Cadent Gas Limited

Report for the six months ended 30 September 2026

This interim management report has been prepared for the Cadent Gas Limited Group (the 'Group'), which comprises Cadent Gas Limited, Cadent Finance Plc, Cadent Gas Pension Trustee Limited, Cadent Gas Pension Property Company 1 Limited and Cadent Gas Pension Property Company 2 Limited. Results are consolidated at Cadent Gas Limited, the operating company for the Group, and the ultimate parent company is Quadgas Holdings TopCo Limited.

Operations

The Group's principal activity during the period was the ownership and operation of regulated gas distribution networks. The Group plays a vital role in connecting millions of people safely, reliably and efficiently to the gas they use.

Cadent are the largest energy distribution company in the UK; we own and operate four of the eight regional gas distribution networks in Great Britain. Our networks carry almost as much energy as the entire UK electricity distribution network. Cadent transports gas to 11 million homes, businesses and 40,000 industrial customers across the North West, West Midlands, East Midlands, East of England and North London – with a network of over 82,000 miles of pipes, most of them underground. We feed 188 power stations and connect 45 biomethane production plants and 14 compressed natural gas offtake sites. Cadent plays a vital role in ensuring their network is secure and reliable for the homes and businesses who rely on them every day.

As the UK's largest gas distribution network, delivering around 35% of the nation's energy, we recognise we play a central role in supporting a credible and affordable pathway to net zero. Our strategy, therefore, is to evolve our network to enable the scale-up and transportation of green gases such as biomethane and hydrogen, reducing leakages in the network supporting electrification, and ensuring consumers benefit from a secure, affordable transition. We are making progress, growing the volume of biomethane we transport in our network, proactively reducing emission leakage using advanced analytics and new high-sensitivity emissions detectors, and preparing parts of the network for hydrogen when customers are ready and appropriate policy frameworks are in place.

A small proportion of a typical household gas bill goes towards the cost of maintaining our gas network. In 2025/26 a typical domestic customer paid £162 annually towards the cost of our services, down from £175 on average in RIIO-1, adjusting for the impact of inflation. We continue working at pace and with a focus on efficiency in every area of our operation to keep our proportion of the gas bill as low as possible, while keeping people warm and navigating the challenges faced across the communities we serve.

We remain dedicated to supporting communities and customers in vulnerable situations and to date have donated over £35 million to the Cadent Foundation. The aim of the Foundation is to help households find sustainable solutions to fuel poverty and ensure people are safe and warm in their homes. It works with charitable organisations to address the root causes and impact of fuel poverty, and achieves this by helping households improve their financial wellbeing via income management consultations, and become more energy efficient through advice, support and practical measures such as fully funded, in-home energy efficiency improvements.

In the first half of the year the Group delivered £632 million of operating profit (2025: £440 million) on revenues of £1,477 million (2025: £1,215 million), generating £869 million of operating cash flow (2025: £676 million), and invested £449 million (2025: £432 million) on new and existing assets. The increase in revenue of £262 million was mainly due to an increase in transportation income, predominantly due to the change in regulations as we move from RIIO-2 into the RIIO-3 price control. Other revenues also increased, mainly as a result of the higher number of completed network diversions in the period.

Interim management report (continued)

Operations (continued)

Operating costs have increased by £70 million to £845 million (2025: £775 million) largely due to higher business rates of £123 million (2025: £94 million), higher exit capacity charges of £114 million (2025: £101 million) as a result of the change in regulations as we move from RIIO-2 into the RIIO-3 price control, higher depreciation and amortisation of £270 million (2025: £259 million), higher material and subcontractor costs of £21 million (2025: £7 million) and increased shrinkage costs of £21 million (2025: £14 million).

Finance income before adjusting items for the period was £15 million (2025: £14 million) in line with the previous year.

Finance costs for the period of £175 million (2025: £169 million) have increased largely due to new debt issued in the current period.

Long-term strategy and business objectives

We are in the first year of RIIO-3 which plans to build on the strong foundations of RIIO-2, the previous regulatory price control period. We remain committed to protecting customers in vulnerable situations while leveraging innovative technology and best practice from other countries to deliver an ambitious programme of work to reduce methane emissions. We plan to spend over £7.5 billion (net of ongoing efficiency) over the next five years across our four gas distribution networks to deliver sector leading customer service and drive innovation and efficiency, which represents a 16% increase over the RIIO-2 spend.

We remain committed to delivery of the objectives set out in four key outcome areas:

- Safe, secure and resilient supplies;
- Infrastructure fit for a low-cost transition to net zero;
- High quality service; and
- System efficiency and long-term value for money.

We have been working collaboratively with our Customer Challenge Group since it was established in November 2023 and have gathered crucial insights to ensure that the proposals in each of the outcome areas were aligned with customer needs and expectations.

The role of gas as a core element of UK energy remains key for both domestic heating and industrial power and will continue to provide vital resilience and must be a core part of the UK's future energy scenario planning.

Our networks will play a critical role in delivering net zero by enabling energy solutions that provide flexibility and resilience, driving reductions in our emissions, and converting and developing our networks to distribute green gases (biomethane and hydrogen). We have also implemented an Advanced Leakage Management Approach (ALMA) which will proactively find and fix leaks through the deployment of a range of technologies.

In March 2026, we submitted an appeal on a single aspect of the RIIO-3 Final Determination relating to ongoing efficiency. On 31 October 2026, the Competition and Markets Authority (CMA) upheld our appeal, finding that Ofgem had erred in its approach. The CMA did not prescribe a specific resolution but referred the matter back to Ofgem for reconsideration.

Interim management report (continued)

Long-term strategy and business objectives (continued)

We constantly strive to minimise our costs to reduce customers' gas bills, we're also committed to helping over one million households who are living in fuel poverty. We have established a range of support programmes, including providing free energy, income and debt advice and funding the repair or replacement of gas boilers and appliances. Since it was established in 2021, our Centres for Warmth programme has grown significantly to over 420 centres, including the inclusion of Home Start centres, as we strive to support our communities. The primary focus of our centres remains on supporting customers living in fuel poverty and through them we've provided more than 75,000 free income maximisation consultations (including debt consolidation) and directly improved the energy efficiency of more than 79,000 homes, including conversations to remove damp from homes. These centres are a community lifeline, supporting financial and mental wellbeing, as well as gas safety at home.

This period we have invested £449 million (2025: £432 million) to deliver on our commitment to provide a resilient network for our customers as part of an overall investment of over £7.5 billion over the five-year RIIO-3 regulatory period. Our ongoing investment in the mains replacement programme and the resilience of our network assets are key aspects of our strategy to ensure the network continues to operate safely and is ready to support a transition to low carbon fuels over the decades to come. We plan to complete approximately 83% of the remaining workload in the Iron Mains Risk Reduction Programme over the RIIO-3 period. In addition to this, we have continued to focus on the operational improvements and efficiencies to deliver on our regulatory commitments and to minimise the impact of our activities on customers' bills.

