dedicated regional support across all licence areas and deliver site-based training in support of our recertification audit which will be complete in early 2026/27.

We continue to engage actively as a member of the Energy Networks Association on emerging areas like embodied carbon and circular economy to understand how best to embed these within our business operations.

As members of the National Grid Supply Chain Sustainability Working Group, we have collaborated on the development of a renewed strategy to reduce scope 3 emissions from our supply chain. This includes evolving our approach to reporting, identifying the most material levers to reduce emissions and working with high emission suppliers to set carbon reduction targets.

For further details on our energy transition activities refer to page 32 of our Strategic report.

Taxation

As part of the National Grid Group, NGED adopts a responsible approach to taxation aiming to comply with applicable tax legislation. Details of the approach are included in the National Grid tax strategy that is published annually and covers all businesses within the group. The tax strategy can be found on the National Grid website or using the link below:

https://www.nationalgrid.com/about-us/corporate-information/corporate-governance

For details of the NGED Group's effective tax rate see note 7 on page 102.

Our commitment to being a responsible business (continued)

Human rights

At NGED we are committed to complying with applicable human rights laws and respecting internationally recognised human rights standards. This includes the International Bill of Rights, the International Labour Organisation's Declaration on the Fundamental Principles and Rights at work, the OECD Guidelines for Multinational Enterprises, the UN Universal Declaration of Human Rights, the UN Guiding principles on Business and Human Rights, and the UN Sustainable Development Goals.

We adopt the 'Employer Pays' approach, where no one should have to pay to obtain a job at National Grid or within the supply chain. All colleagues are treated fairly and in a way that safeguards their human rights, so they are able to work freely and receive fair pay in return.

Our Global Supplier Code of Conduct sets out our expectations and fundamental principles that we expect our suppliers will perform with the highest ethical standards and to comply with all relevant laws, regulations and licenses when working for National Grid.

Our supply chains are required to, and we expect them to, adopt the same principles communicated via the Supplier Code of Conduct.

For our modern slavery statement, refer to the National Grid website using the link:

https://www.nationalgrid.com/modern-slavery-statement

Anti-corruption and anti-bribery

At National Grid, we are committed to upholding the highest standards of ethical conduct and corporate integrity. We foster a culture of transparency and accountability, guided by our core values: Do the right thing, Find a better way, and Make it happen.

We operate a zero-tolerance culture to bribery, corruption, and all forms of financial crime, including fraud, money laundering, market abuse, and the funding of terrorist activity. We take our responsibilities seriously and strive to act fairly and transparently in all our dealings, cooperating with governmental and law enforcement authorities when required. Our approach goes beyond meeting legal and regulatory obligations. We proactively identify and manage risks through internal procedures, systems, and controls, ensuring that effective standards of fraud prevention and awareness are maintained by employees and third parties acting on our behalf.

Task Force on Climate-related Financial Disclosures ("TCFD")

Refer to the Annual Report and Accounts of National Grid plc, pages 53-68 for TCFD disclosures, including climate related risks of National Grid Group.

https://www.nationalgrid.com/investors/resources/reports-plc

Non-financial and sustainability information statement

Refer to the Annual Report and Accounts of National Grid plc, page 85 for the National Grid Group's Non-financial and sustainability information statement.

https://www.nationalgrid.com/investors/resources/reports-plc

Section 172 Statement

Refer to pages 61-63 for our Section 172 statement.

Approved and authorised for issue by the Board and signed on its behalf by:

DocuSigned by:
Cordi O'Hara
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Cordelia O'Hara, Director

Director

23 July 2026

National Grid Electricity Distribution plc

Avonbank, Feeder Road, Bristol BS2 0TB

Corporate governance statement

For the year ended 31 March 2026

The Company aims to achieve high standards of leadership and governance. At National Grid plc level, the Company's ultimate shareholder, its Board reported against the 2024 UK Corporate Governance Code (the '2024 Code') for the first time in 2025/26. The Company's Board has complied with the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles) for the year ended 31 March 2026. The Wates Principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to continue to improve the standards of corporate governance. They also support directors to meet the requirements of section 172 Companies Act 2006.

The Corporate Governance Statement sets out the principal areas of the Company's governance together with an explanation of areas where it considers it has operated consistently with the Wates Principles. For ease of reference, the governance is explained under the Wates Principles headings.

1. Purpose and leadership

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

As noted in the strategic report, we work within the mission, values and strategy set by the National Grid Group to ensure we are well positioned to respond to changes in the operating environment. National Grid Group introduced a refreshed strategic framework effective from April 2026. At its core is our mission: we bring energy to power possibilities. Throughout this report, we present our performance against the strategy that was in effect until 31 March 2026. The Board is responsible for oversight of the Company's strategy and has considered its development during the reporting period. For more details on our mission, values, and strategic priorities, refer to page 8.

The Board focuses our strategic priorities and ensures alignment with our values. These key messages are reinforced through regular engagement between senior leadership and the wider workforce. The President, along with the senior leadership team, conducts regular all-colleague calls to update on achievements and highlight ongoing focus areas. Additionally, the President visits smaller workforce groups and operational sites to ensure alignment with the Company's mission. Other Executive Directors engage with the workforce through both informal and formal methods, including intranet news updates and direct emails. Leadership conferences, presented by the President and other Executive Directors, support open dialogue between executives and management. This year, sufficiently independent directors (SIDs) from individual DNO Boards also attended the senior leadership conference, strengthening feedback and cascading key messages throughout the organisation.

An example of the Board promoting a culture aligned with our values is the safety conversations held during the year. Over 1,000 people attended our Safety, Health, and Environment (SHE) conferences, led by the Director of Field Operations in conjunction with the safety team. Topics included our safety refresh programme, near miss reporting, safety pillar regional updates, fleet decarbonisation, creosote and biodiversity net gain and AI use in Safety Policies. Directors emphasised learning from near misses to prevent future incidents, treating employees fairly, and addressing compliance issues proactively through coaching, mentoring, or retraining. As a result our near miss reporting has increased 417% compared to last year.

The Directors actively champion and support the annual peer-to-peer recognition campaign 'Living our Values,' celebrating colleagues who embody our values of doing the right thing, finding a better way, and making it happen. This campaign demonstrates the Directors' unwavering commitment to our values, confirming that living our values represents National Grid at its best.

Our strategic priorities guide the development of our business plans and performance contract, reportable to our Parent Company, National Grid plc. Our business plans define long-term initiatives and change roadmaps, while the performance contract sets annual outcomes for business transformation and routine goals. This contract aligns team and individual objectives with our strategic priorities, ensuring a clear line of sight between individual work and organisational goals. Regular performance reports are provided to the Board.

Our leadership is driving the transformation in the energy sector, moving towards a smart, low-carbon network to enable communities to reach net zero by connecting renewable generation, electric vehicles, and heat pumps. As part of the National Grid Group, the largest electricity transmission and distribution business in the UK, we are well-positioned to play a significant role in the energy future. At NGED, we care about all our stakeholders, fulfilling our mission by listening and taking decisive action based on their feedback. The proactive involvement of the Board and the Company with our stakeholders is detailed in the 'stakeholder relationships and engagement' section on pages 57-60.

2. Board composition

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

Balance and diversity

Reinforcing its commitment to strong corporate governance, the Board has continued to enhance its composition and governance framework, adopting, where appropriate, best practice principles applied at National Grid plc level. At year end, the Board comprised five Executive Directors, one Group-appointed Non-Executive Director ("NED") and two Senior Independent Directors ("SIDs"). The NED, drawn from the senior management team of National Grid plc, brings a broad range of experience and technical expertise from both within and outside the organisation, including the energy sector and other external bodies. The Board’s size and composition are considered appropriate to support effective oversight of the Group’s operations.

As at the year end, the designation of the Executive Director roles are the President, Chief Financial Officer, Director of Regulation, Chief Operating Officer and General Counsel. All the Executive Directors are experienced in their respective roles and responsibilities.

Oversight responsibilities lie with the Group-appointed NED who possesses the necessary skills and experience of the utility sector and wider business sectors to provide oversight of the Company and constructive challenge in relation to the implementation of strategy in accordance with the framework of governance and risk appetite. The Group-appointed NED fulfils their responsibility by regularly attending the board meetings of the Company.

To fulfil their duties, the Group-appointed NED has access to the Company Secretary and to legal advisors funded by the NGED Group. As with all Board members, the Group-appointed NED has the authority to request Board meetings.

Currently, the ratio of female directors on the board is 67% (2025: 50%).

All directors have equal voting rights when making Board decisions, with the Chair of the meeting having a casting vote.

Chair

The President chairs the Board meetings. The Board have considered separating the roles of Chair and President as per the Wates Principles’ guidance, however, it determined that through the President's participation at a National Grid Group level as well as their role as President of NGED and as Chair of the Company's Board, the President is well placed to identify and facilitate understanding of the views of its ultimate shareholder. The Board believes this is a valuable part of the overall corporate governance framework which is appropriate for a subsidiary company that is part of a larger group and provides greater benefits than separating the roles of the Chair and President.

2. Board composition (continued)

Appointments

The President of NGED is appointed by the Group ultimate shareholder, National Grid plc. The appointment of directors follows the National Grid plc policy on the “Appointment of Directors of Subsidiary Companies Procedure” (the “Appointments Procedure”).

Other Executive Directors and Group-appointed NED nominations and appointments are recommended and approved with the support of the President in line with the Appointments Procedure. The process followed for the nomination of these directors involves the consideration of the relevant skills, expertise, experience, professional background and various other personal attributes. The Nomination Committee of the ultimate parent, National Grid plc, is responsible for succession planning within the NGED Group.

Newly appointed directors undertake an induction programme which is tailored to their specific needs.

The Board actively maintains up-to-date and relevant knowledge through a range of activities, including attending training programmes and industry conferences, holding memberships of relevant institutes, completing technical training updates and engaging with industry participants such as regulators and investors. Executive Directors adopt a hands-on leadership approach, regularly meeting with senior leadership and management teams to stay informed on the latest business developments and to access current information directly.

During the year, the Board implemented the improvements identified in the 2024/25 effectiveness review and undertook a comprehensive skills assessment. This work has strengthened the Board’s governance, composition and overall effectiveness. Following these enhancements, the Board has developed a refreshed action plan for the year ahead to ensure it continues to build on this progress.

This review highlighted several opportunities for further enhancement. Consequently, the Board has developed a detailed action plan cover the next 12 months, aiming to further enhance its effectiveness.

3. Directors' responsibilities

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

Accountability and discharge of responsibilities

The Board maintains a schedule of matters specifically reserved for its consideration and decision, aligned with the National Grid plc Board and additional responsibilities required by licence obligations. Well-defined policies, approved by the Board, establish the overall duties and liabilities of the directors, areas of responsibility, and the process for delegation of authority. These policies define the framework within which managers and the workforce operate, ensuring decisions on stakeholder interests are enacted. A robust process is in place for the regular review and update of policies to ensure they remain relevant and fit for purpose.

Four board meetings are scheduled each year, communicated well in advance to provide sufficient notice for all directors. These meetings fulfill the Board’s responsibilities in line with statutory duties, licence obligations, and matters reserved for the Board. Additional meetings can be called by the directors at any time, organised through the Company Secretary. The Board receives and is updated on all key business information by the Executive Directors during these meetings.

The President holds overall operational responsibility for the Group, working in conjunction with and overseeing the directors and senior leadership. Regular meetings with the Executive Directors and senior leadership team serve as forums for discussing business performance, strategic considerations, risk, and identifying matters for the Board. Key items are communicated to the Board in a timely manner.

Each senior leader is responsible for the performance of their directorate and is accountable to the President and the Board. They regularly meet with their teams to discuss matters impacting the Group. KPI monitoring is delegated to senior leaders who report directly to the Board and President. To operate efficiently and maintain oversight, the Board empowers the senior leadership team to make operational decisions, apply their knowledge, and utilise their industry experience in daily management.

The directors are committed to fulfilling their responsibilities effectively by regularly refreshing and updating their skills and knowledge. The Group's established Code of Ethics is adhered to by all employees, including directors. The directors lead with integrity, disclosing any potential conflicts of interest at each Board meeting, when appropriate. The Company Secretary administers an annual process for directors to disclose interests in related parties or transactions.

3. Directors' responsibilities (continued)

Accountability and discharge of responsibilities (continued)

Board Committees

To support the Board, several committees have been established, each with defined duties under Terms of Reference and within the National Grid plc Delegation of Authority (DoA). These committees assist in discharging the Board's responsibilities.

Finance Committee

The Board delegates authority over matters related to Treasury, Tax, Pensions and Insurance to a Finance Committee made up of the National Grid plc Chief Financial Officer and Group Treasurer and Director of Tax, Pensions and Insurance, who provide dedicated expertise and input into these matters. These matters are governed in line with the Board's approved risk appetite, including in relation to financing decisions, credit exposure, hedging, foreign exchange transactions, guarantees and indemnities. Updates on relevant matters are provided to the Board by the Group Treasurer and Director of Tax, Pensions and Insurance, or her representative at each meeting.

Risk & Audit Committee

The Risk & Audit Committee is responsible for internal controls, risk management, compliance, and corporate governance principles across the NGED Group. The Committee comprises two members and a chair, who is not the chair of the Board. Independence is ensured by having two SIDs of the DNOs as members and one of the SIDs as chair. The Committee members possess the skills and experience necessary for high-quality governance oversight. Senior leadership may attend meetings by invitation. The Committee meets at least three times a year and ensures efficiency by focusing on risk, controls and governance matters. Whilst the Committee did not hold a separate private meeting with the external auditors during the year, the Committee Chair maintained regular engagement with Deloitte outside of scheduled Committee meetings, providing additional opportunities for open discussion on audit, financial reporting and other relevant matters.

The Board and its Committees are supported by the Company Secretary who is available to all Board and Committee members to provide guidance as required on all governance matters.

Management Committees

In addition to Board Committees, Management Committees comprising Executive Directors and senior leadership team members support the Board.

- Ethics, Risk and Compliance Committee ("ERCC"): The ERCC includes the NGED President, four Executive Directors, and other senior leadership team members. The NGED General Counsel responsible for risk and compliance chairs the Committee. It oversees NGED's risk, ethics, and compliance processes, and implements effective frameworks, including an internal control framework.
- Safety, Health and Environment ("SHE") Committee: The SHE Committee includes four Executive Directors, the President, and other senior leadership team members. The NGED President and Director of SHE chair the Committee. It ensures NGED functions with a focus on safety, health, and the environment.
- Policy, Regulation and Reputation Committee: This Executive Committee, attended by all Executive Directors and the wider executive leadership team, is co-chaired by the Director of Corporate Affairs and Director of Regulation. It reviews and monitors regulatory and public policy changes impacting NGED, ensures compliance with policies and regulations, and develops plans to address any gaps. The Committee also manages the Company's reputational risks through ongoing risk assessments and mitigations.

NGED does not have a Nominations Committee or Remuneration Committee as these functions are provided by National Grid plc – see the Annual Report and Accounts of National Grid plc for information about the National Grid Group Nominations Committee (page 98) and the People & Remuneration Committee (pages 107 – 108). https://www.nationalgrid.com/investors/resources/reports-plc

3. Directors' responsibilities (continued)

Integrity of information

The Company does not have a separate internal audit function. Instead, this function is provided by National Grid's Internal Audit team, which offers independent, objective assurance to the Board on the effectiveness of control and governance frameworks in meeting National Grid's strategic objectives. Assurance work is conducted in accordance with the IIA international standards for the Professional Practice of Internal Auditing and Code of Ethics.

The audit plan is informed by principal risks, risk registers, corporate priorities, external research on emerging risks and trends and discussions with senior management to ensure alignment with the Risk & Audit Committee and the Company's view of risk. The Board considers and approves the audit plan annually, with progress monitored throughout the year. Regular updates on controls are provided by the Internal Audit team. Management actions on audit findings are a focus at executive meetings, enhancing visibility, ownership, and engagement by senior management.

At Board meetings, information on key aspects of the business, including safety, environmental matters, risks (such as cyber security threats), opportunities, financial performance, strategic and regulatory matters, operational issues, market conditions, political changes and technological developments, is reviewed.

Key financial information is sourced from financial systems, with the finance team ensuring its integrity through appropriate qualifications and ongoing training. NGED operates a SOX compliance programme aligned with the Parent Company's needs. Management conducts an annual assessment of internal controls over financial reporting, documenting key financial processes and periodically reviewing and testing key controls with the Internal Audit team.

Regulatory information is prepared annually for submission to Ofgem, supported by extensive internal data assurance and governance procedures. Data is compiled from validated source systems and reviewed and approved by NGED's senior management.

Key Performance Information is available to management through dashboards that interface directly with source systems. These dashboards, implemented after extensive testing for data accuracy, provide insights into business performance, risk management and governance processes. Relevant business information is reported to the Board as necessary.

The independence of the external auditor is crucial for providing an objective opinion on the Financial Statements. After evaluating Deloitte's independence, objectivity, audit quality and performance, the Board is satisfied with their effectiveness. Deloitte's independence assessment is presented in the audit report on page 71. A resolution to their reappointment and giving authority to the Directors to determine their remuneration has been approved by the shareholders at the 2026 Annual General Meeting.

4. Opportunity and risk

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

Opportunity

We strive to create and preserve long-term value by consistently providing outstanding customer service at an efficient cost, combining technical excellence and innovation within a clear organisational structure. Operating within a regulated environment, the Board identifies and evaluates opportunities to create long-term value for the Group and its stakeholders.

The UK electricity industry is undergoing significant transformation, with a national commitment to net zero by 2050 and a target to decarbonise the electricity grid by 2035. At NGED, the Board aligns with Ofgem's view that distribution networks are key to this transformation. Changes must be made to how networks are planned and operated locally. Our government and regulatory stakeholders expect us to deliver infrastructure that offers long-term value to consumers, enables economic growth and aligns with emissions reduction plans. The Board is committed to adapting to the changing needs of our customers and stakeholders, which is why NGED established a functionally separate DSO in the first year of RIIO-ED2. We have created separate DSO teams within the NGED structure and Board-level accountability for DSO responsibilities.

4. Opportunity and risk (continued)

Opportunity (continued)

As technology advances and consumer preferences change, electricity demand is expected to increase significantly. Decarbonisation of transport, heating, and localised electricity generation will result in increased connections of low carbon technologies ("LCTs") at lower voltages. NGED is responsible for ensuring sufficient capacity to facilitate these connections. As part of our RIIO-ED2 Business Plan, the Board committed to the following outputs:

- Drive the achievement of net zero across our regions sooner than 2050 by ensuring network capacity is available;
- Ensure customers can connect LCTs quickly and easily;
- Deliver a network that meets the evolving needs of our customers by aligning future energy forecasts with local regions and the National Energy System Operator ("NESO"), updating NGED's Future Distribution Energy Scenarios ("DFES") annually.

In response to these commitments, we develop DFES annually to identify how customers will interact with our network in the future. We gather region-specific information to identify the types of technology and customer behaviours that may need to be accommodated. We support local authorities with the development and publication of Local Area Energy Plans ("LAEPs") and include data from published LAEPs within our DFES. By reflecting local authorities' ambitions within our DFES, we ensure our strategic network planning provides sufficient capacity for the transition to net zero. Supporting LAEPs allows us to utilise local knowledge and plans within our license areas to provide high-certainty forecasts. Using the DFES, we develop Network Development Plans ("NDPs") to forecast and identify future network constraints. We use optioneering to develop our Distribution Network Options Assessment ("DNOA"), outlining how we plan to invest in our network to solve constraints, either through flexibility services or conventional reinforcement where flexibility is not an option.

Clean Power 2030 ("CP2030") requires 51-66GW of Flexibility capacity, and 204GW by 2050 under NESO's Holistic Transition scenario. Against this backdrop we delivered exceptional market growth in 2025/26: 198GWh of flexibility procured (10x more than last year) and 309,514 registered assets in our markets (almost 2x as many as last year). We have facilitated this growth using targeted improvements and deploying new solutions, including: implementing new flexibility use cases; standardising and simplifying our market arrangements; and enhancing our contracts, products and digital platforms. Alongside this, we have strengthened engagement with market participants and stakeholders to ensure our developments are responsive to user needs. These actions enable us to deliver a wider range of local and national system outcomes, operating in a wider range of network conditions and voltages.

All these initiatives indicate that directors are keen to exploit all opportunities to achieve a sustainable energy future by delivering a dynamic, innovative, and high-functioning energy grid ready to serve many generations to come.

Risk

The NGED Board has delegated oversight of risk management and internal control to the NGED Risk & Audit Committee in order to support detailed and focused scrutiny of the Company's risk profile. The Committee is responsible for reviewing the Company's Principal Risks on behalf of the Board, including the effectiveness of mitigating controls and for ensuring that any emerging or urgent risks are escalated to the Board as appropriate. The Board receives a report from the Chair of the Risk & Audit Committee following each Committee meeting, enabling it to maintain effective oversight of the risk profile.

Consideration of principal and emerging risks, and related decisions are undertaken via the bi-monthly NGED ERCC. The NGED ERCC exercises suitable judgement as to any control decisions and risk developments that merit Risk & Audit Committee and Board attention. Additional risk committees are in place to manage lower-level risks, which may in some instances feed into NGED's PRs.

4. Opportunity and risk (continued)

Risk (continued)

The responsibility for the risk management framework and internal controls cascades from the President and the Executive Directors to management teams responsible for risk assessment and the implementation of appropriate mitigations and controls within their areas of responsibility. Policies and guidance documents are established, reviewed regularly and made available on the intranet to assist with effectively identifying risks and establishing an appropriate control environment, with support from and review by the NGED Risk & Controls team, in collaboration with the National Grid Group Chief Risk Office.

Risk management is embedded into the organisational structure, with specialist teams established to manage certain key risk areas. Specifically, we have long-established teams reporting to senior managers responsible for health and safety, regulatory compliance, employee relations, cyber security, financial reporting and legal compliance, as well as the enterprise risk management team which works closely with the Group team.

Pages 40 to 44 of the Strategic Report outline the principal risks and the related mitigating actions for the Company as well as the actions taken during the year to continue to strengthen our risk posture.

5. Remuneration

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

The remuneration of Executive Directors, including the role of President and of the Group-appointed NED is controlled by the ultimate Parent Company, National Grid plc. Elements of directors' remuneration and further information on this is available from National Grid within the People & Remuneration Report of National Grid plc’s Annual Report and Accounts on pages 107 – 126.

https://www.nationalgrid.com/investors/resources/reports-plc

The pay of the majority of NGED’s wider workforce is negotiated and agreed upon with the recognised trade unions, with the aim to ensure that the terms and conditions are aligned to current industry practices and benchmarked against appropriate energy and comparator groups.

6. Stakeholder relations and engagement

Directors should foster effective stakeholder relationships aligned to the Company’s mission. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Board believes that the overall success of the business is dependent upon the way we work with our stakeholders and is fully committed to fostering effective stakeholder relationships that are aligned to the Group’s mission and vision.

Our key stakeholders are customers, the workforce, regulators, suppliers and our shareholder. The Board actively promotes engagement and transparency with all these stakeholder groups and the Executive Directors ensure that a fair and balanced view of the Group's position is communicated to the relevant stakeholders.

Details of engagement with each of our key stakeholder are as follows:

Customers

The Board remains committed to delivering a high-quality, reliable service for all customers, with a continued focus on supporting those in vulnerable circumstances. Strong customer engagement and independent challenge underpin our approach, ensuring customer needs shape our strategy and decision-making.

This year, following a robust 8 day audit, we were awarded the new BSI Kite mark for inclusive service energy provision - demonstrating our services are accessible and inclusive to all.

We have also been re-accredited with the Customer Service Excellence ("CSE") Standard, which we have held for over 30 years. We remain compliant with all elements, with 50 out of 57 elements achieving the 'compliance plus' level, demonstrating UK-wide best practice. These accreditations not only validate our efforts but also drive continuous improvements by providing critical external evaluation and recommendations for further enhancement.

Some of the key customer engagement during the year is highlighted below:

6. Stakeholder relations and engagement (continued)

Customers (continued)

Customer panel

Our established Customer Panel ("the panel") is a group of knowledgeable and interested individuals who meet three times annually as well as undertake bespoke topic-specific sub-group surgeries on an ad-hoc basis. Expert members represent a wide range of customers and key stakeholder groups. The panel, attended by the NGED President and other directors, seeks honest and challenging customer views about our operations and future plans. This engagement is crucial in helping NGED achieve its purpose of delivering good value and quality service for its customers. Annually an independent spotlight report summarising actions and achievements is written by the Panel and published on NGED's website.

As part of RIIO-ED2's enhanced engagement, we established a Customer Engagement Group ("CEG") to scrutinise our business plan submitted to Ofgem. We have retained a subset of the CEG as the RIIO-ED2 Monitoring Group, which monitors the RIIO-ED2 performance. We are currently in process of establishing a new Independent Stakeholder Group ("ISG"), which will be the challenge and assurance group developed to scrutinise the RIIO-ED3 business plan.

Stakeholder workshops and events

Annually, we host a variety of workshops, events, webinars, and surgeries to understand the needs of our stakeholders and align them with the Group's strategic priorities. These events are attended by directors and senior management, with key information fed back to the senior leadership team and the Board to ensure informed decision-making.

Our workshops and events include collaborative DNO engagement and topic-specific sessions on connections, flexibility, LCTs, community energy, and social obligations. To address the challenge of engaging with end customers who may have little prior knowledge of NGED, we continue with deliberative focus group discussions. These discussions engage customers over several years, enriching their understanding and ability to offer informed scrutiny of our plans.

A wide-ranging programme of 19 engagement events was successfully delivered, with a strong emphasis on Connections Reform alongside broader themes such as community engagement, IDNO and ICP collaboration, and emerging transport and innovation topics. These events were used as a primary channel to support understanding and implementation of the reform, providing clarity on upcoming changes, addressing stakeholder questions, and fostering open dialogue. The programme reached a broad and diverse audience, with over 2,400 attendees participating across a mix of large-scale webinars, in-person sessions, and specialist forums.

