



National Grid Electricity Distribution plc

Annual Report and Accounts 2024/25

Company number 09223384

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Strategic report
For the year ended 31 March 2025

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 2025. 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.

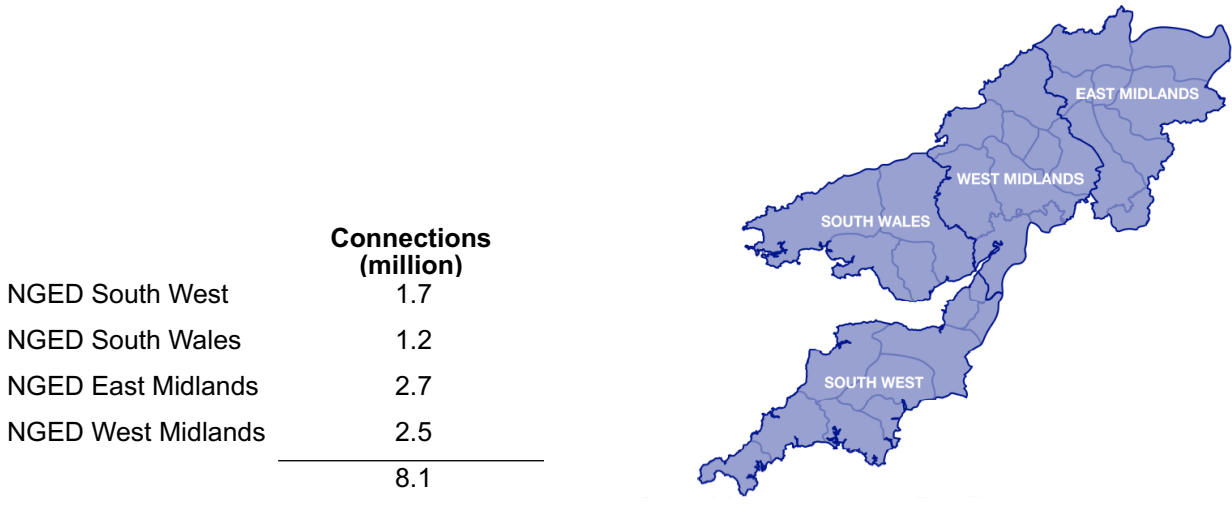
At a glance

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 7,100 jobs.



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 home, develop industry, and transition to a clean power system. In doing so, we have developed new roles as Distribution System Operator ("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 2024/25 and on the National Grid website: <https://www.nationalgrid.com/>

Strategic report (continued)**For the year ended 31 March 2025****Financial highlights**

	2024/25	2023/24	% change
	£m	£m	%
Revenue	2,477.2	1,838.2	35%
Profit before tax	1,250.4	600.1	108%
Cash generated from operations	1,768.5	1,354.7	31%

	2024/25	2023/24
Regulatory asset value ("RAV")	12,306.6	11,495.3
Return on equity ("ROE")	7.9%	8.5%

See pages [14](#) and [16](#) for details on financial highlights.

Non-financial highlights

	2024/25	2023/24
Customer satisfaction score (out of 10)	8.98	8.97
Network reliability	99.983%	99.993%

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 cable 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.

Strategic report (continued)
For the year ended 31 March 2025
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. We do 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 publically 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 (2024: 89,000km) of overhead lines, 141,000km (2024: 140,000km) of underground cable and 191,000 (2024: 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 3,100 kilowatt hours), NGED domestic customers pay £132.18 per annum (2024: £104.01 per annum) for electricity distribution costs. Our costs form part of the bill to customers from the electricity suppliers. The increase in the average cost during the year is mainly due to inflation. The impact of inflation is retrospective as tariffs are set 15 months in advance. Thus any impact of inflation since 2021, following the Ukraine war, is being included within the tariffs for the year ended 31 March 2025, contributing to an increase in the average cost in the current year as compared to the last year.

Our focus is providing 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.

Strategic report (continued)**For the year ended 31 March 2025****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 license 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 $\text{Revenues} = \text{Incentives} + \text{Innovation} + \text{Outputs}$. 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 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.

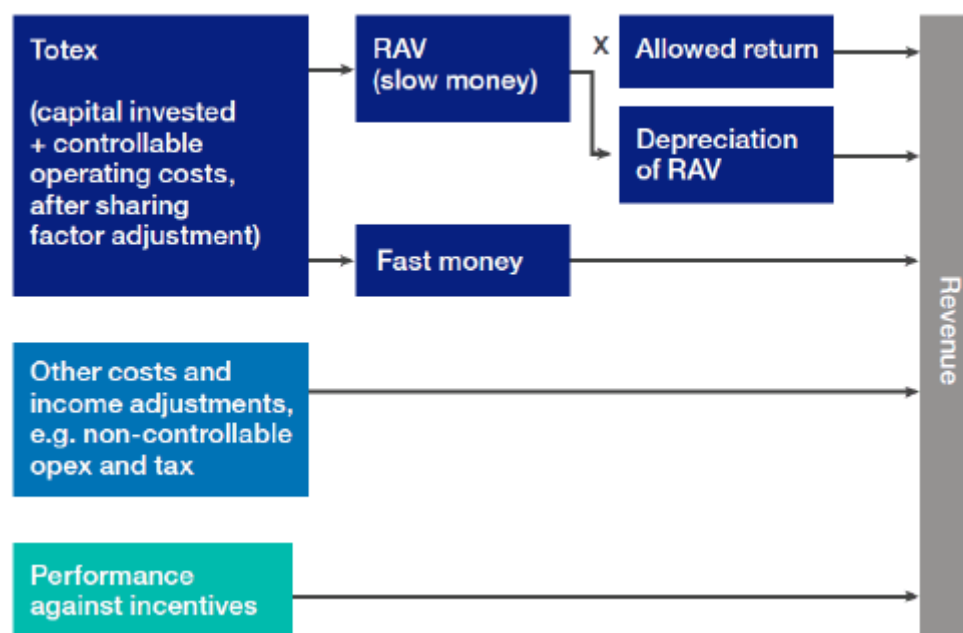
Allowed revenue to fund totex costs is split between 'fast' and 'slow' money categories using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex we are able to recover in the year of expenditure. Slow money is added to the Regulatory Asset 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 involves 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 2025

What we do - Regulatory framework (continued)

Simplified illustration of RIIO regulatory building blocks:



The current price control (known as RIIO-ED2) runs for the five-year period April 2023 to March 2028, against which NGED has 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.

Ofgem has set a demanding price control and we are required to be ambitious and significantly improve our services for our customers with a challenging incentive package in terms of rewards and penalties. Our strong track record of delivering excellent levels of performance for customers underpins confidence that we can build on the successes of RIIO-ED1 to deliver our holistic plans for RIIO-ED2. As we plan for the challenges of a rapidly changing energy market, we are more ambitious than ever. We want to exceed our customers' expectations and deliver a sustainable, reliable and innovative network for everybody. 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, plus 55 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

Strategic report (continued)

For the year ended 31 March 2025

Our purpose, vision, values and strategy

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

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.

Our purpose

To bring energy to life.

Our vision

To be at the heart of a secure, affordable and clean energy future.

We work with the wider energy industry, governments, regulators, and the customers and communities we serve to deliver this vision.

Our values

Our values underpin everything we do at NGED:

Our values

Every day we:

Do the right thing

- ◆ **Stand up for safety** every day
- ◆ **Put our customers** first
- ◆ **Be inclusive**, supporting and caring for each other
- ◆ **Speak up**, challenge and act where something doesn't feel right

Find a better way

- ◆ **Embrace the power** and opportunity of diversity
- ◆ **Increase efficiency** to help with customer affordability
- ◆ **Work with others** to find solutions for customers
- ◆ **Commit to learning** and new ideas

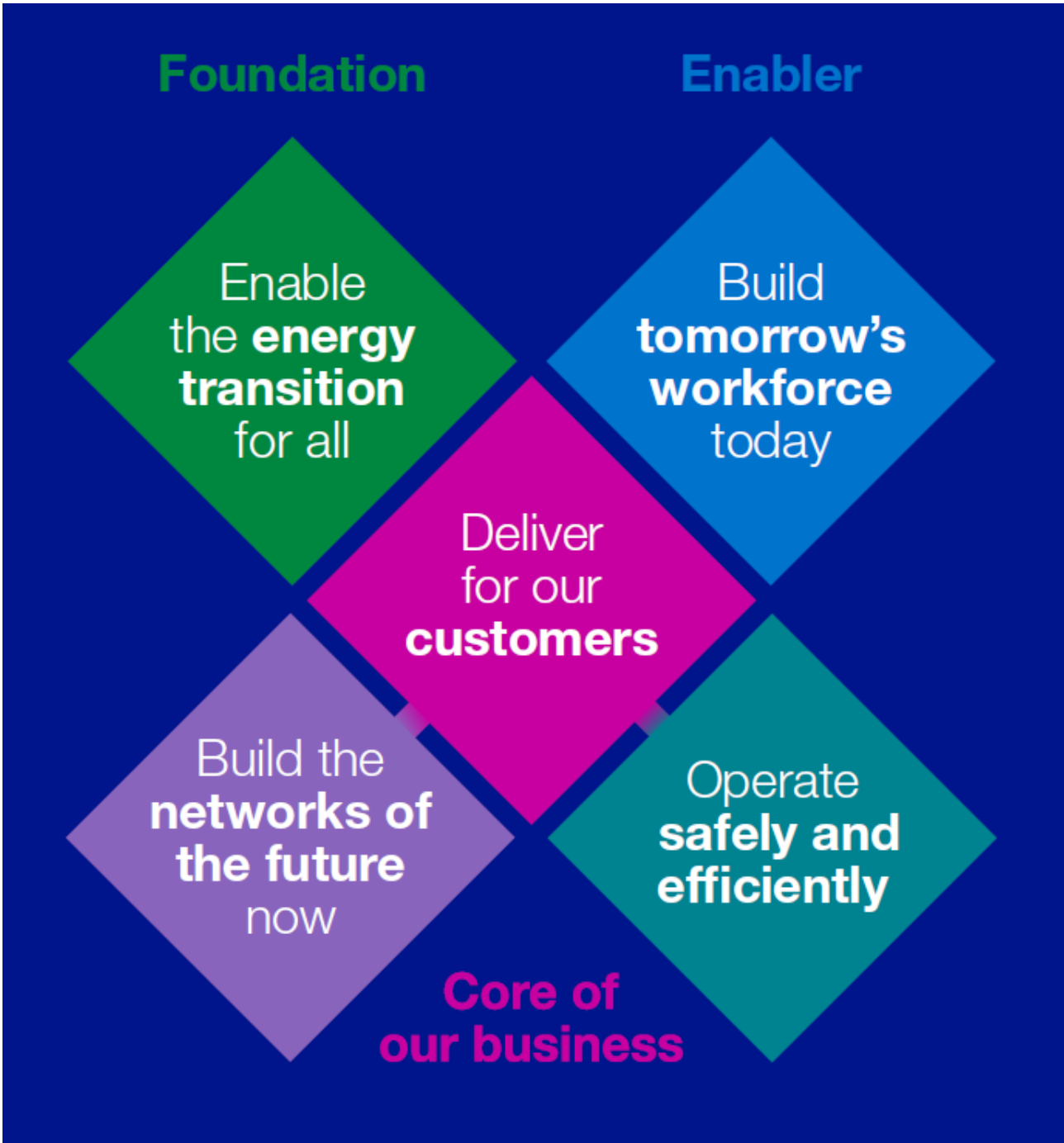
Make it happen

- ◆ **Take personal ownership** for delivering results
- ◆ **Be bold** and act with passion and purpose
- ◆ **Focus on progress** over perfection
- ◆ **Follow the problem** through to the end

Our values shape our Group and how our customers and communities experience us. They inform our decisions, how we show up and the way we treat each other. Our values hold great importance. As a company at the heart of a secure, affordable and clean energy future, we know the work we do is important but how we do it is just as important.

Strategic report (continued)
For the year ended 31 March 2025
Our strategic priorities

As we deliver our vision of a secure, affordable and clean energy future, we are guided by our five strategic priorities:



Strategic report (continued)**For the year ended 31 March 2025****Our strategic priorities (continued)**

Enabling the energy transition for all: At National Grid, 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. The areas we serve are at different points in this transition. Our goal is to build the networks needed in our jurisdictions, working with governments, regulators and communities to ensure the conditions for success are in place.

Building the networks of the future now: Our ambition is to deliver a once-in-a-generation increase in capacity on our networks. We continue to invest in the safety and reliability of our electric network. This will ensure we can deliver for our customers while we prepare for growing demand and electric load growth, and cleaner generation technologies.

To achieve this, we are growing our supply chain, capital delivery and network operations capabilities to deliver an unprecedented volume of capital investment. But our goal is not as simple as building more infrastructure. We are deploying better, more efficient technology to maximise the value of our existing and new assets, ensuring customers benefit from innovation on our networks and we maintain the affordability of our networks.

Delivering for our customers: In today's digital world, the benchmark for excellent customer experience is not necessarily within our sector. Customers are used to streamlined, digital service in almost all their daily activities, from online shopping to booking appointments. They expect rapid resolution of any problems. 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: Ultimately, our people deliver our strategy. From apprentices to senior leaders, we are focused on attracting and developing a workforce equipped with the skills of the future. This helps us deliver our strategic priorities, but also ensures we're creating high value employment opportunities and economic impact in the communities we serve.

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). This is in line with our 1.5°C Science Based Targets.

Connectability: A lack of network capacity should not be a barrier for our customers. We will ensure customers are able to connect low carbon technologies quickly and easily with the network ready to support over a million electric vehicles and 600,000 heat pumps by 2028.

Vulnerability: We will 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>

Strategic report (continued)

For the year ended 31 March 2025

Business Review

We continue to play a vital role in unlocking economic growth by ensuring reliable electricity delivery to homes and businesses throughout our regions. Over the last year, we have recorded strong operational and financial performance as we expanded our network, connected new demand and generation customers, and provided a safe and reliable service across four licence areas. We continue to provide an excellent service for our customers, with an average customer satisfaction score of 8.98/10 and network reliability of 99.983%.

With a change of Government and an ever 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 engaged extensively with National Infrastructure Commission in the development of their report into electricity networks. We were also proactive in early engagement on the ED3 regulatory framework. Over 4,500 stakeholder interactions took place through the year, making sure National Grid's voice is heard on the issues that matter, such as the future development of electricity networks, the ongoing development of Regional Energy System Planners, Local Area Energy Plans, and Connections Reform.

We powered growth across the Midlands, South West and South Wales, connecting new homes and businesses, over 40,000 electric vehicle charge points, 40,000 domestic solar PV installations and 16,000 heat pumps. 87% of our direct Low Carbon Technology ("LCT") enquiries were approved on the same day. In addition, we connected 595MW of clean, renewable electricity to the grid, and through our Major Connections Strategy accelerated timelines for 2.9GW of Distributed Energy Resources by an average of 5.8 years in support of local net zero ambitions. This included the Horsey Levels solar farm project in Somerset, which won us the Network & Connections award at the Solar & Storage Awards. This programme, which is part of the Energy Network Association's ("ENA") three-point plan, facilitates generation schemes to connect prior to the completion of large-scale transmission reinforcement work, thereby accelerating connection times for clean energy infrastructure.

The launch of our DSO strategy continued to drive participation in flexibility markets, utilising network capacity and making room for growth. The new, independent DSO Panel, comprising industry experts representing a broad range of stakeholder views, is adding strategic value by scrutinising DSO outputs, resulting in strong performance in DSO incentives.

Our new connections Directorate has taken a leading role in Connections Reform, forming strategic partnerships with customers, stakeholders and industry organisations. Our first-ever 'Connections Hackathon' in partnership with Octopus Energy facilitated collaboration to enhance the connections process. We are also at the forefront of policy and process development, such as the introduction of the Gate 1 process into the distribution connections journey to enable successful implementation of reformed connections framework. This includes mapping the end-to-end customer experience and designing the operational framework that will underpin the new staged connection model. We made targeted propositions to the Planning & Infrastructure ("P&I") bill, including advocating for amendments to permitted development rights that would streamline network upgrades. At the same time, we are also mapping the end-to-end customer experience and designing the operational framework that will underpin the new staged connection mode. These changes are critical to accelerating connections for low-carbon technologies, especially in rural areas where infrastructure upgrades are most needed.

We continue to monitor our Business Carbon Footprint ("BCF"), including fluid-filled cable losses and SF₆ emissions, as part of our commitment to achieving net zero by 2043 (excluding scope 3 emissions). Our BCF increased by 11.7% compared to the previous year, exceeding our internal target by approximately 1,500 tCO₂e. To address this, we have restructured our Environment and Sustainability function, appointing a new Head of Environment and Sustainability to lead the integration of sustainability across the business. This team will strengthen governance, risk management, and operational delivery of our Science-Based Targets ("SBT") programme, ensuring alignment with our long-term decarbonisation goals. Additionally, fluid-filled cable losses rose by nearly fivefold, resulting in a shortfall of over 24,000 litres against our internal target. In response, we are establishing a dedicated working group that will prioritise the replacement of leak-prone circuits, standardise reporting across all four licence areas, and enhance leak detection and mitigation processes. These actions form part of a broader strategy to embed environmental responsibility into our operations.

Strategic report (continued)**For the year ended 31 March 2025****Business Review (continued)**

Our network successfully navigated a challenging storm period, including responding to Storm Darragh, the largest storm NGED has faced in decades, with 96mph winds and two red weather warnings. Over 4,000 incidents impacted around 750,000 customers, three times more than Storm Arwen in 2021. Responding to the storm required a full scale response from the whole business and, through prompt deployment of colleagues and contractors and a fleet of five helicopters, we restored power to 95% of customers within 48 hours. Customers were kept informed through broadcast media interviews, regular website update, and deploying direct engagement volunteers and welfare provisions into impacted communities. In addition, we also supported other DNOs in Ireland, Northern Ireland, and Scotland in the form of field crews and helicopters during Storm Éowyn.

However, despite this strong operational response, we recorded underperformance against our Interruption Incentive Scheme ("IIS") targets during the year, exceeding Ofgem thresholds for Customer Minutes Lost ("CML") for all DNOs and for Customer Interruptions ("CI") for NGED South West. This reflects the scale and severity of the weather events and highlights areas where further improvement is needed. To 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. In addition we were successful in securing funding through the Storm Arwen Reopener, which will further enhance network resilience through undergrounding HV overhead lines in wooded areas and introducing pre-fix technology.

Throughout 2024/25, we have continued to focus on customer affordability and are proud of the support provided to our most vulnerable customers. Our first Customer Vulnerability Report in 2024/25 sets out how we helped 21,000 customers to save a total of £22 million through our fuel poverty programmes, as well as how we have continued to grow our Priority Services Register. We also awarded £1 million to 250 grassroots organisations through our Community Matters Fund and our new colleague volunteering programme enabled our people to volunteer over 10,000 hours to support local causes. We won the Corporate Community Local Involvement Award for impactful partnerships at the Charity Times Awards. Through our Solar for Schools initiative, we installed solar panels on five schools, and we launched new safety education resources for more than 6,000 schools, educating over 85,000 children on electrical safety.

Ensuring every employee's safety is our top a priority. This year, a group-wide behavioural safety training programme was designed and delivered, training to over 6,000 colleagues to date. Although the Group's Long Term Injury Frequency Rate ("LTIFR") increased to 0.180 against the target of less than 0.10, the severity of recorded incidents has fallen.

We continue to invest in our workforce, hiring over 670 people in the current year boosting our workforce to over 7,000 people working to ensure a safe, reliable and growing regional network. It's not just our direct workforce, but our work also supports thousands more jobs throughout the supply chain. Further, we have continued to enhance our workforce capability by focusing on developing effective leadership through targeted development interventions and implementing a strategic workforce plan that provides a clear and forward-looking view of our future needs. We have also continued to hire a significant number of apprentices and promote social inclusion through our entry level Craft Attendant role, which is reducing barriers to talent entering our sector.

We prioritise the safety, health, and wellbeing of our people aligned with our strong focus on enhancing diversity, equity and inclusion ("DE&I"). In the current year we have conducted comprehensive training programmes that align with national and international standards. We have also placed focused on targeted development interventions for our leaders, sourcing from diverse talent pools and increasing Employee resource Group ("ERG") membership. We partner with our four recognised trade unions on key areas of safety, health, policy changes and DE&I to ensure that our employees thrive at work.

Strategic report (continued)**For the year ended 31 March 2025****Business Review (continued)*****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.

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.

The ED3 Framework Consultation Open Letter, submitted on 15th January 2025, outlines our strategy for the forthcoming regulatory price control. It highlights the exciting opportunity for a transformative approach to electricity distribution networks, which will play a crucial role in achieving the UK's ambitious net zero targets by 2050. Our contributions to the National Infrastructure Commission study help shape the future of distribution networks. We will continue with engagement to influence and shape the Ofgem Sector Specific Methodology Consultation ("SSMC") alongside the ENA, expected in Q3 2025. We will empower our people to deliver safe, effective, and efficient performance for customers through our Integration Synergy and Efficient Work programmes.

Strategic report (continued)**For the year ended 31 March 2025****Business Review (continued)****Financial highlights**

Financial measure				Performance and comments
Revenue	2024/25 £m	2023/24 £m	% change	<p>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.</p> <p>The increase in revenue is due to higher tariffs as a result of inflation. The impact of inflation is retrospective as tariffs are set 15 months in advance. Thus any impact of inflation since 2021, following the Ukraine war, is being included within the tariffs for the year ended 31 March 2025, contributing to an increase in the average cost in the current year as compared to the last year.</p>
	2,477.2	1,838.2	35 %	
Profit before taxation ("PBT")	2024/25 £m	2023/24 £m	% change	<p>As part of the regulatory process Ofgem sets the allowed rate of return within each price control. As evident from the level of capital expenditure below, we invest profits back into the networks to ensure that we continue to provide an efficient, reliable and secure service to our customers.</p>
	1,250.4	600.1	108 %	
Fixed asset additions	2024/25 £m	2023/24 £m	% change	<p>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.</p> <p>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.</p>
	1,402.0	1,231.7	14 %	
Cash generated from operations	2024/25 £m	2023/24 £m	% change	<p>Cash generated from operations has increased due to an increase in revenue during the year.</p>
	1,768.5	1,354.7	31 %	

Strategic report (continued)**For the year ended 31 March 2025****Business Review (continued)****Financial highlights (continued)**

Financial measure			Performance and comments
RAV <i>Because of timing, the 2024/25 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 2025 and April 2025 inflation.</i>	2024/25	2023/24	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. <i>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.</i>
	£m	£m	
	12,306.6	11,495.3	
Gearing ratio Net debt* (£m) RAV (£m) Net debt to RAV <i>* The calculation of net debt has been amended during the year due to accounting policy alignment with the parent, National Grid plc. Refer to note 25 on page 133 for the calculation of net debt.</i>	2024/25	2023/24	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. The gearing has reduced due to increase in cash flows resulting in decline of net debt and an increase in RAV due to increasing capital investment.
	6,760.1	6,948.7	
	12,306.6	11,495.3	
	54.9 %	60.4 %	
Interest cover PBT (£m) Finance cost (£m) Depreciation (£m) Amortisation (£m) EBITDA (£m) Interest payable (£m) Interest cover	2024/25	2023/24	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. Our interest cover ratio is at an acceptable level and shows a sufficient level of earnings to cover interest payments.
	1,250.4	600.1	
	353.5	349.5	
	320.5	303.9	
	4.3	3.9	
	1,928.7	1,257.4	
	353.5	349.5	
	5.5	3.6	

Strategic report (continued)**For the year ended 31 March 2025****Business Review (continued)****Financial highlights (continued)**

Financial measure			Performance and comments
Return on equity ("ROE")	2024/25	2023/24	<p>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.</p> <p>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 2025, this was set at 5.6%, normalised for a long-run inflation rate of 2%, base ROE was at 7.7%.</p> <p>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.</p> <p>Totex outperformance has reduced due to the impacts of Storm Darragh and reductions in allowed revenue due to the impact of real price effects on allowances which are not fully reflected in the businesses costs. There has been an increase in incentive revenues earned due to improved performance on the DSO incentive and performance on the Customer Vulnerability Incentive (which is only available in 2025 and 2028) under RIIO-ED2. This increase is offset by penalties awarded under Interruption Incentive Scheme ("IIS").</p> <p><i>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.</i></p>
	%	%	
Base return	7.7 %	7.4 %	
Totex outperformance	— %	1.1 %	
Incentives	0.2 %	— %	
ROE	7.9 %	8.5 %	

Strategic report (continued)
For the year ended 31 March 2025
Succeeding with our strategy

We deployed our five updated priorities across the organisation in 2024/25.