As the UK's largest gas distribution network, Cadent is an influential voice on the importance of green gases such as hydrogen and biomethane in the future energy mix to achieve net zero. Our regional hydrogen programmes (such as East Coast Hydrogen, and HyNet) are focused on decarbonising industry, facilitating the development of hydrogen production to enable heavy industry, gas-fired power generation and heavy transport sites to transition away from natural gas and other fossil fuels, securing the country's industrial future for years to come. We regularly meet leaders across the political spectrum, industrial users, and multinational energy companies to establish key relationships supporting hydrogen production and blending into the gas network. Biomethane also has an important role to play alongside hydrogen, providing a proven way to reduce emissions from gas use today while making use of existing network infrastructure. We have been connecting biomethane producers to our gas network for more than a decade and are working on increasing biomethane injection across our network through our biomethane programme. To do this we are working closely with developers and industrial users to make biomethane connections easier, and working with Government and our regulator to help create the conditions for further investment. This can support a more affordable and resilient transition while increasing the supply of domestically produced green gas.

We are seeking ways to reduce our own carbon footprint, aligned with the latest science-based methodologies for the gas and oil sector, through our mains replacement programmes and across our fleet. Our company car fleet consists entirely of electric or plug-in hybrid electric vehicles. We continue to look at our carbon footprint upstream and downstream of our supply chain. We recognise the important role we play in supporting the UK's transition to a low-carbon economy. As part of this commitment, we continue to reduce our operational carbon footprint as we progress into the next financial year.

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Interim management report (continued)

Going Concern

The Board's consideration of the going concern status of the company is an extension of our annual business planning process. The process includes financial forecasting for a period of at least 12 months from the date of this report, a robust risk management assessment, regular budget reviews as well as scenario planning incorporating industry trends, considering any emerging issues and economic conditions. The business strategy aims to enhance our long-term prospects by making sure our operations and finances are sustainable.

Considerations are also made by the Directors for a reasonable worst-case scenario that factors in deliberately negative sensitivities such as a decline in transportation income, inflationary pressures on our cost base, fluctuations in pass through costs, a major operational incident and unexpected regulatory action, all of which are assumed to materialise concurrently.

The forecasts and reasonable worst case scenario modelling were considered against the ability to access existing undrawn facilities alongside the ability to access long-term debt markets and short-term cash positioning. It was concluded that sufficient headroom existed in the forecast and against the requirements of our banking covenants and no reasonable possible downside scenario existed wherein the Group would be unable to continue as a going concern.

Despite the geopolitical risk evolving, our financial profile remains resilient. At the time of preparing these accounts, the prolonged conflict in the Middle East continues to be a focus area as we ensure appropriate management and control of risks. The Group has not been significantly impacted as a result of protections in place through the regulatory price control and our treasury management, which hedges our inflation and interest rate risk. Having made enquiries and reassessed the principal risks, the Directors consider that the company and its subsidiary undertakings have adequate resources to continue in business.

Based on the above, the Directors have concluded that the Group is well placed to manage its liquidity and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of this report. The Directors therefore consider, having concluded that there are no material uncertainties, that it was appropriate to adopt the going concern basis of accounting in preparing the half year financial information.

Liquidity & financing arrangements

We maintain liquidity headroom to ensure that the Group can meet all financial obligations and to fund operations, even during periods of market disruption and times of uncertainty. We manage liquidity by requiring at least 12 months' liquidity available at all times, with at least two months' liquidity available within 24 hours.

On 30 June 2026, Cadent Finance Plc, a subsidiary of Cadent Gas Limited, issued a 10 year fixed-rate Green bond with a notional value of €650 million and coupon of 4% under its £7 billion Euro Medium Term Note Programme with a maturity date of 07 July 2036. This bond is guaranteed by, and proceeds were on lent to, Cadent Gas Limited. The bond proceeds were swapped to floating sterling (£559.96 million) immediately on issue. As at 30 September 2026, £95 million floating-to-fixed interest rate swaps were executed to convert a portion of the £559.96 million floating rate exposure back to fixed cashflows.

At 30 September 2026, Cadent Gas Limited had undrawn credit facilities, money market funds, fixed term deposits and cash, totalling £1,244 million (31 March 2026: £779 million) made up of available Revolving Credit Facilities of £500 million, none of which is drawn (31 March 2026: £500 million undrawn), investments in short-term money market funds and fixed term deposits of £629 million (31 March 2026: £262 million), and cash of £115 million (31 March 2026: £17 million). We also retain the capacity to raise additional debt if required from both the debt capital and loan markets.

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Interim management report (continued)

Results for the six months ended 30 September 2026

A summary of the key financial results is set out in the table below.

	Six months ended 30 September 2026 £m	Six months ended 30 September 2025 £m	Movement £m
Revenue	**1,477**	1,215	262
Operating profit – Before adjusting items	**632**	441	191
Adjusting items	**-**	(1)	1
Operating profit	**632**	440	192
Profit before tax – Before adjusting items	**472**	286	186
Profit before tax	**474**	294	180
Profit for the period	**354**	219	135
Capital investment	**449**	432	17

Revenue

Total Group revenue for the period was £1,477 million (2025: £1,215 million) comprising £1,439 million (2025: £1,185 million) of regulated allowed revenue and £38 million (2025: £30 million) from other activities. The £254 million increase in regulated allowed revenue was mainly due to an increase in transportation income, predominantly due to the change in regulations as we move from RIIO-2 into the RIIO-3 price control. The £8 million increase in other revenues was mainly as a result of the higher number of completed network diversions in the period.

In previous years volatility in gas prices had a wide impact in the energy industry and a number of shippers and gas suppliers ceased trading. Our exposure to credit losses from these counterparties is mitigated in most cases by the protection given by the Uniform Network Code (the industry governance contract). Our regulatory mechanisms protect us from long term risks with costs being reimbursed in future periods.

Operating profit

Operating profit for the period was £632 million (2025: £440 million), with revenue of £1,477 million (2025: £1,215 million) offset by £845 million (2025: £774 million) of operating costs. Operating costs have increased by £70 million to £845 million (2025: £775 million) largely due to higher business rates of £123 million (2025: £94 million), higher exit capacity charges of £114 million (2025: £101 million) as a result of the change in regulations as we move from RIIO-2 into the RIIO-3 price control, higher depreciation and amortisation of £270 million (2025: £259 million), higher material and subcontractor costs of £21 million (2025: £7 million) and increased shrinkage costs of £21 million (2025: £14 million).

In managing the business, we use alternative performance measures including Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation and Adjusting Items (Adjusted EBITDA) as a measure of our financial performance as this represents a commonly accepted measure of the underlying operating performance of the company. The company does not believe that this is a substitute for the measures under IFRS® Accounting Standards but is useful in assessing the performance of the business on a comparable basis.

Adjusted EBITDA is a non-IFRS Accounting Standards performance measure used by management to aid comparability of our results between periods. As such, it excludes significant business transactions and should not be used in isolation but considered alongside measures under IFRS Accounting Standards. The nearest equivalent IFRS Accounting Standards measure to adjusted EBITDA is profit for the period, which is presented in the condensed consolidated income statement and reconciled overleaf:

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Interim management report (continued)

Operating profit (continued)

Adjusted EBITDA Reconciliation	Reference	**Six months ended 30 September 2026 £m**	Six months ended 30 September 2025 £m
Statutory results:			
Profit for the period		**354**	219
Add:			
Tax	Note 8	**120**	75
Net finance costs	Note 6	**158**	146
Total operating profit	Page 17	**632**	440
Add:			
Depreciation and amortisation		**270**	259
Adjusting items within total operating costs	Note 5	**-**	1
Alternative performance measure:			
Adjusted EBITDA		**902**	700

Adjusted EBITDA has increased by £202 million due to higher operating profit (higher revenue resulting from an increase in transportation income and partially offset by an increase in operating costs, driven by higher business rates and exit capacity charges).