The engagement programme also delivered strong outcomes in terms of customer experience and relationship building. Overall customer feedback was highly positive, with an 83.7% satisfaction score and a Net Promoter Score of +50.6, demonstrating the value stakeholders placed on clear, accessible engagement during a period of significant change. Alongside this, significant progress was made in strengthening the role and influence of Community Energy. National impact was enhanced by representing sector views directly to government, working collaboratively with DESNZ and Great British Energy to help inform policy development and delivery. The voice of Community Energy was elevated at a parliamentary level through contributions of evidence and insights to a Select Committee, ensuring local perspectives were reflected in national discussions.

All these events and workshops welcome stakeholders from diverse backgrounds, including domestic, business, local authorities, developers, environmental groups, energy/utility sectors, regulatory/government bodies, and voluntary sectors.

By maintaining these robust customer engagement initiatives, we ensure that our strategies and processes are continuously evaluated and improved, driving our standards higher and enhancing our customer service.

6. Stakeholder relations and engagement (continued)

Independent Stakeholder Group

In line with Ofgem's stakeholder engagement framework, National Grid Electricity Distribution is supported by an Independent Stakeholder Group ("ISG"), which provides independent challenge and insight on the Company's plans, performance and stakeholder engagement activities. During the year, the ISG played an important role in informing the development of the Company's RIIO-ED3 business plan, providing challenge and feedback on key proposals through a series of structured engagement activities. The Board values the contribution of the ISG in ensuring stakeholder perspectives are appropriately considered and reflected in the Company's strategic decision-making and long-term planning.

The workforce

The directors recognise the importance of investing in our people to build the skills and capabilities to meet both current and future business needs. As such, we have implemented a strategic workforce plan that outlines our workforce requirements over the next 10 years. This proactive approach allows us to address skills gaps and build a capable, resilient workforce.

We are committed to creating an inclusive culture where employees feel empowered and safe to speak up. Each year, our colleagues share their views through the Grid:voice employee engagement survey. This survey provides valuable insights into our workforce's understanding of our vision and strategic priorities, and helps us identify areas for improvement. This year, we received a 76% response rate, a 4% increase on prior year.

To develop leadership capability, we embed our manager essentials and set clear expectations, supported by various development interventions such as Leadership Labs, practical toolkits, and access to LinkedIn Learning. Leadership assessments help identify the skills, strengths, and development opportunities of our senior leaders.

Over the last year, we have strengthened colleague engagement and reinforced our culture by focusing our communications on things that matter to most of our people. Through our "Three Big Things" campaign we have created clearer, more consistent messaging that connects colleagues to our priorities, performance goals and shard behaviours. This has been supported by a more tailored approach to communications, including dedicated all-colleague calls for Field Operations, and bespoke communications and channels for key change programmes, ensuring the right messages reach, the right audiences in a meaningful way. We have also increased recognition across our channels and events, celebrating the contribution of colleagues and reinforcing the behaviours that drive success. Alongside this, we have continued to build leadership capability and accountability, helping leaders communicate with greater confidence, consistency and impact. By evolving our channel architecture to improve reach and accessibility, we are creating more opportunities for two-way engagment, deeper conversations and stronger alignment across the business.

Regulators

The Executive Directors are actively involved in ensuring open and transparent communication with industry regulators, most notably Ofgem and the Health and Safety Executive ("HSE").

Representatives from NGED attend the ENA's National Health & Safety Committee ("HESAC"), (of which the HSE is a member) along with several ENA Working Groups to provide support and insight into various ENA led improvement programmes.

Annually the members of the senior leadership and management team attend the National SHE conference run by the ENA.

Suppliers for our goods and services

Defined policies are in place for procurement of goods and services and associated supply chain management and engagement. We have a dedicated procurement team that assists with engagement with suppliers. The NGED Director of Commercial and Asset Management has oversight responsibility for logistics, including the supply chain function. The Director of Commercial and Asset Management is supported by the Head of Category Procurement and the ultimate parent, National Grid's UK Procurement Director. Key issues related to supply chain matters are reported and discussed at the senior leadership meetings.

Supply chain engagement strategy is defined and agreed by the Directors. In 2025/26, NGED engaged in the ultimate parent supplier engagement programme, partnering with critical suppliers at group level to continue delivery against its regulatory commitments while driving efficiencies and value.

6. Stakeholder relations and engagement (continued)

Suppliers for our goods and services (continued)

This is supplemented by strategic engagement at the NGED level, delivering benefits such as cost reduction opportunities, improvements to delivery models, and more effective management of capacity risks.

We carry out payment performance reporting for suppliers. We are fair to our suppliers and committed to paying them promptly. On average we pay our suppliers in 20 days (2024/25: 19 days). Further details on payment performance for suppliers by NGED Companies can be found at the UK Government website at the link below:

https://www.gov.uk/check-when-businesses-pay-invoices

Shareholder

The Board maintains regular and active engagement with its sole shareholder, National Grid plc, on all key matters. As noted above, the Group-appointed Non-Executive Director is a member of National Grid plc's senior management team, providing a direct link between the two organisations. In addition, National Grid plc Executive Directors and senior management engage regularly with NGED's Executive Directors and senior leadership through established governance forums, with key information communicated to the National Grid plc Board on a timely basis. NGED provides National Grid plc with a comprehensive suite of financial, regulatory and performance reporting in line with established timetables, supplemented by regular update meetings to discuss key accounting, business and legal matters. As part of the Group's planning cycle, NGED's financial plan is presented annually to the National Grid plc Board for detailed review and approval. The NGED President and other Board members also participate in relevant National Grid plc senior leadership events, supporting ongoing alignment and effective oversight across the Group.

The Board ensures that the directors have acted both individually and collectively in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole with regard to all its stakeholders and to the matters set out in paragraphs (a) to (f) of section 172.

The Board recognises its responsibilities to each of the Company's stakeholder groups and to wider society. Directors actively seek to understand stakeholder interests and views, considering them in decision-making processes.

The Board is committed to setting and monitoring the Company culture and values, emphasising the importance of maintaining high standards of business conduct. Our colleagues embody our values — do the right thing, find a better way, and make it happen — in their daily decisions. While directors consider all stakeholders when making key decisions, they acknowledge that not every decision will meet the preferred outcome for each stakeholder. The Board aims to balance competing priorities and interests in a manner that supports the long-term, sustainable success of the business, maintaining standards of conduct aligned with our values and purpose.

Details on this are set out below:

The likely consequence of any decision in the long term

Driven by our mission, we aim to deliver the energy transition today. In 2025/26, we were led by our five strategic priorities: enabling the energy transition for all, operating safely and efficiently, building the networks of the future, delivering for our customers, and building tomorrow's workforce today. These priorities reflect the Board's commitment to being at the heart of a transforming energy system.

The Board is dedicated to promoting the success of the Company by ensuring we safely and reliably connect millions of people to the energy they use while investing in future growth, resilience, and the transition to a cleaner tomorrow. Our strategic priorities form the basis of all key decisions and are monitored through established KPIs, as detailed in the Strategic report on pages 22-31. We have a performance contract with our ultimate shareholder, National Grid plc, aligned with our strategic priorities. It outlines annual outcomes for transformation initiatives and business-as-usual goals. This contract helps set team and individual objectives, ensuring clear alignment with our strategic priorities.

The Board recognises its responsibilities to the Group's stakeholders and wider society. Directors strive to understand stakeholders' interests and views, considering them in decision-making. The Board balances different priorities and interests to ensure long-term, sustainable success while maintaining business conduct aligned with our values and purpose.

Most stakeholder engagement is carried out by management teams at the business level, with directors engaging directly where possible. Reporting mechanisms collate feedback and developments from these engagements, enabling information flow to the Board for informed decision-making. Regular updates on business programmes and objectives ensure management acts in accordance with our mission and values. Processes are in place to provide the Board with relevant business information to monitor performance and support the Group's long term success.

The Board has oversight responsibility for risk management across the Company. To ensure business resilience, the Board verifies that an appropriate risk management approach is in place and that reasonable mitigations are implemented for key risks. For details on the Group's risk management approach refer to page 38 of the Strategic Report and page 56 of the Corporate Governance statement.

The interests of our colleagues

Our workforce is essential to our success. The Directors are dedicated to being a responsible employer, focused on attracting and retaining talent whilst prioritising the safety, health, and wellbeing of our employees. We foster an environment where everyone can thrive through continuous investment in learning and development, supporting our people to grow within the organisation, supporting career progression and strengthening our business capabilities. We attract talent through our early careers programmes and direct hiring, ensuring a steady pipeline of skilled professionals to drive our future success and the transition to net zero.

During the year, the Board undertook a site visit in November to enhance its understanding of operations at a local level. In addition, the full Board, including the SIDs, attended the People Leaders Conference, providing a valuable opportunity to engage directly with employees and hear first-hand their perspectives. These interactions supported the Board in developing a deeper understanding of the business and informing its consideration of workforce views in decision-making.

At NGED we collaborate with trade union colleagues to create a working environment that promotes development and motivation. A key priority is fostering an inclusive and supportive culture where every employee feels valued, respected, and empowered to contribute their best. We are committed to diversity, equity, and inclusion, ensuring all employees have access to growth and development opportunities. Our aim is to provide a fair and competitive reward framework, underpinned by our strategic priority of "Build tomorrow's workforce today". The Directors encourage employees to share in our success through schemes such as the annual Sharesave Plan and Share Incentive Plan Schemes.

Pages 21, 47 and 48 in the Strategic Report provide further details on how the directors continually take measures to promote the interest of the Group's employees and wider workforce.

The need to foster the Company's business relationships with suppliers, customers and others

The Board believes that the overall success of the Company is dependent upon the way we work with our stakeholders and is fully committed to fostering effective stakeholder relationships that are aligned to the Group's and strategic priorities. Details of this can be found on pages 57-60 of our Corporate Governance statement.

The impact of the Company's operations on the community and the environment

The service we provide is essential to our communities, impacting businesses and homes daily. The directors believe that collaborating closely with our communities is vital for creating shared value for the business, the people we serve, and the areas in which we operate. We have benchmarked best practices in Environmental, Social, and Governance ("ESG"), and NGED's prime ESG rating demonstrates our best-in-class performance. This rating, awarded by Institutional Shareholder Services ("ISS"), is given only to companies with ESG performance above the ambitious sector threshold set by ISS. It places us significantly above most ISS-rated Gas and Electricity Network Operators and reflects the Board's commitment to sustainability and incorporating broader environmental and social considerations into our decision-making. This commitment ensures we continue to keep the power flowing and meet future energy challenges.

Pages 45-49 in the Strategic Report set out our commitment to being a responsible business and the actions we have taken during the year in relation to our community and environment.

Page 33 of the Strategic Report sets out actions taken by us in relation to affordability.

We recognise the role that the electricity sector plays in contributing to the UK's ambitions towards carbon reduction. Pages 17 and 32 set out how we are enabling the energy transition for all and responding to net zero developments within our business environment.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Board is committed to the National Grid values of "do the right thing", "find a better way", and "make it happen". These values guide our actions and behaviours, helping us address the world's greatest energy challenges with passion and purpose. At NGED, we emphasise Safety, Customer, and Respect. Our engagement with stakeholders reflects these priorities, and they are embedded in all communications and decisions across the Group. Our Code of Ethics, updated every three years, outlines expected behaviours and aligns with our mandatory training courses for all employees.

The desirability of the Company maintaining a reputation for high standards of business conduct (continued)

Our Code of Ethics protects us by setting clear rules and behavioural expectations. To ensure employees feel safe to speak up, we have a 'Speak up' policy that supports our Code of Ethics. This policy allows employees to raise concerns anonymously through National Grid's internal ethics helpline. The Board upholds a zero-tolerance approach to retaliation and is committed to creating a safe environment for all colleagues. The Grid:voice survey helps the Board understand employee perspectives on workforce matters, strategic priorities, and customer engagement, enabling continuous improvement.

By providing a framework for reporting business conduct matters, educating employees, and promoting a culture of integrity, the Board aims to align management and workforce success with shareholder expectations, creating long-term value while satisfying customer needs. The Board also strives for the Group to be a valued community member and responsible environmental steward. For further details on the actions across the Group in relation to this, please refer to pages 17, 32 and 49 within the Strategic Report.

The Board is dedicated to fostering an inclusive and supportive culture where every employee feels valued, respected, and empowered. We are committed to diversity, equity, and inclusion, ensuring all employees have access to growth and development opportunities. Pages 47-48 in the Strategic Report provides further details.

We aim to resolve complaints promptly, with 86% resolved within one day and 97.7% within 25 days (2024/25: 81% resolved within one day and 94.4% within 25 days), with no repeat complaints. Our commitment to high business standards is also demonstrated by our focus on safety. We provide safety and training videos, bulletins, and regular communications on health and safety topics. Annual safety conferences, interactive sessions, and presentations ensure a safe working environment. We have a robust system for reporting near misses and incidents, with statistics and outcomes published on our intranet for staff awareness. Safety is a crucial KPI for the Board, which focuses on developing a fair culture of accountability rather than blame.

The need to act fairly between members of the Company

The Company's ultimate shareholder is National Grid plc. The Board has developed a robust corporate governance framework which allows the directors to understand the views of the shareholder. This allows the directors to both effectively and constructively engage with and report to the shareholder. Page 60 outlines our governance policies on shareholder engagement.

The directors present their annual report on the affairs of the NGED group, together with financial statements and auditor's report, for the year ended 31 March 2026.

Results and dividends

The NGED Group reports a profit for the financial year £584.6m (2025: £935.4m). Profit before tax is £766.7m (2025: £1,250.4m).

The NGED Group also reports an other comprehensive loss of £21.4m, which was recognised in the balance sheet within capital and reserves (2025: £64.3m profit). This primarily relates to net losses in respect of pension asset remeasurements.

Dividends of nil (2025: nil) have been paid during the year. Dividends of nil (2025: nil) have been proposed during the year.

In considering capital distributions, the Board is mindful of stakeholders' views and takes account of our latest financial position, the long-term sustainability for the NGED Group in addition to the allowed rate of return and any incentive rewards received. In its capacity of providing oversight for the operational performance of the business, the Board also takes account of the prevailing performance against customer performance targets, other RIIO-ED2 output commitments and future requirements such as DSO, to assess investment requirements.

As part of the regulatory process, Ofgem sets the allowed rate of return within each price control period; Ofgem set NGED's cost of equity at 5.96% (7.6% when normalised for a long-run inflation rate of 2%) for RIIO-ED2. As is evident from the levels of our annual capital expenditure (see page 14 of the Strategic report), we reinvest the excess of our profits back into the network to ensure an efficient, reliable and environmentally sustainable network. The Board ensures that it understands and takes account of the views of our shareholder in order to preserve positive investor relations. The Board acts in the shareholder's best interests by proposing an amount of dividend in accordance with the financial parameters of our regulatory allowance whilst maintaining strong financial health metrics.

Financial assistance from the Government

NGED has not received any financial assistance from the Government during the year. The Group's monthly Apprenticeship Levy payments are topped up by the government by 10% and held in the Group's digital account. Funds from the digital account can be reclaimed to pay for eligible apprenticeship training programme costs as per the funding rules. For the year ended 31 March 2026, the levy payments made into the digital account by the Group were in excess of the funding the Group reclaimed.

Financial risk management objectives and policies

NGED does not undertake transactions in financial derivative instruments for speculative purposes. For further details of risks in relation to treasury operations, refer to note 30 on pages 139-149.

Liquidity and going concern

The following credit facilities were in place at 31 March 2026, in respect of which all conditions present had been met at that date.

	Expiration date	Capacity	Borrowed	Letters of credit issue	Unused capacity
		£m	£m	£m	£m
NGED South West - Syndicated Credit Facility	April 2029	220.0	—	—	220.0
NGED East Midlands - Syndicated Credit Facility	April 2029	250.0	—	—	250.0
NGED West Midlands - Syndicated Credit Facility	April 2029	250.0	—	—	250.0
NGED South Wales - Syndicated Credit Facility	April 2029	125.0	—	—	125.0
Uncommitted Credit Facility		20.0	—	—	20.0
Uncommitted Credit Facility		6.0	—	4.1	1.9
Total Credit Facilities		871.0	—	4.1	866.9

Financial risk management objectives and policies (continued)

Liquidity and going concern (continued)

In addition to the above facilities, the NGED Group also has uncommitted two-way loan agreements with its ultimate parent, National Grid plc, of which £1,265.9m is drawn as at 31 March 2026. The loan from the ultimate parent company is repayable on demand. £68.5m is also lent under that same facility to the parent and is recoverable on demand.

NGED Group debt balances, cash and short term deposits as at 31 March 2026 and 31 March 2025 are as follows:

	Debt (including NG two way loan)					
	Long-term (due after 12 months)		Short-term (due within 12 months)		Cash and short term deposits	
	2026	2025	**2026**	2025	**2026**	2025
	£m	£m	**£m**	£m	**£m**	£m
NGED South West	**1,220.9**	1,465.9	**498.9**	36.1	**2.6**	1.0
NGED South Wales	**1,052.7**	1,057.7	**43.4**	16.9	**—**	—
NGED East Midlands	**1,796.8**	1,753.2	**406.2**	235.3	**—**	—
NGED West Midlands	**984.7**	847.9	**718.1**	730.2	**—**	—
NGED plc	**150.6**	502.5	**358.5**	252.6	**—**	—
Other subsidiaries	**3.5**	3.6	**1.1**	1.0	**1.0**	1.0
	5,209.2	5,630.8	**2,026.2**	1,272.1	**3.6**	2.0

Short term deposits are considered corporate assets and can be accessed by any entity within the Group.

The Group has net current liabilities of £2,329.3m (2025: £1,581.5m). The Group's net current liabilities will be settled with a combination of cash flows from operating activities, use of existing facilities and issuances of long-term debt. The Group can access either short or long term borrowings in order to finance repayment of the loan due within the next 12 months. The Group has credit ratings above the investment grade and there is sufficient evidence, including historical analysis of the Group’s ability to raise debt, to indicate that the Group will be successfully able to raise debt to finance repayments as needed. A letter of support has also been obtained from National Grid Holdings One plc, a parent undertaking, confirming that it will provide financial support to NGED plc, NGED South West, NGED South Wales and NGED West Midlands for not less than 12 months from the date of approval of the financial statements. These Group entities lack sufficient committed facilities over the assessed going concern period, and in the absence of a debt issuance will be reliant on NGED Group two-way loan agreements.

Based on the strategic importance of the NGED Group to the overall National Grid group strategy and the Board's visibility over National Grid group's financial resources, the directors consider it appropriate to place reliance on the Letter of Support provided, and to determine that the Company and its subsidiaries have adequate resources to meet its liabilities as they fall due for the 12 months following the approval of these financial statements.

DNOs are essential in keeping critical infrastructure assets operating safely and securely and in making sure that homes and businesses across the country are receiving the energy needed. The work of the Group is crucial for the continuation of existing essential services, the establishment of new critical infrastructures and for keeping the public, including the most vulnerable in our society, safe. Due to the licensed regulatory obligations of the business, the necessity of continued operations even in times of economic uncertainties and having access to sufficient liquidity, the Board does not consider that there is material uncertainty over the entity’s ability to continue as a going concern.

The directors have considered the availability of facilities as set out above, the relatively stable and regulated nature of the business, the forecast long term business plan, the consistent credit ratings of the Group, the existing and future forecasted covenant compliance of the Group, which includes the gearing ratio, the anticipated ability of the Group to be able to raise additional long term debt in the future and the ability of the parent undertaking to provide financial support. The directors have also assessed the principal risks discussed in the Strategic report (pages 40 to 44) in arriving at the going concern assumption for the preparation of the financial statements.

Financial risk management objectives and policies (continued)

Liquidity and going concern (continued)

Thus, the Directors have concluded that the NGED Group has sufficient resources available to enable it to continue in existence for the foreseeable future and for a period of at least 12 months from the date of signing the accounts and have therefore continued to adopt the going concern basis in preparing the financial statements.

Corporate Governance statement

The Group's Corporate Governance statement is detailed on pages 51 to 60.

Employee engagement statement

Details of the directors' engagement during the year with employees and consideration of employees' interests can be found in the Corporate governance statement on page 58.

Business relationships statement

The Group's key business relations are with its customers, suppliers and regulators. Details of how the directors foster the Group's business relationships and have regard to their interests have been stated in our Strategic report, Corporate governance statement and Section 172 statement.

Customers

- Strategic Report - see pages 19, 24, 33 and 45;
- Corporate Governance statement - see pages 57 and 58.

Suppliers

- Corporate Governance statement - see page 59.

Regulators

- Corporate Governance statement - see page 59.

Policy for disabled employees

Employees are selected and promoted according to their abilities and merits and to the requirements of the job. Applications for employment by people with disabilities are fully considered and in the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues by way of making adjustments to their role and/or working environment or through retraining arranged as appropriate. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

For further details on our DE&I policies refer to pages 47-48 in the Strategic Report.

Strategic report

The following information required in the Directors' report has been included in the Strategic Report:

- an indication of future developments in the business - see pages 13, 36 and 37;
- an indication of activities of the Group in the field of research and development - see page 37;
- employee policies – see pages 47 and 48.

Streamline energy and carbon reporting ('SECR')

Total annual quantity of emissions using equivalent tonnes of carbon dioxide ("tCO_2e") - including own use

	tCO_2e		tCO_2e per employee	
	2026	**2025**	**2026**	**2025**
Scope 1 (direct emissions)				
Operational transport*	**20,276**	20,278	**2.9**	2.9
SF6 gas	**11,174**	11,157	**1.6**	1.6
Fuel combustion (diesel / gas oil)	**2,505**	2,419	**0.4**	0.3
Buildings*	**537**	904	**0.1**	0.1
	34,492	34,758	**5.0**	4.9
Scope 2 (energy indirect emissions)				
Buildings electricity	**3,311**	4,116	**0.5**	0.6
Substation electricity	**9,360**	10,938	**1.3**	1.5
NGED Telecoms	**478**	696	**0.1**	0.1
EV Charging	**191**	105	**—**	—
	13,340	15,855	**1.9**	2.2
Total scope 1 & 2	**47,832**	50,613	**6.9**	7.1
Scope 3 (other indirect emissions)				
Business transport	**489**	1,223	**0.1**	0.2
Total scope 1, 2 & 3	**48,321**	51,836	**7.0**	7.3

**Prior year comparatives for Scope 1 operational transport and buildings have been restated following updates to early estimates reported in 2025.*

Total annual quantity of emissions using equivalent tonnes of carbon dioxide ("tCO_2e") - including own use

Our chosen intensity measurement is tonnes of carbon dioxide equivalent per employee. Considering the activities of the Group and the scale and size of our workforce, this intensity measure is the most relevant. It also involves minimum judgement in calculation and therefore is the most reliable measure that can be used consistently by the Group.

Aggregate in kWH of annual quantity of energy consumed for business activities and own use

Electricity energy consumed for the year to 31 March 2026 is 22,270,592 kWH (2025: 23,240,979 kWH).

Gas energy consumed for the year to 31 March 2026 is 2,178,375 kWH (2025: 2,248,453 kWH).

Energy consumed for helicopters for the year to 31 March 2026 is 4,286,007 kWH (2025: 5,175,585 kWH).

Methodologies used in calculating energy and carbon reporting data

Our Business Carbon Footprint ("BCF") details the impact that our operational activities have on the environment in terms of tonnes of equivalent carbon dioxide ("tCO2e") emissions and takes account of our energy usage from offices, transport emissions (operational and business), fuel combustion and the release of greenhouse gases (SF6). The reported data for operational transport (road) and fuel combustion also takes account of a number of our larger contractor emissions as required under the Ofgem reporting requirements.

The data compiled and reported by the NGED Group follows a recognised methodology as described within international business carbon footprint standards, the Greenhouse Gas ("GHG") carbon reporting guidance as provided by BEIS / DEFRA, the 2020 UK Government GHG Conversion Factors for company reporting and ISO14064-3. This data is included within National Grid plc's responsible business reporting disclosures. National Grid plc engaged Deloitte LLP to undertake a limited assurance engagement of its consolidated carbon reporting disclosures, using the International Standard on Assurance Engagements (ISAE) 3000 (Revised): 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and ISAE 3410: 'Assurance Engagements on Greenhouse Gas Statements' over a range of data points within it's responsible business reporting. For further details on this refer to the full document at: https://www.nationalgrid.com/responsibility

Streamline energy and carbon reporting ('SECR') (continued)

Methodologies used in calculating energy and carbon reporting data (continued)

The emission-releasing activities are categorised into three groups known as 'Scopes'. Each activity is listed as either Scope 1, Scope 2 or Scope 3.

- Scope 1 (direct emissions) emissions are those from activities owned or controlled by the Group. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, generators and vehicles; and releases of fugitive emissions, for example SF6.

- Scope 2 (energy indirect) emissions are those released into the atmosphere that are associated with consumption of purchased electricity, heat, steam and cooling. These indirect emissions are a consequence of the Group's energy use, but occur at sources that the Group do not own or control. Network losses are identified by Ofgem as being Scope 2 emissions (pending clarification from Ofgem).

- Scope 3 (other indirect) emissions are a consequence of the Group's activities that occur at sources that are not controlled by the Group and are not classed as Scope 2 emissions. Examples of Scope 3 emissions include business travel by means not owned or controlled by the Group, water supply and materials / services that the Group purchases.

Measures for increasing the Group's efficiency during the year

During 2025/26, the Company has implemented the following energy efficiency measures:

- the ongoing transition to an electric operational vehicle fleet
- installation of electric vehicle charging points at many of our non-operational depot sites for both fleet and employee owned electric vehicles;
- improvements to the reporting of SF6 gas leaks from our installed equipment and fully utilising the infrared SF6 detection cameras enabling us to quickly pinpoint the source of leaks;
- completed the first phase of an LED lighting retrofit programme at 18 non-operational sites; and
- the on-going replacement with more modern and energy efficient heating and cooling systems throughout our property portfolio plus undertaking an energy efficiency review at many of our non-operational and operational sites including employee energy awareness campaigns.