Enable the energy transition for all
KPI link: Business carbon footprint, SF6 emissions and Fluid cable losses (pages 22 - 23)

What this means

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.

2024/25 achievements

- Our flexibility services provide cost-effective alternatives to conventional network reinforcement, managing constraints and saving customers money. We are committed to using flexibility services where feasible. This year, we have led in DSO procurement through our Market Gateway, more than doubling flexible assets from 70,000 to over 160,000. We placed additional contracts totalling 158MW and dispatched over 3.0GWh, deferring over £105 million in reinforcement costs.
- We concluded our five-year Hinkley Point connection project, a £65 million investment providing a new high-voltage connection between Bridgwater and Seabank. This project enhances the region's electricity network, enabling new low-carbon energy sources. It involved commissioning 13km of dual circuit 132kV cable, erecting 15 new 132kV towers and diverting sections of the 33kV, 11kV and LV network. We also facilitated National Grid Nuclear's connection of their 400kV network to the new Hinkley Point Nuclear Power Station.
- We are investing £13million to install 176 EV charger bays across 84 primary substation sites and 13 additional bays at strategic office locations, bringing the total to 444. 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.
- This year, we adopted a strategic approach to Community Energy, joining organizations in South Wales, the Midlands, and the South West to collaborate and address sector challenges. We are working with the government to highlight these challenges and have joined Community Energy England, Community Energy Wales, and continue our membership with Regen. These memberships drive systemic change, empowering communities to meet future energy challenges. We commissioned a State of the Sector report and, in partnership with Regen, hosted 5 events attended by around 300 stakeholders focusing on developing community-owned renewable generation.

Strategic report (continued)
For the year ended 31 March 2025
Succeeding with our strategy (continued)

Build the networks of the future now
KPI link: Interruption Incentive Scheme (pages 25 - 26)

What this means

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.

- 2024/25 achievements**
- Across the Group, we delivered record investment, with a 14% increase on the previous year.
 - We continue to transform our network to accommodate significant growth in distributed generation. To date, 13.9GW of distributed generation is connected to our Group network, including 9.8GW of low-carbon generation, a 18.3% increase from last year. This includes wind, solar, hydro and storage.
 - We have expanded our flexibility market capabilities, increasing the market response to flexibility opportunities from 34.6% to 37.7%. As a DSO, we lead in flexibility by using a 'whole system' approach to create new market opportunities and reduce barriers to entry. Our partnership with Piclo max allows flexibility service providers ("FSPs") to register for flexibility directly with the Market Gateway or through Piclo's website, accessing multiple flexibility markets. This partnership helps manage network constraints by dispatching flexibility through multiple routes simultaneously.
 - We have continued to push boundaries through our Flexible Power Portal collaboration with Scottish & Southern Electricity Networks and Northern Powergrid, a game changing dispatch platform for flexibility services. Working together, we have unified flexibility signals across DSOs and improved market compatibility for FSPs, and by quickly adopting and implementing Open Networks metering and settlement standards, we have simplified operational onboarding.
 - This year marks the first year of operation for our DSO panel. The panel has provided crucial scrutiny and guidance, challenging us on strategic workforce planning to ensure National Grid DSO is resilient and well-prepared for the future. They have also pushed for a more robust approach to performance measurement and key performance indicators.
 - Providing a reliable, affordable, and easy-to-connect network is a top priority. As part of the Group's asset replacement programme, the Rhos Grid substation rebuild and refurbishment in South West Wales is now complete. The reinforcement work is now underway with completion expected by October 2025. Upgrades include installing a second 132/33kV transformer and enhancing the 33kV bus bar for future loading demand and simplifying and improving protection systems to quickly identify and disconnect faulty network sections.

Strategic report (continued)
For the year ended 31 March 2025
Succeeding with our strategy (continued)

Deliver for our customers
KPI link: Customer satisfaction score and Network reliability (pages 24 and 28)

What this means

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.

- 2024/25 achievements**
- We have mapped some of our end-to-end connections processes and launched several initiatives to standardize and optimize these processes across the Group, delivering a more efficient and consistent connections experience for our customers. These initiatives include enhancing customer service at the pre-application stage, providing self-serve online tools, and issuing meter point administration numbers more quickly, addressing customer feedback.
 - This year, our 'self-serve' connections service went live for heat pumps. Additionally, we launched the “move my meter” self-serve tool for service alterations. These tools enhance efficiency and automation while improving the customer experience. We now offer a full suite of self-serve tools for domestic customers and installers connecting low carbon technologies. Customers can self-serve online to connect electric vehicles, solar, wind generation, battery storage, and heat pumps, often obtaining auto-approval real-time. Applications requiring network analysis are referred to a planner for supporting the customer with their connection request.
 - The Energy Network Association ("ENA") has unveiled a three-step plan aimed at expediting grid connections. The plan focuses on three key areas: reforming the distribution network connections queue, prioritizing mature projects that are closer to delivery over those that may be causing delays, and enhancing the coordination between transmission and distribution networks. NGED has made significant progress in these areas, including connecting 137 embedded generation projects (totaling 654MW), removing 384 projects from the connections queue (totaling 4.9MW) and introducing the agreed changes to application process to reduce the number of speculative applications being raised with DNOs. We have also been able to accelerate timelines for 2.9GW of embedded generation by adopting innovative solutions such as Technical Limits to accelerate the connections by average of 5.8 years in support of the local and national net zero ambitions.
 - The Local Electric Vehicle Infrastructure ("LEVI") fund aims to provide on-street EV charging for those without off-street parking. This central government funding could support the deployment of around 45,000 on-street chargers in NGED's license area. To manage the expected influx of applications and connections, we launched the LEVI Portal. The portal offers information on connection types, application routes, and support for applicants, as well as historical data on on-street charging connections and costs. We will continue to develop our LEVI offering next year, including a connect and notify process for lamp post installations.

Strategic report (continued)
For the year ended 31 March 2025
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

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.

2024/25 achievements

- This year, we launched our safety campaign "See it, Sort it, Report it" to ensure all near misses and good catches related to safety incidents are recorded and reported. This helps us learn from these incidents and prevent more serious ones in the future. Since the campaign's launch, near miss reports have increased from 144 last year to over 1,500 this year. We have also made our reporting app user-friendly to facilitate quick and easy reporting of potential hazards and good catches.
- We designed and delivered a group-wide behavioural safety training programme: living our safety values, training over 6,000 colleagues to date. We also designed and delivered a group-wide leadership behavioural safety training programme: leading our safety values, training over 350 leaders to date.
- 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. This year, we removed 49 overhead hazards, bringing the total to 160 hazards. We intend to increase the pace in last the three years of RIIO-ED2 to ensure that we complete the school risk removal programme by the end of RIIO-ED2.
- We have commenced safety inspections at customer properties as part of our safety inspection programme. We aim to complete 400,000 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.
- As part of our efficiency delivery programme, we are implementing new methodologies for fault response activities across all regions. Our primary objectives include enhancing our service delivery during network faults, minimizing the duration of power outages for our customers, and reducing the overall cost of our response efforts. At this stage, we have already achieved a 12.5% reduction in unit costs compared to last year.
- We exceeded our current year synergy target across the National Grid Group, delivering £88 million of cumulative benefit since acquisition, with high confidence to exceed the £100 million target by the end of 2025/26.

Strategic report (continued)
For the year ended 31 March 2025
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.

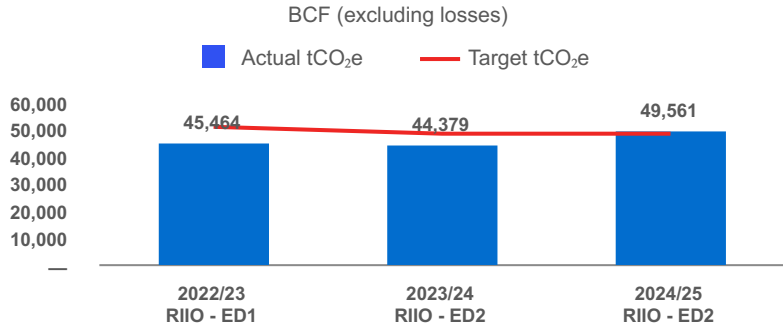
- 2024/25 achievements**
- To future-proof the organization, we are investing in both our existing workforce and external talent. We continue to develop our people through regular technical training, targeted development programmes, upskilling initiatives, coaching, mentoring and bite-size learning. Since April 2024, we have onboarded over 600 external hires, including early career hires, strengthening our workforce with diverse skills to drive the transition to net zero.
 - We are committed to bringing in entry level talent through our apprenticeship and graduate programmes to ensure a sustainable workforce for the future. Currently, we have over 400 apprentices and graduates on scheme and plan to recruit an additional 200 in September 2025, reinforcing our investment in the next generation of talent and providing opportunities for 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, 31 employees were enrolled in the scheme.
 - We have expanded our leadership development interventions, with around 160 new Team Leaders completing our Team Leader Development Programme, equipping them with the necessary skills for future success. 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. As a result, the 2025 Employee survey (Grid Voice) saw Leadership Index score of 76%.
 - 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.

Strategic report (continued)
For the year ended 31 March 2025
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 ("CO₂") emissions. We report our BCF using equivalent tonnes of carbon dioxide ("tCO₂e"). NGED follows a recognised methodology as described within international business carbon footprint standards, the Greenhouse Gas ("GHG") carbon reporting guidance, the 2020 UK Government GHG Conversion Factors for company reporting and ISO14064-3.

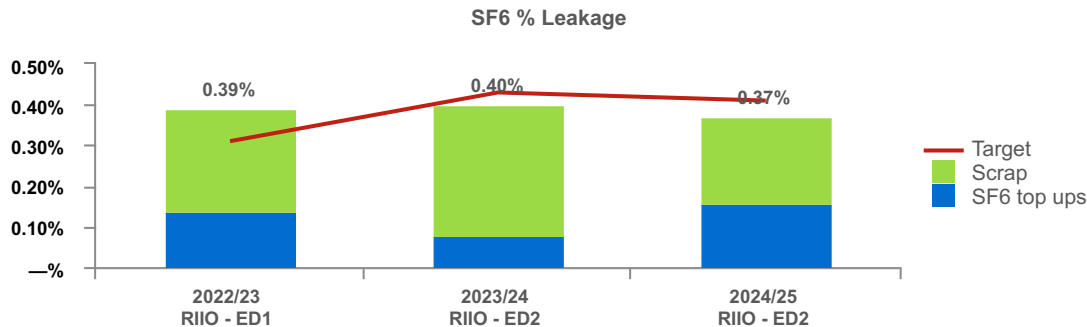
Our Business Carbon Footprint has increased as compared to last year by 11.7% and we have slightly exceeded our targets. The increase is primarily due to Scope 1 emissions, driven by an increase in SF6 fugitive emissions, which are attributed to an increase in top ups required, due to switchgear assets being predominantly outdoors and exposed to the elements. Long lead times are also being experienced in obtaining spares from manufacturers and conducting repairs to address leaks. There has been an increase in Scope 2 emissions as well due to emissions associated with electricity consumption increasing due to an increase in office electricity consumption and an increase in the number of communication locations and telecom masts brought online during the current year. The target is in line with our verified 1.5°C Science Based Target ("SBT").

To ensure that we remain on track to deliver our sustainability and regulatory commitments, we have restructured our Environment and Sustainability function by appointing a new Head of Environment and Sustainability during the current year, which will be followed by expanding the team by 2.8 Full Time Equivalents ("FTEs") in 2025/26. This team will enhance oversight of the SBT programme and support business functions in embedding sustainability into their delivery plans through improved governance, risk management and operational integration.

For details on the methodology for the calculation of our BCF refer to page 65.

SF6 emissions (emissions as % of SF6 bank)

Strategy link: *Enable the energy transition for all*



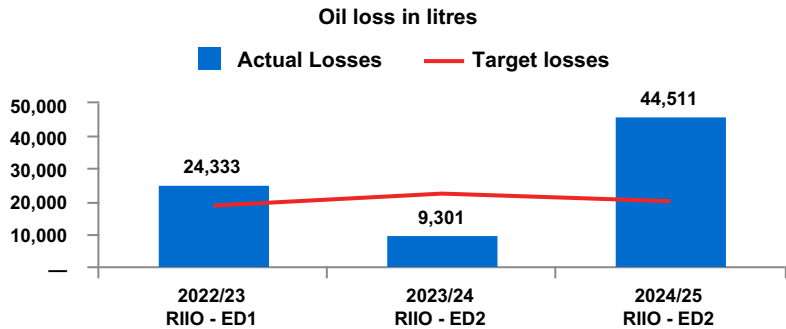
Strategic report (continued)
For the year ended 31 March 2025
Key performance indicators (KPIs) (continued)

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. There are currently no viable alternatives to SF6. Therefore, we continuously monitor our SF6 emissions. The amount of SF6 emitted is expressed as a percentage of the overall 'bank' of SF6 contained within our switchgear. Older units are being replaced with new units which also contain lower levels of SF6. When replacing switchgear we give priority to the switchgear with the highest leak rates. When a leak becomes apparent we locate its source so that a strategy can be developed to manage the situation taking into account the potential for repairs and the lead times for replacement switchgear.

Fluid cable losses

Strategy link: Enable the energy transition for all



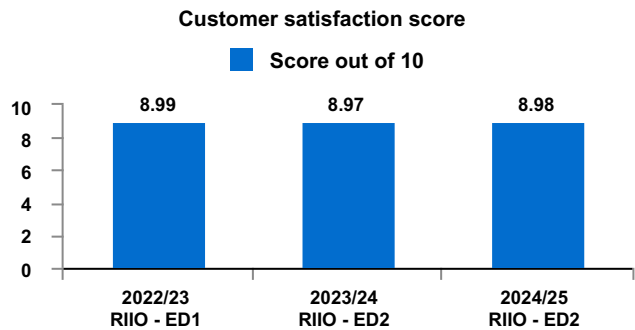
Performance and comments: The design of very high voltage underground cables has evolved over many years and our new cables all use a solid plastic-like insulation. Old designs of 33kV and higher voltage cables used an insulating oil in ducts inside the cable. Whilst these cables are normally very reliable, in the event of a fault or damage by third parties, this oil may leak. In common with other DNOs, NGED works to an operating code agreed with the Environment Agency and assesses both the condition and the environmental risk posed by the fluid filled cables which the NGED Group owns.

The losses from NGED's fluid filled cables can vary from year to year generally dependent on the number of small leaks at disparate locations. Older styles of electricity cables containing oil occasionally leak when equipment is damaged, seals deteriorate or as a result of changing ground conditions. Replacement programmes for the older styles of cables have been planned.

It is our commitment to reduce fluid filled cable losses by 50% over the course of RIIO-ED2. The baseline is the average fluid filled cable losses over the last three years of RIIO-ED1 for each licence area. There is a significant increase in our fluid filled cable losses during the current year and this is primarily due to old circuits degrading and becoming more prone to leakage primarily due to climate conditions. A working Group is being established within NGED to address the fluid filled cable loss increases. This working group will focus on identifying and prioritising the replacement of leak prone circuits, consistent reporting across all four licence areas and improving the leak detection and mitigation processes.

We follow the Operating code as agreed with the ENA, Environment Agency and Natural Resources Wales. This is not a KPI that has a financial impact with regards to our allowed revenue under the RIIO-ED2 price control.

Strategic report (continued)
For the year ended 31 March 2025
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.

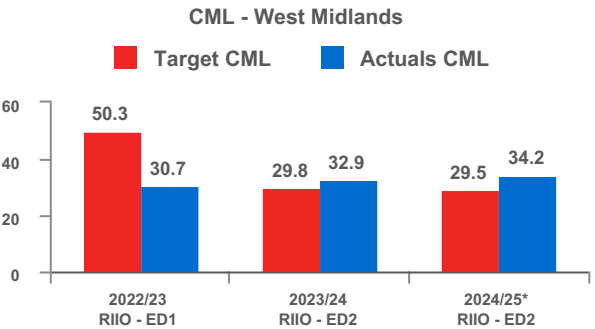
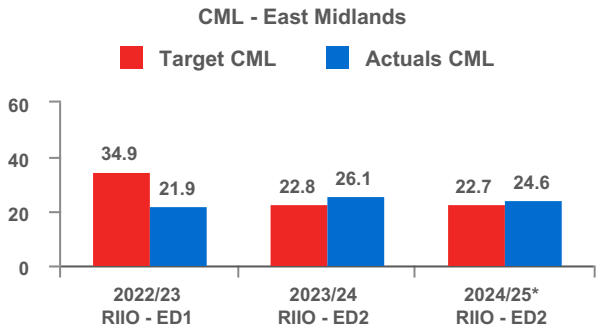
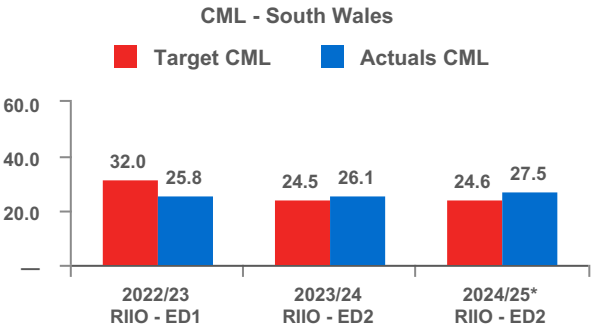
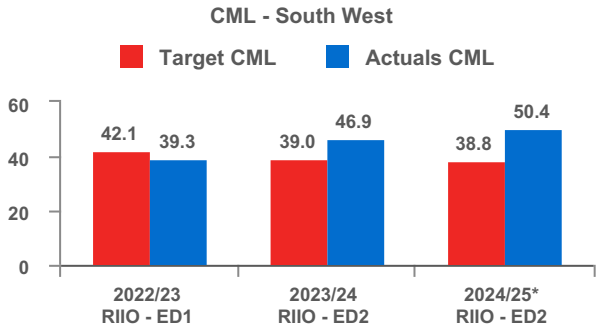
For RIIO-ED2, a score of 8.90 or lower results in penalty and a score of 9.12 or higher generates a reward under the Ofgem's incentive scheme. The reported score represents the cumulative performance of the NGED Group. On an individual DNO basis, NGED South Wales achieved a score above the reward threshold, earning a financial incentive. NGED East Midlands and NGED West Midlands recorded scores within the neutral band, incurring neither penalty nor reward. NGED South West was the only DNO to fall below the penalty threshold.

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 the South West more closely with NGED’s national service standards.

Strategic report (continued)
For the year ended 31 March 2025
Interruption Incentive Scheme ("IIS")

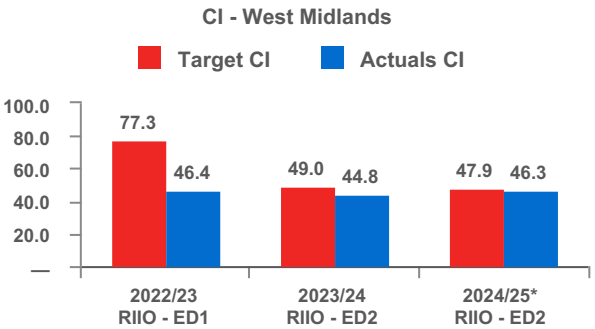
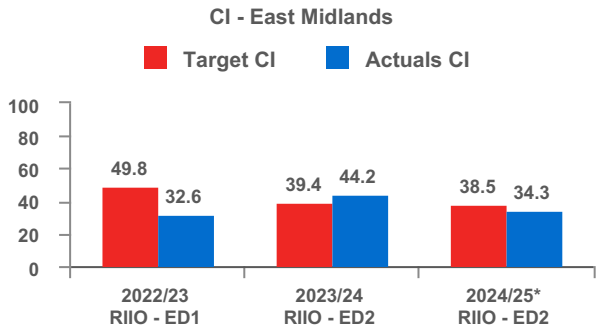
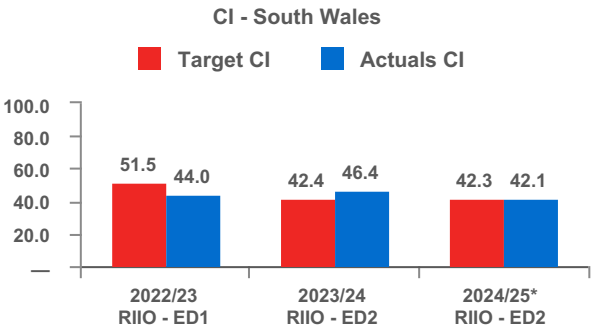
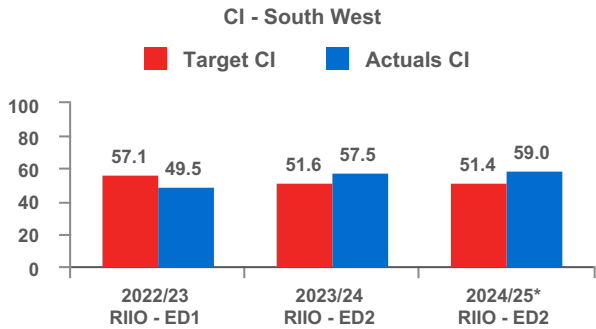
Strategy link: Build the networks of the future now

Customer minutes lost ("CML")



*The 2024/25 actuals are subject to Ofgem confirmation.

Number of customer interruptions ("CI")



*The 2024/25 actuals are subject to Ofgem confirmation.

Strategic report (continued)**For the year ended 31 March 2025****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 the 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.

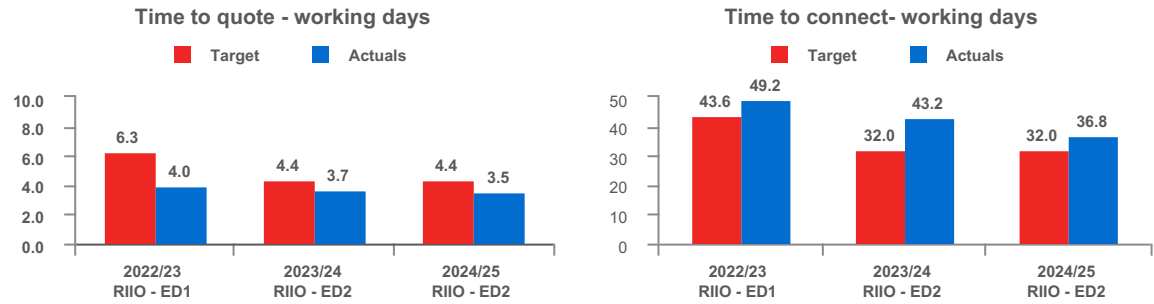
We have under performed on this KPI and exceeded the regulatory targets for CML across all four NGED licence areas, and for CI in NGED South West. The above results are currently subject to Ofgem review and confirmation. Once the regulatory performance results are finalised, performance under this metric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

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. Over recent years, we have seen an increase in weather and environment related incidents on our networks, with eight named storms occurring nationally during the current year. While certain major storms such as Storm Darragh are classified as exceptional events and excluded from the above results, these exclusions do not fully capture the operational challenges and residual impacts that such events impose on the network. Even when a storm is excluded, it can still indirectly affect performance metrics. Storm-related damage often restricts access to fault sites, delays restoration efforts for unrelated faults, and stretches field resources beyond normal operating capacity. This means that non-storm-related faults may also experience extended resolution times, further deteriorating overall performance. Additionally, the cumulative effect of multiple storms throughout the year compounds these challenges.