Tax

Tax for the period was £120 million (2025: £75 million) as a result of higher revenue in the year.

On 28 October 2026, the UK Government announced a measure allowing qualifying gas distribution companies to spread over five years the Corporation Tax impact of the revised revenue recognition requirements resulting from the amendments to Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102). As the parent company of Cadent Gas Limited is prepared under FRS 102, an initial impact assessment was included in the Annual Report and Accounts 2025/26 which referenced the additional £128 million of Corporation Tax liability falling due as a current tax liability. Following the announcement, it is expected to result in a reclassification of the balance to a deferred tax liability, as the recognition of the taxable income for UK Corporation Tax purposes is deferred over the five year period.

As the detailed legislation and HMRC guidance have not yet been published, uncertainty remains regarding the final operation of the measure, including any consequential impact on interest deductibility. As the legislation had not been substantively enacted at the reporting date, no adjustment has been recognised in these interim financial statements.

Finance income and costs

Finance income before adjusting items for the period was £15 million (2025: £14 million) in line with the previous year. Finance costs for the period of £175 million (2025: £169 million) have increased largely due to new debt issued in the current period.

Adjusting items

During the period, the Group recognised £Nil (2025: £1 million) in adjusting items. In the prior year, the Group incurred costs of £1 million (cumulative: £44 million) in relation to our RIIO-3 transformation programme that began in 2024 to improve the efficiency of our operations by restructuring the business. These activities are infrequent and adjusting in nature, and are financially material over the course of the multi-year exercise.

Included within finance income are adjusting items of £2 million (2025: £9 million) in relation to net gains on derivative financial instruments.

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Interim management report (continued)

Profit for the period

The Group made a profit after tax of £354 million (2025: £219 million). The increase in profit for the period is due to higher operating profits offset by higher taxation and finance costs.

Dividend

In making the decision to pay a dividend in the period, the Board robustly challenged the latest customer, operational and financial performance as well as considering:

- customers benefitting from value for money and high quality services;
- supporting households in vulnerable situations through the shareholder-funded Cadent Foundation;
- employees being rewarded for their hard work; and
- our investors earning a reasonable return on the equity they have invested in the business. This investment is critical for ensuring the efficient and economic operation of our 4 regional gas distribution networks today and the investment requirements of the future.

We share totex outperformance equally with our customers through Ofgem's Totex Incentive Mechanism meaning when we deliver efficiencies, these also result in lower bills; with our employees through responsible incentive-based bonuses; and with investors through sustainable dividends. We've been able to do this while delivering on our environmental targets, maintaining appropriate gearing and delivering strong financial resilience.

The Board also reviews the company's performance around employees, and executive pay. Executive pay disclosures, can be found on pages 97 to 109 of the Annual Report and Accounts for the year ended 31 March 2026, and are significantly enhanced relative to sector standards supported by a Remuneration Committee that target societal benefits such as performance on customer and sustainability measures alongside financial metrics. We also have transparent and low-risk policies in relation to how we interact with the tax authorities.

All of these factors were taken into account, as well as the Board reviewing the dividend policy and satisfying itself that a series of economic tests could be met. The company had more than £5 billion of distributable reserves at 30 September 2026. During the first half of the year, the company paid an interim ordinary dividend of £205 million (2025: £208 million).

Capital investment

Our capital investment has increased by £17 million as compared to the comparative period. Capital investment was £449 million (2025: £432 million) comprising £4 million (2025: £9 million) of intangible assets and £445 million (2025: £423 million) of tangible assets. Tangible asset additions mainly comprise of £416 million (2025: £380 million) of plant and machinery with the majority relating to our ongoing mains replacement programme with 800 km being replaced in the period (2025: 801 km). Remaining additions comprise £3 million (2025: £7 million) of land and buildings, £12 million (2025: £30 million) of assets in the course of construction and £14 million (2025: £6 million) of motor vehicles and other equipment.

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Interim management report (continued)

Financial position

Net assets increased by £195 million to £2,291 million (31 March 2026: £2,096 million). The main movements in the balance sheet items were an increase in current asset investments of £367 million to £629 million (31 March 2026: £262 million), a net increase in property, plant and equipment and intangible fixed assets of £219 million to £12,913 million (31 March 2026: £12,694 million) arising from capital investment coupled with an increase in trade and other receivables of £43 million to £267 million (31 March 2026: £224 million). This was offset by an increase in borrowings of £433 million to £8,808 million (31 March 2026: £8,375 million) and an increase in derivative financial liabilities of £155 million to £674 million (31 March 2026: £519 million).

The company operates its own DB pension arrangement, the Cadent Gas Pension Scheme (the 'Scheme'), for certain employees. The Scheme closed to future accrual on 31 March 2024. Membership of the defined contribution scheme, MyPension, is offered to all new employees.

On an IAS 19 basis, the defined benefits pension scheme is in a net asset position of £151 million at 30 September 2026 (31 March 2026: £121 million). There is an overall increase of £30 million (DBO reduced by £238 million but assets reduced by £208 million resulting in the net overall increase). This increase follows a valuation exercise undertaken at 30 September 2026 by the Group's independent actuary. The increase primarily reflects a £216 million gain on liabilities arising from higher corporate bond yields, partially offset by an experience loss of £16 million due to actual inflation over the period being higher than assumed and actual asset returns being £169 million lower than interest income.

The Group included an initial estimate of the impact of Guaranteed Minimum Pension (GMP) equalisation within its 31 March 2019 results with a revision at 31 March 2021 following the secondary ruling on GMP equalisation. The Trustees of the Scheme have made significant progress to calculate the actual impact of GMP equalisation for the Scheme members. Whilst not yet completed, the work undertaken to date indicates an estimated impact of 0.4% of liabilities. The Group continues to hold an allowance for GMP equalisation of 0.4% of the DBO at 30 September 2026.

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 no reason to believe that the ruling in the case will have any financial impact.

The Group has net debt of £8,804 million (31 March 2026: £8,651 million). Net debt is a non-IFRS Accounting Standards measure which shows the overall debt situation and is calculated by netting the value of the company's gross borrowings, derivatives and lease liabilities with its cash and other similar short-term financial assets. The nearest equivalent IFRS Accounting Standards measure is borrowings which is presented in the consolidated statement of financial position and is reconciled below:

	30 September 2026 £m	31 March 2026 £m
Statutory results:		
Cash, cash equivalents and current asset investments	**(744)**	(279)
Borrowings	**8,808**	8,375
Derivatives	**599**	438
Lease liabilities	**141**	117
Alternative performance measure:		
Net debt (see note 11)	**8,804**	8,651

Financial position (continued)

The Group continues to have at its disposal sufficient undrawn, committed borrowing facilities at competitive rates for the medium term. At 30 September 2026, Cadent Gas Limited had undrawn credit facilities, money market funds, fixed term deposits and cash, totalling £1,244 million (31 March 2026: £779 million) made up of available Revolving Credit Facilities of £500 million, none of which is drawn (31 March 2026: £500 million undrawn), investments in short-term money market funds and fixed term deposits of £629 million (31 March 2026: £262 million), and cash of £115 million (31 March 2026: £17 million). We also retain the capacity to raise additional debt if required from both the debt capital and loan markets.