Subsequent events

Subsequent to the year end, on 10 July 2026, NGED West Midlands issued a 9 year 5.163% fixed rate Norwegian bond of NOK 1.5bn (£114.3m).

Directors and their interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Cordelia O'Hara, Director

Jennifer Ann Dillon, Director

Graham Roy Halladay, Director (resigned 18 March 2026)

Paul Branston, Director

Tanya Joy Sharma, Director

Roisin Anne Quinn, Director (appointed 18 December 2025)

Darren Pettifer*, Group-appointed NED

Lindsey Fussell*, Independent NED of the four DNOs Board.

Janette Carolyn Mitchell Beinart*, Independent NED (appointed 1 April 2025) of the four DNOs Board.

*Also a member of the Risk & Audit Committee referred to on page 54.

During and at the end of the financial year, no Director had interest in any contract of significance in relation to the NGED Group's business other than service contracts.

Insurance in respect of directors and officers of the Group is third party qualifying insurance and is maintained by the NGED Group's ultimate parent, National Grid plc. The insurance is subject to the conditions set out in the Companies Acts and remains in force at the date of signing the Directors' report.

Statement of disclosure to independent auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, of which the auditor is unaware. Each Director has taken all the steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

Deloitte LLP have expressed their willingness to continue in office. A resolution to their reappointment and giving authority to the directors to determine their remuneration has been approved by the shareholders at the 2026 Annual General Meeting.

Approved and authorised for issue by the Board and signed on its behalf by:

DocuSigned by:
Cordi O'Hara
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Cordelia O'Hara
Director
23 July 2026

Statement of Directors' Responsibilities

For the year ended 31 March 2026

The directors are responsible for preparing the Annual Report and Financial Statements, including the NGED Group Financial Statements and the Company Financial Statements, the Strategic Report and the Directors' Report 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 financial statements unless they are satisfied that they give a true and fair view of the Group and the parent Company and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

- 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 specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Company'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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Information published on the Company's website is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company;
- the strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved and authorised for issue by the board of directors and is signed on its behalf by:

Cordelia O'Hara, Director
23 July 2026

DocuSigned by:
Cordi O'Hara
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL GRID ELECTRICITY DISTRIBUTION PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of National Grid Electricity Distribution 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 2026 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards 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:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of financial position and the parent company balance sheet;
- the consolidated cash flow statement;
- the related notes 1 to 33 to the consolidated financial statements; and
- the related notes 1 to 10 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards 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. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of goodwill • Capital expenditure accounting These key audit matters are consistent with the prior year.
Materiality	The materiality that we used for the group financial statements was £38.4m which was determined based on 5% of profit before tax. The materiality that we used for the parent company financial statements was £15.3 million which equates to less than 1% of net assets and was capped at 40% of group materiality.
Scoping	We focused our group audit procedures on the four regulated distribution network operator businesses and the holding company. These entities cover substantially all of the group's revenue, profit before tax and net assets.
Significant changes in our approach	We have adjusted our approach to determining materiality in the current year. Our benchmark for determining materiality has reverted to considering a single year of profit before tax. Consistent with our expectations the volatility which led to significantly higher profits and the use of a three-year average benchmark in the prior year did not re-occur.

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 financing facilities including nature of facilities, repayment terms and covenant compliance;
- obtaining the letter of support from National Grid Holdings One plc and assessing the intent and ability of that entity and the wider National Grid plc group to provide any support that is required;
- evaluating the linkage between the going concern forecasts and the group's corporate model (a forecast used in other internal valuations);
- assessing the assumptions used in the models by evaluating them against price control allowances and external expert forecasts;
- assessing the amount of headroom in the forecasts (cash and covenants);
- performing sensitivity analysis;
- assessing the appropriateness of the model used to prepare the forecasts, testing the clerical accuracy of those forecasts and assessing the historical accuracy of forecasts prepared by management;
- evaluating whether the disclosures in respect of going concern within the financial statements are appropriate.

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.

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. Key audit matters (continued)

5.1. Impairment of goodwill

Key audit matter description	The goodwill balance of £1,254.1 million (2025: £1,254.1 million), set out in note 10 to the group financial statements, was tested for impairment at 31 December 2025. This was performed in line with the requirement under IAS 36 – Impairment of Assets to perform an annual impairment review. A subsequent assessment of potential impairment indicators was performed at 31 March 2026. Management prepared a discounted cash flow model to estimate the value-in-use and compared this to the carrying value. The value-in-use was measured for each of the three cash-generating units (“CGUs") to which the goodwill relates: NGED West Midlands (£614.4 million), NGED East Midlands (£518.8 million) and NGED South Wales (£120.9 million), commonly referred to as Distribution Network Operators (“DNOs”). For each CGU, the assessment indicated there was headroom and accordingly no impairment was recognised. The subsequent impairment assessment resulted in headroom and thus no impairment was recognised. Further details on accounting policy for Goodwill are included within note 10 to the financial statements. The impairment model combines cashflow forecasts which extend to 2050 in line with UK government net zero legislation, and a terminal value based on the forecast regulated asset value in 2050. Although cash flows through to 2028 are set by the current RIIO-ED2 price control, there is limited regulatory guidance as to the allowances each DNO will receive from ED3 onward. There are numerous potential pathways for the energy transition to 2050 resulting in uncertainty in the amount of future total allowable expenditures "totex" required, when it will be incurred and related allowed margins. As such, assessing these forecasts was a key area of audit focus. No reasonably possible changes were identified that could result in the carrying amount exceeding the recoverable amount.
How the scope of our audit responded to the key audit matter	We tested and placed reliance on management's controls over cashflow forecasting. In addition, we performed the following substantive procedures: • evaluated the competence, capabilities and objectivity of third-party industry experts used by management to develop the totex forecasts; • engaged an internal industry expert to assess the assumptions made in relation to the totex forecasts. The scope of their work included: comparison to other DNO forecasts; benchmarking against industry publications; and reviewing historic trends in comparison to the expert’s forecasts; • compared management’s forecasts for current and future regulatory allowances against historical information observed in previous price control periods; • engaged internal valuation specialists to assess the reasonableness of the discount rate inputs and the methodology applied. Our specialists developed an independent range for a reasonable discount rate using relevant third-party market and peer data for the NGED business. We compared management’s calculated rate to our reasonable range; • assessed whether the impairment methodology including the duration of the cash flows applied by management was acceptable under IFRS and tested the integrity and mechanical accuracy of the impairment model with the assistance of our valuation specialists; • evaluated changes to key assumptions between the prior year impairment review and the current year’s review and challenged whether market conditions in the current year had been appropriately considered in the assumptions; • with assistance from out internal valuation specialists, evaluated recent industry transactions against the implied Regulatory Asset Value "RAV" multiple of the Group; • calculated the implied growth rate using the exit multiple and compared it to long-term inflation forecasts; • assessed the appropriateness of management’s disclosures in note 10 to the group financial statements for compliance with the disclosure requirements described in IAS 36. As management’s impairment review test date does not align with the balance sheet date we also assessed the appropriateness of management’s assessment of potential impairment indicators as described in IAS 36 at 31 March 2026.

5. Key audit matters (continued)

5.1. Impairment of goodwill

Key observations	We concluded that the key assumptions underpinning the value in use calculation used by the group in its assessment of the carrying value of goodwill for each of the three cash-generating units, East Midlands, West Midlands, and South Wales, when considered in aggregate, lie within the range of reasonable estimates. We are satisfied that no impairment is required in relation to goodwill and that the related disclosure is appropriate.

5.2. Capital expenditure accounting

Key audit matter description	The group has a substantial capital programme which is agreed with the regulator (‘Ofgem’) at the beginning of each price control period, and incurs significant expenditure in relation to the development and maintenance of its infrastructure network to meet this plan. The amount of capital expenditure incurred has increased throughout the current price control period, referred to as RIIO-ED2. Additions to property, plant and equipment of £1,591.7m (2025: £1,402.0m) were capitalised during the year as shown in note 9 ‘property, plant and equipment’ to the group financial statements. Of this, £439.9m (2025: £409.2m) is capitalised staff costs and £151.4m (2025: £130.4m) is capitalised corporate overheads. As the determination of whether expenditure is capitalised or expensed in the period directly affects the group’s reported financial performance, and due to the significant allocation of resource and audit effort in this area, we identified a key audit matter relating to the accounting for capital expenditure in accordance with the requirements of IAS 16 ‘Property, Plant and Equipment’. There is a high degree of judgement involved in determining whether a project is capital in nature and whether costs, including internal expenditure and overheads, meet the relevant criteria for capitalisation. Audit effort was also directed to other areas of accounting for capital expenditure, including capitalisation rates and useful economic lives, the value of assets in the course of construction at the balance sheet date, and the timely commencement of depreciation.
How the scope of our audit responded to the key audit matter	In response to this matter, we have performed the following procedures: • obtained an understanding of, and tested, the relevant controls over the classification of capital expenditure; • reviewed the group’s capitalisation policy to understand any changes in the current year, benchmark against industry comparators and assess compliance with the relevant accounting standards; • tested a sample of costs capitalised in the year to assess whether these meet the criteria for capitalisation by inspecting invoices or other supporting documents, making direct enquiries of project managers, and understanding the nature of the items selected to determine the appropriate accounting treatment, including the level of estimation associated with accruals at the balance sheet date; • performed analytical procedures to assess the appropriateness and accuracy of capitalised costs including salaries and corporate overheads; and • evaluated the timeliness of asset commissioning and commencement of depreciation at the completion of projects.
Key observations	Based on the work performed, we are satisfied that capitalised expenditure in the year has been appropriately accounted for in accordance with the requirements of IAS 16.

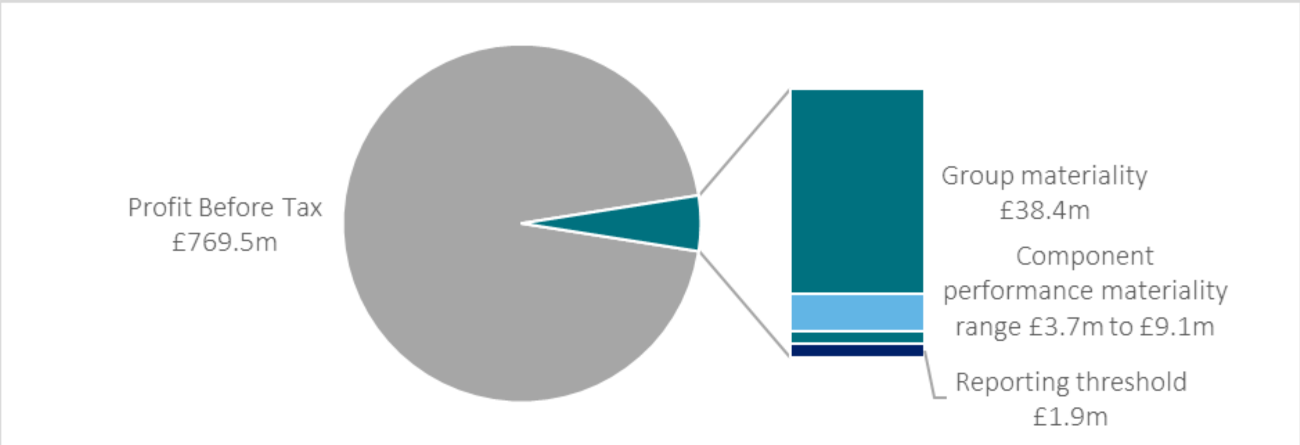
6. Our application of materiality

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	£38.4m (2025: £46.9m)	£15.3m (2025: £18.8m)
Basis for determining materiality	Group materiality is determined based on 5% of profit before tax for the current year. Materiality for the 2025 audit was based on 5% of the three-year average of profit before tax.	Parent company materiality is capped at 40% of group materiality. This equates to less than 1% of the company's net assets. This is consistent with the methodology applied in 2025.
Rationale for the benchmark applied	We have determined materiality based on profit before tax as this is the key metric used by management, investors, analysts, and lenders, with shareholder value being driven by the result. The change from the prior year's three-year average benchmark was made because that benchmark was only introduced to address an isolated increase in revenue and profit in the prior year driven by tariff increases which we were aware would reverse in FY26.	



6. Our application of materiality (continued)

6.2. Performance materiality

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

	Group financial statements	Parent company financial statements
Performance materiality	70% (2025: 70%) of group materiality	70% (2025: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our cumulative experience from prior year audits; • the level of corrected and uncorrected misstatements identified from prior year audits; • our risk assessment, including our understanding of the entity and its environment; and • our risk assessment of the group's overall control environment.	

6.3. Error reporting threshold

We agreed with the Risk and Audit Committee that we would report to them all audit differences in excess of £1.9m (2025: £2.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Risk and Audit 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 group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. We used data analytic tools to help inform our understanding of the business and identify key risks.

Based on that assessment we focused our group audit scope primarily on the audit work of five components, which were subject to audits of their entire financial information. We reviewed the residual balance at a group level. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.

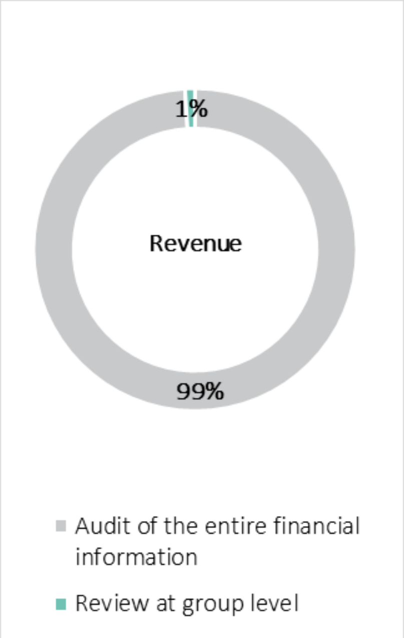
Those five components represent the principal business units within the group and the parent company and account for over 99% of revenue (2025: 99%), 98% of profit before tax (2025: 95%) and 98% of net assets (2025: 98%). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work of the five components was executed at a level applicable to the individual component and was lower than each entity's component performance materiality. This approach was consistent with the prior year.

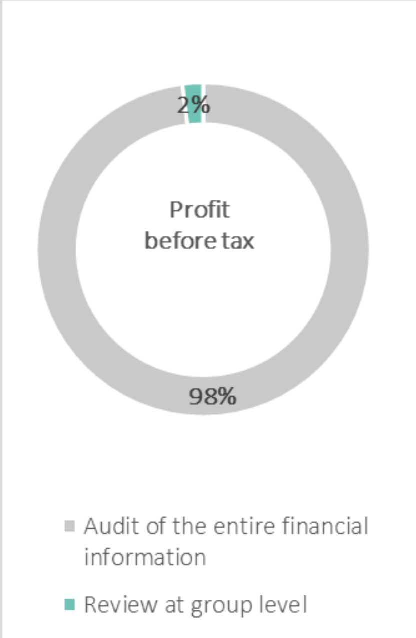
The parent company is located in Bristol and audited directly by the group audit engagement team.

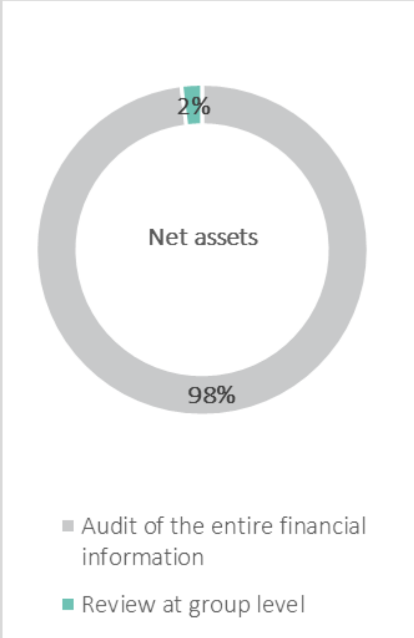
Independent auditor's report to the members of National Grid Electricity Distribution plc (continued)
For the year ended 31 March 2026

7. An overview of the scope of our audit (continued)

7.1. Identification and scoping of components (continued)







7.2. Our consideration of the control environment

We placed reliance on management's relevant controls within business cycles affecting financial statement line items where we identified risks of material misstatement. We tested controls through a combination of tests of inquiry, observation, inspection and re-performance. Our controls reliance approach remained consistent for each component throughout the audit.

The group's IT environment contains a number of IT systems, applications and tools used to support business processes and for financial reporting. In line with our scoping of components (see section 7.1) our work in relation to IT controls focused on the five identified components. We performed an independent risk assessment of the systems, applications and tools to determine those which are of greatest relevance to the group's financial reporting, including those that contain system configured automated controls that host financially relevant data and associated reports.

With the involvement of our specialists, we performed walkthrough and tested the general IT controls of these systems, typically covering controls surrounding user access management, change management and interfaces with other systems relating to in-scope IT systems as well as controls over key reports generated from the IT systems and their supporting infrastructure.

We performed walkthrough procedures of the key IT controls relevant to a number of business processes; to understand whether the controls were effectively designed to address the IT related risk. We subsequently tested of the controls across the audit period, to determine whether the controls had been consistently applied as designed.

Our procedures enabled us to place reliance on IT controls, as planned, in the audit approach across a number of business cycles including financial reporting, revenue, receivables, property, plant & equipment and procure to pay.

7. An overview of the scope of our audit (continued)

7.3. Our consideration of climate-related risks

Climate change is a key strategic consideration of the Group, as set out in the 'Net Zero' section on page 32 of the strategic report.

We reviewed management's climate change risk assessment and evaluated whether the risks identified by the entity are complete and consistent with our understanding of the entity. We further obtained an understanding of management's process and controls in considering the impact of climate risks.

In addition to the risk assessment procedures outlined above, with the involvement of an internal climate change specialist, we:

- Enquired with management to understand the potential impact of climate change including physical risks to network assets and risks of accelerated transitioning to a low carbon network and assessed whether this was consistent with our understanding of the business and its environment;
- Challenged whether climate change risks were appropriately reflected in management's cashflow forecasts in relation to our key audit matter impairment of goodwill testing;
- Evaluated the climate-related disclosures in the 'Our business environment' section of the strategic report and whether these aligned with our understanding of the business's approach to climate change. We further assessed whether this narrative reporting was consistent with the audited financial statements.

7.4. Use of audit technology

The controls and systems in place throughout the Group enable us to deploy and utilise process and data analytics. We embed technology throughout our audit to improve the quality and effectiveness of our audit, including planning and scoping, project management, risks and controls assessment, substantive testing and reporting insights to management and the Risk and Audit Committee.

In our testing of the IT environment and relevant systems, we utilised our Automated Controls Testing Tool. The tool enabled the effective collection and evaluation of information, supporting our assessment of the relevant automated business controls.

We used analytics to identify non-standard transactions in the capital expenditure processes of the NGED businesses, which focused our substantive procedures on items with elevated audit risk.

8. Other information

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.

We have nothing to report in this regard.

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, Risk & Audit Committee and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT and treasury specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

11.1. Identifying and assessing potential risks related to irregularities (continued)

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 the UK Companies Act, Ofgem price control regulation, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included environmental regulations and the group's operating licence as set out by the energy regulator, Ofgem.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Directors and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing material correspondence with Ofgem.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

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

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

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

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

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

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Board of previous shareholder, we were appointed on 16 June 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. Following the company's subsequent inclusion within the National Grid group in 2021 oversight of the audit appointment transferred to the National Grid Audit Committee. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is nine years, covering the years ending 31 March 2018 to 31 March 2026.

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

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

15. Use of our report

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

DocuSigned by:
Kate Hadley
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Kate Hadley FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

23 July 2026

Consolidated income statement

For the year ended 31 March 2026

		For the years ended 31 March	
		2026	2025
	Notes	**£m**	£m
Revenue	3	**1,986.6**	2,477.2
Operating costs	4	**(927.6)**	(927.3)
Other operating income	5	**3.3**	2.0
Other operating expense	5	**(2.6)**	(0.9)
Operating profit		**1,059.6**	1,551.0
Finance income	6	**33.9**	52.9
Finance costs	6	**(326.8)**	(353.5)
Profit before tax		**766.7**	1,250.4
Tax	7	**(182.1)**	(315.0)
Profit for the year attributable to owners of the parent		**584.6**	935.4

Consolidated statement of comprehensive income

For the year ended 31 March 2026

	Notes	For the years ended 31 March 2026 £m	2025 £m
Profit for the year		**584.6**	935.4
Other comprehensive income/(loss):			
Items that will never be reclassified to profit or loss:			
Remeasurement (losses)/gains on net pension asset	21	**(49.0)**	13.0
Tax on items that will never be reclassified to profit or loss	7	**14.3**	(2.8)
Total items that will never be reclassified to profit or loss		**(34.7)**	10.2
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Net gains in respect of cash flow hedges and cost of hedging		**17.2**	72.6
Tax on items that may be reclassified subsequently to profit or loss	7	**(3.9)**	(18.5)
Total items that may be reclassified subsequently to profit or loss		**13.3**	54.1
Other comprehensive (loss)/income for the year, net of tax		**(21.4)**	64.3
Total comprehensive income for the year		**563.2**	999.7

Consolidated statement of changes in equity

For the year ended 31 March 2026

	Notes	Called up share capital £m	Retained earnings £m	Other equity reserves[1] £m	Total equity[1] £m
At 1 April 2024		1,057.6	6,432.1	(973.7)	6,516.0
Profit for the year		—	935.4	—	935.4
Other comprehensive (loss)/income for the year		—	10.2	54.1	64.3
Total comprehensive income for the year		—	945.6	54.1	999.7
Share-based payments (net of tax)		—	—	2.1	2.1
At 31 March 2025		1,057.6	7,377.7	(917.5)	7,517.8
Profit for the year		—	584.6	—	584.6
Other comprehensive (loss)/income for the year		—	(34.7)	13.3	(21.4)
Total comprehensive income for the year		—	549.9	13.3	563.2
Share-based payments (net of tax)	24	—	—	5.7	5.7
At 31 March 2026		**1,057.6**	**7,927.6**	**(898.5)**	**8,086.7**

[1] Analysis of other equity reserves is provided within note 24.

Consolidated statement of financial position

As at 31 March 2026

	Note	**31 March 2026 £m**	31 March 2025 £m
ASSETS			
Property, plant and equipment	9	**18,683.2**	17,490.2
Goodwill	10	**1,254.1**	1,254.1
Other intangible assets	11	**85.8**	72.5
Investment property	12	**19.4**	22.5
Prepayments and other receivables	16	**7.4**	6.1
Derivative financial instruments	14	**142.5**	104.4
Financial and other investments	13	**2.7**	2.4
Retirement benefit assets	21	**578.3**	567.5
Non-current assets		**20,773.4**	19,519.7
Inventories	15	**40.5**	42.4
Trade and other receivables	16	**449.9**	462.6
Financial and other investments	13	**100.9**	128.6
Cash at bank and in hand	17	**3.6**	2.0
Current assets		**594.9**	635.6
Total assets	2	**21,368.3**	20,155.3
LIABILITIES			
Borrowings	18	**(2,026.2)**	(1,272.1)
Trade and other payables	19	**(809.7)**	(812.5)
Contract liabilities	20	**(61.4)**	(117.8)
Provisions	22	**(26.9)**	(14.7)
Current liabilities		**(2,924.2)**	(2,217.1)
Net current liabilities		**(2,329.3)**	(1,581.5)
Borrowings	18	**(5,209.3)**	(5,630.8)
Trade and other payables		**(8.5)**	—
Contract liabilities	20	**(3,446.2)**	(3,213.3)
Deferred tax liabilities	7	**(1,456.4)**	(1,359.5)
Derivative financial instruments	14	**(125.4)**	(92.2)
Retirement benefit liabilities	21	**(4.8)**	(5.4)
Provisions	22	**(106.8)**	(119.2)
Non-current liabilities		**(10,357.4)**	(10,420.4)
Total liabilities	2	**(13,281.6)**	(12,637.5)
Net assets		**8,086.7**	7,517.8
EQUITY			
Share capital	23	**1,057.6**	1,057.6
Other equity reserves	24	**(898.5)**	(917.5)
Retained earnings		**7,927.6**	7,377.7
Total equity		**8,086.7**	7,517.8

The consolidated financial statements set out on pages 83 to 153 were approved by the Board of Directors and authorised for issue on 23 July 2026. They were signed on its behalf by:

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Cordi O'Hara
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Cordelia O'Hara, Director

Signed by:
Jenny Dillon
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Jennifer Ann Dillon, Director

Consolidated cash flow statement

For the year ended 31 March 2026

	Notes	For the years ended 31 March **2026** £m	2025 £m
Cash flows from operating activities			
Profit for the year		**584.6**	935.4
Adjustments to reconcile profit for the year to net cash flow from operating activities			
Income tax expense	7	**182.1**	315.0
Finance costs	6	**326.8**	353.5
Finance income	6	**(33.9)**	(52.9)
Depreciation of property, plant and equipment	4	**343.3**	320.5
Amortisation of customers' contributions		**(61.4)**	(58.2)
Amortisation of intangible assets	4	**4.3**	4.3
Gain on disposal of property, plant and equipment		**(2.2)**	(1.6)
Loss on disposal of investment properties		**0.1**	0.3
Fair value gains on investment properties	12	**—**	(0.3)
Fair value losses on investment properties	12	**2.6**	0.9
Investment income		**(1.1)**	—
Share based payments		**2.2**	2.5
Difference between pension contributions paid and amounts recognised in the income statement		**(39.3)**	(54.6)
Increase in provisions		**13.3**	0.2
Working capital adjustments:			
Decrease/(increase) in inventories		**1.9**	(3.5)
Decrease/(increase) in trade and other receivables		**24.9**	(113.8)
Increase in trade and other payables		**20.0**	37.1
Customers' contributions received		**237.9**	284.8
Income taxes paid		**(89.3)**	(201.1)
Net cash inflow from operating activities		**1,516.9**	1,768.5
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,532.3)**	(1,301.0)
Proceeds from sale of property, plant and equipment		**2.5**	2.3
Purchase of investment properties		**(0.2)**	(0.1)
Proceeds from sale of investment properties		**0.3**	1.8
Purchase of intangible assets		**(6.3)**	(11.4)
Loan proceeds from ultimate parent company		**37.2**	115.2
Net movement in restricted investment balances		**(9.1)**	(15.3)
Interest received		**6.1**	19.5
Dividend received		**1.1**	—
Net cash flow used in investing activities		**(1,500.7)**	(1,189.0)
Cash flows from financing activities			
Net increase in short-term borrowings		**340.5**	152.7
Payment of lease liabilities	18	**(8.2)**	(6.6)
Proceeds from long-term borrowings		**139.2**	71.5
Repayment of long-term borrowings		**(250.0)**	(538.8)
Cash outflows on derivative		**(0.3)**	(0.9)
Interest paid		**(262.3)**	(264.4)
Net cash flow used in financing activities		**(41.1)**	(586.5)
Net decrease in cash and cash equivalents		**(24.9)**	(7.0)
Cash and cash equivalents at the start of the year		**(4.9)**	2.1
Net cash and cash equivalents at the end of the year	17	**(29.8)**	(4.9)

Notes to the consolidated financial statements

For the year ended 31 March 2026

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"), 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 Electricity Distribution's principal activities involve the distribution of electricity in Great Britain. The Company is a public limited liability company incorporated and domiciled in England and Wales , with its registered office at Avonbank, Feeder road, Bristol , BS2 0TB.