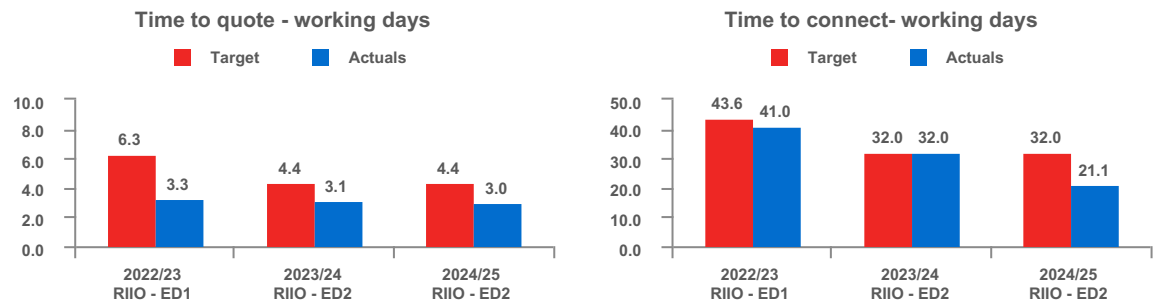
Improving performance under the current demanding standards is a key priority for the year ahead. To address these challenges and enhance future performance, we are actively progressing our ED2 asset health programme. This includes the targeted replacement and refurbishment of deteriorating and ageing assets across our network, aimed at reducing fault rates and improving overall reliability. In addition, we successfully secured funding through the Storm Arwen Reopener mechanism. This funding will support a range of initiatives to improve customer reliability, which includes, the undergrounding of High Voltage overhead lines in vulnerable areas, investment in pre-fault detection technologies to proactively identify and address potential issues and enhancements to network automation, enabling faster fault resolution and service restoration. These measures form part of our broader commitment to delivering a resilient and high-performing electricity distribution network, aligned with our regulatory obligations and customer expectations.

Strategic report (continued)
For the year ended 31 March 2025
Key performance indicators (KPIs) (continued)
Connections (time to quote and time to connect)
Strategy link: Operate safely and efficiently

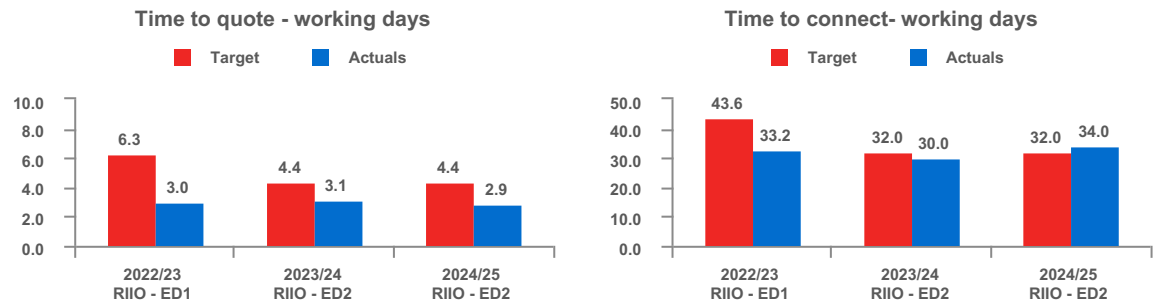
South West



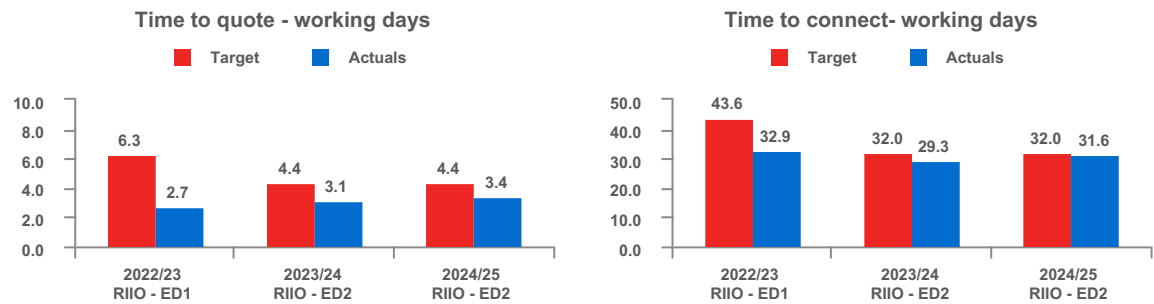
South Wales



East Midlands



West Midlands



Strategic report (continued)
For the year ended 31 March 2025
Key performance indicators (KPIs) (continued)

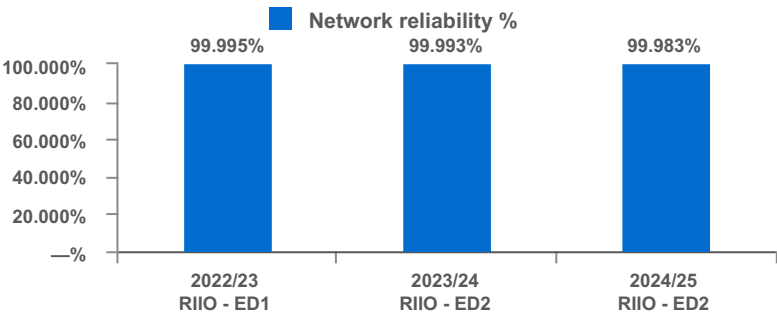
Connections (time to quote and time to connect) (continued)

Performance and comments: For RIIO-ED1, this performance measure was an incentive only measure. 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.

Network reliability

Strategy link: Deliver for our customers

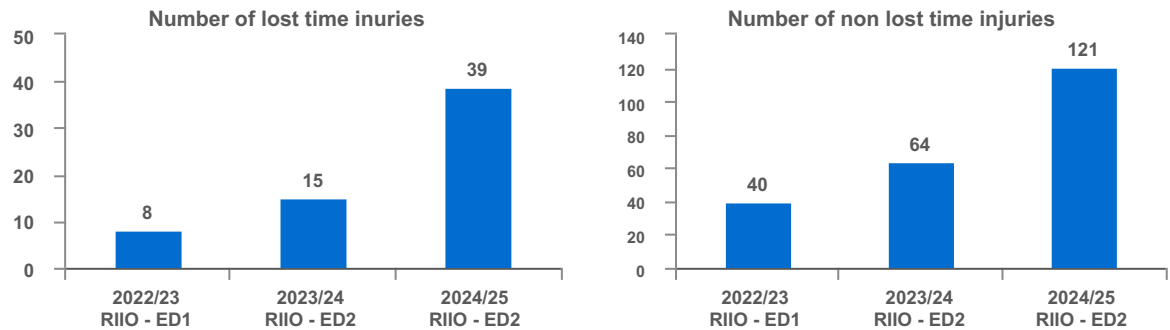


Performance and comments: There has been a slight decline in our network reliability as compared to last year but we still continue to maintain high levels of reliability. This KPI does not carry a direct financial penalty or reward. Instead, it serves as an overarching indicator of quality of service 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 2025
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 to over 6,000 colleagues to date. Although the Group's Long Term Injury Frequency Rate ("LTIFR") increased to 0.180 against the target of less than 0.10, the severity of recorded incidents has fallen.

Efforts to improve the reporting of incidents has resulted in the current year witnessing an increase in non-lost time and lost time injuries being reported compared to previous years. Thus many such incidents are reported that may not have been previously reported. This approach is crucial to enhancing safety culture, ensuring due investigation focusing on actual or potential for harm and allowing us to be more effective in our analysis of accidents to avoid future occurrence.

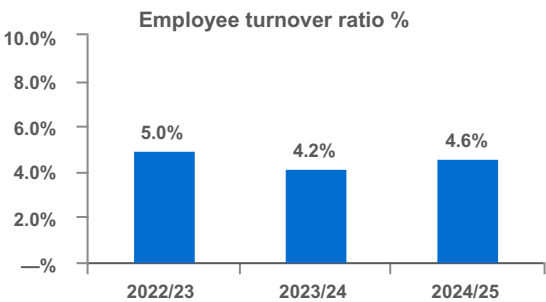
In terms of the severity of lost time injuries, a reduction of the % of specified injuries as defined by UK Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR") has occurred in the current year. In the current year severe incidents have reduced to 11% from 15% in 2023/24 and 44% in 2022/2023. In addition to this, no Serious Injury or Fatality ("SIF") incidents occurred in the current year, as compared to two SIF incidents last year.

We will continue to ensure all planned safety inspection and maintenance programmes are completed during the year and, in an effort to reduce injuries a new behavioural safety programme will be implemented to ensure staff are reminded of their training, the need to consider all the hazards in the vicinity of their work area and their safety responsibilities to themselves and to others.

NGED also monitors the all accidents rate per 100 employee. The accident rate for the NGED Group for 2024/25 is 1.95 (2023/24: 1.13).

Employee turnover ratio

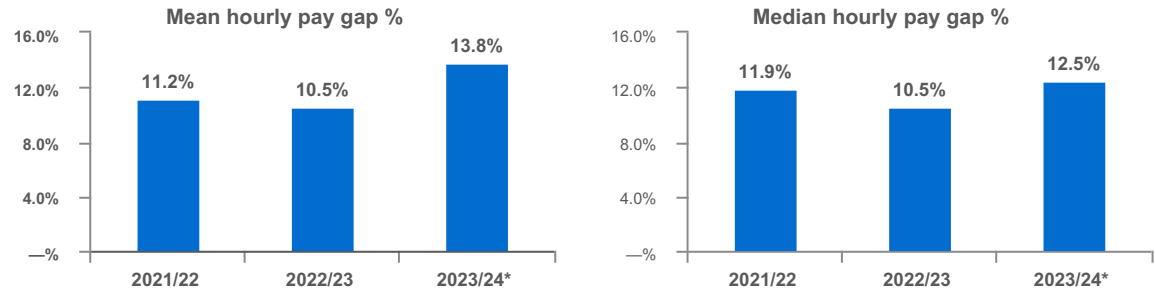
Strategy link: Build tomorrow's workforce today



Performance and comments: On an overall basis, NGED has a low employee turnover ratio, reflecting high retention and indicating a positive working environment for our colleagues.

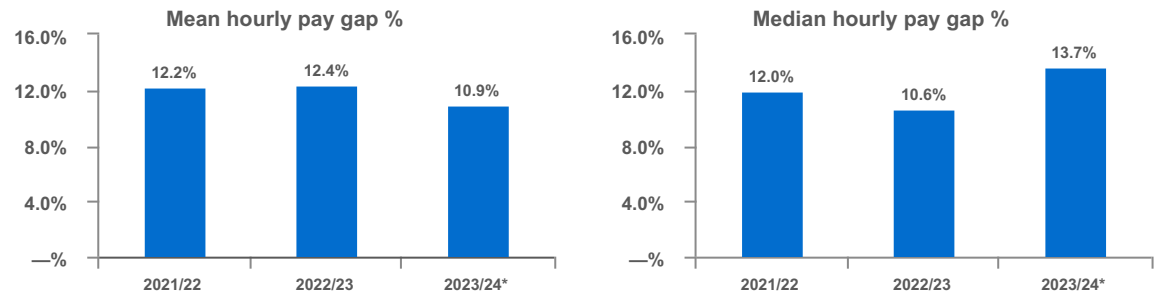
Strategic report (continued)
For the year ended 31 March 2025
Key performance indicators (KPIs) (continued)
Employee gender pay gap
Strategy link: Build tomorrow's workforce today

South West



Performance and comments: Whilst, the mean hourly pay gap and median hourly pay gap has shown a decline year on year, the female representation has shown a slight increase from 18.2% to 18.7%. The decline is due to more new joiners at a lower hourly pay. This impacted the average female hourly pay gap more because of overall lower population of female employees.

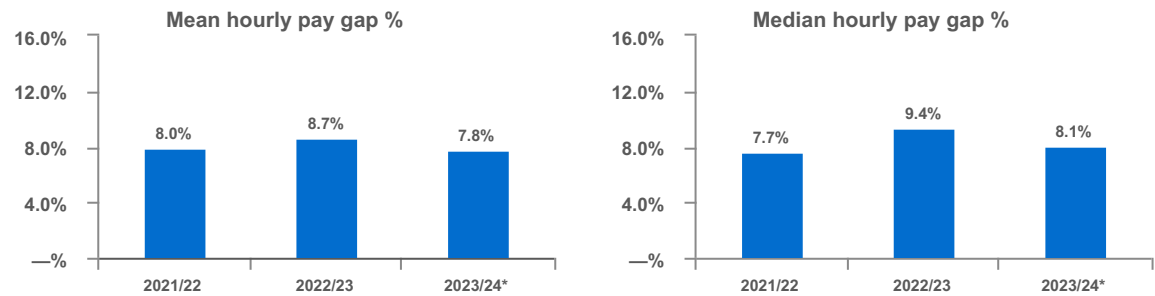
South Wales



Performance and comments: Whilst the Company's median hourly pay gap has shown a decline year on year, improvement has been noted in the Company's mean hourly pay gap. The female representation has increased from 14.2% to 15.6%

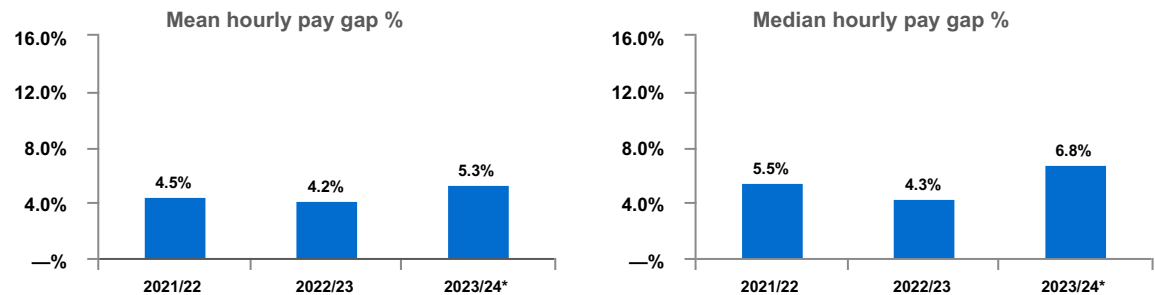
Strategic report (continued)
For the year ended 31 March 2025
Key performance indicators (KPIs) (continued)
Employee gender pay gap (continued)

East Midlands



Performance and comments: The mean hourly pay gap and median hourly pay gap has shown an improvement year on year.

West Midlands



Performance and comments: The mean hourly pay gap and median hourly pay gap has shown a decline year on year. This due to more new joiners being male with an higher average pay rate as compared to the new female joiners. it was noted that the mean incentive pay gap has shown an improvement year on year. The current mean incentive pay gap is 57.4% as compared to 64.4% last year.

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

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

*2023/24 are the latest available results and is for data on the snapshot date of 5 April 2024. The report for the snapshot date of April 2025 will be available by April 2026.

Strategic report (continued)
For the year ended 31 March 2025
Our business environment

Our business environment is shaped by governments’ drive to deliver economic growth amid a major shift in how we produce and consume energy. Against a backdrop of political and technological change, we are delivering the energy infrastructure of the future, enabling the energy transition and economic growth in our communities.

	Impact on our industry	Our response
<p>Energy transition</p> <p>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</p>	<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• We have collaborated with the Science Based Targets initiative ("SBTi") to align our greenhouse gas emissions reduction targets with their 1.5°C pathway.• Our journey of fleet electrification continues, with 15.6% of our commercial fleet now electric where an EV option is available, up from 12% last year. Additionally, our leased fleet has increased to 67% electric, up from 50% previously.• In partnership with Skoda and vehicle conversion company Strongs, we developed a fully electric 4x4 utility vehicle. Skoda’s Enyaq has been converted into a light commercial vehicle with all-terrain capability, using high-strength, low-weight plastic materials to ensure safety and maximum driving range. The Enyaq has been adapted to provide the necessary stowage for specialist equipment used by our engineers. Each Enyaq will remove 241g/km of CO2e or 4,820t CO2e per year from our fleet, equivalent to planting around 200 trees.• We continue to work with our waste management partners to significantly reduce landfill waste. Three of our four licence areas routinely report zero waste to landfill monthly. In 2024/25, only 2.61% of waste from our operations was sent to landfill.• As part of the ENA, we are collaborating with other DNOs to develop a common approach to measuring and implementing biodiversity net gain across the network. Using the Department for Environment, Food and Rural Affairs ("DEFRA") biodiversity net gain metric tool and working with our biodiversity and ecology partners, we have established Biodiversity Management Plans at operational sites throughout our four licence areas.• 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.

Strategic report (continued)

For the year ended 31 March 2025

Our business environment (continued)

	Impact on our industry	Our response
<p>Affordability and economic development</p> <p>Governments are focused on driving economic growth and development in our jurisdictions. Some of our customers continue to struggle with the cost of living.</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • We have awarded £1 million to grass-roots organisations that focus on fuel poverty, employability or skills through our shareholder-funded Community Matters Fund. This includes: <ul style="list-style-type: none"> – £500,000 to tackle fuel poverty: Supported 117 local organizations by providing warm packs, energy efficiency advice, and welcoming spaces for customers struggling with energy affordability; – £250,000 for skills and employability: Grants to 62 groups helping people develop key professional skills, networking, and placements, including resume masterclasses and interview coaching; – £250,000 to inspire young people in science, technology, engineering and maths ("STEM"): Supported 67 charities and community groups with funding for hands-on STEM workshops, afterschool clubs, and interactive activities to introduce young people to careers in science, technology, engineering, and maths. • 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. • Our Smart Energy Affordability Fund will enable six innovative projects to support low carbon transitions for customers in vulnerable situations. Two projects have already delivered £16,000 savings, helping 50 customers access home measures such as solar panels and heat pumps, in the first three months alone. Four more partners are now on board and the two early trials are set to ramp up support in coming months. • We launched a new partnership 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. Five schools have completed installations, reducing approximately 80 tons of Co2 emissions annually and delivering projected savings of over £2.2 million over the lifetime of the solar panels.

Strategic report (continued)

For the year ended 31 March 2025

Our business environment (continued)

Impact on our industry	Our response
<p>Technological change</p> <p>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.</p>	<ul style="list-style-type: none"> • The rapid changes in the energy landscape have transformed the type and volume of projects seeking to connect to our network, necessitating technological advancements to contribute meaningfully to the industry Connections Reform. NGED has collaborated with Octopus Energy to explore options for accelerating grid connections utilising AI tooling to test potential solutions, which was demonstrated at an industry event led by NGED. • Our recently launched ClearView products enhance data transparency for customers at the pre-application stage. ClearViewConnect offers a comprehensive view of capacity headroom at all our license area Grid Supply Points ("GSPs") and the connections queue at each GSP. This information helps prospective developers identify the GSPs with the earliest and lowest-cost generation connection opportunities. ClearViewCharge provides a view of the DUoS tariffs across all our licence areas for Low Voltage ("LV") and High Voltage ("HV") assets connected or looking to connect to our network. • By leveraging smart meter data, we optimized our Low Voltage ("LV") Monitoring Rollout across the Group, reducing the planned deployment from 15,500 monitors to 11,000 while maintaining the same level of network visibility. • To provide stakeholders with accessible and accurate network data, we developed a new Network Opportunity Map, unifying our existing Network Capacity Map and EV Map. This tool improves user experience and offers detailed insights into available headroom at both primary and secondary network levels, enhancing capacity data accuracy and informed decision-making. • This year, we piloted a new internal application designed to improve customer response times. The tool enables operational managers to identify and dispatch the nearest appropriately skilled engineer, allowing for more accurate estimated arrival times to be shared with customers. Hosted on company-issued iPads, the application provides real-time location data, supporting faster service delivery and more efficient use of resources. Subject to a successful trial, we plan to expand its use across our network in the coming years. • We continue to monitor cyber risks and implement control improvements recommended by government and private intelligence to manage the increasing threat landscape.

Strategic report (continued)**For the year ended 31 March 2025****Our business environment (continued)**

	Impact on our industry	Our response
<p>Global uncertainty</p> <p>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.</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • This year, we established a new Commercial Management function within Asset Management to actively manage supply chain risks and collaborate on National Grid Group initiatives, including Strategic Supplier Engagement and Global tender opportunities. Efforts are underway to identify and mitigate both short and long-term supply constraints. This includes increasing our supplier base through National Grid Group framework agreements, enhancing forecasting capabilities linked to long-term strategic asset management plans, and reviewing our current asset management approach to identify synergies and optimize our workbook, reducing the short-term burden on the supply chain. • We are collaborating closely with industry and government to implement reforms that support government goals amidst global uncertainty, particularly in Connections Reform. • As part of the National Grid Group, we actively participate in the broader UK energy sector ecosystem to establish policies that facilitate a smooth energy transition. This engagement helps us to evolve regulatory frameworks together and to provide more certainty through price controls and rate cases that reflect a healthy balance of risk, returns and incentives. • 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. • Innovation in supply chains remains a priority to ensure we can deliver infrastructure efficiently amidst global uncertainty. Our commercial Management function is dedicated to establishing a supply chain that supports our future growth trajectory. • We remain focused on delivering resilient and secure infrastructure, playing our part to help the communities we serve avoid disruption and adapt to a changing global environment.

Strategic report (continued)**For the year ended 31 March 2025****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 two 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:

- Publishing our 8th Distribution Network Options Assessment ("DNOA") report, identifying over 1,000 network constraints and recommending 24.4% flexible options.
- Facilitating whole system coordination to improve operational decision-making, developing dynamic network modeling techniques to minimize generation curtailment during planned outages, preventing 241GWh of renewable generation curtailment, and lowering network costs for customers.
- Progressing site strategies at key Grid Supply Points ("GSPs") through collaboration with National Grid Electricity Transmission, National Energy System Operator ("NESO"), and adjoining DNOs to ensure coordinated transmission reinforcement.
- Collaborating with Local Authority stakeholders by publishing Network Development Plans, providing detailed analysis of network constraints, future capacity requirements, and proposed solutions, with 140 technical reports offering unmatched transparency and granularity.
- Receiving responses across more than 500 flexibility zones in our long-term procurement for eight different flexibility service providers, growing the number of assets on our Market Gateway to over 162,000, including approximately half of the EV charge points on our network.
- Introducing a conflict identification framework to systematically evaluate and resolve potential conflicts between the DNO and DSO, enhancing systems to share more information with NESO, and strengthening stakeholder trust through independent oversight and improved governance and transparency.

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, standardizing 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>.

Strategic report (continued)**For the year ended 31 March 2025****Innovation and Development**

NGED, through Ofgem's Network Innovation Funding Incentives, is developing innovative projects to make energy networks smarter, accelerate the development of a net zero carbon energy sector, and deliver financial benefits to communities and consumers, including vulnerable customers. These projects help develop crucial knowledge and expertise, which is shared across the industry. Large projects are funded by the Ofgem Strategic Innovation Fund ("SIF") and are broken down into Discovery, Alpha, and Beta phases to identify potential issues early before significant costs are committed.