Cash flow

Net cash inflow from operating activities for the six months ended 30 September 2026 was £685 million (30 September 2025: £595 million) with the increase due to higher operating profits, depreciation and amortisation, and capital contributions received and a reduction in cash flows relating to adjusting items. This was offset by an adverse movement in trade and other receivables and trade and other payables, coupled with an increase in tax paid.

Related party transactions

There have been no material changes in the related party transactions described in the last Annual Report and Accounts. Information relating to dividends and pension fund arrangements are disclosed in notes 7 and 12 respectively.

Events after the balance sheet date

There are no post balance sheet events.

Impact of new accounting standards

The half year financial information has been prepared in accordance with the accounting policies expected to be applicable for the year ending 31 March 2027 and consistent with those applied in the preparation of the accounts for the year ended 31 March 2026. The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 18 'Presentation and Disclosure in Financial Statements' is effective for accounting periods beginning on or after 1 January 2027 and will be adopted by the Group from 1 April 2027. The Group continues to assess all of the impact that IFRS 18 will have on the primary financial statements and notes to the financial statements. IFRS 18 will be applied retrospectively with specific transitional provisions.

In May 2026, the International Accounting Board (IASB) issued IFRS 20 'Regulatory Assets and Regulatory Liabilities' which replaces IFRS 14 'Regulatory Deferral Accounts'. IFRS 20 is effective for accounting periods beginning on or after 1 January 2029, subject to UK endorsement, and will first apply to the Group's financial statements for the year ending 31 March 2030. IFRS 20 introduces requirements to recognise timing differences between the total allowed compensation for goods and services supplied in one period and recovery through regulated rates in another period. These differences are recognised as regulatory assets, regulatory liabilities, regulatory income and regulatory expenses, which are measured at present value of future cashflows. The Group is currently assessing the impact of IFRS 20 on its financial statements.

Performance Highlights

To enable us to achieve the standard of service we aspire to, we monitor our performance in implementing our strategy with reference to clear targets set for key performance indicators (KPIs). These KPIs are applied on a Group-wide basis. Performance in the six months ended 30 September 2026 (where available as some are annual figures) and the targets are set out in the table below, together with the prior year performance data for the year to 31 March 2026 and the six month period to 30 September 2025.

Strategic priorities	KPIs	Definition	Performance
Safe, secure and resilient supplies	**Safety**	**Lost time injuries frequency rate** Any injury to employee or contractor resulting in time off work (injuries per million hours worked).	**2026/27 half year: 0.20** 2025/26: 0.16 2025/26 half year: 0.20 **(Target: 0.45)** [1]
Safe, secure and resilient supplies	**Kilometres of network replaced**	**Kilometres of network replaced** Number of kilometres of mains pipe replaced.	**2026/27 half year: 800 km** 2025/26: 1,621 km 2025/26 half year: 801 km **(Full year target 2026/27: 1,554 km)** [2]
High quality service	**Customer satisfaction**	**Customer satisfaction** Our score in customer satisfaction surveys. Ofgem set a baseline target.	**2026/27 half year: 9.42** 2025/26: 9.40 2025/26 half year: 9.39 **(Target: 9.19)** [3]
	Complaints	**Complaints handling** Percentage of complaints handled within 1 day.	**2026/27 half year: 83.96%** 2025/26: 87.03% 2025/26 half year: 88.40%
Infrastructure for a low-cost transition to net zero	**Sustainability**	**PE pipe waste reduction** Total permissible waste in tonnes.	**2026/27 half year: 354** 2025/26: N/A 2025/26 half year: N/A **(Full year target 2026/27: 808)** [4]

1 Both target and actual is an annual 12-month rolling number.
2 Our programme has been developed to deliver our output of length replaced across all of our networks economically and sustainably over the five-year RIIO period rather than on an individual year basis.
3 Figures represent our baseline targets set by Ofgem for rewards or penalty.
4 Based on PE pipe waste in tonnes. These figures only include waste that was disposed of as PE waste.

Further details of our priorities are disclosed in the Annual Report and Accounts 2025/26.

Delivering our 2026/27 Priorities

We are halfway through the first year of RIIO-3, a new regulatory price control period and there are four key areas of focus. Firstly, it is essential that we deliver a safe, secure and resilient network; one that covers iron mains replacement, asset health, major capital projects and emergency and repair including services beyond the meter to support customer's in-home safety. Secondly, we continue to protect the planet by reducing methane leakage, improve our wider environmental impact and collaborate with others to strategically plan for and facilitate a low-cost transition to net zero. Thirdly, we will maintain the excellent levels of customer satisfaction we achieved over RIIO-2 and evolve this for future customer requirements relating to our disconnections service. Fourthly and lastly, we will continue to build on the strong base of performance delivered over RIIO-2 as we have established ourselves as frontier performers, creating a great platform to build from.

Our gas network plays a critical role in delivering safe and reliable heating to over 80% of domestic homes and fuelling major industry, businesses, schools and hospitals in England. We're at the forefront of shaping and delivering the road to net zero through facilitating a greener gas network and demonstrating a hydrogen pathway for future generations to come.

We are committed to reducing our impact by achieving net zero for our Scope 1 and 2 emissions (location-based) by 2050, and we are actively measuring Scope 3 emissions within our supply chain. We are aware of the climate impact that natural gas can cause from the distribution network and are addressing this through mains repair works. These works include ongoing maintenance, upgrades, and pipe replacement. This activity is helping to drive the replacement of historic cast iron pipe with PE (polyethylene pipe), which helps reduce leaks and our emissions. We have replaced a further 800km of iron mains in the first half of the year and are on track to deliver our full year mains replacement target of 1,554km. We are on track to deliver our five-year RIIO-3 investment workload. Our relentless focus in tackling climate change means that we are progressively delivering our RIIO-3 targets and continue to have the lowest leakage emissions per customer across all of the gas distribution network companies in Great Britain. We continue to target critical investment in our network to ensure its safety and resilience as a key part of the energy transition.

We remain a leading voice on the importance of low-carbon gases, such as biomethane and hydrogen, in the future energy mix to achieve net zero ambitions. Our green gas projects are progressing well, demonstrating how hydrogen and biomethane will support the task of decarbonising our customers' demand. Our East Coast Hydrogen project officially launched a 150 kilometre hydrogen pipeline linking Humber and Nottinghamshire in January 2026 (H_2East Pipeline). In addition to this, we continue to engage with the government on our HyNet project in the North West. We have grown biomethane volumes across our network and introduced a more coordinated approach to biomethane connections, helping developers connect projects that require network reinforcement more cost-effectively. Alongside this, we continue to work closely with industry partners through initiatives such as the Green Gas Taskforce to help raise political awareness and support for biomethane and unlock the full potential of this green gas across Great Britain.

We have also worked on other initiatives in the period to support our net zero ambitions. We have implemented an Advanced Leakage Management Approach (ALMA) to proactively find and fix leakages, which will reduce our Scope 1 and 2 emissions. There is also a growing focus on electrification and heat pump use, and we are actively considering and modelling scenarios on how we can support with this. This includes a new initiative which was launched in May 2026 to deliver hybrid heat pumps to 10 households in vulnerable positions, funded through Cadent's Beyond the Meter programme.

Additionally, we are engaging closely with the UK Government and the National Energy System Operator (NESO), to support them in developing future energy policy. We continue to strongly support the Government's net zero plans and continue to invest in hydrogen and biomethane related projects.