These consolidated financial statements were approved for issue by the Board of Directors on 23 July 2026.

These consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") and related interpretations as issued by the IASB and IFRS. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for periods ended 31 March 2026 and in accordance with the Companies Act 2006. The comparative financial information has also been prepared on this basis.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the NGED Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value such as net realisable value in IAS 2 or value in use in IAS 36.

These consolidated financial statements are presented in pounds sterling, which is also the functional currency of the Company. All values are rounded to the nearest hundred thousand pounds except when otherwise indicated.

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

The comparative financial information has been presented on the same basis as the current year financial information.

1. Basis of preparation and recent accounting developments (continued)

(a) Going concern

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the NGED Group has adequate resources to continue in operational existence for the foreseeable future.

The Group has net current liabilities of £2,329.3m (2025: £1,581.5m). The Group's net current liabilities will be settled with a combination of cash flows from operating activities, use of existing facilities and issuances of long-term debt. The Group can access either short or long term borrowings in order to finance repayment of the loan due within the next 12 months. The Group has credit ratings above the investment grade and there is sufficient evidence, including historical analysis of the Group’s ability to raise debt, to indicate that the Group will be successfully able to raise debt to finance repayments as needed. A letter of support has also been obtained from National Grid Holdings One plc, a parent undertaking, confirming that it will provide financial support to NGED plc, NGED South West, NGED South Wales and NGED West Midlands for not less than 12 months from the date of approval of the financial statements. These Group entities lack sufficient committed facilities over the assessed going concern period, and in the absence of a debt issuance will be reliant on NGED Group two-way loan agreements.

Based on the strategic importance of the NGED Group to the overall National Grid group strategy and the Board's visibility over National Grid group's financial resources, the directors consider it appropriate to place reliance on the Letter of Support provided, and to determine that the Company and its subsidiaries have adequate resources to meet its liabilities as they fall due for the 12 months following the approval of these financial statements.

DNOs are essential in keeping critical infrastructure assets operating safely and securely and in making sure that homes and businesses across the country are receiving the energy needed. The work of the Group is crucial for the continuation of existing essential services, the establishment of new critical infrastructures and for keeping the public, including the most vulnerable in our society, safe. Due to the licensed regulatory obligations of the business, the necessity of continued operations even in times of economic uncertainties and having access to sufficient liquidity, the Board does not consider that there is material uncertainty over the entity’s ability to continue as a going concern.

The directors have considered the availability of facilities as set out above, the relatively stable and regulated nature of the business, the forecast long term business plan, the consistent credit ratings of the Group, the existing and future forecasted covenant compliance of the Group, which includes the gearing ratio, the anticipated ability of the Group to be able to raise additional long term debt in the future and the ability of the parent undertaking to provide financial support. The directors have also assessed the principal risks discussed in the Strategic report (pages 40 to 44) in arriving at the going concern assumption for the preparation of the financial statements.

Thus, the directors have concluded that the NGED Group has sufficient resources available to enable it to continue in existence for the foreseeable future and for a period of at least 12 months from the date of signing the accounts and have therefore continued to adopt the going concern basis in preparing the financial statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the results, assets and liabilities of the Company and its subsidiaries.

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 results of subsidiaries 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. The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. Inter-company balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

1. Basis of preparation and recent accounting developments (continued)

(b) Basis of consolidation (continued)

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(c) Foreign currencies

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

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

(d) Areas of judgement and key sources of estimation uncertainty

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

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

Capitalisation of overheads - Nature of costs capitalised

Amounts capitalised as network assets include indirect costs associated with the engineering department and an element of corporate overhead costs. The costs are initially expensed to the income statement with a portion being capitalised based on management's assessment of the costs incurred that are directly linked to the capital work performed. The nature of costs to be included for capitalisation is a key judgement and is based on an analysis of the activities directly attributable to capital work.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Pensions and post retirement benefits

The NGED Group has a commitment to pay pension benefits. The costs of these benefits and the present value of the NGED Group's pension liabilities depend on such factors as the life expectancy of the members, the salary progression of current employees which is based on inflation rate and the discount rate at which the future pension payments are discounted. 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. Based on advice from external actuaries, the Company uses estimates for all these factors in determining the pension costs and liabilities incorporated in the financial statements. The assumptions reflect historical experience and management's judgement regarding future expectations.

See note 31 for information on sensitivities.

1. Basis of preparation and recent accounting developments (continued)

(e) Accounting policy choices

IFRS provides certain options available within accounting standards. Choices we have made, and continue to make, include the following:

- Presentational formats: we use the nature of expense method for our income statement and aggregate our statement of financial position to net assets and total equity. In the income statement, we present subtotals of total operating profit, finance income and costs, profit before tax, total tax and profit after tax.
- Financial instruments: we normally opt to apply hedge accounting in most circumstances where this is permitted.

(f) New IFRS accounting standards effective for the year ended 31 March 2026

The following new standards are effective for accounting periods beginning on or after 1 January 2025:

- amendments to IAS 21 ‘Lack of exchangeability’.

The Group has assessed the impact of these standards and concluded that there is no material change to the Group's financial statements.

(g) New IFRS accounting standards and interpretations not yet adopted

The following new accounting standards and amendments to existing standards have been issued but are not yet effective or have not yet been endorsed by the UK:

- IFRS 18 ‘Presentation and Disclosure in Financial Statements’;
- IFRS 20 ‘Regulatory Assets and Regulatory Liabilities’;
- 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 and IFRS 20.

IFRS 18 replaces IAS 1 and the Group will apply the new standard from 1 April 2027, with retrospective application. 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. The adoption of IFRS 18 will not affect the Group’s profit after tax; however, it will result in changes to the presentation of the primary financial statements and to certain disclosures. In particular, income and expenses will be grouped into five categories in the Consolidated income statement, namely the operating, investing, financing, discontinued operations and income tax categories. There will also be an additional mandatory subtotal for ‘Profit before financing and income taxes’ and the ‘useful structured summary’ concept will necessitate certain changes to line items presented in the Consolidated income statement, although the overall impact is not expected to be significant. Management-defined performance measures will also require disclosure in a single note. Preparatory work is currently underway to support adoption, including updates to reporting systems and the chart of accounts.

IFRS 20 ‘Regulatory Assets and Regulatory Liabilities’ was issued on 27 May 2026. The Standard (and consequential narrow scope amendments to existing IFRS standards) will be effective for reporting periods beginning on or after 1 January 2029, with earlier adoption permitted.

The standard affects companies subject to rate regulation which determines how much a company can charge customers and when it can charge them. This can lead to timing differences where revenue recognised in a period does not fully reflect the company’s performance in that period as it may include compensation for performance delivered in a prior or future period. IFRS 20 sets out the requirements for the recognition, measurement, presentation and disclosure of:

1. Basis of preparation and recent accounting developments (continued)

(g) New IFRS accounting standards and interpretations not yet adopted (continued)

- regulatory assets
- regulatory liabilities
- regulatory income
- regulatory expense.

This information will allow users of the financial statements to understand the total allowed compensation for regulatory goods or services supplied in each reporting period, together with the associated rights and obligations. The income statement information required by IFRS 20 supplements, rather than replaces, the information provided under IFRS 15 ‘Revenue from Contracts with Customers’ and other IFRS accounting standards. The evaluation of the effect of adopting IFRS 20 is ongoing but it is currently anticipated that IFRS 20 will have a significant impact on the financial statements and related disclosures.

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

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 of Directors is NGED's chief operating decision-making body (as defined by IFRS 8 'Operating Segments') and assesses the profitability of operations principally on the basis of operating profit. NGED Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

The NGED Group’s reportable segments are the regulated distribution of electricity in the South West, East Midlands and West Midlands of England and South Wales, and other businesses. Distribution involves the delivery of electricity across the NGED Group's distribution network. Other businesses relate to non-regulated activities including telecommunications, property management and helicopter operations which principally support the main business.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment results include transfers between business segments. Those transfers are eliminated on consolidation.

Analysis of revenue, operating profit, and assets and liabilities by segment is provided below. Substantially all revenues and profit before tax arise from operations within the UK.

(a) Revenue

	Total revenue		Inter-segment revenue		External revenue	
	2026	2025	**2026**	2025	**2026**	2025
	£m	£m	**£m**	£m	**£m**	£m
Distribution network systems						
South West	**457.9**	536.6	**(7.2)**	(5.6)	**450.7**	531.0
South Wales	**295.3**	368.4	**(0.2)**	(0.3)	**295.1**	368.1
East Midlands	**621.3**	768.7	**(0.6)**	(0.6)	**620.7**	768.1
West Midlands	**609.5**	800.0	**(0.3)**	(0.3)	**609.2**	799.7
	1,984.0	2,473.7	**(8.3)**	(6.8)	**1,975.7**	2,466.9
Other businesses	**43.1**	39.4	**(32.2)**	(29.1)	**10.9**	10.3
	2,027.1	2,513.1	**(40.5)**	(35.9)	**1,986.6**	2,477.2

2. Segmental analysis (continued)

(a) Revenue (continued)

Analysis of revenue by major customer

Revenues from the NGED Group's largest five customers amounted to £343.4m, £311.4m, £259.9m, £195.9m and £119.4m (2025: £416.8m, £370.3m, £246.9m, £241.9m and £164.3m) arising from sales reported across the South West, South Wales, East Midlands and West Midlands segments.

(b) Segmented profit

	2026	2025
	£m	£m
Distribution network systems		
South West	**229.0**	315.1
South Wales	**151.0**	218.3
East Midlands	**346.1**	500.3
West Midlands	**341.6**	527.1
	1,067.7	1,560.8
Other businesses	**5.5**	5.1
Corporate and unallocated(i)	**(13.6)**	(14.9)
Operating profit	**1,059.6**	1,551.0
Finance revenue	**33.9**	52.9
Finance costs	**(326.8)**	(353.5)
Profit before tax	**766.7**	1,250.4
Taxation		
South West	**(35.2)**	(65.6)
South Wales	**(26.5)**	(45.4)
East Midlands	**(60.4)**	(102.1)
West Midlands	**(63.8)**	(110.3)
Other businesses	**3.8**	8.4
	(182.1)	(315.0)
Profit for the year attributable to owners of the parent	**584.6**	935.4

(i) Corporate and unallocated comprises primarily current service pension costs (net of capitalisation).

2. Segmental analysis (continued)

(c) Assets, liabilities, and capital expenditure

	Segment assets (i)		**Segment liabilities (ii)**		**Capital expenditure (iii)**	
	2026	2025	**2026**	2025	**2026**	2025
	£m	£m	**£m**	£m	**£m**	£m
Distribution network						
South West	**4,553.4**	4,204.1	**(981.2)**	(922.9)	**429.8**	393.7
South Wales	**3,060.4**	2,857.1	**(675.1)**	(640.3)	**272.0**	234.2
East Midlands	**6,687.6**	6,356.3	**(1,565.0)**	(1,505.2)	**471.3**	422.9
West Midlands	**6,231.3**	5,918.0	**(1,145.3)**	(1,115.4)	**446.3**	374.5
	20,532.7	19,335.5	**(4,366.6)**	(4,183.8)	**1,619.4**	1,425.3
Other businesses	**194.7**	218.1	**(46.0)**	(37.0)	**4.2**	1.8
Corporate and unallocated	**640.9**	601.7	**(8,869.0)**	(8,416.7)	**(2.2)**	(3.2)
	21,368.3	20,155.3	**(13,281.6)**	(12,637.5)	**1,621.4**	1,423.9

(i) Segment assets consist of property, plant and equipment, investment properties, goodwill, other intangible assets, inventories, receivables and cash. Corporate and unallocated assets includes loan to related party, derivative financial instruments, pension assets and deposits (including deposits classified as cash).

(ii) Segment liabilities consist of deferred customer contributions and operating liabilities. Corporate and unallocated liabilities includes current taxation, corporate borrowings, derivative financial instruments and deferred taxation.

(iii) Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties.

(d) Depreciation and amortisation

	Depreciation on property, plant and equipment (Note 9)		**Amortisation of intangible assets (Note 11)**	
	2026	2025	**2026**	2025
	£m	£m	**£m**	£m
Distribution network systems				
South West	**98.2**	84.7	**6.4**	5.5
South Wales	**60.8**	56.5	**2.1**	1.9
East Midlands	**122.0**	114.9	**3.9**	3.6
West Midlands	**110.2**	104.5	**3.9**	3.7
	391.1	360.6	**16.3**	14.7
Other businesses	**(2.6)**	2.3	**(0.1)**	—
	388.5	362.9	**16.2**	14.7
Less: recapitalised to property, plant and equipment	**(45.2)**	(42.4)	**(11.9)**	(10.4)
Charged to consolidated income statement	**343.3**	320.5	**4.3**	4.3

3. Revenue

Revenue arises in the course of the ordinary activities and principally comprises distribution services.

Distribution Use of System ("DUoS") Revenue

The Group consists of four distribution network operators ("DNOs") in the UK that earn the majority of their revenue from providing distribution use of system services. The services are provided under a Distribution Connection and Use of System Agreements ("DCUSA") with their customers.

There is a single performance obligation under the DCUSA: the DNO is required to use its distribution network to deliver electricity from metered entry points to exit point. NGED's performance obligation of delivering electricity represents a promise to deliver a series of distinct services that should be accounted for as a single performance obligation. The performance obligation is satisfied over time as:

a) Customers immediately control and consume the benefits NGED provides;

b) NGED's service does not create or enhance an asset with an alternate use to NGED; and

c) NGED has the right to payment from the customer for the service that has been provided.

NGED measures the progress of the performance obligation using the output method. The output method recognises revenue based on the direct measurements of value transferred to the customer. Accordingly NGED records revenue on a monthly basis, based on the amount of kilowatt hour ("kWh") of electricity delivered.

Revenue includes an assessment of the volume of unbilled energy distributed to customers between the date of the last meter reading and the year-end.

Where revenue received or receivable exceeds the maximum amount permitted by regulatory agreement and adjustments will be made to future prices to reflect this over-recovery, no liability is recognised as such an adjustment is to future prices and relates to the provision of future services. Similarly no asset is recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery.

Lease income

Lease income arising from operating leases on investment properties and plant and equipment is accounted for on a straight line basis over the lease term.

Engineering recharges

Engineering recharges relate to the recovery of costs incurred in relation to construction work requested by customers, such as re-routing of existing network assets. The performance obligation relates to completion of work as per the terms of the contract. The consideration received is recognised as revenue as the construction work is completed.

Customer contributions

Contributions receivable in respect of additions to property, plant and equipment for new connections are treated as contract liabilities, which is credited to the income statement within revenue over the estimated weighted life of the related assets of 69 years. The performance obligation for customer contribution contracts is to provide customers with an ongoing network connection and thus is satisfied over a period of time instead of at a point of time. Customers immediately control and consume the benefits NGED provides.

	2026	2025
	£m	£m
Revenue from customer contracts - IFRS 15	**1,982.1**	2,473.0
Lease income	**4.5**	4.2
Total revenue	**1,986.6**	2,477.2

3. Revenue (continued)

The following table shows revenues from contracts with customers disaggregated by customer class:

	2026	2025
	£m	£m
Licensed energy suppliers - DNO	**1,859.5**	2,330.0
Other customers - DNO	**116.1**	136.9
Other businesses	**6.5**	6.1
	1,982.1	2,473.0

The licensed energy supplier revenue forms the majority of the external revenue of distribution network systems as disclosed in note 2 (a). Total revenue is generated from operations based in the UK.

Contract liabilities of £3,507.6m are recorded on the balance sheet (see note 20). These are contributions in aid of construction for which revenue will be recognised over the weighted average remaining life of the assets, being 69 years.

Network assets with a net book value of £18.1bn (2025: £17.0bn) are used to fulfil the contract with customers (refer to note 9).

4. Operating costs

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

	2026	2025
	£m	£m
Payroll costs	**192.1**	179.3
Depreciation of property, plant and equipment (i)	**343.3**	320.5
Amortisation of intangibles (ii)	**4.3**	4.3
Property taxes	**126.8**	123.5
Rent expense (iii):		
Plant, machinery and equipment	**7.5**	7.4
Land and buildings	**0.7**	0.9
Last Resort Supply Payment ("LRSP") claims (iv)	**(12.6)**	—
Other operating charges (v)	**265.5**	291.4
	927.6	927.3

Operating costs include:

	2026	2025
	£m	£m
Research expenditure (vi)	**0.2**	0.3
Inventory consumed	**10.6**	9.5

4. Operating costs (continued)

(i) Depreciation of property, plant and equipment is stated net of depreciation capitalised of £45.2m (2025: £42.4m) in respect of equipment consumed during the construction of the electricity network. It also includes depreciation of right-of-use-assets amounting to £7.3m (2025: £5.6m).

(ii) Amortisation of intangibles is stated net of amortisation capitalised of £11.9m (2025: £10.4m) in respect of software consumed during the construction of the electricity network.

(iii) Rent expense comprises of short term and low value leases (refer to note 18).

(iv) When a supplier fails, Ofgem ensures continuity of supply to the failed supplier's customers by appointing a Supplier of Last Resort ("SoLR") to supply the failed supplier's customers at short notice. The SoLR may then recover certain costs from the DNOs via a LRSP claim. These LRSP claim costs are recovered by the Group via its DUoS charges. SoLR credits in the current year are refunds in relation to the significant supplier liquidations that occurred at the start of 2021.

(v) Other operating charges includes costs in relation to engineering recharges, National Grid exit charges (charges levied by National Grid Electricity Transmission for connection to the electricity transmission system), tree cutting, inspections and maintenance and wayleaves, as well as other overheads incurred.

(vi) Research costs above exclude expenditure on Low Carbon Network and Network Innovation Allowance projects which is capitalised together with associated funding received.

(a) Payroll costs

	2026	2025
	£m	£m
Wages and salaries	**473.9**	453.5
Social security costs	**61.4**	50.7
Pension costs	**54.5**	57.0
Share based payment	**5.6**	3.3
Recharged from parent	**36.6**	24.0
	632.0	588.5
Less: amounts capitalised as part of property, plant and equipment	**(439.9)**	(409.2)
Charged to the income statement	**192.1**	179.3

Payroll costs in the year were capitalised at a rate of 69.6% (2025: 69.6%).

(b) Number of employees, including Directors

	2026	2025
Monthly average number of employees	**Number**	Number
Electricity distribution	**7,103**	6,985
Other activities	**131**	117
	7,234	7,102

In addition to the above number of employees, there are also individuals who are employed by the wider National Grid Group but solely provide services to the network distribution activity of the NGED Group.

(c) Key management compensation

There are no personnel, other than the directors, who as key management have authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the NGED Group. Refer to director's emoluments below.

4. Operating costs (continued)

(d) Directors' emoluments

The emoluments detail given in this note represents total emoluments of the directors for all services provided to NGED companies as a whole. The total costs below are apportioned between NGED South Wales, NGED South West, NGED West Midlands and NGED East Midlands.

	Highest paid director		Total	
	2026	2025	**2026**	2025
	£'000	£'000	**£'000**	£'000
The emoluments of the executive directors comprised:				
Base salary (note i)	**500**	473	**1,768**	1,357
Performance dependent bonus (note ii)	**626**	86	**1,359**	759
Pension compensation allowance (note iii)	**59**	55	**162**	179
Sub-total directors' remuneration	**1,185**	614	**3,289**	2,295
Share-based payments	**1,361**	621	**2,059**	923
Fees to the independent non executive directors (note iv)	**—**	—	**141**	52
	2,546	1,235	**5,489**	3,270

(i) Base salary also includes benefits in kind.

(ii) The amount of the annual bonus is based on NGED's financial performance, the reliability of the electricity network, and other factors.

(iii) As a result of changes in tax applicable to UK pensions, two of the executive directors resigned as an active member of the pension schemes, thus NGED no longer contributes for ongoing service to the schemes in respect of these executive directors. Instead, NGED pays cash compensation equivalent to the value of NGED's contribution in to the schemes that would have been made had the individuals remained active members (as determined by external actuaries).

As at 31 March 2026, retirement benefits were accruing to four Directors (2025: three) under a money purchase scheme.

(iv) The sufficiently independent directors are entitled to fees as determined by the appropriate Board. No emoluments are paid to National Grid appointed non-executive directors, who are officers of National Grid, in respect of their services as directors to the Group.

(v) During 2026, three of the directors, including the highest paid director, exercised share options in National Grid plc (2025: none).

(e) Auditor's remuneration

	2026	2025
	£m	£m
Audit services:		
Audit of the parent Company's individual and consolidated financial statements	**0.1**	0.1
Audit of subsidiary companies	**1.4**	1.4
Other audit related services	**0.6**	0.6
	2.1	2.1

Other audit related services relate to fees payable for audit services which are required to be carried out by auditors in relation to the Group's reporting requirements to National Grid plc. 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), and assurance fees in relation to regulatory returns.

5. Other operating income and expense

	2026	2025
	£m	£m
Other operating income		
Net gain on disposal of property, plant and equipment	**2.2**	1.3
Increase in fair value of investment properties	**—**	0.3
Income from fixed asset investments	**1.1**	0.4
	3.3	2.0
Other operating expense		
Reduction in fair value of investment properties	**(2.6)**	(0.9)
Net other operating income	**0.7**	1.1

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 derivative financial instruments). It also includes the net interest on our pensions and other post-retirement assets.

Finance income and costs remeasurements include certain unrealised gains and losses on certain assets and liabilities now treated at fair value through profit and loss ("FVTPL"). The interest income and interest expense on these items are included in finance income and finance costs before remeasurements, respectively. Finance income and cost is recognised in the income statement as it accrues, on an effective rate basis.

6. Finance income and costs (continued)

	2026	2025
	£m	£m
Finance income		
Net interest income relating to pensions and other post-retirement benefits	**26.0**	23.0
Interest income on bank deposits	**2.0**	0.6
Interest income on loans to NG affiliates	**5.9**	18.3
Gain on loan repurchase	**—**	7.4
	33.9	49.3
Finance costs		
Interest expense on financial liabilities held at amortised cost:		
Interest expense on bank loans and overdrafts	**(3.3)**	(5.6)
Interest expense on other borrowings	**(272.0)**	(292.9)
Interest expense on loans from parent company	**(48.6)**	(47.5)
Interest expense on lease liabilities	**(1.1)**	(1.0)
Interest expense on derivatives	**(17.6)**	(20.8)
Unwinding of discount on provisions	**(1.9)**	(1.6)
Less: interest capitalised (ii)	**21.8**	15.9
	(322.7)	(353.5)
Remeasurements - finance (costs)/income		
Net (losses)/gains on derivatives designated as hedges (i)	**(4.7)**	1.2
Net (losses)/gains on derivatives not designated as hedges	**0.6**	2.4
	(4.1)	3.6
Shown in the consolidated income statement as:		
Finance income	**33.9**	52.9
Finance costs	**(326.8)**	(353.5)
Net finance costs	**(292.9)**	(300.6)

(i) Remeasurement gain pertains to an unrealised net gain on derivatives designated as hedges, to the extent that the hedge is not fully effective or to other components such as credit spread that are not part of designated hedge risk. This includes net foreign exchange loss on the borrowings of £28.0m (2025: £20.0m gain) offset by foreign exchange gain and losses on the fair value of derivatives.

(ii) Interest on funding attributable to assets in the course of construction in the current year was capitalised at a rate of 5.2% (2025: 5.1%), based on the yield on the Group's borrowings.

(iii) Finance costs include principal accretion on inflation linked liabilities of £39.8m (2025: £41.6m).

7. Tax

This note gives further details of the total tax charge and tax liabilities, including current and deferred tax. The current tax charge is the tax payable on this year’s taxable profits. Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences in the accounting and tax bases.

The tax charge (or credit) for the period is recognised in the income statement, the statement of comprehensive income or directly in equity, according to the accounting treatment of the related transaction. The tax charge (or credit) comprises both current and deferred tax. Cash taxes are paid via another group company.

Current tax assets and liabilities are measured at the amounts expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date. This includes UK corporation tax payable to HM Revenue & Customs ("HMRC") and amounts payable to (or receivable from) other UK Group companies for losses and other amounts transferred between them ("group relief").

7. Tax (continued)

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to HMRC. Management exercises judgement in relation to the level of provision required for uncertain tax outcomes. There are a number of tax positions not yet agreed with the tax authorities where 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. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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 taxable profit or loss.

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

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

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

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. After offset, there is a net deferred tax liability that will reverse after more than one year. The net deferred tax liability will impact the Group's tax payments over a very long period of time mainly due to the long expected useful lives of fixed assets and the Group's pension schemes having no fixed maturity dates.

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.