The Planning Regional Infrastructure in a Digital Environment ("PRIDE") project was the first NGED SIF project to progress to the Alpha phase with £4.1 million in funding, following the successful completion of the Discovery phase. PRIDE focuses on using data and digital demand planning across multiple levels of the energy system to facilitate, manage, and integrate demands across heat, transport, and energy demand reduction. It aims to support local area energy planning and network investment decisions to fast-track low-carbon technology deployment at a regional level. The project includes developing a "whole systems digital planning tool" and testing its use across different regional energy planning stakeholders and broader governance structures. PRIDE is delivered collaboratively with West Midlands Combined Authority, Advanced Infrastructure Technology Limited, Regen, and NESO.

Two innovation projects, Rural Energy and Community Heat ("REACH") and Road to Power, have secured nearly £1 million combined through the SIF, enabling them to move from Discovery to Alpha phases. The REACH project works with innovative suppliers to develop shipping container-sized rural energy centres containing standardized equipment for connecting heat pumps, EV chargers, and renewable generation. This project uses a staged approach, beginning with community engagement to understand local needs and feasibility studies for selected communities. The SIF funding also supports creating a community guidance tool to interpret techno-economic data and make cost-effective choices. Currently, high-level feasibility studies with seven community groups are underway, with interviews and 11kV network studies being performed. The Road to Power project addresses increased power requirements for roadworks and construction due to the decarbonisation of mobile machinery. A self-serve tool for construction temporary supplies is being developed, offering interruptible and flexible options in addition to a standard HV connection. This tool aims to automate network analysis and avoid delays associated with reinforcement. Data collection and development for stakeholder review are ongoing, with profiles for selected trial construction sites completed and alignment with NGED connection processes in progress.

This year, we launched a £3.4 million SIF Beta project, Phase Switch System ("PSS"), to address potential load imbalance across phases in the distribution network as more customers connect to low carbon technologies. PSS aims to prove a device that reduces phase imbalance on LV networks, maximising network capacity and allowing more low carbon technology to be added before network reinforcement is required. Additional benefits include fewer outages caused by phase imbalance, reduced service visits, and improved customer experience. The project will run for three years, engaging partners including UK Power Networks ("UKPN"). It will involve field trials following extensive lab trials of the PSS device, with a tool built to optimize device locations for maximum benefit.

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>

Strategic report (continued)**For the year ended 31 March 2025****Internal controls and risk management**

The NGED 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, financial condition, operational results, reputation, and 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 NGED Board reviews its Principal Risks ("PRs") and Emerging Risks ("ERs") at least annually, with any urgent risks being escalated to the Board as necessary. The Board will be supported in this work by the new Risk and Audit Committee, which is a Committee of the Board designed to provide additional focus on risk management and internal control that met for the first time in April 2025. Additionally, there is a bi-monthly NGED Ethics, Risk & Compliance Committee ("ERCC"), which includes the senior leadership team and focuses on monitoring both PRs and 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 slightly more granular level than NGED's PR level, including some risks which feed into the overall PRs. Further details regarding the risk management framework and processes can be found in our Code of Corporate Governance statement on page [55](#).

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 [39](#) 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 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 Controls & SOX 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.

Strategic report (continued)

For the year ended 31 March 2025

Internal controls and risk management (continued)

Key risks

NGED's risk profile is presented below:

Strategic risks	
Risk	Actions taken by management
<p>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.</p> <p><u>Strategic Objective: Build tomorrow's workforce today.</u></p>	<p>To effectively manage this risk, we are:</p> <ul style="list-style-type: none"> • 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); • 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.
<p>Political & societal expectations and perceptions: There is a risk of unfavourable public/regulatory policy or negative societal perception.</p> <p><u>Strategy link: Enable the energy transition for all.</u></p>	<p>To effectively manage this risk, we have a comprehensive suite of well-established controls, which include:</p> <ul style="list-style-type: none"> • 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; • 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.
<p>Energy transition role and delivery of net zero: There is a risk that we fail to enable the UK's transition to net zero, or meet our own net zero commitments.</p> <p><u>Strategy link: Enable the energy transition for all.</u></p>	<p>To effectively manage this risk, we concentrate on the following areas:</p> <ul style="list-style-type: none"> • Maintaining a comprehensive understanding of stakeholder requirements through long-term forecasting and ongoing monitoring of local growth and load requirements; • Working closely with upstream partners to allow us to release capacity on the network as effectively and efficiently as possible; • Maintaining a strategic investment plan that aligns with the needs of key stakeholders throughout the entire energy system.
<p>Delivering the RIIO-ED2 price control: There is a risk that we fail to deliver the ED2 price control commitments to the strategic business plan and cost.</p> <p><u>Strategy link: Deliver for our customers.</u></p>	<p>To effectively manage this risk, we have:</p> <ul style="list-style-type: none"> • Strategic business plans covering what we have to deliver, when and to what price during the ED2 price control; • Governance structures to provide oversight of progress versus ED2 price control deliverables; • A restructured leadership team set up to support the business to operate as effectively and efficiently as possible; • Investment management and planning processes.

Strategic report (continued)**For the year ended 31 March 2025****Internal controls and risk management (continued)****Key risks (continued)**

Strategic risks (continued)	
Risk	Actions taken by management
<p>Business transformation: There is a risk that we fail to identify and/or implement appropriate transformational initiatives to future proof the business.</p> <p><u>Strategy link: Enable the energy transition for all.</u></p>	<p>To effectively manage this risk, we have:</p> <ul style="list-style-type: none"> • 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; • The necessary capacity and capability to effectively execute the transformation plan, ensure 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.
<p>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.</p> <p><u>Strategy link: Enable the energy transition for all and Deliver for our customers.</u></p>	<p>To effectively manage this risk, we have:</p> <ul style="list-style-type: none"> • 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.
Operational risks	
Risk	Actions taken by management
<p>Major occupational health & safety event: There is a risk of unsafe employee/contractor behaviour whilst undertaking NGED activities.</p> <p><u>Strategy link: Operate safely and efficiently.</u></p>	<p>To effectively manage this risk, our preventative and detective safety controls concentrate on the following key areas:</p> <ul style="list-style-type: none"> • A well-established 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.
<p>Asset failure: There is a risk of a catastrophic asset failure or bulk power system failure.</p> <p><u>Strategy link: Operate safely and efficiently.</u></p>	<p>To effectively manage this risk, we have implemented extensive controls and mitigating measures across our assets, systems, and broader infrastructure, which include:</p> <ul style="list-style-type: none"> • 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.

Strategic report (continued)

For the year ended 31 March 2025

Internal controls and risk management (continued)

Key risks (continued)

Operational risks (continued)	
Risk	Actions taken by management
<p>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.</p> <p><i>Strategy link: Deliver for our customers.</i></p>	<p>To effectively manage this risk, we have implemented extensive controls and mitigating measures across our assets, systems, and broader infrastructure, which include:</p> <ul style="list-style-type: none"> • 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.
<p>Supply chain management: There is a risk of NGED being unable to secure key equipment/services within required timeframes.</p> <p><i>Strategy link: Build the networks of the future now.</i></p>	<p>To effectively manage this risk, our key mitigation strategies include:</p> <ul style="list-style-type: none"> • Dedicated governance structures to oversee procurement activities and ensure alignment with NGED's strategic objectives and business plan; • Proactive horizon scanning to identify potential upstream supply issues (covering both equipment and services) and long-term forecasting; • Supply chain risk identification and stress testing activities to evaluate our readiness and response capabilities under various scenarios.
<p>Customer connections: There is a risk that we are unable to connect customers when or where they want (within a reasonable timeframe) – or are perceived as being unable to do so - and are unable to make significant improvements soon.</p> <p><i>Strategy link: Deliver for our customers.</i></p>	<p>To effectively manage this risk, we are:</p> <ul style="list-style-type: none"> • Actively working to reduce connection queue times, including embracing Connections Reform to streamline processes and became the first DNO to accelerate a customer under Technical Limits; • Continuously evaluating and testing our forecasting assumptions to ensure their robustness, utilising these insights to enhance our long-term procurement and human resources planning; • Enhancing digital tools to improve visibility for customers so that they can explore connections opportunities in terms of both location and timescales; • Committing to significant investments in network expansion to adequately meet both current and future demand, ensuring our infrastructure is prepared for growth; • Strategically engaging with industry to develop innovative solutions that continuously improve outcomes for our customers.
<p>Data quality & management : There is a risk of failure to adequately identify, collect, and optimize data to support NGED operations and future growth.</p> <p><i>Strategy link: Deliver for our customers.</i></p>	<p>To effectively manage this risk, we are:</p> <ul style="list-style-type: none"> • Implementing robust data governance frameworks to ensure accountability and ownership across the organisation; • Enhancing data quality processes through validation, standardisation, and automated tracking mechanisms; • Improving data accessibility and integration to support operational efficiency and regulatory compliance.

Strategic report (continued)**For the year ended 31 March 2025****Internal controls and risk management (continued)****Key risks (continued)**

Operational risks (continued)	
Risk	Actions taken by management
<p>Major cyber security incident: There is a risk that we are unable to adequately prevent, detect or manage disruptive forces on our systems resulting from a cyber attack.</p> <p><u>Strategy link: Deliver for our customers.</u></p>	<p>To effectively manage this risk, we are:</p> <ul style="list-style-type: none"> • Adopting a Comprehensive Risk Methodology: NGED has aligned to the group cyber risk methodology that takes account of threat intelligence, business impact assessments, business architecture, controls and any vulnerabilities. NGED is operating 'within appetite' against the Board's 'Averse' cyber-Risk Appetite Statement; • Leveraging Layered Security and Continuous Monitoring: Improved on the implementation of a 'defence in depth' strategy with layered security measures, continuous 24x7 monitoring, and integration with global incident response plans to detect, contain, and recover from cyber incursions; • Making Targeted Investments: Continue to make specific investments in cyber security to address regulatory compliance requirements and emerging risks we are monitoring through our partnerships with government and private intelligence sources.

Compliance risk	
Risk	Actions taken by management
<p>Legal & regulatory compliance governance : There is a risk that NGED's compliance programme, if identified mitigations are not implemented fully, may be ineffective.</p> <p><u>Strategy link: Operate safely and efficiently.</u></p>	<p>To effectively manage this risk, we have:</p> <ul style="list-style-type: none"> • Dedicated compliance team supported by assurance activity focused on key compliance areas; • Agreed compliance training plans, communications, and assurance activities for the business; • Horizon scanning mechanisms in place to ensure new and changing regulations are appropriately resourced and implemented; • An effective governance framework for reporting to senior leadership and respective boards and committees.

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 [137](#).

Strategic report (continued)

For the year ended 31 March 2025

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 2024/25 were as follows:

- Beyond the Community Matters Fund, highlighted on page 33, we provided over £12,000 in donations and around £136,000 in sponsorships, aiding local charities and community groups. Additionally, our colleagues' personal fundraising efforts resulted in £32,500 in company-matched funding for charities this year.
- Our safety education programme reached more than 85,000 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 employee volunteering platform, allowing all employees to volunteer up to three working days annually for good causes across our region. This initiative resulted in 10,000 volunteering hours across the NGED Group, supporting 50 organisations, including Cornwall Wildlife Trust, St David's Hospice, and Your Parks Bristol and Bath.
- 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 continued to support the Engineering Education Scheme Wales ("EESW") Sixth Form Project, which provides students with a broader understanding of STEM careers. This project partners with schools to set teams of students a STEM-based task, which they solve by researching, designing, and building a prototype.
 - We have expanded our support for the Greenpower Challenge, collaborating with a school in South West and a community group in the East Midlands. This project involves teams of students (aged 11-16) designing, building, and racing their own electric cars. This year, 51 students participated with assistance from our STEM ambassadors. The initiative promotes low-carbon transport, the use of recycled materials, and varied career opportunities in engineering.
 - Pylon to Power is a project which educates students about the future of renewable energy. Over the year, 80 students learned about renewables and the history of coal energy. They also received a presentation from NGED about the distribution network and participated in an activity led by the EESW, where they designed and built their own towers.

Strategic report (continued)

For the year ended 31 March 2025

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.
- We have successfully embedded a process to ensure that maximum decommissioned company electronic devices, mainly iPads, are repurposed and donated to local community charities and schools. This year, we donated more than 2,000 devices, reducing electronic waste by extending the lifespan of these devices through refurbishment and donation.

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 conducted a roadshow at Kidney Care UK, the UK's leading kidney patient support charity. This event aimed to engage with kidney patients on dialysis or those expecting to be, to understand how power cuts might affect them. We provided information on the PSR and its benefits during power outages, distributed crisis packs, and handed out merchandise to attendees.

We collaborate with industry partners to develop processes for sharing data about vulnerable customers, adhering to data protection laws. We share PSR data monthly with all participating water companies in our region and work towards an automated standard industry approach to PSR data sharing. We have established links with numerous organisations acting as 'referral partners,' such as the British Red Cross, to better understand the needs of vulnerable customers. These 223 referral partners (up from 197 last year) include charities, local authorities, and health organisations that sign customers up to the PSR and provide power cut resilience advice.

During 2024/25, we supported over 21,000 customers, helping them save over £22m on their energy bills. Our fuel poverty 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.

Keeping customers informed about energy-saving methods and effective consumption management remains vital. NGED continues to work with its Customer Panel and interested stakeholders. This year, two Social Obligations workshops (covering fuel poverty and the smart transition) highlighted ongoing concerns about the cost of living crisis and the financial burden of energy bills. The high demand for support presents challenges such as stretched resources, lack of trust, and difficulty accessing smart technologies. We offer long-term contracts to partners, providing guaranteed, consistent funding to support customers struggling to heat their homes. We collaborate with over 100 partner agencies to provide fuel poverty support and advice. In addition, NGED delivers a comprehensive annual Winter Campaign, which helps customers prepare for the colder months, and broadens awareness of the PSR register and encourages sign ups.

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

Strategic report (continued)**For the year ended 31 March 2025****Our commitment to being a responsible business (continued)*****Our people***

We are dedicated to being a standout employer, attracting new talent to the electricity sector. Whilst prioritising safety, health, and wellbeing, we focus on enhancing diversity, equity, and inclusion, as well as upskilling and empowering our people to thrive in their careers. Our ambitions include:

- Support colleagues to ensure they remain safe and healthy in the workplace and beyond;
- Reflect the diversity of our communities and ensure an inclusive culture, where all colleagues have equal opportunities to succeed;
- Prepare our organisation for the future by investing in the development of our colleagues.

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. 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")

Reflecting the communities and customers we serve while fostering a more equitable and inclusive culture is of great importance to us. We are dedicated to building on our approach to further our growth in DE&I. In the current year 38.2% of the new hires within NGED Group were diverse. We have also continued to run Inclusion training for all people managers.

We recognise that diversity remains a key challenge for our business, as the electricity distribution industry continues to lag behind other sectors in colleague diversity. However, we are committed to making significant changes to see a real and sustained difference. Our dedicated DE&I strategy, aligned with the National Grid Group, is built around three pillars: increasing DE&I awareness, increasing and retaining diversity in our workforce, and enhancing leadership skills and knowledge to create an inclusive culture.

We believe in improving social mobility by providing people from all backgrounds with opportunities for rewarding careers. 'Earn and learn' positions, such as apprenticeships and on-the-job traineeships, offer an accessible alternative to higher education, boosting skill sets and providing paid routes to higher education and 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:

- **BIG Respect Training Days:** We delivered in-person training for leaders in operations on handling difficult conversations, recent changes to UK legislation (Worker Protection Act), and addressing inappropriate behaviour at work. We conducted two training days per license area, reaching over 200 leaders.
- **"It's Not Okay" Campaign:** We embedded a group-wide conduct campaign addressing inappropriate behaviour in the workplace through team briefs, powerful videos and panel discussions during all-hands calls on respect.
- **Women in Operations Conference:** Based on employee feedback, we hosted our first-ever conference, bringing together over 150 women and male allies to discuss barriers faced by female staff in the field and identify necessary improvements to working conditions.

Strategic report (continued)

For the year ended 31 March 2025

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 targets individuals who have left school with minimal qualifications but possess the skills to thrive at NGED. It offers a paid 12-15 month training programme, followed by a craft assistant job. This year, we appointed 12 employees under this scheme.
- **Enhanced DEI Resources:** We transformed DEI content on our internal intranet, making resources more accessible. This includes inclusion moments, educational videos, ERG materials, and LinkedIn learning pathways.
- **Quiet Rooms:** We introduced quiet rooms across various offices for prayer, meditation, rest, or for neurodivergent colleagues, disabled colleagues, staff experiencing menopause, or anyone needing a moment of quiet when feeling overwhelmed.
- **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 with young people at masterclass and career coaching sessions.
- **10,000 Black Interns:** This programme facilitates paid work experience, training, and professional development for young Black people in the UK. This year we employed 12 interns through this programme, eight of whom secured longer-term roles within the business.
- **Change 100:** This programme aims to remove workplace barriers experienced by disabled people through paid summer work placements, professional development, and mentoring. This year, we employed one intern through this programme, who has now taken on a full-time role within the business.

By implementing these initiatives, we are committed to fostering a diverse, equitable, and inclusive culture where everyone feels they belong at NGED.

Supporting colleagues to thrive at work

We empower our teams to perform their best by prioritising their physical, mental, and emotional wellbeing. Our comprehensive wellbeing strategy ensures colleagues have seamless access to high-quality support and resources whenever needed. Key highlights of our support initiatives include:

- **Enhanced Mental Health Support:** We have refined our mental health care pathways and strengthened our Employee Assistance Programme ("EAP") to provide a broader range of mental health support. Our partnership with Thrive Mental Wellbeing offers clinically effective app-based support, extensive self-help resources, direct one-to-one sessions with qualified therapists, and newly launched 24/7 in-app counsellor support.
- **Dedicated Drug & Alcohol Support:** We've introduced clear and supportive pathways for colleagues proactively seeking help with drug and alcohol dependencies, enabling discreet and effective support tailored to individual needs.
- **In-House Occupational Health Expertise:** Our internal Occupational Health team provides legislative compliance screening and case management. Being in-house allows us to closely align our support with business needs, effectively keeping our people well and safe in the workplace.

For team members nearing retirement, we offer in-house retirement courses, pension support, and pre-retirement leave to help individuals transition smoothly out of the workplace. We also provide childcare vouchers, adoption leave, enhanced maternity leave, shared parental leave arrangements, and keeping in touch days to encourage eligible colleagues to continue their careers while caring for their families. We ensure all colleagues receive fair and equitable pay, regardless of location, gender, ethnicity, or disability. We review gender and ethnicity pay gaps annually. In the UK, we are an accredited Living Wage Foundation employer, demonstrating our commitment to going beyond the Living Wage requirements. In addition to fair pay, we offer a range of competitive benefits, including shared parental arrangements in the UK that exceed statutory minimums. By fostering a supportive and inclusive work environment, we empower our colleagues to thrive both personally and professionally.

Strategic report (continued)**For the year ended 31 March 2025****Our commitment to being a responsible business (continued)*****Our environment***

We play a vital role enabling the UK's clean power ambitions, and we also want to lead by example in our operations. That's why we have set ourselves the target of becoming a net zero business by 2043. By rapidly reducing emissions in our operations, demonstrating excellent environmental performance, and improving biodiversity at our sites, we are also helping our communities achieve their own net zero ambitions. 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.

Since 2011, we have adhered to the internationally agreed environmental standard ISO 14001 to enhance our environmental performance. Certification to this standard requires consideration of all environmental issues relevant to our operations, including air pollution, water and sewage issues, waste management, soil contamination, climate change mitigation and adaptation, and resource use and efficiency. Continued certification ensures our commitment to continual improvement and innovation while maintaining legal compliance.

We collaborate with local organisations to achieve a net gain in biodiversity by improving and restoring habitats around our operational sites. Key sites in Cheltenham, Cambridge, and Stroud are monitored and surveyed, with adaptations made to the grounds maintenance regime to achieve the best possible biodiversity outcomes. We aim to roll out successful changes to site maintenance across our region for greater benefits. We have conducted desktop feasibility studies at 40 proposed Biodiversity Net Gain sites at primary substation locations. Recently, we recruited an Environment Advisor with specific expertise in biodiversity to carry out baseline surveys and produce site management plans.

As part of our partnership with the Heart of England Forest, we are funding the management and maintenance of a 700-acre forest hub area, "The Lenches." Our support has enabled orchard planting for agroforestry, wetland restoration, deer fence checks, tree guard maintenance, species and habitat surveys, weed elimination, and tree health assessments. These efforts ensure the sustainability of The Lenches and maximise its benefits to the environment, wildlife, and people.

As members of the National Grid Supply Chain Sustainability Working Group, we are actively working towards three sustainable procurement goals: improving understanding and reporting of Scope 3 carbon emissions, reducing material for landfill, and reducing/removing single-use plastics. Our procurement team is implementing sustainability measures throughout the tender process and across various contracts to procure sustainable products and services while meeting our goals.

As a member of the Energy Networks Association, we collaborate with other UK Distribution Network Operators and our common supply chain to develop an industry-wide carbon calculator tool. This tool, building on the NGED innovation project ALPACA (Approach for Long-term Planning Accounting for Carbon Assessment), helps us understand and measure the embodied carbon associated with our network activities and the products and services we procure. The collaborative nature of the tool involves suppliers and manufacturers, ensuring a consistent and efficient approach to calculating embodied carbon emissions across our supply chain and the lifecycle of the products we procure.

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 [100](#).

Strategic report (continued)

For the year ended 31 March 2025

Our commitment to being a responsible business (continued)

Human rights

At NGED we are committed to ensuring decent and fair working conditions for all our employees and those working on our behalf. Our Code of Ethics covers our approach to Human Rights and we work closely with organisations such as the Slave Free Alliance and Action Sustainability to continually review and enhance our approach to addressing potential modern slavery risks. Our policies and due diligence processes are designed to safeguard human rights across our operations and supply chains, ensuring ethical labour practices. We are dedicated to promoting diversity, equity, and inclusion, and we support our employees through various health and wellbeing programmes.

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

NGED maintains a zero-tolerance approach to bribery and corruption, ensuring all operations are conducted fairly and transparently. We are committed to preventing financial crimes, including bribery, through rigorous internal procedures, systems, and controls, and by promoting a culture of openness and integrity. All employees and associated parties are educated on our ethical standards and are required to report any suspicious activities. Our compliance with anti-bribery and anti-corruption legislation is continuously monitored and reviewed to uphold the highest standards of ethical behaviour.

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

Refer to the Annual Report and Accounts of National Grid plc, pages 59-77 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 78 for the National Grid Group's Non-financial and sustainability information statement.

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

Section 172 Statement

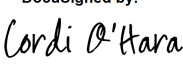
Refer to pages [59-61](#) for our Section 172 statement.

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

Cordelia O'Hara, Director

Director

24 July 2025

DocuSigned by:

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National Grid Electricity Distribution plc

Avonbank, Feeder Road, Bristol BS2 0TB

Corporate governance statement

For the year ended 31 March 2025

The Company aims to achieve high standards of leadership and governance. At National Grid plc level, the Company's ultimate shareholder, its Board considers that it complied in full with the provisions of the UK Corporate Governance Code 2018 (the Code) during the year being reported on. 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 2025. 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.

Our purpose is to Bring Energy to Life, driven by our vision to enable a secure, affordable, and clean energy future. This commitment benefits our people, business, customers, and the planet. Our values — doing the right thing, finding a better way, and making it happen — underpin our purpose and ensure that our culture aligns with our vision. Our five strategic priorities are: enabling the energy transition for all, operating safely and efficiently, building the networks of the future now, delivering for customers, and building tomorrow's workforce today. These priorities position us to thrive in the rapidly changing energy sector. For more details on our purpose, vision, 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 purpose. 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 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 700 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, fair culture, mental toughness, water and flood awareness, and environmental challenges. 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 10 times compared to last year.

The directors actively 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 purpose 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 [56-58](#).