Managing the environment is about more than just reducing risk and minimising our impact; it's about implementing best practice environmental solutions to drive efficiency, save money and preserve natural resources. Our Scope 1, 2 and part of our Scope 3 data is externally audited and we apply an approach of whole energy system thinking to support decarbonisation and the energy system transition, as well as wider stakeholder-driven environmental and economic considerations, including clean air and economic growth.

Interim management report (continued)

Delivering our 2026/27 Priorities (continued)

We are committed to do all this while continuing to deliver our current levels of outstanding network reliability, customer value, safety standards and providing support for customers in vulnerable situations. We continue to focus on our learning and development strategy and have worked with teams to review training needs, refresh current programmes and propose recommendations.

One of our key priorities at this time is keeping our employees and customers safe. We are committed to improving our safety record, delivering a Lost Time Injury Frequency Rate of 0.20. We have maintained our focus on ensuring our colleagues and contractors are safe whilst at work, and that members of the public are safe in the vicinity of our works.

Our vision is for Cadent to be a fair, respectful and inclusive place to work, where all our people feel like they belong, through the experiences and opportunities they have. We engage our leaders to take ownership of inclusion within their teams and empower individuals to take action. Our well-established Employee Communities and Working Groups play an important role in integrating a diverse workforce, creating an inclusive culture and keeping employees engaged and motivated. We are proud to give colleagues the opportunity to contribute and make a difference, and are grateful for our fantastic volunteers and the changes they are creating in our culture.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report and Accounts for the year ended 31 March 2026. A detailed explanation of the risks and how the Group seeks to mitigate the risks, can be found on pages 45 to 51 of the Annual Report and Accounts for the year ended 31 March 2026. Below is a summary of our key risks as at 30 September 2026:

- Cyber, physical security breach, data issues or critical system failure
- Effectively managing assets and network reliability
- Recruiting and retaining talent
- Securing critical goods and services
- Legal and regulatory compliance
- Safety, health and environment
- Changes in external landscape
- Climate change
- Protecting customers' interests
- Macro-economic and financial

Going concern

As stated in note 1 these condensed consolidated financial statements, having made enquiries and reviewed management's assessment of going concern, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

Following the completion of the 2025/26 audit process, Deloitte LLP have been re-appointed as auditor of the Quadgas Holdings TopCo Limited Group and its subsidiaries including Cadent Gas Limited.

Cadent Gas Limited

Interim management report (continued)

Cautionary statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

By order of the Board,



G L Baron
Director
19 November 2026
Pilot Way, Ansty, Coventry, CV7 9JU

Cadent Gas Limited

Statement of Directors' responsibilities

The half year financial information is the responsibility of and has been approved by the Directors. The directors confirm that the financial information has been prepared in accordance with the United Kingdom Adopted International Standard 34 'Interim Financial Reporting'.

The Directors of Cadent Gas Limited during the period and up to the signing of the condensed financial statements are as listed in the Cadent Gas Limited Annual Report and Accounts for the year ended 31 March 2026 with the exception of the following changes to the Board:

On 28 July 2026 M Wang was appointed as Director of Cadent Gas Limited.
On 28 July 2026 X Sun resigned as Director of Cadent Gas Limited.

By order of the Board,



G L Baron
Director
19 November 2026

INDEPENDENT REVIEW REPORT TO CADENT GAS LIMITED

Conclusion

We have been engaged by the company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2026 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2026 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, “Interim Financial Reporting”.

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006. The condensed set of consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). The condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

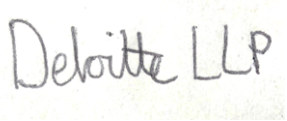
In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the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

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.



Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
19 November 2026

Cadent Gas Limited

Condensed consolidated income statement

Six months ended 30 September 2026

	Notes	**Six months ended 30 September 2026 (unaudited)**		Six months ended 30 September 2025 (unaudited)	
		£m	**£m**	£m	£m
Revenue			**1,477**		1,215
Operating costs					
Before adjusting items		**(845)**		(774)	
Adjusting items	5	**-**		(1)	
Total operating costs			**(845)**		(775)
Total operating profit			**632**		440
Finance income					
Before adjusting items		**15**		14	
Adjusting items	5/6	**2**		9	
Total finance income	6		**17**		23
Finance costs					
Before adjusting items	6	**(175)**		(169)	
Total finance costs			**(175)**		(169)
Profit before tax					
Before adjusting items		**472**		286	
Adjusting items	5	**2**		8	
Total profit before tax			**474**		294
Tax					
Before adjusting items	8	**(120)**		(73)	
Adjusting items	5/8	**-**		(2)	
Total tax	8		**(120)**		(75)
Profit after tax					
Before adjusting items		**352**		213	
Adjusting items	5	**2**		6	
Profit for the period			**354**		219

The results reported above relate to continuing operations.

Cadent Gas Limited

Condensed consolidated statement of comprehensive income

Six months ended 30 September 2026

	Six months ended 30 September 2026 (unaudited) £m	Six months ended 30 September 2025 (unaudited) £m
Profit for the period	**354**	219
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	**34**	(50)
Tax on remeasurements of post-employment benefit obligations	**(9)**	12
Total items that will never be reclassified to profit or loss	**25**	(38)
Items that may be reclassified subsequently to profit or loss		
Net gain/(loss) in respect of cash flow hedges	**29**	(15)
Net loss in respect of cost of hedging deficit	**(3)**	(6)
Amortisation of cost of hedging reserve	**2**	1
Tax on net gain/(loss) in respect of cash flow hedge reserve and cost of hedging reserve	**(7)**	5
Total items that may be reclassified subsequently to profit or loss	**21**	(15)
Other comprehensive income/(expense) for the period, net of tax	**46**	(53)
Total comprehensive income for the period	**400**	166

The results reported above relate to continuing operations.

Cadent Gas Limited

Condensed consolidated statement of financial position

As at 30 September 2026

	Notes	As at 30 September 2026 (unaudited) £m	As at 31 March 2026 (audited) £m
Non-current assets			
Intangible assets		**39**	40
Property, plant and equipment	9	**12,874**	12,654
Pension and other post-retirement benefit assets	12	**151**	121
Derivative financial assets	10	**75**	81
Total non-current assets		**13,139**	12,896
Current assets			
Inventories		**15**	16
Trade and other receivables		**267**	224
Current asset investments	11	**629**	262
Cash and cash equivalents	11	**115**	17
Total current assets		**1,026**	519
Total assets		**14,165**	13,415
Current liabilities			
Trade and other payables		**(489)**	(511)
Derivative financial liabilities	10	**(223)**	(205)
Borrowings	11	**(479)**	(486)
Lease liabilities	11	**(30)**	(25)
Corporation tax		**(78)**	(3)
Provisions		**(14)**	(13)
Total current liabilities		**(1,313)**	(1,243)
Net current liabilities		**(287)**	(724)
Total assets less current liabilities		**12,852**	12,172
Non-current liabilities			
Derivative financial liabilities	10	**(451)**	(314)
Borrowings	11	**(8,329)**	(7,889)
Lease liabilities	11	**(111)**	(92)
Deferred tax liabilities		**(1,612)**	(1,722)
Provisions		**(53)**	(55)
Accruals and deferred income		**(5)**	(4)
Total non-current liabilities		**(10,561)**	(10,076)
Total liabilities		**(11,874)**	(11,319)
Total net assets		**2,291**	2,096
Equity			
Share capital		**-**	-
Cash flow hedge reserve		**57**	35
Cost of hedging deficit		**(5)**	(4)
Retained earnings		**7,532**	7,358
Other deficit		**(5,293)**	(5,293)
Total equity		**2,291**	2,096

The notes on pages 22 to 31 are an integral part of the financial statements.