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

	2026	2025
	£m	£m
Current tax:		
Corporation tax at 25% (2025: 25%)	**74.5**	207.3
Corporation tax adjustment in respect of prior years	**(2.5)**	8.2
Total current tax	**72.0**	215.5
Deferred tax:		
Deferred tax	**115.6**	106.9
Deferred tax adjustment in respect of prior years	**(5.5)**	(7.4)
Total deferred tax	**110.1**	99.5
Total tax charge	**182.1**	315.0

7. Tax (continued)

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

	2026 £m	2025 £m
Deferred tax:		
Cash flow hedges	**3.9**	18.5
Share-based payments	**(3.0)**	0.4
Remeasurements of net pension assets	**(14.3)**	2.8
	(13.4)	21.7
Analysed as:		
Total tax recognised in the statement of other comprehensive income	**(10.4)**	21.3
Total tax relating to share-based payments recognised directly in equity	**(3.0)**	0.4
	(13.4)	21.7

The tax on the NGED Group's profit before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK of 25% (2025: 25%) as follows:

	2026 £m	2025 £m
Profit before income tax	**766.7**	1,250.4
Profit before income tax multiplied by standard rate of corporation tax in the UK of 25% (2025: 25%)	**191.7**	312.6
Effects of:		
Adjustments in respect of prior years	**(8.0)**	0.8
Expenses not deductible for tax purposes	**5.4**	3.9
Non taxable income	**(2.1)**	(0.2)
Others	**(4.9)**	(2.1)
Total tax charge	**182.1**	315.0
Effective tax rate	**23.7 %**	25.2 %

Adjustments in respect of prior years mainly relate to the revised analysis of capital expenditure included in tax returns filed with HMRC.

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:

	Accelerated capital allowances £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 April 2024	1,130.6	117.5	(9.8)	1,238.3
Charged/(credited) to income statement	83.4	20.3	(4.2)	99.5
Charged to other comprehensive income and equity	—	2.8	18.9	21.7
At 1 April 2025	1,214.0	140.6	4.9	1,359.5
Charged to income statement	89.3	17.1	3.9	110.3
Charged/(credited) to other comprehensive income and equity	—	(14.3)	0.9	(13.4)
At 31 March 2026	**1,303.3**	**143.4**	**9.7**	**1,456.4**

Accelerated capital allowances represents the tax deferred on profits due to the difference in timing when the deductions for expenditure on fixed assets are recognised in the income statement through depreciation and when tax deductions for that expenditure through capital allowances are included in tax returns filed with HMRC. Deferred tax arises on retirement benefit obligations as tax deductions are included in tax returns as contributions are paid to the pension schemes and not when the obligations or surpluses on the schemes are recorded in the financial statements.

The other deferred tax balances relate to items such as provisions and accruals that are tax deductible when paid rather than when accrued and debt value adjustments that are taxed/deducted under tax rules at times different to when those adjustments have been recognised in the income statements.

The net deferred tax liability will impact the Company’s tax payments over a very long period of time mainly due to the long expected useful lives of fixed assets and the Company’s pension schemes having no fixed maturity dates.

8. Dividend

Dividend distribution to the Company's shareholder is recognised as a liability in the NGED Group's financial statements in the year in which the dividends are approved by the Company's directors.

	2026	2025
	£m	£m
Equity dividends - nil pence (2025: nil pence) per £1 share	**—**	—

9. Property, plant and equipment

The following note shows the physical assets controlled by us. The cost of these assets primarily represents the amount initially paid for them. This includes both their purchase price and the construction and other costs associated with getting them ready for operation. A depreciation expense is charged to the income statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years we expect the asset to be used (useful economic life) and charging the cost of the asset to the income statement equally over this period.

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 and resilient. Our business plan envisages these additional investments will be funded through a mixture of cash generated from operations and the issue of new debt.

9. Property, plant and equipment (continued)

Property, plant and equipment is stated at cost less accumulated depreciation and impairments. Cost includes the purchase price of the asset and costs directly attributable to making the asset capable of operating as intended. For capital schemes of the Group, cost of materials, any payroll and finance costs incurred which are directly attributable to the construction of property, plant and equipment as well as the cost of any associated asset retirement obligations and an appropriate proportion of overheads are capitalised.

Expenditure on electricity infrastructure assets relating to increases in capacity or enhancements of the network including qualifying replacement expenditure are treated as additions. Property, plant and equipment includes assets in which the Group's interest comprises legally protected statutory or contractual rights of use. Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacement of existing assets. All costs associated with projects or activities which have not been fully commissioned at the period end are classified within assets in the course of construction. Other costs incurred in maintaining the operating capability of the network in accordance with defined standards of service are expensed in the year in which the expenditure is incurred.

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 useful economic lives. In assessing estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets. 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. 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. The assessments of estimated useful economic lives and residual values of assets are performed annually. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of property, plant and equipment are, in general, as shown in the table below:

Plant & machinery assets:	
Overhead lines and poles	65 years
Underground cables	85 years
Transformers and switchgears	55 years
Meters	3 years
Other (towers and substation buildings)	Up to 80 years
Freehold and leasehold buildings	Up to 60 years
Motor vehicles	Up to 10 years
Office equipment	Up to 20 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the income statement.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 March 2026

9. Property, plant and equipment (continued)

	Land & buildings	Plant & machinery	Motor vehicles & Office equipment	Total
	£m	£m	£m	£m
Cost				
At 1 April 2024	197.4	19,734.6	510.3	20,442.3
Additions	3.6	1,288.4	110.0	1,402.0
Disposals and retirements	—	(9.4)	(56.5)	(65.9)
At 1 April 2025	201.0	21,013.6	563.8	21,778.4
Additions	18.6	1,446.6	126.5	1,591.7
Transfers	0.3	—	—	0.3
Disposals and retirements	—	(11.1)	(63.5)	(74.6)
At 31 March 2026	**219.9**	**22,449.1**	**626.8**	**23,295.8**
Accumulated depreciation				
At 1 April 2024	33.2	3,709.6	247.7	3,990.5
Depreciation charge for the year	3.4	294.8	64.7	362.9
Disposals and retirements	(0.3)	(8.6)	(56.3)	(65.2)
At 1 April 2025	36.3	3,995.8	256.1	4,288.2
Depreciation charge for the year	3.6	314.3	70.6	388.5
Disposals and retirements	—	(0.9)	(63.2)	(64.1)
At 31 March 2026	**39.9**	**4,309.2**	**263.5**	**4,612.6**
Net book value				
At 31 March 2026	**180.0**	**18,139.9**	**363.3**	**18,683.2**
At 31 March 2025	164.7	17,017.8	307.7	17,490.2
At 31 March 2024	164.2	16,025.0	262.6	16,451.8

Included in plant & machinery and motor vehicles & office equipment at 31 March 2026 was an amount of £440.9m (2025: £388.0m) relating to expenditure on assets in the course of construction.

Included in additions are staff costs of £439.9m (2025: £409.2m), corporate overheads of £151.4m (2025: £110.8m), capitalised depreciation of £45.2m (2025: £42.4m) and interest of £21.8m (2025: £15.9m).

The depreciation charge for the year is included within operating costs in the consolidated income statement.

9. Property, plant and equipment (continued)

The table below shows the net book value of right-of-use assets included within tangible fixed assets at 31 March 2026 and 31 March 2025, split by category. The associated lease liabilities are disclosed in note 18.

	Land & buildings	Plant & machinery	Motor vehicles & Office equipment	Total
	£m	£m	£m	£m
At 1 April 2024	**6.2**	**5.2**	**10.1**	**21.5**
Additions	0.1	0.2	6.1	6.4
Depreciation	(0.6)	(0.7)	(4.3)	(5.6)
At 1 April 2025	5.7	4.7	11.9	22.3
Additions	1.8	—	9.4	11.2
Depreciation	(0.6)	(0.7)	(6.0)	(7.3)
At 31 March 2026	**6.9**	**4.0**	**15.3**	**26.2**

10. 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.

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.

	2026	2025
	£m	£m
Opening net book value	**1,254.1**	1,254.1
Net book value at 31 March	**1,254.1**	1,254.1

Goodwill acquired through business combinations has been allocated for impairment testing purposes to three cash-generating units ("CGUs"), East Midlands, West Midlands, and South Wales, which are also operating segments. These represent the lowest level within the NGED Group at which goodwill is monitored for internal management purposes.

10. Goodwill (continued)

Carrying amount of goodwill allocated to cash-generating units ("CGUs")

	2026	2025
	£m	£m
East Midlands	**518.8**	518.8
West Midlands	**614.4**	614.4
South Wales	**120.9**	120.9
Carrying amount of goodwill	**1,254.1**	1,254.1

Goodwill is reviewed annually for impairment and the recoverability is assessed by comparing the carrying amount of the CGU (including goodwill) with the recoverable amount of the CGU 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 management.

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, revenues and investments requirements within current and future price controls. Such projections reflect our current regulatory agreement and allow for future agreements and recovery of investment, including those related to achieving the net zero plans of the UK. Our plans have proved to be reliable guides in the past and the Directors believe the estimates are appropriate.

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

In determining the value in use, cash flows for a period of 24 years (until 2050) have been discounted and aggregated with a terminal value, which is calculated by applying a 1.375 multiple to the RAV at the end of the period. A period of greater than five years has been used as this duration more accurately reflects the regulatory environment in which we operate. Most significantly, it is aligned to the UK Government's legislated commitment to reach net-zero by 2050. The longer cash flow forecasts reflect the expected investment required in the network, in excess of the economy wide long-term growth rates in order to deliver the energy transition commitments, before applying a terminal value at the point those commitments are due to be fulfilled and market growth is expected to stabilise.

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 restructuring and enhancement capital expenditure (beyond activity to reinforce the network and build new connections) are excluded from the projections.

A nominal terminal growth rate of 1.6% (2025: 1.0%) 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.

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 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 2026 were as follows:

- NGED West Midlands: 5.19%
- NGED East Midlands: 5.19%
- NGED South Wales: 5.21%

10. Goodwill (continued)

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 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 we operate under.

No reasonably possible changes to inputs to the impairment test performed over goodwill attributable to our CGUs were identified as resulting in an impairment.

11. Other intangible assets

Intangible assets relate to software, which is written down (amortised) over the period we expect to receive a benefit from the asset.

Identifiable intangible assets are recorded at cost less accumulated amortisation and any provision for impairment. Intangible assets are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired.

Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit to which that asset belongs is estimated. Impairments are recognised in the income statement and are disclosed separately. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

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

Intangible assets under development are not amortised. Other non-current intangible assets are amortised on a straight-line basis over their estimated useful economic lives. The amortisation period for software is up to five years.

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.

11. Other intangible assets (continued)

	Computer Software £m
Cost	
At 1 April 2024	114.6
Additions	21.8
Disposals	(6.1)
At 1 April 2025	130.3
Additions	29.5
Disposals	(10.0)
At 31 March 2026	**149.8**
Aggregate amortisation and impairment	
At 1 April 2024	49.2
Charge for the year	14.7
Disposals	(6.1)
At 1 April 2025	57.8
Charge for the year	16.2
Disposals	(10.0)
At 31 March 2026	**64.0**
Carrying amount	
At 31 March 2026	**85.8**
At 31 March 2025	72.5
At 31 March 2024	65.4

Included in computer software at 31 March 2026 was an amount of £6.1m (2025: £5.9m) relating to expenditure on assets in the course of construction.

Included in additions is capitalised amortisation cost of £11.9m (2025: £10.4m).

The amortisation charge for the year is included within operating costs in the consolidated income statement.

12. Investment property

	Retail £m	Office £m	Industrial £m	Total £m
Fair value				
At 1 April 2024	**16.5**	**3.0**	**5.6**	**25.1**
Valuation gains	0.1	—	0.2	0.3
Valuation losses	(0.8)	(0.1)	—	(0.9)
Additions	0.1	—	—	0.1
Disposals	(0.8)	(1.3)	—	(2.1)
At 1 April 2025	**15.1**	**1.6**	**5.8**	**22.5**
Valuation losses	(2.3)	(0.2)	(0.1)	(2.6)
Additions	0.2	—	—	0.2
Transfers to property, plant and equipment	—	—	(0.3)	(0.3)
Disposals	(0.3)	—	(0.1)	(0.4)
At 31 March 2026	**12.7**	**1.4**	**5.3**	**19.4**

The fair value of the investment property has been arrived at on the basis of valuations carried out by external independent valuers. The valuers are regulated by the Royal Institution of Chartered Surveyors ("RICS") and follow the rules, codes, and guidance in the RICS Rules of Conduct for Firms. The valuations have been prepared in accordance with IFRS 13 Fair Value Measurements and represent the 'highest and best use' of the property.

In arriving at the valuation, tenancy details and market evidence of transaction prices for similar properties are taken into consideration. Investment properties generating rental revenue are valued using an investment approach and vacant buildings are valued using the comparison method of valuation. Where land is being held for development, the valuation technique is based either on the comparison method or residual method.

The amounts recognised in the income statement for rental income from investment property are £2.0m (2025: £2.0m).

Investment properties are let on either full repair and insuring leases, under which all outgoings are the responsibility of the lessee, or under tenancies, where costs are recovered through a service charge levied on tenants during the period of occupation. This service charge amounted to £0.6m (2025: £0.7m) for which a similar amount is included within operating costs.

In determining the appropriate classes of investment property the Group has considered the nature, characteristics and risks associated with its properties. As a consequence the Group has identified the following classes of assets:

- Retail - representing a single investment in a supermarket store in Cwmbran, South Wales, occupied by J Sainsbury.
- Other retail - representing a portfolio of other retail properties across Wales and the South West of England.
- Office - representing a portfolio of office buildings across NGED's region.
- Industrial - representing a portfolio of industrial and storage facilities across NGED's region.

The tables below show details for the larger properties. Within other assets, recorded at £3.0m (2025: £3.7m), are a further 14 (2025: 20) investment properties with an average value of £213,500 per property (2025: £186,550), valued by the NGED Group's internal qualified surveyor.

All of the valuations fall within Level 3 of the fair value hierarchy. The table below provides details by class of property of the fair value ascribed to each class of asset, an indication of the key inputs used in deriving the valuation, together with other key features which inform the valuation process. In light of the immaterial nature of the other assets below to the financial statements as a whole, the directors have elected not to provide the equivalent detailed information in respect of these valuations.

Notes to the consolidated financial statements (continued)

For the year ended 31 March 2026

12. Investment property (continued)

Unobservable and observable inputs used in determination of fair values					Other key information	
Class of property	**Carrying amount/ Fair value 2026 £m**	**Valuation technique**	**Input**	**Range (weighted average) 2026**		**Range 2026**
Retail	10.7	Income capitalisation	> Length of leases in place (in years)	3y	> Age of building	30y
			> Yield	8.0 %	> Remaining useful life of building	20+
			> Passing rent (per sqm p.a.)	£201.4	> Square metres	5308
			> Long term vacancy rate	— %		
Other retail	1.5	Income capitalisation	> Net rent (per sqm p.a.)	£0 - £173 (£83)	> Age of building	50+
			> Length of leases in place (in years)	0y - 7y (4.9y)	> Remaining useful life of building	20+
			> Yield	0% - 9.0%	> Square metres	1727
			> Long term vacancy rate	— %	> Actual vacancy rate	— %
Office	1.2	Income capitalisation	> Net rent (per sqm p.a.)	£0 - £140 (£38.0)	> Age of building	25y - 40y
			> Length of leases in place (in years)	0y - 4y (1.3y)	> Remaining useful life of building	20+
			> Yield	0% - 18%	> Square metres	4549
			> Long term vacancy rate	0% - 100% (78%)	> Actual vacancy rate	78 %
Industrial	3.0	Income capitalisation	> Net rent (per sqm p.a.)	£19- £54 (£42)	> Age of building	68y
			> Length of leases in place (in years)	0y - 16y (4.8y)	> Remaining useful life of building	20+
			> Yield	8.0 %	> Square metres	6135
			> Long term vacancy rate	— %	> Actual vacancy rate	— %
Total	**16.4**					
Other assets	3.0					
Total fair value	**19.4**					

12. Investment property (continued)

Unobservable and observable inputs used in determination of fair values					Other key information	
Class of property	**Carrying amount/Fair value**	**Valuation technique**	**Input**	**Range (weighted average)**		**Range**
	2025			2025		2025
	£m					
Retail	12.7	Income capitalisation	> Length of leases in place (in years)	4y	> Age of building	30y
			> Yield	8.0 %	> Remaining useful life of building	20+
			> Passing rent (per sqm p.a.)	£201.4	> Square metres	5308
			> Long term vacancy rate	— %		
Other retail	1.6	Income capitalisation	> Net rent (per sqm p.a.)	£0 - £173 (£83)	> Age of building	50+
			> Length of leases in place (in years)	0y - 8y (5.7y)	> Remaining useful life of building	20+
			> Yield	0% - 9.0%	> Square metres	1727
			> Long term vacancy rate	— %	> Actual vacancy rate	— %
Office	1.4	Income capitalisation	> Net rent (per sqm p.a.)	£0 - £140 (£56.0)	> Age of building	25y - 40y
			> Length of leases in place (in years)	0y - 5y (1.8y)	> Remaining useful life of building	20+
			> Yield	0% - 18%	> Square metres	4549
			> Long term vacancy rate	0% - 100% (70%)	> Actual vacancy rate	67 %
Industrial	3.1	Income capitalisation	> Net rent (per sqm p.a.)	£19- £54 (£42)	> Age of building	68y
			> Length of leases in place (in years)	0y - 17y (5y)	> Remaining useful life of building	20+
			> Yield	8.0 %	> Square metres	6135
			> Long term vacancy rate	— %	> Actual vacancy rate	— %
Total	**18.8**					
Other assets	3.7					
Total fair value	**22.5**					

13. Financial and other investments

The Financial and other investments balance primarily comprises of an overnight facility loan with National Grid plc. In addition, it also includes short-term money market funds, investments that can not 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 a loan receivable from the ultimate parent company 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 fair value through other comprehensive income ("FVOCI"), with gains or losses recognised in the consolidated statement of comprehensive income instead of through the income statement. This category of financial assets includes derivatives designated as hedging instruments in an effective cash flow hedge.

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 short term deposits.

	2026	2025
Current	**£m**	£m
Financial assets at amortised cost (loans)	**68.5**	105.7
Financial assets at amortised cost (collateral)	**26.7**	16.3
Financial assets at amortised cost (restricted cash deposits)	**5.7**	6.6
	100.9	128.6
Non-current		
Financial assets at amortised cost (restricted cash deposits)	**2.7**	2.4
	2.7	2.4
Total financial and other investments	**103.5**	131.0

For the purposes of impairment assessment, all financial assets held at amortised cost are considered to have low credit risk and have an immaterial impairment loss allowance equal to 12-month expected credit losses.

Loan receivable from the ultimate parent company is an amount lent under the two-way loan agreement with National Grid plc. The loan is unsecured and is repayable on demand. Interest is accrued on the balance at daily SONIA plus 0.25% margin. The impairment loss on this is deemed immaterial since this has an insignificant risk of change in value.

The collateral balance pertains to collaterals placed with counterparties with whom we have entered into a credit support annex to the International Swaps and Derivatives Association ("ISDA") Master Agreement. These balances have an average credit rating on a weighted basis of AA or better at all times based on investment policy.

13. Financial and other investments (continued)

Current restricted cash deposits pertain to cash balances that can only be used for low carbon network fund projects approved by Ofgem and are not readily available for the general purposes of the Group.

Non-current restricted cash deposits pertain to deposits maintained in relation to the regulatory requirements of National Grid Telecoms Limited. The Company is required to ensure that sufficient funds are available to meet the Specified Liabilities which arise on or before the date on which a Relevant Event occurs or may arise at any time during the Liability Period from the exercise of rights conferred upon the Company by paragraph 9 of the Electronic Communications Code. The Relevant Event being Code operator ceasing to trade or being prohibited from providing, or ceasing to provide, the electronic communications network.

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 balances are more than 30 days past due and no balances were written off during the year.

14. Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of an underlying item such as interest rates, foreign exchange rates, credit spreads, equity or other indices. Derivatives are transacted in accordance with the National Grid plc Board approved policies, these policies have been deemed applicable at NGED by their respective board of directors. Derivatives are transacted by NGED generally to manage our exposure to fluctuations in interest rates and foreign exchange rates. Specifically we use these derivatives to manage our financing portfolio, and contractual operational cash flows.

Derivatives are initially recognised at fair value and subsequently remeasured at fair value at each reporting date. Changes in fair values are recorded in the period they arise, in either the income statement or other comprehensive income as required by IFRS 9. Where the gains or losses recorded in the income statement arise from changes in the fair value of derivatives to the extent that hedge accounting is not applied or is not fully effective, these are recorded as remeasurements. 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. 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.

Further information on how derivatives are valued and used for risk management purposes is presented in note 30.

As at 31 March, the NGED Group held the following derivative financial instruments measured at fair value:

	2026			2025		
	Asset	**Liabilities**	**Total**	Asset	Liabilities	Total
	£m	**£m**	**£m**	£m	£m	£m
Cross-currency interest rate swaps	**61.4**	**(18.7)**	**42.7**	43.2	(12.8)	30.4
Interest rate swaps	**81.1**	**(102.2)**	**(21.1)**	61.2	(77.2)	(16.0)
Inflation linked swaps	**—**	**(4.5)**	**(4.5)**	—	(2.2)	(2.2)
	142.5	**(125.4)**	**17.1**	104.4	(92.2)	12.2

14. Derivative financial instruments (continued)

The maturity profile of derivative financial instruments is as follows:

	2026			2025		
	Assets	**Liabilities**	**Total**	Assets	Liabilities	Total
	£m	**£m**	**£m**	£m	£m	£m
Current						
Less than 1 year	**—**	**—**	**—**	—	—	—
	—	**—**	**—**	—	—	—
Non-current						
In 1 - 2 years	**—**	**—**	**—**	—	—	—
In 2 - 3 years	**45.4**	**(2.7)**	**42.7**	—	—	—
In 3 - 4 years	**2.2**	**(2.7)**	**(0.5)**	40.8	(8.4)	32.4
In 4 - 5 years	**—**	**(3.5)**	**(3.5)**	—	(2.3)	(2.3)
More than 5 years	**94.9**	**(116.4)**	**(21.5)**	63.6	(81.5)	(17.9)
	142.5	**(125.3)**	**17.2**	104.4	(92.2)	12.2

The notional contract amounts of derivative financial instruments by type are as follows:

	2026	2025
	£m	£m
Interest rate swaps	**(3,924.2)**	(3,551.6)
Cross-currency interest rate swaps	**(1,155.5)**	(1,155.5)
Inflation linked swaps	**(604.4)**	(824.4)
	(5,684.1)	(5,531.5)

15. Inventories

Inventories represent assets that we intend to use in order to generate revenue in the short-term by using it to fulfil a service to a customer or to maintain our network (spares and consumables).

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

	2026	2025
	£m	£m
Raw materials, spares and consumables	**39.5**	40.2
Work in progress	**1.0**	2.2
	40.5	42.4

The cost of inventories recognised as an expense during the year includes £3.0m (2025: £1.4m) in respect of write downs of inventory to net realisable value due to obsolescence and has been reduced by £2.0m (2025: £1.5m) in respect of the reversal of such write downs.

16. Trade and other receivables

Trade and other receivables are amounts which are due from our customers for services we have provided.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate allowances for estimated irrecoverable amounts.

Trade receivables are non-interest-bearing and generally have a 30 to 90 days term. 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.

	2026	2025
	£m	£m
Current		
Trade receivables	**152.5**	169.1
Accrued income	**195.8**	229.2
Prepayments	**35.4**	27.5
Amounts owed from fellow subsidiary undertakings	**11.2**	—
Amounts owed from parent undertaking	**17.3**	4.4
Other receivables	**37.7**	32.4
	449.9	462.6
Non-current		
Reimbursement asset re unfunded pension liability	**1.9**	2.2
Prepayments	**2.9**	2.9
Other receivables	**2.6**	1.0
	7.4	6.1
Total trade and other receivables	**457.3**	468.7

Amounts owed from fellow subsidiaries of National Grid plc pertain to net group tax relief balances due from subsidiary within National Grid Group.

Accrued income includes unbilled DUoS income of £195.8m (2025: £229.2m).

Other receivables include balances pertaining insurance claims.

NGED South Wales has an unfunded pension obligation in relation to previous executives. This is subject to reimbursement by National Grid Electricity Distribution Holdings Limited, and therefore a corresponding reimbursement asset is stated on the balance sheet and matches the liability recorded under IAS 19 (note 21).

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.

To measure the expected credit losses, trade and other receivables have been grouped based on shared risk characteristics and the days past due. Accrued income is effectively a receivable as well for the purposes of the expected credit loss model since it is unbilled only because a passage of time is required. NGED has therefore concluded that expected loss rates for trade receivables are a reasonable approximation of the loss rates for accrued income as well.

The expected credit loss rates are primarily based on historical credit losses experienced. The historical loss rates are then adjusted for forward looking information on macroeconomic factors affecting the customer's ability to pay. The general economic trends and conditions impact the customers ability to pay. Another key factor to consider is the liquidity and overall financial position of the key electricity suppliers.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, liquidation of the debtors, the failure of the debtor to engage in a repayment plan, and a failure to make payments for a period greater than 120 days past due. No further action is taken following the write off of debt, as all avenues for recovery have been exhausted.

16. Trade and other receivables (continued)

As at 31 March 2026, trade receivables and accrued income at a nominal value of £4.0m (2025: £3.4m) were impaired and fully provided for. Movements in the provision for impairment were as follows.

	2026	2025
	£m	£m
At 1 April	**3.4**	2.7
Provision for impairment	**2.5**	0.5
Amounts written off as uncollectable	**(2.9)**	(0.7)
Amounts recovered during the year	**1.0**	0.9
At 31 March	**4.0**	3.4

Ofgem regulations allow for full recoverability of credit losses on DUoS debtors, provided certain credit management protocols are performed in accordance with industry standards as governed by the Distribution Connection and Use of System Agreements ("DCUSA"), thus minimising any potential credit risk to the Group. The recoverability for the Group occurs through an increase in DUoS charges.