Corporate governance statement (continued)**For the year ended 31 March 2025****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 sound corporate governance, the Board has continued to strengthen and develop both its composition and governance framework, implementing, as applicable, many of the best practice governance principles in operation at the National Grid plc level. At the year end, the Board consisted of five executive directors and one Group-appointed non-executive director. The non-executive director is part of the senior management team of the NGED Group shareholder, National Grid plc, and provides a broad and diverse range of experience and technical skills from both within and external to the organisation, from the energy sector and external bodies. The size of the Board is appropriate for the operations of the Group and to enable an effective oversight of the Group.

As at the year end, the designation of the executive director roles are the President, Chief Financial Officer, Director of Regulation, Director of RIIO-ED3 and General Counsel. All the executive directors are experienced in their respective roles and responsibilities.

Oversight responsibilities lie with the Group-appointed non-executive director 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 non-executive director fulfils their responsibility by regularly attending the board meetings of the Company.

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

Currently, the ratio of female directors on the board is 50% (2024: 50%).

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

Chair

There is no permanent appointment of the Board's Chair, however, it is usual practice for the President to be appointed the Chair at each Board Meeting. 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.

Corporate governance statement (continued)

For the year ended 31 March 2025

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 non-executive director 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 People & Governance 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 ensures their knowledge is current and relevant through a variety of means such as attending training programmes and appropriate industry conferences, holding memberships of relevant institutes, completing technical training updates and attending meetings with various industry participants e.g. regulators and investors. The executive directors adopt a hands on leadership style and regularly meet with the senior leadership and management teams to ensure that they are updated on the latest business developments and have immediate access to current information. During the year, the Board conducted a comprehensive review of its effectiveness. 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 it's 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 principal 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.

Corporate governance statement (continued)**For the year ended 31 March 2025****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 Finance Committee sets policy and is delegated authority for financing decisions, credit exposure, hedging, foreign exchange transactions, guarantees and indemnities, all within the Board's risk appetite. It also oversees treasury, taxation and pension funding matters and governs the Company's pension schemes and insurance strategies, recommending these to the Board when appropriate. The Committee comprises of the Finance Director of National Grid plc and the Group Treasurer and Director of Pensions of National Grid plc. It interfaces with the Finance Committee of National Grid plc and the Board. Each Board meeting includes an agenda item on the Finance Committee's work, with reports on financing, taxation, insurance and pension activities provided by the National Grid plc Group Treasurer or their representative.

Risk and Audit Committee

As of 31 March 2025, the DNO Corporate Governance Committee, was disbanded. Its responsibilities have been mapped across to the Risk and Audit Committee, effective 1 April 2025 which 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 Sufficiently Independent Directors ("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. Annually, the SIDs meet with corporate and external auditors without management present.

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 (page 98) for information about the National Grid Group People & Governance Committee (which covers the responsibilities of a typical Nominations Committee) and the Remuneration Committee.

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

Corporate governance statement (continued)**For the year ended 31 March 2025****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 Corporate 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 and 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 Corporate 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 Corporate 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 [###](#). A resolution to their reappointment and giving authority to the Directors to determine their remuneration has been approved by the shareholders at the 2025 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 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.

Corporate governance statement (continued)**For the year ended 31 March 2025****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 low carbon technologies 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.

We have established a dedicated Connections Directorate, led by a Director of Connections, to focus grid connections and support the energy transition. This directorate is built around six key pillars: connections strategy, policy and reform, strategic connections engagement, decarbonisation of transport, optimising connections operations, digitalisation of connections, and connections pricing and forecasting. The rapid increase in connections projects has led to an oversubscribed grid connections pipeline, making it difficult to assess necessary network upgrades effectively.

The current 'first come, first served' regime has long enabled earlier applicants to block later customers with viable projects in the connections queue. In response, the National Energy System Operator ("NESO") launched the Connections Reform ("the Reform") programme to accelerate and strategically align grid connections. The reform, now approved by Ofgem, as of April 2025, will deliver the necessary changes by focusing on the introduction of new principles to existing contracted connections in scope for the Reform. At NGED, we have been active and influential participants in shaping the Reform. Our phrase "first ready, first needed, first connected," introduced in our summer 2024 consultation response, has been adopted by NESO and widely referenced across industry materials. We proposed a code modification alternative for the Connection and Use of System Code ("CUSC") Modification Proposals ("CMPs"), tailored for distribution implementation — an approach NESO incorporated into its final reform package. Our leadership in CMP workgroups has driven tangible changes to DNO processes. We have also championed distribution equity within the transmission-level connection process and led DNO alignment on key policies critical to the Reform's success, such as introduction of Gate 1 for distribution connections to align with the new transmission processes.

We continue to chair three key ENA groups, sponsor two of NESO's five Connections Reform Hubs, and actively participate in industry Working Groups, fostering collaboration across DNOs, transmission owners, and NESO. We have been a leading voice on the legal and regulatory changes required for the Reform implementation, including distribution license drafting and associated contractual adaptations. Internally, we have implemented changes to raise readiness standards for distribution connections and launched a comprehensive customer engagement plan to ensure our customers remain informed and involved throughout the reform journey. We have also taken the lead in the creation of FAQs, regular customer webinars dedicated to the Reform and development of digital evidence form in readiness for the evidence process that starts in May 2025. NESO's reform is expected to unlock up to 500GW of capacity, significantly reducing the connection queue and accelerating the delivery of clean power by 2030. NGED remains committed to driving this transformation and ensuring a fair, efficient and future-ready grid connection process.

Corporate governance statement (continued)**For the year ended 31 March 2025****4. Opportunity and risk (continued)****Opportunity (continued)**

Recognising opportunities in flexibility markets, NGED offered demand turn-up and generation turn-down contracts for the first time as part of our flexibility requirements in the 2024 tendering period. These contracts targeted owners or operators of flexible assets that can turn up demand or turn down generation within a day's notice to help our DSO balance the grid. These opportunities helped match energy demand with generation, incentivising energy consumers to use electricity when it's abundant, such as on sunny days with high solar generation. This was tendered at three locations this year, with plans for wider rollout in the future.

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 Board is responsible for the oversight of risk management and internal controls across the NGED organisation and reviews the NGED Principal Risks ("PRs") and Emerging Risks ("ERs") at least annually. This will be supported by the new Risk and Audit Committee of the Board, which first met in April 2025. The Risk and Audit Committee will receive reports at least twice per year from management providing focused information on risk management, controls, compliance, business ethics and conduct. Management attends the Risk and Audit Committee meetings and are accountable to the Committee.

Additionally, consideration of PRs and ERs 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 and Audit Committee and Board attention. Other management committees that are in place manage the lower level risks, which may in some instances feed into NGED's Principal Risks.

The responsibility for the risk management framework and internal controls cascades from the President and the executive directors to senior management teams responsible for risk assessment and the implementation of appropriate mitigation. Managers are responsible for the identification of risks and the deployment of appropriate controls within their areas of responsibility. Policies and guidance documents are established, reviewed regularly and made available on the intranet to assist with establishing an appropriate control environment. We consider the involvement of qualified and competent employees with the appropriate level of expertise throughout the business a key factor for implementing an effective internal control environment.

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 a dedicated enterprise risk management team which also works closely with the Group risk team.

Pages 39 to 42 of the Strategic report outline the key 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 executives, including the role of President and of the Group-appointed non-executive directors 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 Remuneration Report of National Grid plc's Annual Report and Accounts on pages 121-149.

<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.

Corporate governance statement (continued)

For the year ended 31 March 2025

6. Stakeholder relations and engagement

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

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 purpose and vision.

Our key stakeholders are customers including our communities, 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 is dedicated to delivering the class-leading service our customers expect, with a particular focus on supporting all customers, including those who are vulnerable. The directors, senior management, and the wider workforce are committed to proactive customer engagement, as evidenced by external assessments of our customer service and engagement.

This year, we will be assessed against the new BSI Kite mark for inclusive service energy provision. We have also been reaccredited with the Customer Service Excellence ("CSE") Standard, which we have held for over 30 years. We remain compliant with all elements, with 49 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:

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, low carbon technologies, 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.

Corporate governance statement (continued)

For the year ended 31 March 2025

6. Stakeholder relations and engagement (continued)

Customers (continued)

Stakeholder workshops and events (continued)

Throughout the current year, we have actively engaged with our customers regarding various connections related topics. Starting in November 2024, we initiated bi-monthly virtual meetings to provide our customers with important updates and industry insights. Additionally, from December 2024, we held separate monthly meetings focused on Connections Reform. These sessions were designed to help customers understand the impact of the changes due to Connections Reform and to facilitate two-way communication.

We also organised ad hoc seminars for customers interested in receiving critical technical or commercial updates. Furthermore, we hosted the Connections Hackathon, an in-person event aimed at fostering collaboration with customers and key stakeholders. This event focused on developing innovative solutions based on a themed problem statement.

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.

The workforce

The directors recognise the importance of investing in our people to build the skills needed for a clean energy future. To meet both current and future business needs, 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.

The directors 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 72% response rate, a 2% increase on prior year.

To develop leadership capability, we embed 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 diverse skills, strengths, and development opportunities of our senior leaders. Additionally, MindGym central series, specialising in psychology and behavioural science, are available to transform how leaders think, feel, and behave.

To drive engagement and transparency, the president and senior leadership team regularly conduct "all colleagues calls" and in-person townhalls to provide business updates and create opportunities for colleagues to ask questions. Leadership conferences and calls led by the President and directors engage on business direction, performance, and leadership. Monthly team brief packs, regular news articles, digital screens in depots, and a weekly newsletter ensure meaningful engagement with the workforce.

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").

The directors regularly engage Ofgem with the overall aim of developing a regulatory price control framework that contains the right balance of customer focused outputs and economic incentives, which help to deliver the Government's energy objectives and decarbonisation targets. All key communications and engagements with Ofgem are discussed at Board meetings.

Representatives from NGED attend the National Health & Safety Committee ("HESAC"), (of which the HSE is a member). NGED aligns its internal safety campaigns to support HSE initiatives and their current 'Working Minds' campaign, as well as actively participating in the National HESAC led 'Powering Improvement' programme which is also supported by the HSE and trade unions.

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

Corporate governance statement (continued)**For the year ended 31 March 2025****6. Stakeholder relations and engagement (continued)*****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 Asset Management and Commercial has oversight responsibility for logistics, including the supply chain function. The Director of Asset Management and Commercial is supported by the Head of the Operations Support 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.

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 19 days (2023/24: 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 actively engages with our single shareholder, National Grid plc, on all key matters. As stated above, the Group-appointed non-executive board member of the Company is member of the National Grid senior management team. National Grid's executive directors and senior management has regular contact and dialogue with NGED's executive directors and senior management and all key information is fed back to the National Grid plc Board on a timely basis. There is a suite of financial management and regulatory reporting presented to National Grid on established timelines and regular financial and regulatory update meetings are conducted with National Grid's management team to provide updates on any key accounting, business, and legal issues. Additionally, as part of the National Grid Group plan, NGED's financial plan is presented to the National Grid plc Board for detailed review and approval on an annual basis. Any senior leadership events at National Grid are attended by the NGED President and other executive board members.

Section 172 Statement

For the year ended 31 March 2025

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 purpose to bring energy to life, we aim to deliver the energy transition today. Our long-term success and fulfillment of our purpose are intrinsically linked to our vision of a secure, affordable, and clean energy future. We will achieve this vision by focusing on 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 business 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 purpose, vision, 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 [55](#) of the Corporate governance statement.

Section 172 Statement

For the year ended 31 March 2025

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.

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](#), [45](#) and [46](#) 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 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 purpose and strategic priorities. Details of this can be found on pages [56-58](#) 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 [43-47](#) 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 behaviors, 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 behaviors and aligns with our mandatory training courses for all employees.

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.

Section 172 Statement**For the year ended 31 March 2025****The desirability of the Company maintaining a reputation for high standards of business conduct (continued)**

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 [47](#) 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 [45-46](#) in the Strategic report provides further details.

We aim to resolve complaints promptly, with 81% resolved within one day and 94.4% within 25 days (2023/24: 86% resolved within one day and 98% 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.

Directors' Report

For the year ended 31 March 2025

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 2025.

Results and dividends

The NGED Group reports a profit for the financial year £935.4m (2024: £446.3m). Profit before tax is £1,250.4m (2024: £600.1m).

The NGED Group also reports other comprehensive profit, which was posted directly to capital and reserves, of £64.3m (2024: £184.7m loss). This primarily relates to net gains in respect of cash flow hedges.

Dividends of nil (2024: £0.2m) have been paid during the year. Dividends of nil (2024: nil) have been proposed during the year. All dividend payments are made out of the distributable reserves of the Company.

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 5.6% (7.7% 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 [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 2025, 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 [137-147](#).

Liquidity and going concern

The following credit facilities were in place at 31 March 2025, in respect of which all conditions present had been met at that date.

	Expiration date	Capacity £m	Borrowed £m	Letters of credit issue £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 Facility		6.0	—	4.1	1.9
Total Credit Facilities		871.0	—	4.1	866.9

Directors' Report (continued)**For the year ended 31 March 2025****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 £877.2m is drawn as at 31 March 2025. The loan from the ultimate parent company is repayable on demand. £105.7m 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 2025 and 31 March 2024 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	
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
NGED South West	1,465.9	1,478.3	36.1	30.7	1.0	2.6
NGED South Wales	1,057.7	1,081.1	16.9	8.9	—	0.5
NGED East Midlands	1,753.2	1,912.8	235.3	26.6	—	0.5
NGED West Midlands	847.9	1,023.1	730.2	634.1	—	0.6
NGED plc	502.5	504.7	252.6	511.1	—	0.2
Other subsidiaries	3.6	4.1	1.0	1.0	1.0	1.4
	<u>5,630.8</u>	<u>6,004.1</u>	<u>1,272.1</u>	<u>1,212.4</u>	<u>2.0</u>	<u>5.8</u>

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

The Group has net current liabilities of £1,581.5m (2024: £1,370.2m). 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 and NGED West Midlands for not less than 12 months from the date of approval of the financial statements.

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 39 to 42) 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.

Directors' Report (continued)
For the year ended 31 March 2025
Corporate governance statement

The Group's Corporate governance statement is detailed on pages [49](#) to [58](#).

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 [57](#).

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 [43](#);
- Corporate governance statement - see pages [56](#) and [57](#).

Suppliers

- Corporate governance statement - see page [58](#).

Regulators

- Corporate governance statement - see page [57](#).

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 [45-46](#) 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 [45](#) and [46](#).

Directors' Report (continued)**For the year ended 31 March 2025****Streamline energy and carbon reporting ('SECR')**Total annual quantity of emissions using equivalent tonnes of carbon dioxide ("tCO₂e") - including own use

	tCO ₂ e		tCO ₂ e per employee	
	2025	2024	2025	2024
Scope 1 (direct emissions)				
Operational transport	18,518	17,621	2.6	2.6
SF6 gas	11,157	8,119	1.6	1.2
Fuel combustion (diesel / gas oil)	2,419	1,480	0.3	0.2
Buildings	389	387	0.1	0.0
	32,483	27,607	4.6	4.0
Scope 2 (energy indirect emissions)				
Buildings electricity	4,116	3,930	0.6	0.6
Substation electricity	10,938	11,034	1.5	1.6
NGED Telecoms	696	600	0.1	0.1
EV Charging	105	—	—	—
	15,855	15,564	2.2	2.3
Total scope 1 & 2	48,338	43,171	6.8	6.3
Scope 3 (other indirect emissions)				
Business transport	1,223	1,208	0.2	0.2
Total scope 1, 2 & 3	49,561	44,379	7.0	6.5

Total annual quantity of emissions using equivalent tonnes of carbon dioxide ("tCO₂e") - 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 2025 is 23,240,979 kWh (2024: 21,875,466 kWh).

Gas energy consumed for the year to 31 March 2025 is 2,248,453 kWh (2024: 2,118,998 kWh).

Energy consumed for helicopters for the year to 31 March 2025 is 5,175,585 kWh (2024: 5,471,565 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, 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 its responsible business reporting. For further details on this refer to the full document at: <https://www.nationalgrid.com/responsibility>

Directors' Report (continued)**For the year ended 31 March 2025****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 2024/25, the Company has implemented the following energy efficiency measures:

- replacement of older operational fleet vehicles with more fuel efficient alternatives and improving awareness of the impacts of driving style on fuel efficiency and vehicle emissions;
- the purchase and roll-out of electric operational fleet vehicles;
- 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;
- ensuring that all newly built NGED depots achieve the Building Research Establishment Environmental Assessment Method ("BREEAM") standard of 'Excellent' as a minimum and that refurbished existing depots achieve the 'Very Good' standard; 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 2 April 2025 the Company issued a 20 year 2.959% fixed rate Japanese bond of Yen 8.0bn (£41.4m).

Directors' Report (continued)**For the year ended 31 March 2025****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

Paul Branston, Director

Tanya Joy Sharma, Director (appointed 1 July 2024)

Darren Pettifer, Group-appointed non-executive Director*

Justine Campbell, Group-appointed non-executive Director (resigned 30 June 2024)

*Also a member of the Risk and Audit Committee referred to on page [52](#). In addition to one director of the Company, the Risk and Audit Committee has two other members who are the directors the DNO board. Their names are listed below:

- Lindsey Fussell, Independent non-executive Director of the four DNOs Board.
- Janette Carolyn Mitchell Beinart, Independent non-executive Director (appointed 1 April 2025) of the four DNOs Board.

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

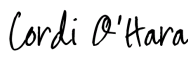
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, of which the auditor is unaware. Each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information 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 2025 Annual General Meeting.

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

DocuSigned by:

 5E4268D54028488...

Cordelia O'Hara

Director

24 July 2025

Statement of Directors' Responsibilities

For the year ended 31 March 2025

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 company;
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

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

DocuSigned by:

Cordi O'Hara

Cordella O'Hara, Director

24 July 2025

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 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- 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 material accounting policy information;
- the related notes 1 to 31 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.

Independent auditor's report to the members of National Grid Electricity Distribution plc (continued)

For the year ended 31 March 2025

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Impairment of goodwill • Additions to property, plant and equipment <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none">  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
Materiality	<p>The materiality that we used for the group financial statements was £46.9m which was determined based on 5% of a three-year average of profit before tax.</p> <p>The materiality that we used for the parent company financial statements was £18.8 million which equates to less than 1% of net assets and was capped at 40% of group materiality.</p>
Scoping	<p>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.</p>
Significant changes in our approach	<p>We have identified additions to property, plant and equipment as a new key audit matter. This replaces the 2024 key audit matter of 'capitalisation of overheads' and aligns with the continued expansion of the Group's capital programme during the current price control period and associated complexities which led to a significant allocation of the audit team's resources to this area.</p> <p>We no longer consider the capitalisation of overheads to represent a separate key audit matter as the business is midway through the RIIO-ED2 price control period and the capitalisation rates have remained relatively consistent, reducing the complexity and judgement involved in this process. We have also noted an improvement in capital expenditure allocation controls in recent audits.</p> <p>We have also adjusted our approach to materiality. For 2025, we have determined materiality using a three-year average of profit before tax as our primary benchmark, rather than the single year profit before tax we used in 2024. The change in approach is in response to an increase in profit during 2025 which arises due to a revenue increase which we expect to be isolated to the current year and which is not reflective of the longer-term underlying financial performance of the business.</p>

Independent auditor's report to the members of National Grid Electricity Distribution plc (continued)

For the year ended 31 March 2025

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 and support from the ultimate controlling parent, National Grid plc;
- inspecting a letter of support provided to the group from National Grid plc and assessing their ability to provide such support;
- evaluating the linkage between the going concern forecasts and the group's corporate model used in other internal forecasts;
- 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 sophistication 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.

Independent auditor's report to the members of National Grid Electricity Distribution plc (continued)

For the year ended 31 March 2025

5. Key audit matters (continued)

5.1. Impairment of goodwill

Key audit matter description	<p>The goodwill balance of £1,254.1 million (2024: £1,254.1 million), set out in note 10 to the group financial statements, was tested for impairment at 31 December 2024. 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 2025.</p> <p>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 as Distribution Network Operators ("DNOs"). For each CGU, the assessment indicated there was headroom and accordingly no impairment was recognised. The impairment model uses cashflow forecasts which extend to 2050 in line with UK government net zero legislation. 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.</p> <p>No reasonably possible changes were identified that could result in the carrying amount exceeding the recoverable amount.</p>
How the scope of our audit responded to the key audit matter	<p>We tested and placed reliance on management's controls over cashflow forecasting.</p> <p>In addition, we performed the following substantive procedures:</p> <ul style="list-style-type: none"> • 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; • evaluated recent industry transactions against the implied 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. <p>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 2025.</p>
Key observations	<p>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.</p> <p>We are satisfied that no impairment is required in relation to goodwill and related disclosure is appropriate.</p>

Independent auditor's report to the members of National Grid Electricity Distribution plc (continued)**For the year ended 31 March 2025****5. Key audit matters (continued)****5.2. Additions to property, plant and equipment** 

Key audit matter description	<p>The group has a substantial capital programme which is agreed with the regulator ('Ofgem') at the beginning of each price control period, and therefore incurs significant expenditure in relation to the development and maintenance of its infrastructure network. There is an expectation that the amount of capital expenditure incurred will increase throughout the current price control period, referred to as RIIO-ED2.</p> <p>Additions to property, plant and equipment of £1,402.0m (2024: £1,231.8m) were capitalised during the year as shown in note 9 'property, plant and equipment' to the group financial statements. Of this, £409.2m (2024: £381.6m) is capitalised staff costs and £130.4m (2024: £110.8m) is capitalised corporate overheads.</p> <p>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'.</p> <p>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 has also been allocated to other areas of accounting for capital expenditure, including analysis of capitalisation rates and useful economic lives, the value of work accrued at the balance sheet date and commencement of depreciation.</p>
How the scope of our audit responded to the key audit matter	<p>In response to this matter, we have performed the following procedures:</p> <ul style="list-style-type: none"> • 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 to determine compliance with the relevant accounting standards; • tested a sample of costs capitalised in the year to confirm 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 substantive analytical procedures to assess the appropriateness and accuracy of capitalised costs including salaries and corporate overheads; • evaluated the timeliness of asset commissioning on completion of projects.
Key observations	<p>Based on the work performed, we are satisfied that the additions made to property, plant and equipment during the year ending 31 March 2025 were appropriate.</p>

Independent auditor's report to the members of National Grid Electricity Distribution plc (continued)
For the year ended 31 March 2025

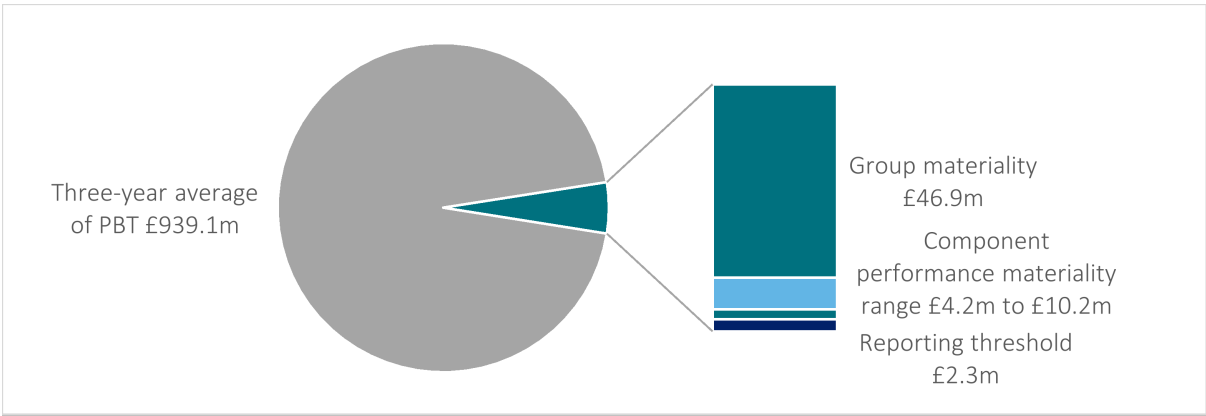
6. Our application of materiality

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	£46.9m (2024: £30.0m)	£18.8m (2024: £12.0m)
Basis for determining materiality	5% of a three-year average of profit before tax. Materiality for the 2024 audit was based on 5% of the 2024 profit before tax rather than a three-year average.	Parent company materiality is calculated as 40% of group materiality. This equates to less than 1% of the company's net assets. This is consistent with the methodology applied in 2024.
Rationale for the benchmark applied	<p>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. This is consistent with most industry peers.</p> <p>We took a three-year average of profit before tax in view of the increased profit, which is expected to be isolated to the current year.</p>	



Independent auditor's report to the members of National Grid Electricity Distribution plc (continued)
For the year ended 31 March 2025

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% (2024: 70%) of group materiality	70% (2024: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none">• 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 and that we consider it appropriate to rely on internal controls over a number of business processes including fixed assets, revenue and impairment of goodwill.	