The condensed consolidated financial statements on pages 17 to 31 were approved for issue by the Board of Directors on 19 November 2026 and were signed on its behalf by:

G L Baron
Director
Cadent Gas Limited
Company registration number: 10080864



Cadent Gas Limited

Condensed consolidated statement of changes in equity

Six months ended 30 September 2026

	Share capital £m	Cash flow hedge reserve £m	Cost of hedging deficit £m	Other deficit £m	Retained earnings £m	Total £m
At 1 April 2026	**-**	**35**	**(4)**	**(5,293)**	**7,358**	**2,096**
Profit for the period	**-**	**-**	**-**	**-**	**354**	**354**
Other comprehensive income/(expense) for the period excluding amortisation of cost of hedging reserve	**-**	**22**	**(3)**	**-**	**25**	**44**
Amortisation of cost of hedging reserve	**-**	**-**	**2**	**-**	**-**	**2**
Total comprehensive income/(expense) for the period	**-**	**22**	**(1)**	**-**	**379**	**400**
Equity dividends (note 7)	**-**	**-**	**-**	**-**	**(205)**	**(205)**
At 30 September 2026 (unaudited)	**-**	**57**	**(5)**	**(5,293)**	**7,532**	**2,291**

	Share capital £m	Cash flow hedge reserve £m	Cost of hedging reserve/ (deficit) £m	Other deficit £m	Retained earnings £m	Total £m
At 1 April 2025	-	37	1	(5,293)	7,530	2,275
Profit for the period	-	-	-	-	219	219
Other comprehensive expense for the period excluding amortisation of cost of hedging reserve/(deficit)	-	(10)	(6)	-	(38)	(54)
Amortisation of cost of hedging reserve	-	-	1	-	-	1
Total comprehensive (expense)/income for the period	-	(10)	(5)	-	181	166
Equity dividends (note 7)	-	-	-	-	(208)	(208)
At 30 September 2025 (unaudited)	-	27	(4)	(5,293)	7,503	2,233

The cash flow hedge reserve in relation to the cross-currency interest rate swap contracts will be recycled to the income statement over the life of the hedged items.

Cadent Gas Limited

Condensed consolidated statement of cash flows

Six months ended 30 September 2026

	Notes	**Six months ended 30 September 2026**	Six months ended 30 September 2025
		(unaudited)	(unaudited)
		£m	£m
Cash flows from operating activities			
Total operating profit		**632**	440
Adjustments for:			
Adjusting items	5	**-**	1
Depreciation and amortisation		**270**	259
Decrease in inventories		**1**	1
Increase in trade and other receivables		**(43)**	(25)
Increase in trade and other payables		**9**	17
Capital contribution income		**(20)**	(14)
Changes in provisions		**(1)**	(1)
Gain on disposal of property, plant and equipment		**(1)**	(1)
Changes in pensions and other post-retirement obligations		**5**	5
Capital contributions received		**18**	10
Cash flows relating to adjusting items		**(1)**	(16)
Cash generated from operations		**869**	676
Tax paid		**(184)**	(81)
Net cash inflow from operating activities		**685**	595
Cash flows from investing activities			
Purchases of intangible assets		**(4)**	(9)
Purchases of property, plant and equipment		**(456)**	(424)
Disposals of property, plant and equipment		**1**	1
Interest received		**10**	5
Net (increase)/decrease in financial investments		**(365)**	137
Net cash flow used in investing activities		**(814)**	(290)
Cash flows from financing activities			
Proceeds received from loans		**553**	-
Cash received on settlement of derivatives hedging loans		**6**	-
Repayment of lease liabilities		**(18)**	(18)
Interest paid on loans		**(141)**	(139)
Cash received on interest settlement of derivatives		**32**	36
Dividends paid to shareholders	7	**(205)**	(208)
Net cash flow used in financing activities		**227**	(329)
Net increase/(decrease) in cash and cash equivalents		**98**	(24)
Net cash and cash equivalents at the start of the period		**17**	19
Net cash and cash equivalents at the end of the period		**115**	(5)
Comprising:			
- Cash		**115**	19
- Overdraft		**-**	(24)
		115	(5)

Cadent Gas Limited

Notes to the condensed consolidated financial statements

Six months ended 30 September 2026

1 Basis of preparation and new accounting standards, interpretation and amendments

The Annual Report and Accounts of the company will be prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the United Kingdom adopted International Accounting Standard 34 “Interim Financial Reporting”.

The half year financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. It should be read in conjunction with the statutory accounts for the year ended 31 March 2026, which were prepared in accordance with UK-adopted IFRS Accounting Standards as issued by the IASB, and have been filed with the Registrar of Companies. The auditor’s report on these statutory accounts was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

Having made enquiries and reassessed the principal risks, the Directors have concluded that the Group is well placed to manage its liquidity and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of this report. The Directors therefore consider, having concluded that there are no material uncertainties, that it was appropriate to adopt the going concern basis of accounting in preparing the half year financial information.

In preparing this half year financial information, the areas of judgement made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2026.

The half year financial information has been prepared in accordance with the accounting policies expected to be applicable for the year ending 31 March 2027 and consistent with those applied in the preparation of the accounts for the year ended 31 March 2026. The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 18 'Presentation and Disclosure in Financial Statements’ is effective for accounting periods beginning on or after 1 January 2027 and will be adopted by the Group from 1 April 2027. The Group continues to assess all of the impact that IFRS 18 will have on the primary financial statements and notes to the financial statements. IFRS 18 will be applied retrospectively with specific transitional provisions.

In May 2026, the International Accounting Board (IASB) issued IFRS 20 ‘Regulatory Assets and Regulatory Liabilities’ which replaces IFRS 14 ‘Regulatory Deferral Accounts’. IFRS 20 is effective for accounting periods beginning on or after 1 January 2029, subject to UK endorsement, and will first apply to the Group's financial statements for the year ending 31 March 2030. IFRS 20 introduces requirements to recognise timing differences between the total allowed compensation for goods and services supplied in one period and recovery through regulated rates in another period. These differences are recognised as regulatory assets, regulatory liabilities, regulatory income and regulatory expenses, which are measured at present value of future cashflows. The Group is currently assessing the impact of IFRS 20 on its financial statements.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Cadent Gas Limited's accounting policies, which are described in note 1 to the Annual Report and Accounts 2025/26, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2026.

3 Segmental analysis

The Directors believe that the whole of the Group's activities constitute one single segment. Operating segments are reported in the manner consistent with internal reporting to the Chief Operating Decision Maker, which has been identified as the Executive Committee who report to the Board of Directors.

The Group's country of domicile is the United Kingdom and is the country in which it generates all of its revenue. The Group's assets are all located within the United Kingdom.

4 Seasonality

The volumes of gas distributed across network assets are dependent on levels of customer demand which are generally higher in winter months. As a result of this, the amounts reported for the interim period may not be indicative of the amounts that will be reported for the full year due to seasonal fluctuations in customer demand for gas and the impact of weather on demand, however the fluctuations do not have a significant impact on results.