The NGED Group considers 100% of its credit risk to be with counterparties in related industries. The maximum credit risk exposure is represented by the carrying value as at the balance sheet date.

As at 31 March, the aged analysis of trade receivables is as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
2026	**152.5**	**145.7**	**3.0**	**0.7**	**—**	**—**	**3.1**
2025	169.1	164.2	2.3	0.6	—	—	2.0

Trade receivables that are neither past due nor impaired relate largely to charges made to electricity suppliers for the use of NGED's distribution network. Credit risk management for these receivables is performed in accordance with industry standards as set out by Ofgem and governed by the credit rules within the DCUSA.

In order to minimise exposure to debt, the DCUSA requires NGED to monitor electricity suppliers' (NGED's customers) indebtedness ratios daily to ensure it does not exceed 85%. The indebtedness ratio is defined as 'Value at Risk/Credit Limit' where 'Value at Risk' is the suppliers' current outstanding invoices plus a 15 day estimate of unbilled amounts and 'Credit Limit' is calculated by reference to NGED's RAV, the suppliers' credit rating from an approved credit referencing agency, and the suppliers' payment performance history.

Where necessary, suppliers can ensure they are within the 85% indebtedness threshold by providing collateral to increase their 'Credit Limit'. This can be in the form of a letter of credit or equivalent bank guarantee, an escrow account deposit, a cash deposit, or any other form of collateral agreed between NGED and the supplier. As at 31 March 2026, the NGED Group held collateral in relation to trade receivables in the form of cash £16.9m (2025: £16.5m), letters of credit £45.5m (2025: £45.5m), and parent company guarantees £15.6m (2025: £15.6m). Letters of credit are held whereby a company has a long-term debt rating of not less than single A by Standard and Poor's Ratings Group or by Moody's Investors Service. The maximum amounts for parent company guarantees are based on their credit ratings as per the DCUSA regulations.

17. Cash and cash equivalents

	2026	2025
	£m	£m
Cash at bank	**3.6**	2.0
Cash at bank and in hand	**3.6**	2.0

The fair value of cash at bank is considered to approximate its carrying amount. Cash at bank earns interest at floating rates based on short-term bank deposit rates. Cash at bank and in hand is subject to the impairment requirements of IFRS 9 but the impairment loss on these is deemed immaterial since they have an insignificant risk of change in value.

Included in cash at bank deposits are restricted amounts totalling £0.5m (2025: £0.5m) which are not readily available for the general purposes of the NGED Group.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 March:

	2026	2025
	£m	£m
Cash at bank and in hand (from above)	**3.6**	2.0
Bank overdrafts*	**(33.4)**	(6.9)
Cash and cash equivalents	**(29.8)**	(4.9)

*Bank overdrafts comprise principally unpresented cheques and BACS at the year end. Bank overdrafts are classified within 'Borrowings'.

18. Borrowings

We borrow money primarily in the form of bonds, borrowings from fellow subsidiaries and bank loans. These are for a fixed term and may have fixed or floating interest rates or are linked to the retail price index ("RPI"). We use derivatives to manage risks associated with interest rates and foreign exchange. Lease liabilities are also included within borrowings.

Our price controls 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 such as gearing ratios as used by credit rating agencies.

Borrowings, which include interest-bearing and inflation-linked debt, overdrafts and collateral payable, are initially recorded at fair value which normally reflect the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated 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.

18. Borrowings (continued)

	2026	2025
	£m	£m
Current		
Bank loans and overdraft	**37.8**	9.5
Bonds	**713.9**	378.7
Loan with ultimate parent company	**1,265.9**	877.2
Lease liabilities	**8.6**	6.7
	2,026.2	1,272.1

The loan with ultimate parent company pertains to amounts drawn under the two-way loan agreement with National Grid plc. The loan is unsecured and is repayable on demand. Interest is accrued daily on the balance at SONIA plus 0.25% margin.

	2026	2025
	£m	£m
Non-current		
Bank loans	**96.6**	—
Bonds	**5,094.6**	5,614.9
Lease liabilities	**18.1**	15.9
	5,209.3	5,630.8
Total borrowings	**7,235.5**	6,902.9

Total borrowings are repayable as follows:

	2026	2025
	£m	£m
Less than 1 year	**2,026.2**	1,272.1
In 1 - 2 years	**6.8**	602.4
In 2 - 3 years	**708.8**	3.9
In 3 - 4 years	**250.3**	688.0
In 4 - 5 years	**0.6**	249.1
More than 5 years	**4,242.8**	4,087.4
	7,235.5	6,902.9

The fair value of borrowings at 31 March 2026 was £6,845.8m (2025: £6,532.3m). Where market values are available, the fair value of borrowings (Level 1) was £4,313.2m (2025: £5,193.6m). Where market values are not available, fair value of borrowings (Level 2) was £2,532.6m (2025: £1,338.7m), calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio as at 31 March 2026 was £7,215.0m (2025: £6,836.9m).

Collateral is placed with or received from any 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 £3.0m (2025: £2.6m) in respect of cash received under collateral agreements.

The principal amount of the RPI linked bonds is adjusted based on changes in a specified index, as detailed in the terms of the related indentures. The adjustment to the principal amounts in the current year was an increase of approximately £37.5m (2025: £38.2m) resulting from inflation.

At 31 March 2026, the NGED Group had available £845.0m (2025: £845.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. All facilities incur commitment fees at market rates. At 31 March 2026, it also had available undrawn uncommitted facilities of £21.9m (2025: £21.9m).

18. Borrowings (continued)

None of the outstanding debt securities noted above has sinking fund requirements.

The carrying amounts of the NGED Group's borrowings are denominated in the following currencies:

	2026	2025
	£m	£m
UK pound	**6,040.9**	5,774.6
US dollar	**154.8**	157.8
Euro	**877.0**	843.3
Other	**162.8**	127.2
	7,235.5	6,902.9

Lease liabilities

	2026	2025
	£m	£m
Opening	**22.6**	21.8
Additions	**11.2**	6.4
Payments during the year	**(8.2)**	(6.6)
Interest expense	**1.1**	1.0
At 31 March	**26.7**	22.6
of which:		
Current	**8.6**	6.7
Non-current	**18.1**	15.9

Maturity analysis of lease liabilities is as below:

	2026	2025
	£m	£m
Gross lease liabilities are repayable as follows:		
Less than 1 year	**8.8**	6.9
1 to 5 years	**14.8**	13.1
More than 5 years	**11.0**	10.0
	34.6	30.0
Less: finance charges allocated to future years	**(7.9)**	(7.4)
	26.7	22.6
Present value of lease liabilities are as follows:		
Less than 1 year	**8.6**	6.7
1 to 5 years	**14.5**	12.8
More than 5 years	**3.6**	3.1
	26.7	22.6

The NGED Group leases various properties under non-cancellable operating lease arrangements. In addition to this, NGED leases in rights to capacity on third party fibre optic networks, and space and equipment at third party telecommunication sites, under non-cancellable lease arrangements, in order to extend its core fibre network for its point to point transmission services. The leases have various terms, escalation clauses and renewable rights. Lease terms and rentals to be paid during the lease term are defined within the agreement. In some cases, lease rentals may be subject to a rent review on dates specified within the agreement at the then prevailing market rate. Short term leases and low value leases are excluded from recognition on the balance sheet. The amount charged to rent expense pertaining to short term leases amounts to £3.8m (2025: £3.5m) and pertaining to low value leases amounts to £1.0m (2025: £1.1m).

19. Trade and other payables

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

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

	2026	2025
	£m	£m
Trade payables	**100.3**	82.8
Social security and other taxes	**62.6**	87.9
Payments received in advance	**382.5**	356.6
Amounts owed to fellow subsidiary undertakings	**—**	7.2
Other payables	**35.4**	29.0
Deferred income	**17.3**	8.9
Accruals	**211.6**	240.1
	809.7	812.5

Trade payables comprise amounts outstanding for trade purchases and ongoing costs.

Amounts owed to fellow subsidiary undertakings pertain to net corporate tax payable balances.

Payments received in advance primarily relate to the advance payments received from customers for construction contracts, mainly in relation to connections, for which work has not yet commenced. Other payables include £17.0m (2025: £16.5m) DUoS collateral deposits received from suppliers in accordance with the DCUSA.

Accruals include £15.0m (2025: £29.5m) payable to National Grid UK Limited in respect of corporate recharges.

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

20. Contract liabilities

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

	2026	2025
	£m	£m
Current	**61.4**	117.8
Non-current	**3,446.2**	3,213.3
	3,507.6	3,331.1

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

	2026	2025
	£m	£m
At 1 April	**3,331.1**	3,169.8
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(61.4)**	(58.0)
Increase due to cash received, excluding amounts recognised as revenue during the period	**237.9**	219.3
At 31 March	**3,507.6**	3,331.1

21. Pensions and other post-retirement benefits

All of our employees are eligible to participate in a pension scheme. We have defined benefit ("DB") and defined contribution ("DC") pension plans in the UK. The fair value of associated plan assets and present value of DB obligations are updated annually in accordance with IAS 19 ‘Employee Benefits’. Below we provide a more detailed analysis of the amounts recorded in the primary financial statements and the actuarial assumptions used to value the DB obligations.

Defined contribution plans

Ongoing pension provision for NGED employees is provided by the National Grid UK Retirement Plan ("NGUKRP"), a section of a Master Trust arrangement managed by Legal & General. The Company 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 the Company to pay additional contributions in the instance that investment performance is poor. Payments to these DC plans are charged as an expense as they fall due.

The Company also operates a closed section of WPPS with no active members. At 31 March 2026 there were 172 members with deferred benefits in the scheme (2025: 178) and 9 pensioners (2025: 9). Market value of the assets was £2.7m (2025: £2.4m).

Defined benefit plans

The NGED Group operates four defined benefit pension schemes:

- two sections of the Electricity Supply Pension Scheme ("ESPS"),
    - the section covering NGED South West and NGED South Wales ("ESPS WPD"), and
    - the section covering NGED East Midlands and NGED West Midlands ("ESPS CN")
- the Western Power Utilities Pension Scheme ("WPUPS")
- the Western Power Pension Scheme - Infralec 92 section ("WPPS I92").

The assets of all four schemes are held separately from those of the NGED Group in trustee administered funds.

ESPS WPD and ESPS CN provides pension and other related defined benefits based on final pensionable pay but are closed to new members except in very limited circumstances.

NGED South Wales is the principal employer for WPUPS, which is a defined benefit scheme providing benefits relating to previous employees of a former affiliated group. National Grid Electricity Distribution Holdings Limited, the Company's parent, has taken full financial responsibility for this scheme and will reimburse NGED South Wales for any funding payments required. As National Grid Electricity Distribution Holdings Limited is outside the NGED Group, the value of the reimbursement agreement is stated in the balance sheet (note 22) and matches the gross asset/liability recorded under IAS 19 below.

WPPS I92 provides benefits on both a money purchase and final salary basis and is operated by NGED South Wales.

WPUPS and WPPS I92 are closed with no active members.

The arrangements are subject to independent actuarial funding valuations every three years and, 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 completed full actuarial valuations for each of the DB plans were carried out with an effective date of 31 March 2025. All schemes other than ESPS WPD reported a surplus position. For ESPS WPD the Company agreed to cover the shortfall with deficit recovery payments of £18.0m per annum from April 2026 to March 2028.

The Company also agreed employer contributions of 17.0% of pensionable salaries per annum in respect of future benefit accrual in ESPS WPD and ESPS CN.

21. Pensions and other post-retirement benefits (continued)

Defined benefit plans (continued)

The WPUPS and WPPS I92 schemes were in surplus at the valuation dates and therefore no deficit funding was required for these schemes.

Current expected total contributions for the year ending 31 March 2027 are £32.0m for ESPS WPD and £15.0m for ESPS CN.

For ESPS WPD, the net defined benefit cost and net surplus or deficit of the plan have been allocated to NGED South West and NGED South Wales in accordance with pensionable salaries, currently 63.2% to NGED South West (2025: 63.0%). For ESPS CN, the net defined benefit cost and net surplus or deficit of the plan have been allocated to NGED East Midlands and NGED West Midlands in accordance with pensionable salaries, currently 47.7% to NGED East Midlands (2025: 47.6%).

Unfunded obligation

The NGED Group also has unfunded pension obligations which relate to previous executives with some of these obligations subject to reimbursement by National Grid Electricity Distribution Holdings Limited as a result of the novation agreement, and therefore a corresponding reimbursement asset is stated on the balance sheet (note 16) and matches the liability recorded under IAS 19.

Actuarial assumptions

On retirement, members of DB plans receive benefits whose value is dependent on factors such as salary and length of pensionable service. The Company'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. Current service cost and any unrecognised past service cost are recognised immediately.

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

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

	2026			
	ESPS WPD	**ESPS CN**	**WPUPS**	**WPPS I92**
	%	**%**	**%**	**%**
Discount rate - past service	**6.09**	**6.06**	**5.91**	**5.90**
Discount rate - future service	**6.39**	**6.32**	**n/a**	**n/a**
Salary increases	**3.32**	**3.32**	**n/a**	**n/a**
Rate of increase in RPI - past service	**3.13**	**3.15**	**3.20**	**3.20**
Rate of increase in RPI - future service	**3.04**	**3.08**	**n/a**	**n/a**

	2025			
	ESPS WPD	ESPS CN	WPUPS	WPPS I92
	%	%	%	%
Discount rate - past service	5.78	5.78	5.67	5.66
Discount rate - future service	5.95	5.96	n/a	n/a
Salary increases	3.07	3.08	n/a	n/a
Rate of increase in RPI - past service	2.94	2.97	3.03	3.04
Rate of increase in RPI - future service	2.80	2.89	n/a	n/a

21. Pensions and other post-retirement benefits (continued)

Actuarial assumptions (continued)
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 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.

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

	2026			
	ESPS WPD	**ESPS CN**	**WPUPS**	**WPPS I92**
Assumed life expectations for a retiree age 65:				
Males	**21.6**	**22.0**	**21.2**	**22.6**
Females	**23.8**	**23.8**	**23.3**	**24.4**
In 20 years:				
Males	**22.4**	**23.1**	**22.1**	**23.1**
Females	**25.1**	**25.0**	**24.7**	**25.3**

	2025			
	ESPS WPD	ESPS CN	WPUPS	WPPS I92
Assumed life expectations for a retiree age 65:				
Males	21.1	21.5	21.3	22.1
Females	23.5	23.5	24.1	24.1
In 20 years:				
Males	21.9	22.6	22.4	22.7
Females	24.8	24.8	24.9	24.8

The weighted average duration of the defined benefit obligation is around 12 years for ESPS WPD, 11 years for ESPS CN and around 9 years for WPUPS and WPPS I92.

As at the reporting date, the present value of the funded obligations split according to member status was for the WPD segment approximately 20% active members (2025: 21%); 3% deferred members (2025: 3%); 77% pensioner members (2025: 76%) and for the CN segment 17% active members (2025: 20%); 6% deferred members (2025: 6%); 77% pensioner members (2025: 74%).

For sensitivity analysis see note 31.

Amounts recognised in the consolidated statement of financial position

			2026			
	ESPS WPD	**ESPS CN**	**WPUPS**	**WPPS I92**	**Unfunded**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Present value of obligations	**(1,540.0)**	**(2,150.9)**	**(313.1)**	**(9.1)**	**(4.8)**	**(4,017.9)**
Fair value of scheme assets	**1,643.0**	**2,547.9**	**387.6**	**12.9**	**—**	**4,591.4**
Surplus/(deficit) of funded plan and asset/(liability) recognised in the balance sheet	**103.0**	**397.0**	**74.5**	**3.8**	**(4.8)**	**573.5**
Represented by:						
Asset	**103.0**	**397.0**	**74.5**	**3.8**	**—**	**578.3**
Liability	**—**	**—**	**—**	**—**	**(4.8)**	**(4.8)**
	103.0	**397.0**	**74.5**	**3.8**	**(4.8)**	**573.5**

Notes to the consolidated financial statements (continued)

For the year ended 31 March 2026

21. Pensions and other post-retirement benefits (continued)

Amounts recognised in the consolidated statement of financial position (continued)

	2025					
	ESPS WPD	ESPS CN	WPUPS	WPPS I92	Unfunded	Total
	£m	£m	£m	£m	£m	
Present value of obligations	(1,551.0)	(2,175.9)	(319.1)	(8.1)	(5.4)	(4,059.5)
Fair value of scheme assets	1,642.0	2,569.1	398.6	11.9	—	4,621.6
Surplus/(deficit) of funded plan and asset/(liability) recognised in the balance sheet	91.0	393.2	79.5	3.8	(5.4)	562.1
Represented by:						
Asset	91.0	393.2	79.5	3.8	—	567.5
Liability	—	—	—	—	(5.4)	(5.4)
	91.0	393.2	79.5	3.8	(5.4)	562.1

The recognition of the pension asset reflects legal and actuarial advice that we have taken regarding recognition of surpluses under IFRIC 14. The Company has an unconditional right to a refund in the event of a winding up.

The regulator, Ofgem, currently allows ongoing service costs and a proportion of the deficit costs to be recovered through regulated income.

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

The expense or income arising from pension arrangements recognised in the income statements is shown below:

	2026					
	ESPS WPD	**ESPS CN**	**WPUPS**	**WPPS I92**	**Unfunded**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Included within operating costs (including payroll costs)						
Current service cost	**11.0**	**15.0**	**—**	**—**	**—**	**26.0**
Administrative costs	**2.0**	**3.0**	**1.0**	**—**	**—**	**6.0**
Past service cost and gains and losses on settlements	**1.0**	**—**	**—**	**—**	**—**	**1.0**
WPUPS reimbursement agreement	**—**	**—**	**(1.0)**	**—**	**—**	**(1.0)**
Total included within operating costs	**14.0**	**18.0**	**—**	**—**	**—**	**32.0**
Included within finance income and costs						
Interest income on plan assets	**(80.0)**	**(124.0)**	**(19.0)**	**(1.0)**	**—**	**(224.0)**
Interest on plan liabilities	**74.0**	**104.0**	**15.0**	**—**	**—**	**193.0**
WPUPS reimbursement agreement	**—**	**—**	**4.0**	**—**	**—**	**4.0**
Total included within finance income and costs	**(6.0)**	**(20.0)**	**—**	**(1.0)**	**—**	**(27.0)**
Total included within consolidated income statement	**8.0**	**(2.0)**	**—**	**(1.0)**	**—**	**5.0**

21. Pensions and other post-retirement benefits (continued)

Amounts recognised in the consolidated income statement and the consolidated statement of other comprehensive income (continued)

	2025					
	ESPS WPD	ESPS CN	WPUPS	WPPS I92	Unfunded	Total
	£m	£m	£m	£m	£m	£m
Included within operating costs (including payroll costs)						
Current service cost	15.0	19.0	—	—	—	34.0
Administrative costs	1.9	2.0	1.0	—	—	4.9
WPUPS reimbursement agreement	—	—	(1.0)	—	—	(1.0)
Total included within operating costs	16.9	21.0	—	—	—	37.9
Included within finance income and costs						
Interest income on plan assets	(94.0)	(144.0)	(22.0)	(1.0)	—	(261.0)
Interest on plan liabilities	90.0	125.0	18.0	1.0	—	234.0
WPUPS reimbursement agreement	—	—	4.0	—	—	4.0
Total included within finance income and costs	(4.0)	(19.0)	—	—	—	(23.0)
Total included within consolidated income statement	12.9	2.0	—	—	—	14.9

The operating charge is allocated to the operating costs in the consolidated income statement or to capital expenditure as appropriate.

Analysis of the amount recognised in other comprehensive income:

	2026					
	ESPS WPD	**ESPS CN**	**WPUPS**	**WPPS I92**	**Unfunded**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Return on plan assets excluding amounts included in interest (income)/expense	**2.0**	**23.0**	**1.0**	**(1.0)**	**—**	**25.0**
Loss/(gain) from change in demographic	**17.0**	**23.0**	**(5.0)**	**—**	**—**	**35.0**
Gain from change in financial assumptions	**(5.0)**	**(8.0)**	**—**	**—**	**—**	**(13.0)**
Experience (gains)/losses	**(1.0)**	**(3.0)**	**12.0**	**2.0**	**—**	**10.0**
WPUPS Reimbursement agreement	**—**	**—**	**(8.0)**	**—**	**—**	**(8.0)**
Remeasurement gains recognised in other comprehensive income	**13.0**	**35.0**	**—**	**1.0**	**—**	**49.0**

	2025					
	ESPS WPD	ESPS CN	WPUPS	WPPS I92	Unfunded	Total
	£m	£m	£m	£m	£m	£m
Return on plan assets excluding amounts included in interest (income)/expense	204.0	262.0	29.0	1.0	—	496.0
Loss/(gain) from change in demographic	(7.0)	2.0	(1.0)	—	—	(6.0)
Gain from change in financial assumptions	(195.0)	(259.0)	(27.0)	(1.0)	—	(482.0)
Experience (gains)/losses	(2.0)	(18.0)	1.0	—	—	(19.0)
WPUPS Reimbursement agreement	—	—	(2.0)	—	—	(2.0)
Remeasurement gains recognised in other comprehensive income	—	(13.0)	—	—	—	(13.0)

21. Pensions and other post-retirement benefits (continued)

The movement in the net pension asset over the accounting period is as follows:

ESPS WPD	Year ended 31 March 2026 Present value of obligation	Year ended 31 March 2026 Fair value of plan assets	Year ended 31 March 2026 Net	Year ended 31 March 2025 Present value of obligation	Year ended 31 March 2025 Fair value of plan assets	Year ended 31 March 2025 Net
	£m	**£m**	**£m**	£m	£m	£m
(Liability)/asset at 1 April	**(1,551.0)**	**1,642.0**	**91.0**	(1,775.0)	1,827.9	52.9
Current service cost	**(11.0)**	**—**	**(11.0)**	(15.0)	—	(15.0)
Administrative costs	**(2.0)**	**—**	**(2.0)**	(1.9)	—	(1.9)
Interest (expense)/income	**(74.0)**	**80.0**	**6.0**	(90.0)	94.0	4.0
Past service cost and gains and losses on settlements	**(1.0)**	**—**	**(1.0)**	—	—	—
	(88.0)	**80.0**	**(8.0)**	(106.9)	94.0	(12.9)
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	**—**	**(2.0)**	**(2.0)**	—	(204.0)	(204.0)
(Loss)/gain from change in demographic assumptions	**(17.0)**	**—**	**(17.0)**	7.0	—	7.0
Gain from change in financial assumptions	**5.0**	**—**	**5.0**	195.0	—	195.0
Experience gains	**1.0**	**—**	**1.0**	2.0	—	2.0
	(11.0)	**(2.0)**	**(13.0)**	204.0	(204.0)	—
Contributions:						
Employers	**—**	**33.0**	**33.0**	—	51.0	51.0
Plan participants	**(2.0)**	**2.0**	**—**	(2.0)	2.0	—
	(2.0)	**35.0**	**33.0**	(2.0)	53.0	51.0
Payments from plan:						
Benefit payments	**110.0**	**(110.0)**	**—**	127.0	(127.0)	—
Administrative costs	**2.0**	**(2.0)**	**—**	1.9	(1.9)	—
	112.0	**(112.0)**	**—**	128.9	(128.9)	—
(Liability)/asset at 31 March	**(1,540.0)**	**1,643.0**	**103.0**	(1,551.0)	1,642.0	91.0

21. Pensions and other post-retirement benefits (continued)

	Year ended 31 March 2026			Year ended 31 March 2025		
ESPS CN	**Present value of obligation**	**Fair value of plan assets**	**Net**	Present value of obligation	Fair value of plan assets	Net
	£m	**£m**	**£m**	£m	£m	£m
(Liability)/asset at 1 April	**(2,175.9)**	**2,569.1**	**393.2**	(2,469.9)	2,811.1	341.2
Current service cost	**(15.0)**	**—**	**(15.0)**	(19.0)	—	(19.0)
Administrative costs	**(3.0)**	**—**	**(3.0)**	(2.0)	—	(2.0)
Interest (expense)/income	**(104.0)**	**124.0**	**20.0**	(125.0)	144.0	19.0
	(122.0)	**124.0**	**2.0**	(146.0)	144.0	(2.0)
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	**—**	**(23.0)**	**(23.0)**	—	(262.0)	(262.0)
Loss from change in demographic assumptions	**(23.0)**	**—**	**(23.0)**	(2.0)	—	(2.0)
Gain from change in financial assumptions	**8.0**	**—**	**8.0**	259.0	—	259.0
Experience gains	**3.0**	**—**	**3.0**	18.0	—	18.0
	(12.0)	**(23.0)**	**(35.0)**	275.0	(262.0)	13.0
Contributions:						
Employers	**—**	**36.8**	**36.8**	—	41.0	41.0
Plan participants	**(3.0)**	**3.0**	**—**	(3.0)	3.0	—
	(3.0)	**39.8**	**36.8**	(3.0)	44.0	41.0
Payments from plan:						
Benefit payments	**159.0**	**(159.0)**	**—**	166.0	(166.0)	—
Administrative costs	**3.0**	**(3.0)**	**—**	2.0	(2.0)	—
	162.0	**(162.0)**	**—**	168.0	(168.0)	—
(Liability)/asset at 31 March	**(2,150.9)**	**2,547.9**	**397.0**	(2,175.9)	2,569.1	393.2

21. Pensions and other post-retirement benefits (continued)

	Year ended 31 March 2026			Year ended 31 March 2025		
WPUPS	**Present value of obligation**	**Fair value of plan assets**	**Net**	Present value of obligation	Fair value of plan assets	Net
	£m	**£m**	**£m**	£m	£m	£m
(Liability)/asset at 1 April	**(319.1)**	**398.6**	**79.5**	(356.1)	434.6	78.5
Administrative costs	**(1.0)**	**—**	**(1.0)**	(1.0)	—	(1.0)
Interest (expense)/income	**(15.0)**	**19.0**	**4.0**	(18.0)	22.0	4.0
	(16.0)	**19.0**	**3.0**	(19.0)	22.0	3.0
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	**—**	**(1.0)**	**(1.0)**	—	(29.0)	(29.0)
Gain from change in demographic assumptions	**5.0**	**—**	**5.0**	1.0	—	1.0
Gain from change in financial assumptions	**—**	**—**	**—**	27.0	—	27.0
Experience losses	**(12.0)**	**—**	**(12.0)**	(1.0)	—	(1.0)
	(7.0)	**(1.0)**	**(8.0)**	27.0	(29.0)	(2.0)
Payments from plan:						
Benefit payments	**28.0**	**(28.0)**	**—**	28.0	(28.0)	—
Administrative costs	**1.0**	**(1.0)**	**—**	1.0	(1.0)	—
	29.0	**(29.0)**	**—**	29.0	(29.0)	—
(Liability)/asset at 31 March	**(313.1)**	**387.6**	**74.5**	(319.1)	398.6	79.5

Notes to the consolidated financial statements (continued)

For the year ended 31 March 2026

21. Pensions and other post-retirement benefits (continued)

WPPS I92	Year ended 31 March 2026 Present value of obligation	Fair value of plan assets	Net	Year ended 31 March 2025 Present value of obligation	Fair value of plan assets	Net
	£m	£m	£m	£m	£m	£m
(Liability)/asset at 1 April	**(8.1)**	**11.9**	**3.8**	(9.1)	12.9	3.8
Interest (expense)/income	**—**	**1.0**	**1.0**	(1.0)	1.0	—
	—	**1.0**	1.0	(1.0)	1.0	-
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	**—**	**1.0**	**1.0**	—	(1.0)	(1.0)
Gain from change in demographic assumptions	**—**	**—**	**—**	—	—	—
Gain from change in financial assumptions	**—**	**—**	**—**	1.0	—	1.0
Experience losses	**(2.0)**	**—**	**(2.0)**	—	—	—
	(2.0)	**1.0**	**(1.0)**	1.0	(1.0)	—
Contributions:						
Employers	**—**	**—**	**—**	—	—	—
	—	**—**	**—**	—	—	—
Payments from plan:						
Benefit payments	**1.0**	**(1.0)**	**—**	1.0	(1.0)	—
	1.0	**(1.0)**	**—**	1.0	(1.0)	—
(Liability)/asset at 31 March	**(9.1)**	**12.9**	**3.8**	(8.1)	11.9	3.8

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.