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 £2.3m (2024: £1.7m), 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, identify key risk areas and evaluate the level of audit coverage required.

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.

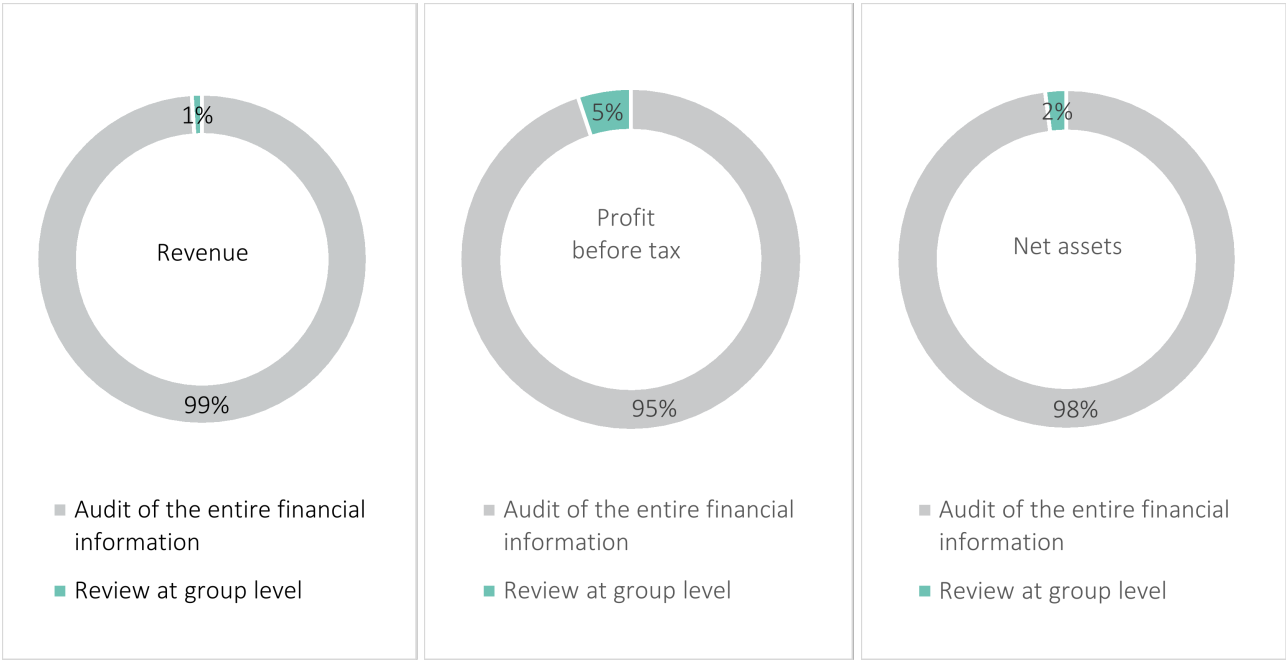
Those five components represent the principal business units within the group and the parent company and account for over 99% of revenue (2024: 99%), 95% of profit before tax (2024: 95%) and 98% of net assets (2024: 98%). They were also selected to provide an appropriate basis for undertaking audit work 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 2025

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 testing of 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 performed testing 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.

Independent auditor's report to the members of National Grid Electricity Distribution plc (continued)
For the year ended 31 March 2025

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 'Energy transition' 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 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.

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

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

Independent auditor's report to the members of National Grid Electricity Distribution plc (continued)

For the year ended 31 March 2025

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 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:
 - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - o 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 industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included 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.

Independent auditor's report to the members of National Grid Electricity Distribution plc (continued)

For the year ended 31 March 2025

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 Board of 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.

Independent auditor's report to the members of National Grid Electricity Distribution plc (continued)
For the year ended 31 March 2025

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

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 National Grid audit committee, we were appointed by the shareholders on 31 July 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 31 March 2018 to 31 March 2025.

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

24 July 2025

Consolidated income statement

For the year ended 31 March 2025

		For the years ended 31 March	
		2025	2024
	Notes	£m	£m
Revenue	3	2,477.2	1,838.2
Operating costs	4	(927.3)	(935.1)
Other operating income	5	2.0	4.4
Other operating expense	5	(0.9)	(4.2)
Operating profit		1,551.0	903.3
Finance income	6	52.9	46.3
Finance costs	6	(353.5)	(349.5)
Profit before tax		1,250.4	600.1
Tax	7	(315.0)	(153.8)
Profit for the year attributable to owners of the parent		935.4	446.3

Consolidated statement of comprehensive income

For the year ended 31 March 2025

	Notes	For the years ended 31 March	
		2025 £m	2024 £m
Profit for the year		935.4	446.3
Other comprehensive income/(loss):			
Items that will never be reclassified to profit or loss:			
Remeasurement gains/(losses) on net pension asset	21	13.0	(258.5)
Tax on items that will never be reclassified to profit or loss	7	(2.8)	64.6
Total items that will never be reclassified to profit or loss		10.2	(193.9)
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		72.6	12.4
Tax on items that may be reclassified subsequently to profit or loss	7	(18.5)	(3.2)
Total items that may be reclassified subsequently to profit or loss		54.1	9.2
Other comprehensive income/(loss) for the year, net of tax		64.3	(184.7)
Total comprehensive income for the year		999.7	261.6

Consolidated statement of changes in equity

For the year ended 31 March 2025

	Notes	Called up share capital £m	Retained earnings £m	Other equity reserves ¹ £m	Total equity ¹ £m
At 1 April 2023		1,057.6	6,179.9	(986.0)	6,251.5
Profit for the year		—	446.3	—	446.3
Other comprehensive (loss)/income for the year		—	(193.9)	9.2	(184.7)
Total comprehensive income for the year		—	252.4	9.2	261.6
Equity dividends	8	—	(0.2)	—	(0.2)
Share-based payments (net of tax)		—	—	3.1	3.1
At 31 March 2024		1,057.6	6,432.1	(973.7)	6,516.0
Profit for the year		—	935.4	—	935.4
Other comprehensive 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)	24	—	—	2.1	2.1
At 31 March 2025		1,057.6	7,377.7	(917.5)	7,517.8

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

Consolidated statement of financial position

As at 31 March 2025

	Note	31 March 2025 £m	31 March 2024 £m
ASSETS			
Property, plant and equipment	9	17,490.2	16,451.8
Goodwill	10	1,254.1	1,254.1
Other intangible assets	11	72.5	65.4
Investment property	12	22.5	25.1
Prepayments and other receivables	16	6.1	4.9
Derivative financial instruments	14	104.4	44.2
Financial and other investments	13	2.4	2.4
Retirement benefit assets	21	567.5	476.4
Non-current assets		19,519.7	18,324.3
Inventories	15	42.4	38.9
Trade and other receivables	16	462.6	357.9
Financial and other investments	13	128.6	230.9
Cash at bank and in hand	17	2.0	3.7
Current assets		635.6	631.4
Total assets	2	20,155.3	18,955.7
LIABILITIES			
Borrowings	18	(1,272.1)	(1,212.4)
Trade and other payables	19	(812.5)	(667.1)
Contract liabilities	20	(117.8)	(111.9)
Provisions	22	(14.7)	(10.2)
Current liabilities		(2,217.1)	(2,001.6)
Net current liabilities		(1,581.5)	(1,370.2)
Borrowings	18	(5,630.8)	(6,004.1)
Contract liabilities	20	(3,213.3)	(3,057.9)
Deferred tax liabilities	7	(1,359.5)	(1,238.3)
Derivative financial instruments	14	(92.2)	(11.0)
Retirement benefit liabilities	21	(5.4)	(5.9)
Provisions	22	(119.2)	(120.9)
Non-current liabilities		(10,420.4)	(10,438.1)
Total liabilities	2	(12,637.5)	(12,439.7)
Net assets		7,517.8	6,516.0
EQUITY			
Share capital	23	1,057.6	1,057.6
Other equity reserves	24	(917.5)	(973.7)
Retained earnings		7,377.7	6,432.1
Total equity		7,517.8	6,516.0

The consolidated financial statements set out on pages 81 to 151 were approved by the Board of Directors and authorised for issue on 24 July 2025. They were signed on its behalf by:

DocuSigned by:

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 2025

		For the years ended 31 March	
		2025	2024
	Notes	£m	£m
Cash flows from operating activities			
Profit for the year		935.4	446.3
Adjustments to reconcile profit for the year to net cash flow from operating activities			
Income tax expense	7	315.0	153.8
Finance costs	6	353.5	349.5
Finance income	6	(52.9)	(46.3)
Depreciation of property, plant and equipment	4	320.5	303.9
Amortisation of customers' contributions		(58.2)	(54.9)
Amortisation of intangible assets	4	4.3	3.9
Gain on disposal of property, plant and equipment		(1.6)	(1.4)
Loss on disposal of investment properties		0.3	—
Fair value gains on investment properties	12	(0.3)	(1.5)
Fair value losses on investment properties	12	0.9	4.2
Profit on sale of subsidiary	5	—	(1.2)
Share based payments		2.5	2.7
Difference between pension contributions paid and amounts recognised in the income statement		(54.6)	(48.5)
Increase in provisions		0.2	18.1
Working capital adjustments:			
Increase in inventories		(3.5)	(2.5)
Increase in trade and other receivables		(113.8)	(15.2)
Increase in trade and other payables		37.1	72.0
Customers' contributions received		284.8	218.7
Income taxes paid		(201.1)	(46.9)
Net cash inflow from operating activities		1,768.5	1,354.7
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,301.0)	(1,168.6)
Proceeds from sale of property, plant and equipment		2.3	1.6
Purchase of investment properties		(0.1)	(0.1)
Proceeds from sale of investment properties		1.8	—
Purchase of intangible assets		(11.4)	(11.8)
Disposal of subsidiary - net of cash disposed		—	(24.4)
Loan proceeds from/(to) ultimate parent company		115.2	(74.9)
Net movement in restricted investment balances		(15.3)	0.9
Interest received		19.5	14.9
Net cash flow used in investing activities		(1,189.0)	(1,262.4)
Cash flows from financing activities			
Net increase in short-term borrowings		152.7	75.2
Payment of lease liabilities	18	(6.6)	(4.7)
Proceeds from long-term borrowings		71.5	697.5
Repayment of long-term borrowings		(538.8)	(615.8)
Cash outflows on derivative		(0.9)	(2.0)
Interest paid		(264.4)	(265.7)
Dividend paid		—	(0.2)
Net cash flow used in financing activities		(586.5)	(115.7)
Net decrease in cash and cash equivalents		(7.0)	(23.4)
Cash and cash equivalents at the start of the year		2.1	25.5
Net cash and cash equivalents at the end of the year	17	(4.9)	2.1

Notes to the consolidated financial statements

For the year ended 31 March 2025

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 24 July 2025.

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 2025 and in accordance with the Companies Act 2006. The comparative financial information has also been prepared on this basis.

The consolidated financial statements have been prepared on a historical cost basis, except for the recording of pension assets and liabilities, the revaluation of derivative financial instruments, 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, other than as highlighted within the net debt note on page [133](#), has been presented on the same basis as the current year financial information.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 £1,581.5m (2024: £1,370.2m). 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 and NGED West Midlands for not less than 12 months from the date of approval of the financial statements.

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 39 to 42) 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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 2025

The following new standards are effective for accounting periods beginning on or after 1 January 2024:

- Amendments to IAS 1 'Presentation of Financial Statements' - classification of liabilities as current or non-current, effective for annual periods beginning on or after 1 January 2024;
- Amendments to IAS 1 'Presentation of Financial Statements' - non-current liabilities with covenants, effective for annual periods beginning on or after 1 January 2024;
- Amendments to IFRS 16 'Leases' - lease liability in a sale and lease back, effective for annual periods beginning on or after 1 January 2024 and;
- Amendments to IAS 7 and IFRS 7 - supplier finance arrangements, effective for annual periods beginning on or after 1 January 2024.

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:

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - lack of exchangeability, effective for annual periods beginning on or after 1 January 2025;
- IFRS 9 and IFRS 7 'Amendments to the Classification and Measurement of Financial Instruments', effective for annual periods beginning on or after 1 January 2026;
- Amendments to IFRS 9 and IFRS 7 'Contracts Referencing Nature dependent Electricity', effective for annual periods beginning on or after 1 January 2026;
- Annual Improvements to IFRS Accounting Standards – Volume 11, effective for annual periods beginning on or after 1 January 2026;
- IFRS 18 'Presentation and Disclosure in financial statements', effective for annual periods beginning on or after 1 January 2027; and
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures', effective for annual periods beginning on or after 1 January 2027.

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

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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	
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
Distribution network systems						
South West	536.6	408.4	(5.6)	(3.6)	531.0	404.8
South Wales	368.4	267.8	(0.3)	(0.3)	368.1	267.5
East Midlands	768.7	572.2	(0.6)	(0.6)	768.1	571.6
West Midlands	800.0	583.1	(0.3)	(0.3)	799.7	582.8
	2,473.7	1,831.5	(6.8)	(4.8)	2,466.9	1,826.7
Other businesses	39.4	39.1	(29.1)	(27.6)	10.3	11.5
	2,513.1	1,870.6	(35.9)	(32.4)	2,477.2	1,838.2

Analysis of revenue by major customer

Revenues from the NGED Group's largest five customers amounted to £416.8m, £370.3m, £246.9m, £241.9m and £164.3m (2024: £308.6m, £303.1m, £207.0m, £136.0m and £130.3m) arising from sales reported across the South West, South Wales, East Midlands and West Midlands segments.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****2. Segmental analysis (continued)****(b) Segmented profit**

	2025	2024
	£m	£m
Distribution network systems		
South West	315.1	189.3
South Wales	218.3	124.1
East Midlands	500.3	294.9
West Midlands	527.1	305.7
	1,560.8	914.0
Other businesses	5.1	4.2
Corporate and unallocated(i)	(14.9)	(14.9)
Operating profit	1,551.0	903.3
Finance revenue	52.9	46.3
Finance costs	(353.5)	(349.5)
Profit before tax	1,250.4	600.1
Taxation		
South West	(65.6)	(32.1)
South Wales	(45.4)	(22.5)
East Midlands	(102.1)	(49.4)
West Midlands	(110.3)	(56.8)
Other businesses	8.4	7.0
	(315.0)	(153.8)
Profit for the year attributable to owners of the parent	935.4	446.3

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

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****2. Segmental analysis (continued)****(c) Assets, liabilities, and capital expenditure**

	Segment assets (i)		Segment liabilities (ii)		Capital expenditure (iii)	
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
Distribution network						
South West	4,204.1	3,883.5	(922.9)	(842.9)	393.7	329.2
South Wales	2,857.1	2,661.8	(640.3)	(579.9)	234.2	179.1
East Midlands	6,356.3	6,001.2	(1,505.2)	(1,413.7)	422.9	393.8
West Midlands	5,918.0	5,610.2	(1,115.4)	(1,045.2)	374.5	351.5
	19,335.5	18,156.7	(4,183.8)	(3,881.7)	1,425.3	1,253.6
Other businesses	218.1	346.9	(37.0)	(37.0)	1.8	1.9
Corporate and unallocated	601.7	452.1	(8,416.7)	(8,521.0)	(3.2)	(2.9)
	20,155.3	18,955.7	(12,637.5)	(12,439.7)	1,423.9	1,252.6

(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)	
	2025	2024	2025	2024
	£m	£m	£m	£m
Distribution network systems				
South West	84.7	81.1	5.5	5.2
South Wales	56.5	53.6	1.9	1.6
East Midlands	114.9	109.2	3.6	3.1
West Midlands	104.5	100.5	3.7	2.9
	360.6	344.4	14.7	12.7
Other businesses	2.3	(1.8)	—	—
	362.9	342.6	14.7	12.7
Less: recapitalised to property, plant and equipment	(42.4)	(38.7)	(10.4)	(8.8)
Charged to consolidated income statement	320.5	303.9	4.3	3.9

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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.

	2025	2024
	£m	£m
Revenue from customer contracts - IFRS 15	2,473.0	1,833.2
Lease income	4.2	5.0
Total revenue	2,477.2	1,838.2

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****3. Revenue (continued)**

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

	2025	2024
	£m	£m
Licensed energy suppliers - DNO	2,330.0	1,705.8
Other customers - DNO	136.9	120.9
Other businesses	6.1	6.5
	2,473.0	1,833.2

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 £3,331.1m 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 £17.0bn (2024: £16.0bn) 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.

	2025	2024
	£m	£m
Payroll costs	179.3	166.3
Depreciation of property, plant and equipment (i)	320.5	303.9
Amortisation of intangibles (ii)	4.3	3.9
Property taxes	123.5	112.0
Rent expense (iii):		
Plant, machinery and equipment	7.4	13.3
Land and buildings	0.9	0.7
Last Resort Supply Payment ("LRSP") claims (iv)	—	64.6
Other operating charges (v)	291.4	270.5
	927.3	935.1

Operating costs include:

	2025	2024
	£m	£m
Research expenditure (vi)	0.3	—
Inventory consumed	9.5	13.2

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****4. Operating costs (continued)**

- (i) Depreciation of property, plant and equipment is stated net of depreciation capitalised of £42.4m (2024: £38.7m) in respect of equipment consumed during the construction of the electricity network. It also includes depreciation of right-of-use-assets amounting to £5.6m (2024: £4.0m).
- (ii) Amortisation of intangibles is stated net of amortisation capitalised of £10.4m (2024: £8.8m) 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 claims paid last year pertained 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

	2025	2024
	£m	£m
Wages and salaries	453.5	432.0
Social security costs	50.7	51.0
Pension costs	57.0	53.5
Share based payment	3.3	3.7
Employee costs recharged by parent	24.0	7.7
	588.5	547.9
Less: amounts capitalised as part of property, plant and equipment	(409.2)	(381.6)
Charged to the income statement	179.3	166.3

Payroll costs in the year were capitalised at a rate of 69.5% (2024: 69.6%).

(b) Number of employees, including Directors

	2025	2024
Monthly average number of employees	Number	Number
Electricity distribution	6,985	6,761
Other activities	117	111
	7,102	6,872

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
The emoluments of the executive directors comprised:				
Base salary (note i)	473	466	1,357	1,273
Performance dependent bonus (note ii)	86	264	759	1,086
Pension compensation allowance (note iii)	55	114	179	429
Sub-total directors' remuneration	614	844	2,295	2,788
Share-based payments	621	686	923	872
Fees to the independent non executive directors (note iv)	—	—	52	50
	1,235	1,530	3,270	3,710

(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. Bonus also includes retention award payment following the completion of the sale of the WPD Group to National Grid plc on 14 June 2021.

(iii) As a result of changes in tax applicable to UK pensions, one of the executive directors resigned as an active member of the defined pension scheme, 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). Also, the highest paid director is not part of defined pension scheme and instead NGED pays a pension compensation allowance in cash.

(iv) The two 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 2025, none of the directors exercised share options (2024: three).

(vi) As at 31 March 2025, retirement benefits were accruing to 5 directors (2024: 5 directors) under a defined contribution scheme. As at 31 March 2025, no retirement benefits were accruing for directors under a defined benefit scheme. The total accrued annual pension at 31 March 2025 for the highest paid director was nil (2024: nil).

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****4. Operating costs (continued)****(e) Auditor's remuneration**

	2025 £m	2024 £m
Audit services:		
Audit of the parent Company's individual and consolidated financial statements	0.1	0.1
Audit of subsidiary companies	1.4	1.3
Other audit related services	0.6	0.7
	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

	2025 £m	2024 £m
Other operating income		
Gain on disposal of subsidiary*	—	1.2
Net gain on disposal of property, plant and equipment	1.3	1.4
Increase in fair value of investment properties	0.3	1.5
Income from fixed asset investments	0.4	0.3
	2.0	4.4
Other operating expense		
Reduction in fair value of investment properties	(0.9)	(4.2)
Net other operating income	1.1	0.2

* The gain on disposal of a subsidiary during the prior year related to the sale of Aztec Insurance Limited, a former subsidiary of the Group. The subsidiary was amalgamated with a National Grid Group Company, National Grid Insurance Company Isle of Man Limited. The sale occurred on 31 January 2024. The sale proceeds amounted to £5.8m.

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****6. Finance income and costs (continued)**

	2025	2024
	£m	£m
Finance income		
Net interest income relating to pensions and other post-retirement benefits	23.0	32.0
Interest income on bank deposits	0.6	1.3
Interest income on loans to NG affiliates	18.3	13.0
Gain on loan repurchase	7.4	—
	49.3	46.3
Finance costs		
Interest expense on bank loans and overdrafts	(5.6)	(8.7)
Interest expense on other borrowings	(292.9)	(298.1)
Interest expense on loans from parent company	(47.5)	(36.5)
Interest expense on lease liabilities	(1.0)	(0.9)
Interest expense on derivatives	(20.8)	(13.5)
Unwinding of discount on provisions	(1.6)	(1.5)
Less: interest capitalised (ii)	15.9	11.7
	(353.5)	(347.5)
Remeasurements - finance (costs)/income		
Net gains on derivatives designated as hedges (i)	1.2	0.9
Net gains/(losses) on derivatives not designated as hedges	2.4	(2.9)
	3.6	(2.0)

Shown in the consolidated income statement as:

Finance income	52.9	46.3
Finance costs	(353.5)	(349.5)
Net finance costs	(300.6)	(303.2)

(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 gain on the borrowings of £20.0m (2024: £27.9m) 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 5.1% (2024: 4.9%), based on the yield on the Group's borrowings.

(iii) Finance costs include principal accretion on inflation linked liabilities of £41.6m (2024: £51.9m).

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").

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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:

	2025	2024
	£m	£m
Current tax:		
Corporation tax at 25% (2024: 25%)	207.3	50.0
Corporation tax adjustment in respect of prior years	8.2	(6.1)
Total current tax	215.5	43.9
Deferred tax:		
Deferred tax	106.9	101.3
Deferred tax adjustment in respect of prior years	(7.4)	8.6
Total deferred tax	99.5	109.9
Total tax charge	315.0	153.8

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****7. Tax (continued)****Tax charged/(credited) to the statement of other comprehensive income and equity**

	2025	2024
	£m	£m
Deferred tax:		
Cash flow hedges	18.5	3.2
Share-based payments	0.4	(0.6)
Remeasurements of net pension assets	2.8	(64.6)
	21.7	(62.0)
Analysed as:		
Total tax recognised in the statement of other comprehensive income	21.3	(61.4)
Total tax relating to share-based payments recognised directly in equity	0.4	(0.6)
	21.7	(62.0)

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% (2024: 25%) as follows:

	2025	2024
	£m	£m
Profit before income tax	1,250.4	600.1
Profit before income tax multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	312.6	150.0
Effects of:		
Adjustments in respect of prior years	0.8	2.5
Expenses not deductible for tax purposes	3.9	5.1
Non taxable income	(0.2)	—
Others	(2.1)	(3.8)
Total tax charge	315.0	153.8
Effective tax rate	25.2 %	25.6 %

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

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 2023	1,039.5	161.5	(10.6)	1,190.4
Charged/(credited) to income statement	91.1	20.6	(1.8)	109.9
Charged/(credited) to other comprehensive income and equity	—	(64.6)	2.6	(62.0)
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/(credited) to other comprehensive income and equity	—	2.8	18.9	21.7
At 31 March 2025	1,214.0	140.6	4.9	1,359.5

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.