5 Adjusting items

In order to illustrate the adjusted trading performance of the Group, presentation has been made of performance measures excluding those items to provide a more comparable year-on-year operating performance of the company. The Group's policy is to exclude items that are considered significant in nature and quantum, or are not in the normal course of business.

The total adjusting items included within total operating costs before tax for the six months to 30 September 2026 is £Nil (2025: £1 million).

Adjusting items are items of income and expenditure that, in the judgment of management, should be disclosed separately on the basis that they are important to an understanding of our financial performance and may significantly distort the comparability of financial performance between periods. The disclosure and classification of adjusting items may not be comparable between companies, and the exclusion of adjusting items impacts the presentation of financial performance and cash flows.

In determining whether an item should be presented as adjusting in nature and hence adjusting the relevant IFRS Accounting Standards measures, management utilises an adjusting items framework that follows a three-step process which considers the nature of the event, the financial materiality involved and any particular facts and circumstances. In considering the nature of the event, management focuses on whether the event is within the Group's control and how frequently such an event typically occurs. In determining the facts and circumstances management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions, precedent for similar items, number of periods over which costs will be incurred or gains earned and the commercial context for the particular transaction.

Items of income or expense that are considered by management for designation as adjusting items include items such as significant restructurings, significant write-downs or impairment of non-current assets, integration of acquired businesses, gains or losses on disposals of businesses or investments, debt redemption costs as a consequence of transactions such as significant disposals or issues of equity and the impact on brought forward deferred tax balances arising from corporation tax rate changes.

Adjusting items within finance income comprise gains or losses recorded in the income statement arising from changes in the fair value of derivative financial instruments (with the exception of the amount relating to accretion which is included within interest) to the extent that hedge accounting is not achieved or is not effective. These fair values increase or decrease because of changes in the financial indices and prices over which we have no control.

5 Adjusting items (continued)

	Six months ended 30 September 2026 £m	Six months ended 30 September 2025 £m
Adjusting items included within total operating costs:		
Restructuring costs [(i)]	-	1
	-	1
Adjusting items included within finance income:		
Net gains on derivative financial instruments [(ii)]	(2)	(9)
	(2)	(9)
Total included within profit before tax	(2)	(8)
Included within taxation:		
Tax on adjusting items		
Tax charge on net gains on derivative financial instruments	-	2
	-	2
Total adjusting items after tax	(2)	(6)
Analysis of total adjusting items after tax		
Total adjusting items included within operating costs after tax	-	1
Total adjusting items included within finance income after tax	(2)	(7)
	(2)	(6)

(i) During the period, the Group recognised £Nil (2025: £1 million) in adjusting items. In the prior year, the Group incurred costs of £1 million (cumulative: £44 million) in relation to our RIIO-3 transformation programme that began in 2024 to improve the efficiency of our operations by restructuring the business. These activities are infrequent and adjusting in nature, and are financially material over the course of the multi-year exercise.

(ii) Net gains on derivative financial instruments comprise gains arising on derivative financial instruments reported in the income statement. These exclude gains and losses for which hedge accounting has been effective, which have been recognised directly in other comprehensive income or which are offset by adjustments to the carrying value of debt.

6 Finance income and costs

	Six months ended 30 September 2026 £m	Six months ended 30 September 2025 £m
Finance income		
Interest income from pensions	**3**	10
Interest income from financial investments	**12**	4
Adjusting items [(i)]	**2**	9
Total finance income	**17**	23
Finance costs		
Interest expense on financial liabilities held at amortised cost:		
Bank loans and overdrafts	**17**	16
Bonds [(ii)]	**125**	117
Derivatives [(iii)]	**30**	34
Other [(iv)]	**3**	2
Total finance cost	**175**	169
Net finance costs	**158**	146

(i) Includes a net foreign exchange gain on financing activities of £47 million (six months ended 30 September 2025: £69 million loss). These amounts are fully offset by foreign exchange gains and losses on derivative financial instruments measured at fair value. Also includes a gain of £2 million (six months ended 30 September 2025: £9 million gain) relating to the remeasurement of derivatives not designated as hedges and ineffectiveness on derivatives designated as cash flow hedges.

(ii) Included within finance costs in bonds is £8 million (six months ended 30 September 2025: £10 million) RPI-linked debt instruments with an original tenor of > 10 years (cumulative: £329 million).

(iii) Included within finance costs in derivatives is net interest received on derivatives of £12 million (six months ended 30 September 2025: £15 million) . Also, £12 million (six months ended 30 September 2025: £18 million) of accretion on RPI-linked swaps with original tenor > 10 years (cumulative: £225 million), £21 million (six months ended 30 September 2025: £22 million) on CPI-linked swaps (cumulative: £218 million) with 7-10 years original tenor and £9 million (six months ended 30 September 2025: £9 million) on CPI-linked swaps (cumulative: £85 million) with an original tenor > 10 years.

(iv) Included within finance costs in other is unwinding of discount on provisions, interest on lease liabilities and interest on tax.

7 Dividends

	Six months ended 30 September 2026 £m	Six months ended 30 September 2025 £m
Interim dividend of £1,212.80 per ordinary share amounting to £205,000,000 was declared on 17 September 2026 and paid on 28 September 2026	**205**	-
Interim dividend of £1,227.60 per ordinary share amounting to £207,500,000 was declared on 18 August 2025 and paid on 1 September 2025	**-**	208
	205	**208**

No further dividends are proposed for the current financial period.

8 Tax

Tax charged to the income statement

	Six months ended 30 September 2026 £m	Six months ended 30 September 2025 £m
Tax before adjusting items	**120**	73
Tax on adjusting items	**-**	2
Total tax expense	**120**	75

Tax as a percentage of profit before tax	**2026**	2025
Before adjusting items	**25.4%**	25.5%
After adjusting items	**25.3%**	25.5%

The effective tax rate before adjusting items of 25.4% for the period (six months to 30 September 2025: 25.5%) is higher (2025: higher) than the standard rate of corporation tax in the UK of 25% (2025: 25%). The rate is higher than the standard rate as a result principally of non-tax deductible depreciation of assets that have not qualified for any tax relief (0.5%) and other non-tax deductible expenditure (0.1%) offset by non-taxable income (-0.2%). The expected tax rate for the full year in respect of profit before adjusting items is 25.3% (31 March 2026: 25.5% actual rate).

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

	Six months ended 30 September 2026 £m	Six months ended 30 September 2025 £m
Current tax	**117**	78
Deferred tax	**3**	(3)
	120	75

On 28 October 2026, the UK Government announced a measure allowing qualifying gas distribution companies to spread over five years the Corporation Tax impact of the revised revenue recognition requirements resulting from the amendments to Financial Reporting Standard 102, ‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’ (FRS 102). As the parent company of Cadent Gas Limited is prepared under FRS 102, an initial impact assessment was included in the Annual Report and Accounts 2025/26 which referenced the additional £128 million of Corporation Tax liability falling due as a current tax liability. Following the announcement, it is expected to result in a reclassification of the balance to a deferred tax liability, as the recognition of the taxable income for UK Corporation Tax purposes is deferred over the five year period.

As the detailed legislation and HMRC guidance have not yet been published, uncertainty remains regarding the final operation of the measure, including any consequential impact on interest deductibility. As the legislation had not been substantively enacted at the reporting date, no adjustment has been recognised in these interim financial statements.