ESPS WPD scheme assets are comprised as follows:

	31 March 2026 Quoted	Unquoted	Total	31 March 2025 Quoted	Unquoted	Total
	£m	£m	£m	£m	£m	£m
Equities	**536.0**	**—**	**536.0**	455.0	—	455.0
Corporate bonds/credit	**240.0**	**—**	**240.0**	242.0	—	242.0
Property	**—**	**79.0**	**79.0**	—	87.0	87.0
Diversified alternatives	**197.0**	**—**	**197.0**	177.0	—	177.0
Government securities & LDI	**—**	**596.0**	**596.0**	—	685.0	685.0
Other including cash and net current assets	**—**	**(5.0)**	**(5.0)**	1.0	(5.0)	(4.0)
Total	**973.0**	**670.0**	**1,643.0**	875.0	767.0	1,642.0

21. Pensions and other post-retirement benefits (continued)

Asset allocations (continued)

ESPS CN scheme assets are comprised as follows:

	31 March 2026			31 March 2025		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Equities	**306.0**	**—**	**306.0**	261.0	—	261.0
Corporate bonds/credit	**237.0**	**—**	**237.0**	350.0	—	350.0
Property	**—**	**248.0**	**248.0**	—	261.0	261.0
Diversified alternatives	**215.0**	**—**	**215.0**	204.0	—	204.0
Government securities & LDI	**—**	**1,549.0**	**1,549.0**	—	1,500.0	1,500.0
Other including cash and net current assets	**—**	**(7.1)**	**(7.1)**	—	(6.9)	(6.9)
Total	**758.0**	**1,789.9**	**2,547.9**	815.0	1,754.1	2,569.1

WPUPS scheme assets are comprised as follows:

	31 March 2026			31 March 2025		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Corporate bonds/credit	**218.0**	**—**	**218.0**	236.0	—	236.0
Government securities & LDI	**—**	**169.0**	**169.0**	—	163.0	163.0
Other	**—**	**0.6**	**0.6**	—	(0.4)	(0.4)
Total	**218.0**	**169.6**	**387.6**	236.0	162.6	398.6

Infralec 92 scheme assets are comprised as follows:

	31 March 2026			31 March 2025		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Government securities & LDI	**—**	**11.0**	**11.0**	—	12.0	12.0
Other	**—**	**1.9**	**1.9**	—	(0.1)	(0.1)
Total	**—**	**12.9**	**12.9**	—	11.9	11.9

21. Pensions and other post-retirement benefits (continued)

Main defined benefit risks

The Company underwrites the financial and demographic risks associated with the DB plans. Although the Trustees have sole responsibility for setting investment strategies and managing risks, the Company closely works with and supports the Trustees, to assist in mitigating the risks associated with the DB plans and to ensure that they are funded to meet their obligations.

The most significant risks associated with the DB plans are:

- 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. The plans seek 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 allows 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. 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.
- 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 plan 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).
- 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 control ranges, to control the risk.
- 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.

Defined Benefit plan investment strategy

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

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

22. Provisions

We make provisions when an obligation exists, resulting from a past event and it is probable that cash will be paid to settle it, but the exact amount of cash required can only be estimated.

Provisions are recognised where a legal or constructive obligation exists at the reporting date, as a result of a past event, where the amount of the obligation can be reliably estimated and where the outflow of economic benefit is probable. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

	WPUPS reimbursement agreement[1]	Asset Retirement Obligations[2]	Insurance[3]	Pensions[4]	Other[5]	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2025	79.4	39.2	4.2	2.3	8.8	**133.9**
Additions	(5.0)	(7.7)	1.8	(2.3)	15.0	**1.8**
Utilised during year	—	1.3	(3.0)	—	(0.3)	**(2.0)**
At 31 March 2026	**74.4**	**32.8**	**3.0**	**—**	**23.5**	**133.7**
Current	—	1.0	3.0	—	22.9	**26.9**
Non-current	74.4	31.8	—	—	0.6	**106.8**
At 31 March 2026	**74.4**	**32.8**	**3.0**	**—**	**23.5**	**133.7**
Current	—	1.5	4.2	0.7	8.3	14.7
Non-current	79.4	37.7	—	1.6	0.5	119.2
At 31 March 2025	79.4	39.2	4.2	2.3	8.8	133.9

1. NGED South Wales is the principal employer for WPUPS, which is a defined benefit scheme providing benefits relating to previous employees of a former affiliated group. NGED South Wales will fund the actuarial deficit. However, as National Grid Electricity Distribution Holdings Limited, the Company's parent, has taken full financial responsibility for this scheme, NGED South Wales will be reimbursed for these payments. As National Grid Electricity Distribution Holdings Limited is outside the NGED Group, the value of the reimbursement agreement is stated in the balance sheet as a provision above, and matches the gross asset recorded under IAS 19 (note 21).
2. Asset retirement obligations relate to an estimate of the costs of disposing and removing wood poles, fluid filled cables, SF6 gas units and PCB contaminated units at the end of their useful lives and are expected to be settled over the next 85 years. These assets are included in plant & machinery within property, plant and equipment. An initial estimate of costs is recorded as part of the original cost of the related property, plant and equipment. Any subsequent change in the provision (arising from revised estimates, discount rates or changes in the expected timing of expenditures) is recognised as an adjustment to the cost of the asset. The key assumption impacting the provision is in relation to the discount rate and the provision reflects our best estimate.
3. Insurance provisions relate to various claims such as third party motor claims, employers' liability, public and product liability, and professional indemnity. These claims are covered by external insurers and a receivable from the external insurers is recorded within other receivables. The directors expect insurance provisions to be settled in the next five years.
4. Pension provisions relate to expected settlements of liabilities relating to the pension liability relating to the Electricity Association Technology Limited ("EATL").
5. Other provisions relate principally to onerous uninsured losses, severance costs and miscellaneous claims arising in the ordinary course of business; the directors expect other provisions to be settled within the next two years.

23. Share capital

Ordinary share capital represents the total number of shares issued.

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

	Number of shares 2026	Number of shares 2025	**2026**	2025
	m	m	**£m**	£m
At 31 March 2025 and 2026 - 1,057,592,372 ordinary shares of £1 each:				
Allotted, called-up and fully paid	**1,057.6**	1,057.6	**1,057.6**	1,057.6

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.

24. 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.

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.

	Merger reserve[1]	**Hedging reserve**	**Cost of hedging reserve**	**Non-cash capital reserve[2]**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 1 April 2024	(963.1)	(16.1)	(1.1)	6.6	(973.7)
Share based payments	—	—	—	2.5	2.5
Net hedging gains/(losses) taken to equity	—	60.0	(3.1)	—	56.9
Amount reclassified to income statement because hedged item affected proift and loss	—	15.7	—	—	15.7
Income tax impact	—	(19.2)	0.7	(0.4)	(18.9)
At 31 March 2025	(963.1)	40.4	(3.5)	8.7	(917.5)
Share based payments	—	—	—	2.7	2.7
Net hedging gains/(losses) taken to equity	—	37.1	0.2	—	37.3
Amount reclassified to income statement because hedged item affected profit and loss	—	(20.1)	—	—	(20.1)
Income tax impact	—	(4.0)	0.1	3.0	(0.9)
At 31 March 2026	**(963.1)**	**53.4**	**(3.2)**	**14.4**	**(898.5)**

1. The merger reserve arose on the restructuring of NGED Group entities under common control in October 2014 and September 2001. A merger reserve is recorded as a result of the application of the "pooling of interests" basis of consolidation for the reorganisation of entities under common control.
2. The non-cash capital contribution reserve pertains to the employee share option scheme offered by the parent to be settled in the shares of the parent. Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. The fair value excludes the effect of non-market vesting conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

25. Net debt

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

(a) Composition of net debt

	2026	2025
	£m	£m
Cash at bank and in hand (note 17)	**3.6**	2.0
Current financial investments (note 13)	**100.9**	128.6
Borrowings (note 18)	**(7,235.5)**	(6,902.9)
Derivatives (note 14)	**17.2**	12.2
Net debt	**(7,113.8)**	(6,760.1)

(b) Analysis of changes in net debt

	Borrowings	**Derivatives**	**Cash at bank and in hand**	**Financial investment**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 1 April 2025	(6,902.9)	12.2	2.0	128.6	(6,760.1)
Net increase in cash at bank and in hand	—	—	1.6	—	1.6
Included within financing cash flows:					
Proceeds from long-term borrowings	(139.2)	—	—	—	(139.2)
Repayment of long-term borrowings	250	—	—	—	250.0
Payment of lease liabilities	8.2	—	—	—	8.2
Net increase in short-term borrowings	(340.5)	—	—	—	(340.5)
Cash outflow on derivative	—	0.3	—	—	0.3
Interest paid	250.2	12.1	—	—	262.3
Included within investing cash flows:					
Net movements in short-term financial investments	—	—	—	(28.3)	(28.3)
Cash flow movement in overdraft balance classified within cash and cash equivalent in the cash flow statement	(26.5)	—	—	—	(26.5)
Fair value gains and losses	32.6	10.2	—	—	42.8
Foreign exchange movements	(29.5)	—	—	—	(29.5)
Interest (charges)/income	(325.0)	(17.6)	—	0.6	(342.0)
Other non-cash movements	(12.9)	—	—	—	(12.9)
At 31 March 2026	**(7,235.5)**	**17.2**	**3.6**	**100.9**	**(7,113.8)**
Balances as of 31 March 2026 comprise:					
Non-current assets	—	142.5	—	—	142.5
Current assets	—	—	3.6	100.9	104.5
Current liabilities	(2,026.2)	—	—	—	(2,026.2)
Non-current liabilities	(5,209.3)	(125.3)	—	—	(5,334.6)
	(7,235.5)	**17.2**	**3.6**	**100.9**	**(7,113.8)**

25. Net debt (continued)

(b) Analysis of changes in net debt (continued)

	Borrowings	Derivatives	Cash at bank and in hand	Financial investment	Total
	£m	£m	£m	£m	£m
At 1 April 2024	(7,216.5)	33.2	3.7	230.9	(6,948.7)
Net decrease in cash at bank and in hand	—	—	(1.7)	—	(1.7)
Included within financing cash flows:					
Proceeds from long-term borrowings	(71.5)	—	—	—	(71.5)
Repayment of long-term borrowings	538.8	—	—	—	538.8
Payment of lease liabilities	6.6	—	—	—	6.6
Net increase in short-term borrowings	(152.7)	—	—	—	(152.7)
Cash outflow on derivative	—	0.9	—	—	0.9
Interest paid	253.7	10.7	—	—	264.4
Included within investing cash flows:					
Net movements in short-term financial investments	—	—	—	(102.9)	(102.9)
Cash flow movement in overdraft balance classified within cash and cash equivalent in the cash flow statement	(3.2)	—	—	—	(3.2)
Fair value gains and losses	68.4	(11.8)	—	—	56.6
Foreign exchange movements	19.6	—	—	—	19.6
Interest (charges)/income	(347.0)	(20.8)	—	0.6	(367.2)
Gain on loan repurchase	7.4	—	—	—	7.4
Other non-cash movements	(6.5)	—	—	—	(6.5)
At 31 March 2025	**(6,902.9)**	**12.2**	**2.0**	**128.6**	**(6,760.1)**
Balances as of 31 March 2025 comprise:					
Non-current assets	—	104.4	—	—	104.4
Current assets	—	—	2.0	128.6	130.6
Current liabilities	(1,272.1)	—	—	—	(1,272.1)
Non-current liabilities	(5,630.8)	(92.2)	—	—	(5,723.0)
	(6,902.9)	**12.2**	**2.0**	**128.6**	**(6,760.1)**

26. 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 the contracts for 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.

	2026	2025
Future capital expenditure	**£m**	£m
Contracted for but not provided	**376.1**	393.9

Guarantees and indemnities

The NGED Group has provided guarantees in respect of the funding required by the NGED Group's pension schemes.

26. Commitments and contingencies (continued)

Other contingencies

Through the ordinary course of our operations, the NGED Group's businesses are parties to various legal claims, actions and complaints. Although the NGED Group is unable to predict with certainty whether or not it will ultimately be successful in these legal proceedings or, if not, what the impact might be, the directors currently believe that disposition of these matters will not have a materially adverse effect on the NGED Group's financial statements.

27. Operating lease payments - NGED Group lessor

Future minimum rentals receivable under non-cancellable operating leases at 31 March are as follows:

	2026	2025
	£m	£m
Year 1	**3**	2.6
Year 2	**2.8**	2.3
Year 3	**2.4**	2.1
Year 4	**1.1**	1.9
Year 5	**0.7**	0.5
Year 6 and onwards	**4.1**	1.9
	14.1	11.3

28. Subsidiary undertakings

A list of the Group's subsidiaries as at 31 March 2026 is given below.

Subsidiary undertakings	**Principal activity**	**Proportion %**
National Grid Electricity Distribution (South West) plc	Electricity distribution	100
National Grid Electricity Distribution (South Wales) plc	Electricity distribution	100
National Grid Electricity Distribution (East Midlands) plc	Electricity distribution	100
National Grid Electricity Distribution (West Midlands) plc	Electricity distribution	100
National Grid Electricity Distribution Network Holdings Limited	Investment company	100
WPD WEM Limited	Investment company	100
National Grid Electricity Distribution Midlands Limited	Investment company	100
WPD WEM Holdings Limited	Investment company	100
National Grid Electricity Distribution Investments Limited	Investment company	100
National Grid Telecoms Limited	Telecommunications	100
National Grid Electricity Distribution Generation Limited	Power generation	100
National Grid Electricity Distribution Property Investments Limited	Property management	100
Kelston Properties 2 Limited	Property management	100
National Grid Helicopters Limited	Helicopter operator	100
Sheet Road Management Company Limited	Property Management	51
South Wales Electricity Share Scheme Trustees Limited	Dormant company	100
Central Networks Trustees Limited	Dormant company	100
Western Power Pension Trustee Limited	Dormant company	100

All undertakings are registered in England and Wales unless stated.

28. Subsidiary undertakings (continued)

Except for National Grid Electricity Distribution Network Holdings Limited and WPD WEM Holdings Limited, which are owned 100% directly, all shares are held by subsidiary undertakings. All holdings are in ordinary shares. The Group does not have any branches.

The registered office of all subsidiary undertakings is Avonbank, Feeder Road, Bristol BS2 0TB.

The exemption under s.394A and s.448A from preparing and filing the financial statements of the dormant subsidiaries has been availed.

Dormant entities	Company Number
South Wales Electricity Share Scheme Trustees Limited	02525006
Central Networks Trustees Limited	07561556
Western Power Pension Trustee Limited	02813866

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 March 2026:

Subsidiary undertakings	Company Number
National Grid Electricity Distribution Network Holdings Limited	8857746
National Grid Electricity Distribution Midlands Limited	2366928
WPD WEM Holdings Limited	7578676
WPD WEM Limited	4066211

29. Related party transactions

There are no personnel, other than the directors, who as key management have authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the NGED Group. Details of directors' compensation are set out in note 4.

The following significant transactions with related parties were in the normal course of business.

	2026	2025
	£m	£m
Revenue - National Grid affiliate companies[1]	**0.5**	2.9
Operating costs - National Grid affiliate companies[2]	**(108.1)**	(95.6)
Net finance cost	**(42.7)**	(29.3)
Loan with ultimate parent company[3]	**(1,265.9)**	(877.2)
Loan receivable from ultimate parent company[3]	**68.5**	105.7
Amounts owed from parent company	**17.3**	4.4
Corporate recharge accruals	**15.0**	29.5
WPUPS reimbursement liability re WPUPS pension asset[4]	**(74.4)**	(79.4)
Reimbursement asset re unfunded pension liability[5]	**1.9**	2.2

1 Revenue from related parties consists of engineering recharge revenue from National Grid entities in relation to ongoing diversion projects.

2 Operating costs charged by related parties largely relates to National Grid exit charges (charges levied by National Grid Electricity Transmission plc for connection to the electricity transmission system) and corporate recharges.

3. The loan with and receivable from ultimate parent company pertains to amounts drawn under the two-way loan agreement with National Grid plc. The loan is unsecured and is repayable on demand. Interest is accrued on the balance daily at SONIA plus 0.25% margin.

4. NGED South Wales is the principal employer for WPUPS, which is a defined benefit scheme providing benefits relating to previous employees of a former affiliated group. NGED South Wales will fund the actuarial deficit. However, as National Grid Electricity Distribution Holdings Limited, the Company's parent, has taken full financial responsibility for this scheme, NGED South Wales will be reimbursed for these payments. As National Grid Electricity Distribution Holdings Limited is outside the NGED Group, the value of the reimbursement agreement is stated in the balance sheet and matches the asset recorded under IAS 19 (note 21 and note 22).

29. Related party transactions (continued)

5. NGED South Wales also has an unfunded pension liability in respect of previous executives. National Grid Electricity Distribution Holdings Limited has taken full responsibility for this scheme and, therefore, NGED South Wales will be reimbursed for these payments. The value of the reimbursement agreement is stated in the balance sheet and matches the liability recorded under IAS 19 (note 21 and note 16).

30. 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 and inflation risk. Our risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential volatility of financial performance from these risks. We use financial instruments, including derivative financial instruments, to manage these risks.

Risk management related to financing activities is carried out by the National Grid plc central treasury department under policies approved by the Finance Committee of the National Grid plc Board. These policies have been deemed applicable at NGED companies by their respective board of directors. 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, as well as written policies covering specific areas such as 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.

We have exposure to the following risks, which are described in more detail below:

- credit risk;
- liquidity risk;
- currency risk;
- interest rate 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 or cash flow hedges as defined in IFRS 9. Hedge accounting allows the timing of the profit or loss impact of qualifying hedging instruments to be recognised in the same reporting period as the corresponding impact of hedged exposures. To qualify for hedge accounting, documentation is prepared specifying the risk management objective and strategy, the component transactions and methodology used for effectiveness measurement.

Hedge accounting relationships are designated in line with risk management activities further described below. Hedges entered into for the Group pertain to currency and interest rate risk arising from borrowings and 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 about hedge accounting.

30. Financial risk management (continued)

(a) Credit risk

We are exposed to the risk of loss resulting from counterparties' default on their commitment to pay. This risk is inherent in our commercial business activities. Exposure arises from derivative financial instruments, financial and other investments and trade and receivables.

NGED maintains credit policies and procedures with respect to counterparties (including requirements that counterparties maintain certain credit ratings criteria). Depending on the creditworthiness of the counterparty, the NGED Group may require collateral or other credit enhancements such as cash deposits or letters of credit and parent company guarantees. 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.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. At 31 March the maximum exposure to credit risk was as follows:

	2026	2025
	£m	£m
Cash at bank and in hand	**3.6**	2.0
Financial and other investments	**103.5**	131.0
Trade receivables	**152.5**	169.1
Other receivables	**40.3**	37.8
Accrued income	**195.8**	229.2
Derivative financial instruments	**142.5**	104.4
	638.2	673.5

NGED has concentrations of customers among electric utilities and other energy marketing and trading companies. These concentrations of counterparties may impact NGED's overall exposure to credit risk, either positively or negatively, in that counterparties may be similarly affected by changes in economic, regulatory or other conditions.

The analysis of NGED's financial assets by credit risk rating grade is as follow:

2026	**12 month ECL**	**Lifetime ECL**	**FVTPL**	**FVOCI**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
AAA to A (Low to Fair Risk)	**38.6**	**—**	**142.5**	**—**	**181.1**
BBB+ to B (Monitoring)	**68.5**	**—**	**—**	**—**	**68.5**
Others monitored on ageing matrix	**—**	**392.5**	**—**	**—**	**392.5**
Total gross carrying value	**107.1**	**392.5**	**142.5**	**—**	**642.1**
Loss allowance	**—**	**(4.0)**	**—**	**—**	**(4.0)**
Net carrying value	**107.1**	**388.5**	**142.5**	**—**	**638.1**

30. Financial risk management (continued)

(a) Credit risk (continued)

2025	12 month ECL	Lifetime ECL	FVTPL	FVOCI	Total
	£m	£m	£m	£m	£m
AAA to A (Low to Fair Risk)	27.3	—	104.4	—	131.7
BBB+ to B (Monitoring)	105.7	—	—	—	105.7
Others monitored on ageing matrix	—	435.0	—	—	435.0
Total gross carrying value	133.0	435.0	104.4	—	672.4
Loss allowance	—	(3.4)	—	—	(3.4)
Net carrying value	133.0	431.6	104.4	—	669.0

Offsetting financial assets and liabilities

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

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

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

For bank account balances and bank overdrafts, there are no ‘Gross amounts offset’ under cash pooling arrangements as at 31 March 2026 (nil as 31 March 2025).

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

	Gross carrying amounts	**Gross amounts offset**	**Net amounts presented in statement of financial position**	**Financial instruments**	**Cash collateral received pledged**	**Net amount**
At 31 March 2026	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Assets:						
Derivative financial instruments	**142.5**	**—**	**142.5**	**(87.0)**	**(2.8)**	**52.7**
Liabilities:						
Derivative financial instruments	**(125.4)**	**—**	**(125.4)**	**87.0**	**22.0**	**(16.4)**

30. Financial risk management (continued)

(a) Credit risk (continued)

At 31 March 2025	Gross carrying amounts £m	Gross amounts offset £m	Net amounts presented in statement of financial position £m	Financial instruments £m	Cash collateral received pledged £m	Net amount £m
Assets:						
Derivative financial instruments	104.4	—	104.4	(59.6)	(1.8)	43.0
Liabilities:						
Derivative financial instruments	(92.2)	—	(92.2)	59.6	15.8	(16.8)

(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 26, can be met from existing cash and investments, operating cash flows and other financings 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 2026	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings excluding lease liabilities	**(1,868.9)**	**—**	**(709.6)**	**(4,576.4)**	**(7,154.9)**
Interest payments on borrowings[1]	**(237.2)**	**(212.0)**	**(212.6)**	**(1,913.1)**	**(2,574.9)**
Lease liabilities	**(8.8)**	**(6.9)**	**(4.8)**	**(14.0)**	**(34.5)**
Other non-interest-bearing liabilities	**(135.7)**	**—**	**—**	**—**	**(135.7)**
Derivative financial liabilities					
Derivative contracts - receipts[2]	**19.0**	**157.4**	**70.8**	**68.6**	**315.8**
Derivative contracts - payments[2]	**(26.5)**	**(167.9)**	**(102.7)**	**(181.7)**	**(478.8)**
Derivative financial assets					
Derivative contracts - receipts[2]	**48.9**	**935.9**	**53.6**	**191.8**	**1,230.2**
Derivative contracts - payments[2]	**(55.5)**	**(886.8)**	**(40.2)**	**(90.8)**	**(1,073.3)**
Total	**(2,264.7)**	**(180.3)**	**(945.5)**	**(6,515.6)**	**(9,906.1)**

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).

30. Financial risk management (continued)

(b) Liquidity risk (continued)

At 31 March 2025	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings excluding lease liabilities	(1,088.5)	(600.0)	—	(5,159.9)	(6,848.4)
Interest payments on borrowings[1]	(248.5)	(234.7)	(208.4)	(2,073.8)	(2,765.4)
Lease liabilities	(6.7)	(5.8)	(3.9)	(6.2)	(22.6)
Other non-interest-bearing liabilities	(111.7)	—	—	—	(111.7)
Derivative financial liabilities					
Derivative contracts - receipts[2]	31.7	31.4	591.6	104.7	759.4
Derivative contracts - payments[2]	(50.3)	(46.4)	(611.1)	(196.7)	(904.5)
Derivative financial assets					
Derivative contracts - receipts[2]	38.3	29.8	464.7	223.6	756.4
Derivative contracts - payments[2]	(22.9)	(30.9)	(437.2)	(152.9)	(643.9)
Total	(1,458.6)	(856.6)	(204.3)	(7,261.2)	(9,780.7)

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).