	2025 £m	2024 £m
Equity dividends - nil pence (2024: 0.02 pence) per £1 share	—	0.2

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 2025****9. Property, plant and equipment (continued)**

	Land & buildings £m	Plant & machinery £m	Motor vehicles & Office equipment £m	Total £m
Cost				
At 1 April 2023	193.6	18,591.4	487.9	19,272.9
Additions	3.8	1,145.8	82.1	1,231.7
Transfers from investment property	—	0.2	(0.1)	0.1
Disposals and retirements	—	(2.8)	(59.6)	(62.4)
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 31 March 2025	201.0	21,013.6	563.8	21,778.4
Accumulated depreciation				
At 1 April 2023	29.9	3,434.1	246.1	3,710.1
Depreciation charge for the year	3.3	278.3	61.0	342.6
Disposals and retirements	—	(2.8)	(59.4)	(62.2)
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 31 March 2025	36.3	3,995.8	256.1	4,288.2
Net book value				
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
At 31 March 2023	163.7	15,157.3	241.8	15,562.8

Included in plant & machinery and motor vehicles & office equipment at 31 March 2025 was an amount of £388.0m (2024: £233.0m) relating to expenditure on assets in the course of construction.

Included in additions are staff costs of £409.2m (2024: £381.6m), corporate overheads of £130.4m (2024: £110.8m), capitalised depreciation of £42.4m (2024: £38.7m) and interest of £15.9m (2024: £11.7m).

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

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 2025 and 31 March 2024, 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 2023	6.6	5.3	4.5	16.4
Additions	0.2	0.5	8.4	9.1
Depreciation	(0.6)	(0.6)	(2.8)	(4.0)
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 31 March 2025	5.7	4.7	11.9	22.3

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.

	2025	2024
	£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.

At 31 March 2014, an impairment loss of £186.2m and £62.2m was recognised in East Midlands and West Midlands, respectively. The impairment was mainly as a result of changes in cash flow projections, largely following the agreement of the RIIO-ED1 price control during that year. A further impairment loss of £72.0m was recognised at 31 March 2015 in West Midlands. This impairment had largely arisen as a result of changes to the short-term inflation assumption which had reduced both the operating cash flows and the terminal value used in the discounted cash flow model. This was partly offset by higher than previously anticipated levels of capital expenditure in that year, increasing both the future operating cash flows and the terminal value, and reducing the discount rate. For the East Midlands CGU, the increase in anticipated levels of capital expenditure was such that no overall impairment loss was recognised in the year.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****10. Goodwill (continued)****Carrying amount of goodwill allocated to cash-generating units ("CGUs")**

	2025	2024
	£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 25 years (until 2050) have been discounted and aggregated with a terminal value, which is calculated by applying a 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 1.0% (2024: 2.3%) is assumed upon the terminal year cash flows, reflecting management's best view, based on market and operational experience, of the expected long-term growth in the relevant market.

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 2025 were as follows:

- NGED West Midlands: 5.28%
- NGED East Midlands: 5.25%
- NGED South Wales: 5.24%

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****11. Other intangible assets (continued)**

	Computer Software
	£m
Cost	
At 1 April 2023	98.3
Additions	20.6
Disposals	(4.3)
At 1 April 2024	114.6
Additions	21.8
Disposals	(6.1)
At 31 March 2025	130.3
Aggregate amortisation and impairment	
At 1 April 2023	40.8
Charge for the year	12.7
Disposals	(4.3)
At 1 April 2024	49.2
Charge for the year	14.7
Disposals	(6.1)
At 31 March 2025	57.8
Carrying amount	
At 31 March 2025	72.5
At 31 March 2024	65.4
At 31 March 2023	57.5

Included in computer software at 31 March 2025 was an amount of £5.9m (2024: £nil) relating to expenditure on assets in the course of construction.

Included in additions is capitalised amortisation cost of £10.4m (2024: £8.8m).

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

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****12. Investment property**

	Retail £m	Office £m	Industrial £m	Total £m
Fair value				
At 1 April 2023	16.0	6.3	5.6	27.9
Valuation gains	0.7	—	0.8	1.5
Valuation losses	(0.3)	(3.3)	(0.6)	(4.2)
Additions	0.1	—	—	0.1
Transfers to property, plant and equipment	—	—	(0.2)	(0.2)
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 31 March 2025	15.1	1.6	5.8	22.5

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 (2024: £2.5m).

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 £0.7m (2024: £1.3m) 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 £3.7m (2024: £3.9m), are a further 20 (2024: 20) investment properties with an average value of £186,550 per property (2024: £195,425), 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 2025

12. Investment property (continued)

Unobservable and observable inputs used in determination of fair values					Other key information	
Class of property	Carrying amount/ Fair value 2025 £m	Valuation technique	Input	Range (weighted average) 2025	Range 2025	
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	0.67
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					

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****12. Investment property (continued)**

Unobservable and observable inputs used in determination of fair values					Other key information	
Class of property	Carrying amount/Fair value 2024 £m	Valuation technique	Input	Range (weighted average) 2024		Range 2024
Retail	13.4	Income capitalisation	> Length of leases in place (in years)	5y	> Age of building > Remaining useful life of building	30y 20+
			> Yield	5.2 %		
			> Passing rent (per sqm p.a.)	£201.4	> Square metres	5308
			> Long term vacancy rate	— %		
Other retail	2.0	Income capitalisation	> Net rent (per sqm p.a.)	£0 - £230 (£94)	> Age of building > Remaining useful life of building	50+ 20+
			> Length of leases in place (in years)	0y - 8y (3.6y)	> Square metres	2175
			> Yield	0% - 9.0%	> Actual vacancy rate	19.0 %
			> Long term vacancy rate	19.0 %		
Office	2.8	Income capitalisation	> Net rent (per sqm p.a.)	£0 - £167 (£45.0)	> Age of building > Remaining useful life of building	25y - 40y 20+
			> Length of leases in place (in years)	0y - 5y (1.3y)	> Square metres	7864
			> Yield	0% - 10.5%	> Actual vacancy rate	0.76
			> Long term vacancy rate	0% - 100% (76%)		
Industrial	3.0	Income capitalisation	> Net rent (per sqm p.a.)	£19- £54 (£42)	> Age of building > Remaining useful life of building	67y 20+
			> Length of leases in place (in years)	1.5y - 18y (6.3y)	> Square metres	6135
			> Yield	9.7 %	> Actual vacancy rate	— %
			> Long term vacancy rate	— %		
Total	21.2					
Other assets	3.9					
Total fair value	25.1					

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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.

	2025	2024
Current	£m	£m
FVTPL investments	—	2.1
Financial assets at amortised cost (loans)	105.7	220.9
Financial assets at amortised cost (collateral)	16.3	—
Financial assets at amortised cost (restricted cash deposits)	6.6	7.9
	128.6	230.9
Non-current		
Financial assets at amortised cost (restricted cash deposits)	2.4	2.4
	2.4	2.4
Total financial and other investments	131.0	233.3

FVTPL investments include short term deposits that are all instant access funds, earning interest of between 4.15% and 5.25%. FVTPL investments are recorded at fair value. The fair value of financial assets at amortised cost is considered to approximate its carrying amount.

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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:

	2025			2024		
	Asset £m	Liabilities £m	Total £m	Asset £m	Liabilities £m	Total £m
Cross-currency interest rate swaps	43.2	(12.8)	30.4	41.2	(9.0)	32.2
Interest rate swaps	61.2	(77.2)	(16.0)	2.3	—	2.3
Inflation linked swaps	—	(2.2)	(2.2)	0.7	(2.0)	(1.3)
	104.4	(92.2)	12.2	44.2	(11.0)	33.2

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****14. Derivative financial instruments (continued)**

The maturity profile of derivative financial instruments is as follows:

	2025			2024		
	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Current						
Less than 1 year	—	—	—	—	—	—
	—	—	—	—	—	—
Non-current						
In 1 - 2 years	—	—	—	0.7	—	0.7
In 2 - 3 years	—	—	—	—	—	—
In 3 - 4 years	40.8	(8.4)	32.4	—	—	—
In 4 - 5 years	—	(2.3)	(2.3)	41.2	(4.0)	37.2
More than 5 years	63.6	(81.5)	(17.9)	2.3	(7.0)	(4.7)
	104.4	(92.2)	12.2	44.2	(11.0)	33.2

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

	2025 £m	2024 £m
Interest rate swaps	(3,551.6)	(70.0)
Cross-currency interest rate swaps	(1,155.5)	(1,043.5)
Inflation linked swaps	(824.4)	(824.4)
	(5,531.5)	(1,937.9)

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.

	2025 £m	2024 £m
Raw materials, spares and consumables	40.2	37.8
Work in progress	2.2	1.1
	42.4	38.9

The cost of inventories recognised as an expense during the year includes £1.4m (2024: £0.8m) in respect of write downs of inventory to net realisable value and has been reduced by £1.5m (2024: £0.6m) in respect of the reversal of such write downs.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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.

	2025 £m	2024 £m
Current		
Trade receivables	169.1	136.1
Accrued income	229.2	153.7
Prepayments	27.5	32.6
Amounts owed from fellow subsidiary undertakings	—	7.3
Amounts owed from parent undertaking	4.4	—
Other receivables	32.4	28.2
	462.6	357.9
Non-current		
Reimbursement asset re unfunded pension liability	2.2	2.4
Prepayments	2.9	1.4
Other receivables	1.0	1.1
	6.1	4.9
Total trade and other receivables	468.7	362.8

During the current year, the "Current tax receivable" line item has been renamed to "Amounts owed from fellow subsidiaries of National Grid plc" as these pertain to net group tax relief balances due from subsidiary within National Grid Group.

Accrued income includes unbilled DUoS income of £229.2m (2024: £153.7m).

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****16. Trade and other receivables (continued)**

As at 31 March 2025, trade receivables and accrued income at a nominal value of £3.4m (2024: £2.7m) were impaired and fully provided for. Movements in the provision for impairment were as follows.

	2025	2024
	£m	£m
At 1 April	2.7	2.6
Provision for impairment	0.5	0.6
Amounts written off as uncollectable	(0.7)	(0.5)
Amounts recovered during the year	0.9	—
At 31 March	3.4	2.7

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:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
	£m	£m	£m	£m	£m	£m	£m
2025	169.1	164.2	2.3	0.6	—	—	2.0
2024	136.1	134.8	1.2	0.1	—	—	—

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 2025, the NGED Group held collateral in relation to trade receivables in the form of cash £16.5m (2024: £15.7m), letters of credit £45.5m (2024: £81.0m), and parent company guarantees £15.6m (2024: £15.5m). 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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****17. Cash and cash equivalents**

	2025	2024
	£m	£m
Cash at bank	2.0	3.7
Cash at bank and in hand	2.0	3.7

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 (2024: £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:

	2025	2024
	£m	£m
Cash at bank and in hand (from above)	2.0	3.7
FVTPL investments (note 13)	—	2.1
Bank overdrafts*	(6.9)	(3.7)
Cash and cash equivalents	(4.9)	2.1

*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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****18. Borrowings (continued)**

	2025 £m	2024 £m
Current		
Bank loans and overdraft	9.5	5.4
Bonds	378.7	523.4
Loan with ultimate parent company	877.2	678.0
Lease liabilities	6.7	5.6
	1,272.1	1,212.4

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.

	2025 £m	2024 £m
Non-current		
Bank loans	–	143.1
Bonds	5,614.9	5,844.9
Lease liabilities	15.9	16.1
	5,630.8	6,004.1
Total borrowings	6,902.9	7,216.5

Total borrowings are repayable as follows:

	2025 £m	2024 £m
Less than 1 year	1,272.1	1,212.4
In 1 - 2 years	602.4	255.4
In 2 - 3 years	3.9	601.6
In 3 - 4 years	688.0	2.2
In 4 - 5 years	249.1	690.1
More than 5 years	4,087.4	4,454.8
	6,902.9	7,216.5

The fair value of borrowings at 31 March 2025 was £6,532.3m (2024: £6,988.9m). Where market values are not available, fair value of borrowings (Level 2) was £1,338.7m (2024: £261.6m), calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio as at 31 March 2025 was £6,836.9m (2024: £7,086.0m).

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 £2.6m (2024: £1.6m) 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 £38.2m (2024: £51.9m) resulting from inflation.

At 31 March 2025, the NGED Group had available £845.0m (2024: £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 2025, it also had available undrawn uncommitted facilities of £1.9m (2024: £1.9m).

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

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****18. Borrowings (continued)**

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

	2025	2024
	£m	£m
UK pound	5,774.6	6,143.8
US dollar	157.8	160.9
Euro	843.3	858.8
Other	127.2	53.0
	6,902.9	7,216.5

Lease liabilities

	2025	2024
	£m	£m
Opening	21.8	16.5
Additions	6.4	9.1
Payments during the year	(6.6)	(4.7)
Interest expense	1.0	0.9
At 31 March	22.6	21.8
of which:		
Current	6.7	5.6
Non-current	15.9	16.2

Maturity analysis of lease liabilities is as below:

	2025	2024
	£m	£m
Gross lease liabilities are repayable as follows:		
Less than 1 year	6.9	5.7
1 to 5 years	13.1	12.8
More than 5 years	10.0	11.1
	30.0	29.6
Less: finance charges allocated to future years	(7.4)	(7.8)
	22.6	21.8
Present value of lease liabilities are as follows:		
Less than 1 year	6.7	5.6
1 to 5 years	12.8	12.5
More than 5 years	3.1	3.7
	22.6	21.8

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 £3.5m (2024: £9.4m) and pertaining to low value leases amounts to £1.1m (2024: £0.8m).

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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.

	2025	2024
	£m	£m
Trade payables	82.8	85.8
Social security and other taxes	87.9	64.2
Payments received in advance	356.6	292.2
Amounts owed to fellow subsidiary undertakings	7.2	—
Other payables	29.0	27.2
Deferred income	8.9	11.7
Accruals	240.1	186.0
	812.5	667.1

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 £16.5m (2024: £15.7m) DUoS collateral deposits received from suppliers in accordance with the DCUSA.

Accruals include £29.5m (2024: £6.9m) 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.

	2025	2024
	£m	£m
Current	117.8	111.9
Non-current	3,213.3	3,057.9
	3,331.1	3,169.8

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

	2025	2024
	£m	£m
At 1 April	3,169.8	3,005.9
Revenue recognised that was included in the contract liability balance at the beginning of the period	(58.0)	(54.9)
Increase due to cash received, excluding amounts recognised as revenue during the period	219.3	218.8
At 31 March	3,331.1	3,169.8

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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

During the prior year, the ongoing DC pension provision for NGED employees was transferred from the Western Power Pension Scheme ("WPPS") to 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 2025 there were 178 members with deferred benefits in the scheme (2024: 181) and 9 pensioners (2024: 9). Market value of the assets was £2.4m (2024: £2.5m).

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 - Infracore 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. 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 (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 at 31 March 2022. ESPS WPD showed a shortfall at the valuation date and it was agreed that this would be funded via recovery plan payments from the Company of £18.0m per annum until November 2024. The Company also agreed employer contributions of 48.2% per annum of pensionable salaries covering future benefit accrual.

ESPS CN showed a shortfall at the valuation date and it was agreed that this would be funded via recovery plan payments from the Company totalling £48.3m ending in July 2023. The Company also agreed employer contributions of 44.2% per annum of pensionable salaries covering future benefit accrual.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 2026 are £34.0m for ESPS WPD and £37.0m 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 63.0% to NGED South West (2024: 62.6%). 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 47.6% to NGED East Midlands (2024: 47.4%).

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:

	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

	2024			
	ESPS WPD	ESPS CN	WPUPS	WPPS I92
	%	%	%	%
Discount rate - past service	4.88	4.89	4.85	4.88
Discount rate - future service	4.91	4.93	n/a	n/a
Salary increases	3.09	3.11	n/a	n/a
Rate of increase in RPI - past service	2.99	3.02	3.11	3.04
Rate of increase in RPI - future service	2.89	2.94	n/a	n/a

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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:

	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

	2024			
	ESPS WPD	ESPS CN	WPUPS	WPPS I92
Assumed life expectations for a retiree age 65:				
Males	21.4	21.4	21.4	22.1
Females	23.3	23.3	24.0	24.0
In 20 years:				
Males	22.3	22.7	22.4	22.7
Females	24.4	24.8	24.8	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 21% active members (2024: 26%); 3% deferred members (2024: 4%); 76% pensioner members (2024: 70%) and for the CN segment 20% active members (2024: 22%); 6% deferred members (2024: 7%); 74% pensioner members (2024: 71%).

For sensitivity analysis see note 31.

Amounts recognised in the consolidated statement of financial position

	2025				Unfunded	Total
	ESPS WPD	ESPS CN	WPUPS	WPPS I92		
	£m	£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

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****21. Pensions and other post-retirement benefits (continued)****Amounts recognised in the consolidated statement of financial position (continued)**

	2024					
	ESPS WPD	ESPS CN	WPUPS	WPPS I92	Unfunded	Total
	£m	£m	£m	£m	£m	
Present value of obligations	(1,775.0)	(2,469.9)	(356.1)	(9.1)	(5.9)	(4,616.0)
Fair value of scheme assets	1,827.9	2,811.1	434.6	12.9	—	5,086.5
Surplus/(deficit) of funded plan and asset/(liability) recognised in the balance sheet	52.9	341.2	78.5	3.8	(5.9)	470.5
Represented by:						
Asset	52.9	341.2	78.5	3.8	—	476.4
Liability	—	—	—	—	(5.9)	(5.9)
	52.9	341.2	78.5	3.8	(5.9)	470.5

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:

	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	1.9	1.0	—	—	4.8
WPUPS reimbursement agreement	—	—	(1.0)	—	—	(1.0)
Total included within operating costs	16.9	20.9	—	—	—	37.8
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	1.9	—	—	—	14.8

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****21. Pensions and other post-retirement benefits (continued)****Amounts recognised in the consolidated income statement and the consolidated statement of other comprehensive income (continued)**

	2024					
	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	14.1	17.8	—	—	—	31.9
Administrative costs	2.0	2.0	1.0	—	—	5.0
Past service cost and gains and losses on settlements	3.0	2.0	—	—	—	5.0
WPUPS reimbursement agreement	—	—	(1.0)	—	—	(1.0)
Total included within operating costs	19.1	21.8	—	—	—	40.9
Included within finance income and costs						
Interest income on plan assets	(96.0)	(148.0)	(22.0)	(1.0)	—	(267.0)
Interest on plan liabilities	89.0	124.0	19.0	—	—	232.0
WPUPS reimbursement agreement	—	—	3.0	—	—	3.0
Total included within finance income and costs	(7.0)	(24.0)	—	(1.0)	—	(32.0)
Total included within consolidated income statement	12.1	(2.2)	—	(1.0)	—	8.9

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:

	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
(Gain)/loss 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)/losses recognised in other comprehensive income	—	(13.0)	—	—	—	(13.0)

	2024					
	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	137.0	211.5	17.0	1.0	—	366.5
(Gain)/loss from change in demographic	(17.0)	(19.0)	(11.0)	—	—	(47.0)
Gain from change in financial assumptions	(39.0)	(44.0)	(4.0)	—	—	(87.0)
Experience (gains)/losses	27.0	1.0	(2.0)	—	—	26.0
WPUPS Reimbursement agreement	—	—	—	—	—	—
Remeasurement (gains)/losses recognised in other comprehensive income	108.0	149.5	—	1.0	—	258.5

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 2025			Year ended 31 March 2024		
	Present value of obligation £m	Fair value of plan assets £m	Net £m	Present value of obligation £m	Fair value of plan assets £m	Net £m
(Liability)/asset at 1 April	(1,775.0)	1,827.9	52.9	(1,809.9)	1,930.9	121.0
Current service cost	(15.0)	—	(15.0)	(14.1)	—	(14.1)
Administrative costs	(1.9)	—	(1.9)	(2.0)	—	(2.0)
Interest (expense)/income	(90.0)	94.0	4.0	(89.0)	96.0	7.0
Past service cost and gains and losses on settlements	—	—	—	(3.0)	—	(3.0)
	(106.9)	94.0	(12.9)	(108.1)	96.0	(12.1)
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	—	(204.0)	(204.0)	—	(137.0)	(137.0)
Gain from change in demographic assumptions	7.0	—	7.0	17.0	—	17.0
Gain from change in financial assumptions	195.0	—	195.0	39.0	—	39.0
Experience gains/(losses)	2.0	—	2.0	(27.0)	—	(27.0)
	204.0	(204.0)	—	29.0	(137.0)	(108.0)
Contributions:						
Employers	—	51.0	51.0	—	52.0	52.0
Plan participants	(2.0)	2.0	—	(4.0)	4.0	—
	(2.0)	53.0	51.0	(4.0)	56.0	52.0
Payments from plan:						
Benefit payments	127.0	(127.0)	—	116.0	(116.0)	—
Administrative costs	1.9	(1.9)	—	2.0	(2.0)	—
	128.9	(128.9)	—	118.0	(118.0)	—
(Liability)/asset at 31 March	(1,551.0)	1,642.0	91.0	(1,775.0)	1,827.9	52.9

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****21. Pensions and other post-retirement benefits (continued)**

ESPS CN	Year ended 31 March 2025			Year ended 31 March 2024		
	Present value of obligation £m	Fair value of plan assets £m	Net £m	Present value of obligation £m	Fair value of plan assets £m	Net £m
(Liability)/asset at 1 April	(2,469.9)	2,811.1	341.2	(2,535.1)	2,986.6	451.5
Current service cost	(19.0)	—	(19.0)	(17.8)	—	(17.8)
Administrative costs	(2.0)	—	(2.0)	(2.0)	—	(2.0)
Interest (expense)/income	(125.0)	144.0	19.0	(124.0)	148.0	24.0
Past service cost and gains and losses on settlements	—	—	—	(2.0)	—	(2.0)
	(146.0)	144.0	(2.0)	(145.8)	148.0	2.2
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	—	(262.0)	(262.0)	—	(211.5)	(211.5)
(Loss)/gain from change in demographic assumptions	(2.0)	—	(2.0)	19.0	—	19.0
Gain from change in financial assumptions	259.0	—	259.0	44.0	—	44.0
Experience gains/(losses)	18.0	—	18.0	(1.0)	—	(1.0)
	275.0	(262.0)	13.0	62.0	(211.5)	(149.5)
Contributions:						
Employers	—	41.0	41.0	—	37.0	37.0
Plan participants	(3.0)	3.0	—	(6.0)	6.0	—
	(3.0)	44.0	41.0	(6.0)	43.0	37.0
Payments from plan:						
Benefit payments	166.0	(166.0)	—	153.0	(153.0)	—
Administrative costs	2.0	(2.0)	—	2.0	(2.0)	—
	168.0	(168.0)	—	155.0	(155.0)	—
(Liability)/asset at 31 March	(2,175.9)	2,569.1	393.2	(2,469.9)	2,811.1	341.2

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****21. Pensions and other post-retirement benefits (continued)**

WPUPS	Year ended 31 March 2025			Year ended 31 March 2024		
	Present	Fair	Net	Present	Fair value	Net
	value of obligation	value of plan assets		value of obligation	of plan assets	
	£m	£m	£m	£m	£m	£m
(Liability)/asset at 1 April	(356.1)	434.6	78.5	(381.1)	457.6	76.5
Administrative costs	(1.0)	—	(1.0)	(1.0)	—	(1.0)
Interest (expense)/income	(18.0)	22.0	4.0	(19.0)	22.0	3.0
	(19.0)	22.0	3.0	(20.0)	22.0	2.0
Remeasurements:						
Return on plan assets excluding amounts included in interest (income)/expense	—	(29.0)	(29.0)	—	(17.0)	(17.0)
Gain from change in demographic assumptions	1.0	—	1.0	11.0	—	11.0
Gain from change in financial assumptions	27.0	—	27.0	4.0	—	4.0
Experience (losses)/gains	(1.0)	—	(1.0)	2.0	—	2.0
	27.0	(29.0)	(2.0)	17.0	(17.0)	—
Payments from plan:						
Benefit payments	28.0	(28.0)	—	27.0	(27.0)	—
Administrative costs	1.0	(1.0)	—	1.0	(1.0)	—
	29.0	(29.0)	—	28.0	(28.0)	—
(Liability)/asset at 31 March	(319.1)	398.6	79.5	(356.1)	434.6	78.5

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****21. Pensions and other post-retirement benefits (continued)**

WPPS I92	Year ended 31 March 2025			Year ended 31 March 2024		
	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	(9.1)	12.9	3.8	(10.1)	13.9	3.8
Interest (expense)/income	(1.0)	1.0	—	—	1.0	1.0
	(1.00)	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	—	—	—	—	—	—
	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	(8.1)	11.9	3.8	(9.1)	12.9	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 2025			31 March 2024		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	£m	£m	£m	£m	£m	£m
Equities	455.0	—	455.0	325.0	—	325.0
Corporate bonds/credit	242.0	—	242.0	228.0	—	228.0
Property	—	87.0	87.0	—	142.0	142.0
Diversified alternatives	177.0	—	177.0	258.0	(1.0)	257.0
Government securities & LDI	—	685.0	685.0	—	878.0	878.0
Other including cash and net current assets	1.0	(5.0)	(4.0)	—	(2.1)	(2.1)
Total	875.0	767.0	1,642.0	811.0	1,016.9	1,827.9

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****21. Pensions and other post-retirement benefits (continued)****Asset allocations (continued)**

ESPS CN scheme assets are comprised as follows:

	31 March 2025			31 March 2024		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities	261.0	—	261.0	251.0	(1.0)	250.0
Corporate bonds/credit	350.0	—	350.0	331.0	—	331.0
Property	—	261.0	261.0	—	295.0	295.0
Diversified alternatives	204.0	—	204.0	411.0	—	411.0
Government securities & LDI	—	1,500.0	1,500.0	—	1,530.0	1,530.0
Other including cash and net current assets	—	(6.9)	(6.9)	1.0	(6.9)	(5.9)
Total	815.0	1,754.1	2,569.1	994.0	1,817.1	2,811.1

WPUPS scheme assets are comprised as follows:

	31 March 2025			31 March 2024		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Corporate bonds/credit	236.0	—	236.0	243.0	—	243.0
Government securities & LDI	—	163.0	163.0	—	192.0	192.0
Other	—	(0.4)	(0.4)	—	(0.4)	(0.4)
Total	236.0	162.6	398.6	243.0	191.6	434.6

Infralec 92 scheme assets are comprised as follows:

	31 March 2025			31 March 2024		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Government securities & LDI	—	12.0	12.0	—	13.0	13.0
Other	—	(0.1)	(0.1)	—	(0.1)	(0.1)
Total	—	11.9	11.9	—	12.9	12.9

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 agreement¹	Asset Retirement Obligations²	Insurance³	Pensions⁴	Other⁵	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2024	78.4	37.4	4.3	2.3	8.7	131.1
Additional	1.0	1.8	0.6	0.2	3.1	6.7
Utilised during year	—	—	(0.7)	(0.2)	(3.0)	(3.9)
At 31 March 2025	79.4	39.2	4.2	2.3	8.8	133.9
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
Current	—	1.1	0.9	0.7	7.5	10.2
Non-current	78.4	36.3	3.4	1.6	1.2	120.9
At 31 March 2024	78.4	37.4	4.3	2.3	8.7	131.1

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, and miscellaneous claims arising in the ordinary course of business; the directors expect other provisions to be settled within the next two years.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 2025 £m	Number of shares 2024 £m	2025 £m	2024 £m
At 31 March 2024 and 2025 - 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 reserve¹ £m	Hedging reserve £m	Cost of hedging reserve £m	Non- cash capital reserve² £m	Total £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 profit 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)

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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

	2025	2024
	£m	£m
Cash at bank and in hand (note 17)	2.0	3.7
Current financial investments (note 13)	128.6	230.9
Borrowings (note 18)	(6,902.9)	(7,216.5)
Derivatives (note 14)	12.2	33.2
Net debt	(6,760.1)	(6,948.7)

The net debt for the year ended 31 March 2024 has been restated to exclude letters of credit of £4.1m and to include restricted cash of £0.5m and restricted current financial investments of £7.9m. This is due to alignment of accounting policies with the ultimate parent company, National Grid plc.

(b) Analysis of changes in net debt

	Cash at bank and in hand	Financial investment	Borrowings	Derivative	Total
	£m	£m	£m	£m	£m
At 1 April 2023	36.3	155.5	(6,992.8)	43.8	(6,757.2)
Cash flow	(32.6)	75.4	106.5	16.6	165.9
Fair value movements	—	—	(5.0)	(13.7)	(18.7)
Foreign exchange movements	—	—	28.1	—	28.1
Interest charge	—	—	(344.2)	(13.5)	(357.7)
Other non-cash movements	—	—	(9.1)	—	(9.1)
At 1 April 2024	3.7	230.9	(7,216.5)	33.2	(6,948.7)
Cash flow	(1.7)	(102.3)	571.7	11.6	479.3
Fair value movements	—	—	68.4	(11.8)	56.6
Foreign exchange movements	—	—	19.6	—	19.6
Gain on loan repurchase	—	—	7.4	—	7.4
Interest charge	—	—	(347.0)	(20.8)	(367.8)
Other non-cash movements	—	—	(6.5)	—	(6.5)
At 31 March 2025	2.0	128.6	(6,902.9)	12.2	(6,760.1)
At 31 March 2025					
Non-current asset	—	—	—	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)
At 31 March 2025	2.0	128.6	(6,902.9)	12.2	(6,760.1)

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****25. Net debt (continued)****(c) Reconciliation of changes in liabilities arising from financing activities**

	2025		2024	
	Borrowings	Derivatives - net asset	Borrowings	Derivatives
	£m	£m	£m	£m
Cash flow per financing activity section of cash flow statement				
Net increase in short-term borrowings	152.7	—	75.2	—
Payment of lease liabilities	(6.6)	—	(4.7)	—
Proceeds from long-term borrowings	71.5	—	697.5	—
Repayment of long-term borrowings	(538.8)	—	(615.8)	—
Cash outflows on derivative	—	(0.9)	—	(2.0)
Interest paid	(253.7)	(10.7)	(251.1)	(14.6)
Change in liabilities arising from financing activities	(574.9)	(11.6)	(98.9)	(16.6)
Adjustments				
Cash flow movement in overdraft balance classified within cash and cash equivalent in the cash flow	3.2	—	(7.6)	—
Fair value movement in derivatives	—	11.8		13.7
Fair value movement on borrowings related to fair value hedges	(68.4)	—	5.0	—
Foreign exchange movement	(19.6)	—	(28.1)	—
Gain on loan repurchase	(7.4)	—	—	—
Interest charges	347.0	20.8	344.2	13.5
Other non-cash movements	0.1	—	—	—
Leases acquired during the year	6.4	—	9.1	—
Movement in the year	(313.6)	21.0	223.7	10.6
Balances at start of the year	7,216.5	(33.2)	6,992.8	(43.8)
Balance at end of the year	6,902.9	(12.2)	7,216.5	(33.2)

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.

	2025	2024
	£m	£m
Future capital expenditure		
Contracted for but not provided	393.9	266.6

Guarantees and indemnities

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

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****27. Operating lease payments - NGED Group lessor**

Future minimum rentals receivable under non-cancellable operating leases at 31 March are as follows:

	2025	2024
	£m	£m
Year 1	2.6	2.6
Year 2	2.3	2.3
Year 3	2.1	2.1
Year 4	1.9	1.8
Year 5	0.5	1.6
Year 6 and onwards	1.9	2.0
	11.3	12.4

The comparatives in the above note has been restated due to an error in including certain contracts last year that did not meet the definition of non-cancellable leases under IFRS 16.

28. Subsidiary undertakings

A list of the Group's subsidiaries as at 31 March 2025 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.

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****28. Subsidiary undertakings (continued)**

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 2025:

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.

	2025	2024
	£m	£m
Revenue - National Grid affiliate companies ¹	2.9	4.8
Operating costs - National Grid affiliate companies ²	(95.6)	(78.5)
Net finance cost	(29.3)	(23.5)
Loan with ultimate parent company ³	(877.2)	(678.0)
Amounts owed to fellow subsidiary undertakings	—	—
Loan receivable from ultimate parent company ³	105.7	220.9
Amounts owed from fellow subsidiary undertakings	—	—
Amounts owed from parent company	4.4	—
Corporate recharge accruals	29.5	6.9
WPUPS reimbursement liability re WPUPS pension asset ⁴	(79.4)	(78.4)
Reimbursement asset re unfunded pension liability ⁵	2.2	2.4

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).

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).

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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:

	2025	2024
	£m	£m
Cash at bank and in hand	2.0	3.7
Financial and other investments	131.0	233.3
Trade receivables	169.1	136.1
Other receivables	37.8	29.3
Accrued income	229.2	153.7
Derivative financial instruments	104.4	44.2
	673.5	600.3

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:

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

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****30. Financial risk management (continued)****(a) Credit risk (continued)**

2024	12 month ECL	Lifetime ECL	FVTPL	FVOCI	Total
	£m	£m	£m	£m	£m
AAA to A (Low to Fair Risk)	13.9	—	46.3	—	60.3
BBB+ to B (Monitoring)	220.9	—	—	—	220.9
Others monitored on ageing matrix	—	321.9	—	—	321.9
Total gross carrying value	234.8	321.9	46.3	—	603.0
Loss allowance	—	(2.7)	—	—	(2.7)
Net carrying value	234.8	319.2	46.3	—	600.3

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 2025 (nil as 31 March 2024).

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 2025	£m	£m	£m	£m	£m	£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)

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****30. Financial risk management (continued)****(a) Credit risk (continued)**

	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 2024	£m	£m	£m	£m	£m	£m
Assets:						
Derivative financial instruments	44.2	—	44.2	(1.6)	—	42.6
Liabilities:						
Derivative financial instruments	(11.0)	—	(11.0)	—	—	(11.0)

(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:

	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due 3 years and beyond	Total
At 31 March 2025	£m	£m	£m	£m	£m
<i>Non-derivative financial liabilities</i>					
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	(111.8)	—	—	—	(111.8)
<i>Derivative financial liabilities</i>					
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)
<i>Derivative financial assets</i>					
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	(1,458.7)	(856.6)	(204.3)	(7,261.2)	(9,780.8)

1 The interest on borrowings is calculated based on borrowings held at 31 March without taking account of future issues. Floating rate interest is estimated using a forward interest rate curve as at 31 March. Payments are included on the basis of the earliest date on which the Company can be required to settle.

2 The receipts and payments line items for derivatives comprise gross undiscounted future cash flows, after considering any contractual netting that applies within individual contracts. Where cash receipts and payments within a derivative contract are settled net, and the amount to be received (paid) exceeds the amount to be paid (received), the net amount is presented within derivative receipts (payments).

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****30. Financial risk management (continued)****(b) Liquidity risk (continued)**

	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due 3 years and beyond	Total
At 31 March 2024	£m	£m	£m	£m	£m
<i>Non-derivative financial liabilities</i>					
Borrowings excluding lease liabilities	(1,078.0)	(250.0)	(600.0)	(5,177.5)	(7,105.5)
Interest payments on borrowings ¹	(252.9)	(246.0)	(231.6)	(2,256.2)	(2,986.7)
Lease liabilities	(5.7)	(5.2)	(4.1)	(14.5)	(29.5)
Other non-interest-bearing liabilities	(113.0)	—	—	—	(113.0)
<i>Derivative financial liabilities</i>					
Derivative contracts - receipts ²	33.0	33.0	33.0	1,068.6	1,167.6
Derivative contracts - payments ²	(51.7)	(49.2)	(48.4)	(1,069.4)	(1,218.7)
<i>Derivative financial assets</i>					
Derivative contracts - receipts ²	13.6	57.5	11.1	160.1	242.3
Derivative contracts - payments ²	(10.7)	(44.4)	(8.7)	(126.0)	(189.8)
Total	(1,465.4)	(504.3)	(848.7)	(7,414.9)	(10,233.3)

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 2025:

	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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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:

	2025				
	Sterling £m	Euro £m	Dollar £m	Other £m	Total £m
Cash and cash equivalents	2.0	—	—	—	2.0
Financial and other 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)

	2024				
	Sterling £m	Euro £m	Dollar £m	Other £m	Total £m
Cash and cash equivalents	3.7	—	—	—	3.7
Financial investments	230.9	—	—	—	230.9
Borrowings	(6,143.8)	(858.8)	(160.9)	(53.0)	(7,216.5)
Pre-derivative position	(5,909.2)	(858.8)	(160.9)	(53.0)	(6,981.9)
Derivative effect	(1,039.5)	858.8	160.9	53.0	33.2
Net debt position	(6,948.7)	—	—	—	(6,948.7)

The net debt position for the year ended 31 March 2024 has been restated to include restricted cash of £0.5m and restricted current financial investments of £7.9m. This is due to alignment of accounting policies with the ultimate parent company, National Grid plc.

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 2025 and 2024, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	2025			Total £m
	Fixed rate £m	Floating rate £m	Inflation linked £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)

	2024			Total £m
	Fixed rate £m	Floating rate £m	Inflation linked £m	
Cash at bank and in hand	—	3.7	—	3.7
Financial and other investments	—	230.9	—	230.9
Borrowings	(5,382.6)	(680.9)	(1,153.0)	(7,216.5)
Pre-derivative position	(5,382.6)	(446.3)	(1,153.0)	(6,981.9)
Derivative effect	363.6	(329.0)	(1.4)	33.2
Net debt	(5,019.0)	(775.3)	(1,154.4)	(6,948.7)

The net debt position for the year ended 31 March 2024 has been restated to include restricted cash of £0.5m and restricted current financial investments of £7.9m. This is due to alignment of accounting policies with the ultimate parent company, National Grid plc

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 29(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 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 - non-current	0.9	103.4
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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****30. Financial risk management (continued)****(e) Hedge accounting (continued)**

	Fair value hedges of foreign currency and interest rate risk £m	Cash flow hedges of foreign currency and interest rate risk £m
Year ended 31 March 2024		
Consolidated statement of comprehensive income		
Net gains/(losses) in respect of:		
Cash flow hedges	—	(6.6)
Cost of hedging	(0.5)	(1.6)
Transferred to profit or loss in respect of:		
Cash flow hedges	—	21.1
Consolidated statement of changes in equity		
Other equity reserves - cost of hedging balances	(0.7)	(0.8)
Consolidated statement of financial position		
Derivatives - carrying value of hedging instruments		
Assets - current	—	—
Assets - non-current	2.3	41.3
Liabilities - current	—	—
Liabilities - non-current	(5.4)	(3.5)
Profiles of the significant timing, price and rate information of hedging instruments		
Maturity range	Sep 2028 - Mar 2040	Sep 2028 - Mar 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 +167bps/+201bps	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 2025	Hedging instrument nominal £m	Balance of fair value hedge adjustments in borrowings		Change in value used for calculating ineffectiveness		Hedge ineffective ness £m
		Continuing hedges £m	Discontinued hedges £m	Hedged item £m	Hedging instrument £m	
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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 2024	Hedging instrument nominal	Balance of fair value hedge adjustments in		Change in value used for calculating		Hedge ineffectiveness
		Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings	(330.3)	15.0	—	6.5	(2.7)	3.8

The carrying value of the hedged borrowings is £(312) million, of which £0 million is current and £(312) million is non-current.

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

Year ended 31 March 2025	Hedging instrument nominal	Balance in cash flow hedge reserve		Change in value used for calculating		Hedge ineffectiveness
		Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	
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)

Year ended 31 March 2024	Hedging instrument nominal	Balance in cash flow hedge reserve		Change in value used for calculating		Hedge ineffectiveness
		Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings ¹	(783.2)	(1.8)	(19.7)	10.2	(10.1)	0.1

¹ Included within the hedging instrument notional balance is £100 million (2024: £100 million) impacted by Interest Rate Benchmark Reform amendments.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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.

	2025				2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value								
Derivatives financial instruments	—	104.4	—	104.4	—	43.5	0.7	44.2
Short term deposits	—	—	—	—	2.1	—	—	2.1
	—	104.4	—	104.4	2.1	43.5	0.7	46.3
Liabilities held at fair value								
Derivative financial instruments	—	(89.9)	(2.3)	(92.2)	—	(9.0)	(2.0)	(11.0)
	—	14.5	(2.3)	12.2	2.1	34.5	(1.3)	35.3

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

	2025 £m	2024 £m
At 1 April	(1.3)	—
Net gain/(loss) for the year	(1.0)	(1.3)
At 31 March	(2.3)	(1.3)

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

Derivative financial instruments

	2025 £m	2024 £m
+20 basis points increase between RPI and CPI ¹	6.1	7.5
-20 basis points decrease between RPI and CPI ¹	(5.7)	(6.9)

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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:

	2025	2024
	Gearing ratios	
NGED East Midlands	52.1 %	53.0 %
NGED West Midlands	42.1 %	46.8 %
NGED South West	52.0 %	55.9 %
NGED South Wales	53.8 %	54.4 %
NGED Group	54.9 %	60.4 %

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.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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

2025	Change in assumption %	Impact on income statement				Impact on defined benefit obligation			
		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

2024	Change in assumption %	Impact on income statement				Impact on defined benefit obligation			
		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%	5.0	7.0	1.0	—	224.0	289.0	35.0	1.0
RPI Inflation	+/-1%	3.0	3.0	—	—	197.0	232.0	21.0	1.0
Life expectancy	+ 1 year	1.0	1.0	—	—	66.0	90.0	15.0	—

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 2025. In preparing sensitivities the potential impact has been calculated by applying the change to each assumption in isolation and assuming all other assumptions remain unchanged. This is with the exception of RPI in the UK where the corresponding change to increases to pensions in payment, increases to pensions in deferment and increases in salary is recognised.

Notes to the consolidated financial statements (continued)**For the year ended 31 March 2025****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 2025 and 2024 respectively;
- the statement of financial position sensitivity to interest rates relates to items presented at their fair values: derivative financial instruments and our investments measured at 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.

	2025			2024		
	Assumptions	Income	Other	Assumptions	Income	Other
		statement	equity		statement	equity
	used	£m	£m	used	£m	£m
Financial risk (post tax):						
UK inflation change of 1%	1 %	7.8	—	1 %	8.7	—
UK Interest rate changes of 1%	1 %	1.0	139.5	1 %	5.8	34.4

Additional sensitivities in respect to our derivative fair values are as follows:

	2025		2024	
	Income	Net	Income	Net
	statement	assets	statement	assets
	£m	£m	£m	£m
Assets and liabilities carried at fair value (post-tax):				
10% fair value change in derivative financial instruments	0.9	0.9	2.5	2.5

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

Notes to the consolidated financial statements (continued)

For the year ended 31 March 2025

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.

33. Events After The Reporting Period

Subsequent to the year end, on 2 April 2025 the Company issued a 20 year 2.959% fixed rate Japanese bond of Yen 8.0bn (£41.4m).

Company balance sheet

As at 31 March 2025

	Notes	31 March 2025 £m	31 March 2024 £m
Fixed assets			
Investments	3	2,876.0	2,876.0
Current assets			
Cash at bank and in hand		0.1	0.2
Debtors (amounts falling due within one year)	4	10.8	12.4
Debtors (amounts falling due after more than one year)	4	40.1	41.1
Total current assets		51.0	53.7
Creditors (amounts falling due within one year)	5	(254.3)	(512.5)
Net current liabilities		(203.3)	(458.8)
Total assets less current liabilities		2,672.7	2,417.2
Creditors (amounts falling due after more than one year)	5	(553.1)	(559.2)
Provisions for liabilities	6	(1.5)	(0.8)
Net assets		2,118.1	1,857.2
Capital and reserves			
Share capital	7	1,057.6	1,057.6
Other equity reserve	8	0.4	0.8
Profit and loss account		1,060.1	798.8
Total shareholders' equity		2,118.1	1,857.2

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 2025 is £261.3m (2024: £143.8m).

The notes on pages [154](#) to [157](#) form part of the individual financial statements of the Company, which were approved by the Board of Directors and authorised for issue on 24 July 2025 and were signed on its behalf by:

DocuSigned by:

5E4268D54028488...
Cordelia O'Hara, Director

Signed by:

84643B7ED1924E8...
Jennifer Ann Dillon, Director

National Grid Electricity Distribution plc
Registered number: 09223384

Company statement of changes in equity

For the year ended 31 March 2025

	Called up share capital £m	Other equity reserves £m	Profit and loss account £m	Total equity £m
At 1 April 2023	1,057.6	1.1	655.2	1,713.9
Profit for the year	—	—	143.8	143.8
Other comprehensive income	—	(0.3)	—	(0.3)
Total comprehensive income/(loss) for the year	—	(0.3)	143.8	143.5
Equity dividends	—	—	(0.2)	(0.2)
At 31 March 2024	1,057.6	0.8	798.8	1,857.2
Profit for the year	—	—	261.3	261.3
Total other comprehensive loss for the year	—	(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

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 2025

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 [151](#). 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 [151](#) 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.

Notes to the Company financial statements (continued)**For the year ended 31 March 2025****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

	2025	2024
	£m	£m
Cost and net book value	2,876.0	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.

4. Debtors

	2025	2024
	£m	£m
Amounts falling due within one year:		
Current tax receivable	10.8	12.4
	10.8	12.4
Amounts falling due after more than one year:		
Derivatives	40.1	41.1
	40.1	41.1
Total debtors	50.9	53.5

5. Creditors

	2025	2024
	£m	£m
Amounts falling due within one year:		
Borrowings (1)	12.0	9.1
Loan with ultimate parent company (2)	240.6	502.0
Amounts owed to Group undertakings	1.5	1.2
Accruals and deferred income	0.2	0.2
	254.3	512.5

Notes to the Company financial statements (continued)**For the year ended 31 March 2025****5. Creditors (continued)**

	2025	2024
	£m	£m
Amounts falling due after more than one year:		
Borrowings (3)	553.1	559.2
	553.1	559.2

(1) Borrowings are stated net of unamortised issue costs of £0.4m (2024: £0.7m), discount on issue of £0.6m (2024: £1.0m) and premium on issue of £6.8m (2024: £8.9m). 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 and £350m maturing within 1-5 years. 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.

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.

	2025	2024
	£m	£m
At 1 April	0.8	1.8
Charged to the income statement	0.8	(0.9)
Charged to equity	(0.1)	(0.1)
At 31 March	1.5	0.8

7. Share capital

	2025	2024
	£m	£m
Issued and fully paid:		
1,057,592,372 (2022: 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.

Notes to the Company financial statements (continued)**For the year ended 31 March 2025****8. Hedging reserve**

	2025	2024
	£m	£m
At 1 April	0.8	1.1
Reclassification adjustments for gains on cash flow hedges included in profit or loss	(0.5)	(0.4)
Income tax effect	0.1	0.1
At 31 March	0.4	0.8

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 2025, the Company has drawn down £240.6m (2024: £502.0m) 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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