Borrowing facilities

To support our liquidity requirements and provide backup to 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.

The following credit facilities were in place at 31 March 2026:

	Expiration date	**Capacity £m**	**Borrowed £m**	**Letters of credit issued £m**	**Unused capacity £m**
NGED South West - Syndicated Credit Facility	April 2029	220.0	—	—	220.0
NGED East Midlands - Syndicated Credit Facility	April 2029	250.0	—	—	250.0
NGED West Midlands - Syndicated Credit Facility	April 2029	250.0	—	—	250.0
NGED South Wales - Syndicated Credit Facility	April 2029	125.0	—	—	125.0
Bank overdraft		20.0	—	—	20.0
Uncommitted Credit Facilities		6.0	—	4.1	1.9
Total Credit Facilities		**871.0**	**—**	**4.1**	**866.9**

The NGED Group also has uncommitted two-way loan facilities with its ultimate parent, National Grid plc.

30. Financial risk management (continued)

(c) Currency risk

The NGED Group's assets are principally sterling denominated; however, the NGED Group has access to various international debt capital markets and raises foreign currency denominated debt and is therefore exposed to foreign currency risk on its borrowings. This risk is managed using financial instruments including derivatives as approved by policy, typically cross-currency interest rate swaps, foreign exchange swaps and forwards.

Funding activities - Our policy is to borrow in the most advantageous market available. Foreign currency funding gives rise to risk of volatility in the amount of functional currency cash to be repaid. This risk is reduced by swapping principal and interest back into the functional currency of the issuer. All foreign currency debt and transactions are hedged except where they provide a natural offset to assets elsewhere in the Group.

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

	2026				
	Sterling	**Euro**	**Dollar**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Cash and cash equivalents	**3.6**	**—**	**—**	**—**	**3.6**
Financial and other investments	**100.9**	**—**	**—**	**—**	**100.9**
Borrowings	**(6,040.9)**	**(877.0)**	**(154.8)**	**(162.8)**	**(7,235.5)**
Pre-derivative position	**(5,936.4)**	**(877.0)**	**(154.8)**	**(162.8)**	**(7,131.0)**
Derivative effect	**(1,177.4)**	**877.0**	**154.8**	**162.8**	**17.2**
Net debt position	**(7,113.8)**	**—**	**—**	**—**	**(7,113.8)**

	2025				
	Sterling	Euro	Dollar	Other	Total
	£m	£m	£m	£m	£m
Cash and cash equivalents	2.0	—	—	—	2.0
Financial investments	128.6	—	—	—	128.6
Borrowings	(5,774.5)	(843.3)	(157.9)	(127.2)	(6,902.9)
Pre-derivative position	(5,643.9)	(843.3)	(157.9)	(127.2)	(6,772.3)
Derivative effect	(1,116.2)	843.3	157.9	127.2	12.2
Net debt position	(6,760.1)	—	—	—	(6,760.1)

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.Gains and losses on hedging instruments arising from forward points and foreign currency basis spreads are excluded from designation and are recognised immediately in profit or loss, along with any hedge ineffectiveness. Where a non-financial asset or a non-financial liability results from a forecast transaction or firm commitment being hedged, the amounts deferred in reserves are released directly to the initial measurement of that asset or liability. Hedges of foreign currency funding are designated as cash flow hedges or fair value hedges of forward exchange risk (hedging both currency and interest rate risk together, where applicable). 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 below.

30. Financial risk management (continued)

(d) Interest rate risk

Our 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 National Grid plc Board. The benchmark interest rates hedged are based on Overnight index Average ("SONIA").

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.

As at 31 March 2026 and 2025, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	2026			
	Fixed rate £m	**Floating rate £m**	**Inflation linked £m**	**Total £m**
Cash at bank and in hand	**—**	**3.6**	**—**	**3.6**
Financial and other investments	**—**	**100.9**	**—**	**100.9**
Borrowings	**(4,756.1)**	**(1,401.2)**	**(1,078.2)**	**(7,235.5)**
Pre-derivative position	**(4,756.1)**	**(1,296.7)**	**(1,078.2)**	**(7,131.0)**
Derivative effect	**(78.9)**	**100.6**	**(4.5)**	**17.2**
Net debt	**(4,835.0)**	**(1,196.1)**	**(1,082.7)**	**(7,113.8)**

	2025			
	Fixed rate £m	Floating rate £m	Inflation linked £m	Total £m
Cash at bank and in hand	—	2.0	—	2.0
Financial and other investments	—	128.6	—	128.6
Borrowings	(4,972.8)	(887.1)	(1,043.0)	(6,902.9)
Pre-derivative position	(4,972.8)	(756.5)	(1,043.0)	(6,772.3)
Derivative effect	14.5	—	(2.3)	12.2
Net debt	(4,958.3)	(756.5)	(1,045.3)	(6,760.1)

Hedge accounting for interest rate risk

Borrowings paying variable or floating rates expose NGED 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 NGED 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.

30. Financial risk management (continued)

(d) Interest rate risk (continued)

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

When hedge accounting is discontinued, any remaining cumulative hedge accounting balances continue to be released to the income statement to match the impact of outstanding hedged items. Any remaining amounts deferred in the cost of hedging reserve are released immediately to the income statement as finance costs. The notional values of hedging instruments, for each type of hedging relationship impacted, are shown in the hedge accounting tables in note 30(e).

(e) Hedge accounting

In accordance with the requirements of IFRS 9, certain additional information about hedge accounting is disaggregated by risk type and hedge designation type in the tables below:

Year ended 31 March 2026	Fair value hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency and interest rate risk £m
Consolidated statement of comprehensive income		
Net gains/(losses) in respect of:		
Cash flow hedges	—	37.1
Cost of hedging	(0.3)	0.5
Transferred to profit or loss in respect of:		
Cash flow hedges	—	(20.1)
Consolidated statement of changes in equity		
Other equity reserves - cost of hedging balances	(1.6)	(2.3)
Consolidated statement of financial position		
Derivatives - carrying value of hedging instruments		
Assets - non-current	1.8	140.0
Liabilities - non-current	(105.8)	(14.3)
Profiles of the significant timing, price and rate information of hedging instruments		
Maturity range	Sep 2028 - Apr 2045	May 2028 - Apr 2042
Spot FX range		
GBP USD	n/a	1.66 - 1.66
GBP EUR	1.15 -1.15	1.15 - 1.15
Interest rate range		
GBP	SONIA -261bps/+237bps	1.59% - 7.41%

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.

30. Financial risk management (continued)

(e) Hedge accounting (continued)

Year ended 31 March 2025	Fair value hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency and interest rate risk £m
Consolidated statement of comprehensive income		
Net gains/(losses) in respect of:		
Cash flow hedges	—	60.1
Cost of hedging	(0.7)	(2.4)
Transferred to profit or loss in respect of:		
Cash flow hedges	—	15.7
Consolidated statement of changes in equity		
Other equity reserves - cost of hedging balances	(1.3)	(3.3)
Consolidated statement of financial position		
Derivatives - carrying value of hedging instruments		
Assets - current	—	—
Assets - non-current	0.9	103.4
Liabilities - current	—	—
Liabilities - non-current	(79.9)	(9.7)
Profiles of the significant timing, price and rate information of hedging instruments		
Maturity range	Sep 2028 - Jul 2041	May 2028 - Aug 2039
Spot FX range		
GBP USD	n/a	1.66 - 1.66
GBP EUR	1.15 -1.15	1.15 - 1.15
Interest rate range		
GBP	SONIA -260bps/+237bps	5.04% - 7.41%

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.

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 borrowing:

Year ended 31 March 2026		**Balance of fair value hedge adjustments in borrowings**		**Change in value used for calculating ineffectiveness**		
Hedge type	**Hedging instrument nominal £m**	**Continuing hedges £m**	**Discontinued hedges £m**	**Hedged item £m**	**Hedging instrument £m**	**Hedge ineffective ness £m**
Foreign currency and interest rate risk on borrowings	**(2,021.6)**	**114.3**	**—**	**19.7**	**(25.1)**	**(5.4)**

The carrying value of the hedged borrowings is £(2,166) million, of which £0 million is current and £(2,166) million is non-current.

30. Financial risk management (continued)

(e) Hedge accounting (continued)

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

Year ended 31 March 2025		Balance of fair value hedge adjustments in borrowings		Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Foreign currency and interest rate risk on borrowings	(1,885.3)	89.1	—	75.5	(73.6)	1.9

The carrying value of the hedged borrowings is £(2,095) million, of which £0 million is current and £(2,095) million is non-current.

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

Year ended 31 March 2026		**Balance in cash flow hedge reserve**		**Change in value used for calculating ineffectiveness**		
	Hedging instrument nominal	**Continuing hedges**	**Discontinued hedges**	**Hedged item**	**Hedging instrument**	**Hedge ineffectiveness**
Hedge type	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Foreign currency and interest rate risk on borrowings	**(2,975.5)**	**88.0**	**(16.7)**	**(39.0)**	**38.9**	**(0.1)**

Year ended 31 March 2025		Balance in cash flow hedge reserve		Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings	(2,739.2)	72.8	(18.5)	(60.8)	60.2	(0.5)

30. Financial risk management (continued)

(f) Fair value analysis

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

	2026				2025			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Assets measured at fair value								
Derivatives financial instruments	**—**	**142.5**	**—**	**142.5**	—	104.4	—	104.4
Short term deposits	**—**	**—**	**—**	**—**	—	—	—	—
	—	**142.5**	**—**	**142.5**	—	104.4	—	104.4
Liabilities held at fair value								
Derivative financial instruments	**—**	**(120.9)**	**(4.4)**	**(125.3)**	—	(89.9)	(2.3)	(92.2)
	—	**21.6**	**(4.4)**	**17.2**	—	14.5	(2.3)	12.2

Level 1: Financial instruments with quoted prices for identical instruments in active markets.

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

Level 3: Financial instruments valued using valuation techniques where one or more significant inputs are based on unobservable market data.

Our level 3 derivative financial instruments include inflation linked swaps where the inflation curve is illiquid. In valuing these instruments we use in-house valuation models and obtain external valuations to support each reported fair value.

While there have been significant movements in market indices, all of our financial instruments are traded in markets that continue to be active and therefore, we are satisfied that there has been no significant impact on the fair values of our financial instruments measured at fair value, and that any impact is reflected in the fair values in the table above.

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

Derivative financial instruments

	2026	2025
	£m	£m
At 1 April	**(2.3)**	(1.3)
Net loss for the year	**(2.1)**	(1.0)
At 31 March	**(4.4)**	(2.3)

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

Derivative financial instruments

	2026	2025
	£m	£m
+20 basis points increase between RPI and CPI[1]	**4.9**	6.1
-20 basis points decrease between RPI and CPI[1]	**(4.7)**	(5.7)

1. A reasonably possible change in assumption of other level 3 derivative financial instruments is unlikely to result in a material change in fair values.

30. Financial risk management (continued)

(g) 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 25). 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 regulated company is an important aspect of our capital risk management strategy and balance sheet efficiency. We monitor our balance sheet efficiency by regulatory asset value ("RAV") gearing calculated as net debt expressed as a percentage of RAV, which indicates the level of debt employed to fund our regulated business. It is compared with the level of RAV gearing indicated by Ofgem as being appropriate for our business. For RIIO-ED2 price control commencing 1 April 2023 onwards, the regulatory gearing target for the four DNOs individually is 60% . For our NGED Group consolidated gearing, we aim to keep it below 85%. See below for gearing ratio of our four DNOs and the NGED Group:

	2026	**2025**
	Gearing ratios	
NGED East Midlands	**53.5 %**	52.1 %
NGED West Midlands	**43.2 %**	42.1 %
NGED South West	**54.8 %**	52.0 %
NGED South Wales	**53.6 %**	53.8 %
NGED Group	**53.9 %**	54.9 %

The gearing for NGED East Midlands, NGED South West and NGED Group has been restated due to restatement of the net debt for the year ended 31 March 2024. In alignment of accounting policies with the ultimate parent company, National Grid plc, the net debt for the year ended 31 March 2024 has been restated to exclude letter of credit and to include restricted cash and restricted current financial investments.

31. 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.

31. Sensitivities (continued)

(a) Sensitivities on areas of judgement and key sources of estimation uncertainty

The tables below sets out the sensitivity analysis for each of the areas of estimation uncertainty. 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.

Pensions and post retirement benefits assumptions

2026		**Impact on income statement**				**Impact on defined benefit obligation**			
	Change in assumption	**ESPS WPD**	**ESPS CN**	**WPUPS**	**Infralec 92**	**ESPS WPD**	**ESPS CN**	**WPUPS**	**Infralec 92**
	%	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Discount rate	-/+1%	**3.0**	**6.0**	**1.0**	**—**	**163.5**	**217.0**	**26.0**	**0.5**
RPI Inflation	+/-1%	**3.0**	**2.0**	**—**	**—**	**130.5**	**150.5**	**23.5**	**0.5**
Life expectancy	+ 1 year	**—**	**—**	**—**	**—**	**49.5**	**67.0**	**11.0**	**0.5**

2025		Impact on income statement				Impact on defined benefit obligation			
	Change in assumption %	ESPS WPD £m	ESPS CN £m	WPUPS £m	Infralec 92 £m	ESPS WPD £m	ESPS CN £m	WPUPS £m	Infralec 92 £m
Discount rate	-/+1%	4.0	7.0	1.0	—	169.5	224.5	29.0	2.0
RPI Inflation	+/-1%	3.0	2.0	—	—	140.0	165.0	21.5	1.0
Life expectancy	+ 1 year	—	—	—	—	51.5	64.0	11.5	1.0

A change in the discount rate is likely to occur as a result of changes in bond yields and as such would be expected to be offset to a significant degree by a change in the value of the bond assets held by the plans. Any such offset is not reflected in this table.

The projected impact resulting from a change in RPI reflects the underlying effect on pensions in payment, pensions in deferment and resultant increases in salary assumptions.

Sensitivities have been prepared to show how the defined benefit obligations and annual service costs could potentially be impacted by changes in the relevant actuarial assumption that were reasonably possible as at 31 March 2026. In preparing sensitivities the potential impact has been calculated by applying the change to each assumption in isolation and assuming all other assumptions remain unchanged. This is with the exception of RPI in the UK where the corresponding change to increases to pensions in payment, increases to pensions in deferment and increases in salary is recognised.

31. Sensitivities (continued)

(b) Sensitivities on financial instruments

We are further required to show additional sensitivity analysis under IFRS 7 and these are shown separately in the subsequent table due to the additional assumptions that are made in order to produce meaningful sensitivity disclosures. 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 25 is sensitive to changes in market variables, being UK interest rates and the UK RPI. These impact the valuation of our borrowings, deposits and derivative financial instruments. The analysis illustrates the sensitivity of our financial instruments to reasonably possible changes in these market variables.

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

- the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio, and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2026 and 2025 respectively;
- the statement of financial position sensitivity to interest rates relates to items presented at their fair values: derivative financial instruments and our investments measured at fair value through profit and loss ("FVTPL") and fair value through other comprehensive income. Further debt and other deposits are carried at amortised cost and so their carrying value does not change as interest rates move;
- the sensitivity of interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- changes in the carrying value of derivatives from movements in interest rates of designated cash flow hedges are assumed to be recorded fully within equity.

	2026			2025		
	Assumptions used	**Income statement £m**	**Other equity £m**	Assumptions used	Income statement £m	Other equity £m
Financial risk (post tax):						
UK inflation change of 1%	**1 %**	**8.1**	**—**	1 %	7.8	—
UK Interest rate changes of 1%	**1 %**	**9.2**	**133.4**	1 %	1.0	139.5

Additional sensitivities in respect to our derivative fair values are as follows:

	2026		2025	
	Income statement £m	**Net assets £m**	Income statement £m	Net assets £m
Assets and liabilities carried at fair value (post-tax):				
10% fair value change in derivative financial instruments	**1.3**	**1.3**	0.9	0.9

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

32. Ultimate parent company

The immediate parent undertaking of the Company is National Grid Electricity Distribution Holdings Limited , which is registered in England and Wales . The ultimate controlling parent of the Company is National Grid plc, registered in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by National Grid Electricity Distribution plc, which is registered in England and Wales. Copies of its financial statements may be obtained from the Company's registered office at Avonbank, Feeder Road, Bristol, BS2 0TB.

The largest group which includes the Company and for which consolidated financial statements are prepared is National Grid plc, registered in England and Wales. Copies of these consolidated financial statements can be obtained from the Company Secretary, National Grid plc, 1-3 Strand, London WC2N 5EH, which is also the registered address.

33. Events After The Reporting Period

Subsequent to the year end, on 10 July 2026, NGED West Midlands issued a 9 year 5.163% fixed rate Norwegian bond of NOK 1.5bn (£114.3m).

Company balance sheet

As at 31 March 2026

	Notes	**31 March 2026 £m**	31 March 2025 £m
Fixed assets			
Investments	3	**7,963.1**	2,876.0
Current assets			
Cash at bank and in hand		**—**	0.1
Debtors (amounts falling due within one year)	4	**39.4**	10.8
Debtors (amounts falling due after more than one year)	4	**35.6**	40.1
Total current assets		**75.0**	51.0
Creditors (amounts falling due within one year)	5	**(360.3)**	(254.3)
Net current liabilities		**(285.3)**	(203.3)
Total assets less current liabilities		**7,677.8**	2,672.7
Creditors (amounts falling due after more than one year)	5	**(197.6)**	(553.1)
Provisions for liabilities	6	**(1.3)**	(1.5)
Net assets		**7,478.9**	2,118.1
Capital and reserves			
Share capital	7	**1,057.6**	1,057.6
Other equity reserve	8	**0.2**	0.4
Profit and loss account		**6,421.1**	1,060.1
Total shareholders' equity		**7,478.9**	2,118.1

The Company has elected not to present its own income statement or statement of comprehensive income for the year. Profit attributable to the Company for the year to 31 March 2026 is £5,361.0m (2025: £261.3m); this is primarily the investment in preference ordinary shares of National Grid Electricity Distribution Network Holdings Limited received as a dividend in specie.

The notes on pages 156 to 159 form part of the individual financial statements of the Company, which were approved by the Board of Directors and authorised for issue on 23 July 2026 and were signed on its behalf by:

DocuSigned by:
Cordi O'Hara
5E4268D54028488...

Signed by:
Jenny Dillon
84643B7ED1924E8...

Cordelia O'Hara, Director

Jennifer Ann Dillon, Director

National Grid Electricity Distribution plc
Registered number: 09223384

Company statement of changes in equity

For the year ended 31 March 2026

	Called up share capital £m	Other equity reserves £m	Profit and loss account £m	Total equity £m
At 1 April 2024	1,057.6	0.8	798.8	1,857.2
Profit for the year	—	—	261.3	261.3
Other comprehensive income	—	(0.4)	—	(0.4)
Total comprehensive income/(loss) for the year	—	(0.4)	261.3	260.9
At 31 March 2025	**1,057.6**	**0.4**	**1,060.1**	**2,118.1**
Profit for the year	—	—	5,361.0	5,361.0
Total other comprehensive loss for the year	—	(0.2)	—	(0.2)
Total comprehensive income/(loss) for the year	—	(0.2)	5,361.0	5,360.8
At 31 March 2026	**1,057.6**	**0.2**	**6,421.1**	**7,478.9**

The Company has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006.

For further details of dividends paid and payable to shareholders, refer to note 8 in the consolidated financial statements.

Notes to the Company financial statements

For the year ended 31 March 2026

1. Company accounting policies

We are required to include the stand-alone balance sheet of our parent Company, National Grid Electricity Distribution plc, under the Companies Act 2006. The following disclosures provide additional information to users of these financial statements.

Basis of preparation of individual financial statements under FRS 101

National Grid Electricity Distribution plc's principal activities involve the distribution of electricity in Great Britain. The Company is a public limited company incorporated and domiciled in England, with its registered office at Avonbank, Feeder road, Bristol , BS2 0TB.

The company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements. Accordingly, the company has elected to apply FRS 101 Reduced Disclosure Framework. The recognition and measurements requirements of UK adopted IFRS have therefore been applied within these financial statements, with amendments where necessary in order to comply with the Companies Act 2006. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments (IFRS 13 - Fair value Measurements and IFRS 7 - Financial Instruments Disclosures), capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions with wholly owned subsidiaries. Where required, equivalent disclosures are given in the group accounts of National Grid Electricity Distribution plc which are included on pages to 1 to 153. In addition, where required, equivalent disclosures are given in the Group financial statements of National Grid Plc, which are available to the public and can be obtained as set out in note 32 on page 153 of the consolidated financial statements.

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. Confirmation has also been obtained from National Grid Holdings One plc, a parent undertaking that it will provide financial support to the Company up to for not less than 12 months from the date of approval of the financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Company's financial statements are presented in Sterling as this is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest hundred thousand pounds except when otherwise indicated.

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Critical areas of judgement are those that have the most significant effect on the amounts recognised in the financial statement. There are no areas of judgement that are considered to have a significant effect on the amounts recognised in these financial statements. Key sources of estimation uncertainty are those that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. There are no estimates dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own income statement or statement of comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet. The balance sheet has been prepared in accordance with the Company's accounting policies approved by the Board.

2. Employees and directors

The directors did not receive remuneration in the period for their services as directors of the Company as these are incidental to their roles elsewhere in the NGED Group. The Company did not employ any staff in the period.

3. Investments

	2026	2025
	£m	£m
Cost and net book value at 1 April	**2,876.0**	2,876.0
Additions (1)	**5,876.6**	—
Impairment (2)	**(789.5)**	—
Cost and net book value at 31 March	**7,963.1**	2,876.0

National Grid Electricity Distribution Network Holdings Limited and WPD WEM Holdings Limited are the two direct subsidiaries of the Company. Names of indirect subsidiaries and further information in relation to the subsidiaries of the company is included in note 28 to the consolidated financial statements.

(1) During the year the Company received the investment in preference ordinary shares of National Grid Electricity Distribution Network Holdings Limited as a dividend in specie. These preference ordinary shares were immediately re-designated to ordinary equity shares.

(2) The investment held in WPD WEM Holdings Limited has been impaired to recognise the reduction in the net assets of the Company.

4. Debtors

	2026	2025
	£m	£m
Amounts falling due within one year:		
Current tax receivable	**5.7**	10.8
Loan with ultimate parent company (1)	**33.7**	—
	39.4	10.8
Amounts falling due after more than one year:		
Derivatives	**35.6**	40.1
	35.6	40.1
Total debtors	**75.0**	50.9

(1) The loan with ultimate parent company pertains to amounts drawn under the two-way loan agreement with National Grid plc. The loan is unsecured and is repayable on demand. Interest is accrued daily on the balance at SONIA plus 0.25% margin.

5. Creditors

	2026	2025
	£m	£m
Amounts falling due within one year:		
Borrowings (1) and (3)	**358.5**	12.0
Loan with ultimate parent company (2)	**—**	240.6
Amounts owed to Group undertakings	**1.8**	1.5
Accruals and deferred income	**—**	0.2
	360.3	254.3

5. Creditors (continued)

	2026	2025
	£m	£m
Amounts falling due after more than one year:		
Borrowings (3)	**197.6**	553.1
	197.6	553.1

(1) Borrowings are stated net of unamortised issue costs of £0.2m (2025: £0.4m), discount on issue of £0.4m (2025: £0.6m) and premium on issue of £4.8m (2025: £6.8m). These costs, together with the interest expense, are allocated to the income statement over the term of the bonds at a constant rate on the carrying amount.

(2) The loan with ultimate parent company pertains to amounts drawn under the two-way loan agreement with National Grid plc. The loan is unsecured and is repayable on demand. Interest is accrued daily on the balance at SONIA plus 0.25% margin.

(3) The borrowings comprises of two long term debts with nominal of $255m maturing within 1-5 years and £350m maturing within 1 year. The Company is a co-obligor and makes all payments on the $255m 7.375% notes due 15 December 2028. In accordance with the agreements, the Company and National Grid Electricity Distribution Holdings Limited are jointly and severally, and fully and unconditionally, liable for the notes. The Company has recognised the obligation for the notes, in full. Within the $255m USD debt, $53m (£40.1m, 2025: £41.1m) represents bonds held by NGED South West.

6. Deferred tax

The following are the deferred tax liabilities recognised by the Company and movements thereon during the current year. All balances relate to temporary differences in respect of non-trade financial transactions.

	2026	2025
	£m	£m
At 1 April	**1.5**	0.8
Charged to the income statement	**—**	0.8
Charged to equity	**(0.2)**	(0.1)
At 31 March	**1.3**	1.5

7. Share capital

	2026	2025
	£m	£m
Issued and fully paid:		
1,057,592,372 (2025: 1,057,592,372) ordinary shares of £1 each	**(1,057.6)**	(1,057.6)

The shares entitle the holders thereof to one vote per share held. Each share ranks equally for any dividend declared and any distribution made on a winding up. The shares are not redeemable.

8. Hedging reserve

	2026	2025
	£m	£m
At 1 April	**0.4**	0.8
Reclassification adjustments for gains on cash flow hedges included in profit or loss	**(0.4)**	(0.5)
Income tax effect	**0.2**	0.1
At 31 March	**0.2**	0.4

The hedging reserve is stated net of tax and relates to the effective portion of the value of interest rate derivatives associated with the issuance of existing long-term debt. The interest rate derivatives were settled in prior years and the net gain continues to be amortised through the profit and loss account over the term of the debt.

9. Events after the reporting period

There are no material events after the reporting period.

10. Related party transactions

Loan with ultimate parent company

At 31 March 2026, the Company has loaned £33.7m (2025: received £240.6m) under the two-way loan agreement with the parent company, National Grid plc. The loan is unsecured and is repayable on demand. Interest is accrued daily on the balance at SONIA plus 0.25% margin.

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