9 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and other equipment £m	Right-of-use assets £m	Total £m
Cost						
At 1 April 2026	244	15,392	47	258	195	16,136
Additions	3	416	12	14	40	485
Reclassifications	-	27	(27)	-	-	-
Disposals	-	-	-	(5)	(8)	(13)
At 30 September 2026	**247**	**15,835**	**32**	**267**	**227**	**16,608**
Accumulated depreciation and impairment						
At 1 April 2026	(86)	(3,116)	-	(196)	(84)	(3,482)
Depreciation charge for the period	(8)	(227)	-	(14)	(16)	(265)
Disposals	-	-	-	5	8	13
At 30 September 2026	**(94)**	**(3,343)**	**-**	**(205)**	**(92)**	**(3,734)**
Net book value:						
At 30 September 2026	**153**	**12,492**	**32**	**62**	**135**	**12,874**
At 31 March 2026	158	12,276	47	62	111	12,654

The UK's target to achieve net zero by 2050 may impact the Useful Economic Lives (UELs) of our plant and machinery if our network can no longer be used beyond this point. We recognise that there are a range of possible futures regarding how our network is used and the role that hydrogen and other green gases such as biomethane have to play. Given the information currently available about how the UK will achieve net zero using alternative technologies (particularly greener gases such as hydrogen and biomethane), and ahead of the government's Heat Policy decision, it is still reasonable to assume that the network will continue to be used beyond 2050 in its current form or adapted to accommodate further biomethane connections or hydrogen. For sensitivity analysis over the residual lives of assets see note 29 of the Annual Report and Accounts 2025/26.

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and other equipment £m	Right-of-use assets £m	Total £m
Cost						
At 1 April 2025	234	14,546	68	252	190	15,290
Additions	7	380	30	6	4	427
Reclassifications	-	9	(9)	-	-	-
Disposals	(3)	(1)	-	(18)	(3)	(25)
At 30 September 2025	238	14,934	89	240	191	15,692
Accumulated depreciation and impairment						
At 1 April 2025	(73)	(2,680)	-	(183)	(62)	(2,998)
Depreciation charge for the period	(8)	(213)	-	(17)	(14)	(252)
Disposals	3	1	-	18	3	25
At 30 September 2025	(78)	(2,892)	-	(182)	(73)	(3,225)
Net book value:						
At 30 September 2025	160	12,042	89	58	118	12,467
At 31 March 2025	161	11,866	68	69	128	12,292

10 Fair value measurement

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

As at 30 September 2026	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Fair value through profit and loss ('FVTPL') instruments	**629**	**-**	**-**	**629**
Derivative financial instruments	**-**	**75**	**-**	**75**
Liabilities				
Derivative financial instruments	**-**	**(409)**	**(265)**	**(674)**
Total	**629**	**(334)**	**(265)**	**30**

As at 31 March 2026	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Fair value through profit and loss ('FVTPL') instruments	202	-	-	202
Derivative financial instruments	-	81	-	81
Liabilities				
Derivative financial instruments	-	(291)	(228)	(519)
Total	202	(210)	(228)	(236)

Financial liabilities in the consolidated statement of financial position are held at fair value with the exception of borrowings, which are held at amortised cost. Financial assets are classified at inception into one of the following categories which then determines the subsequent measurement methodology: financial assets at amortised cost; financial assets at fair value through other comprehensive income (FVTOCI); and financial assets at fair value through profit or loss (FVTPL). Carrying value is used if it approximates to fair value.

The estimated fair value of total borrowings using market values at 30 September 2026 is £7,641 million (31 March 2026: £7,326 million).

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.

The Level 3 derivative financial instruments comprise £1 billion of CPI-linked inflation swaps maturing in 2028 and 2031 which are traded based on CPI inflation markets. The fair value of derivative financial instruments relating to CPI swaps use cash flows which are projected using the CPI inflation curve with short tenors. Where CPI swap liquidity is limited for long tenors, the CPI curve is derived from the RPI curve by subtracting the market implied RPI/CPI basis spread at each tenor, then discounted to present value using appropriate nominal discount curve, to which model-derived counterparty and Cadent credit and funding valuation adjustments are applied. As the RPI and CPI spreads for long tenors, the funding adjustments and Cadent spread are not observable, these swaps have been classified as Level 3 instruments. As these instruments are linked to CPI, higher inflation forecasts across the life of the instruments will result in a larger liability at maturity, negatively impacting the fair value. Conversely, a reduction in inflation forecasts across the life of the instruments will reduce the liability at maturity and positively impact the fair value. Indicatively, a 1% change in the first twelve months of the inflation indices used to calculate the fair values of the Level 3 derivative financial instruments would change the fair values by £12.3 million, with an increase in the inflation indices reducing the fair values and vice versa. Fair values will also be impacted by movements in interest rate curves which are used to derive the discount rates used in calculating the net present values of the instruments.

10 Fair value measurement (continued)

Movements in the six months to 30 September 2026, for assets and liabilities measured at fair value using Level 3 valuations inputs are as follows:

	Six months ended 30 September 2026 £m	Six months ended 30 September 2025 £m
At 1 April	**(228)**	(169)
Net loss for the period	**(8)**	(3)
Settlements	**(29)**	(29)
At 30 September	**(265)**	(201)

Net losses in the period are shown within interest cost in the income statement.

11 Net debt

	Six months ended 30 September 2026 £m	Year ended 31 March 2026 £m
Increase in borrowings & related derivatives	**(559)**	(398)
Repayment of lease liabilities	**18**	35
Net interest paid on borrowings and derivatives	**109**	207
Changes in net debt arising from financing activities	**(432)**	(156)
Increase/(decrease) in cash and cash equivalents	**98**	(2)
Increase in financial investments	**355**	90
Changes in net debt arising from cash flows	**21**	(68)
Changes in fair value of financial assets	**(19)**	26
Foreign exchange movements	**47**	(72)
Net interest charge on the components of net debt	**(163)**	(300)
Other non-cash changes	**(39)**	(13)
Movement in net debt (net of related derivative financial instruments)	**(153)**	(427)
Net debt (net of related derivative financial instruments) at the start of the period	**(8,651)**	(8,224)
Net debt (net of related derivative financial instruments) at the end of the period	**(8,804)**	(8,651)

Composition of net debt:

Cash, cash equivalents and current asset investments	**744**	279
Borrowings and bank overdrafts	**(8,808)**	(8,375)
Derivatives	**(599)**	(438)
Lease liabilities	**(141)**	(117)
Total net debt	**(8,804)**	(8,651)

Notes to the condensed consolidated financial statements (continued)

Six months ended 30 September 2026

12 Retirement benefit schemes

	As at 30 September 2026	Year ended 31 March 2026
	£m	£m
Present value of funded obligation	**(3,609)**	(3,847)
Fair value of plan assets	**3,763**	3,971
	154	124
Present value of unfunded obligations	**(3)**	(3)
Net defined benefit asset	**151**	121
Represented by:		
Liabilities	**(3,612)**	(3,850)
Assets	**3,763**	3,971
	151	121
Key actuarial assumptions		
Discount rate - Past service	**6.45%**	5.95%
Rate of increase in RPI - Past service	**3.25%**	3.35%

The net pensions position, as recorded under IAS19, at 30 September 2026 was a surplus of £151 million compared to a surplus of £121 million at 31 March 2026. There is an overall increase of £30 million (DBO reduced by £238 million but assets reduced by £208 million resulting in the net overall increase). This increase follows a valuation exercise undertaken at 30 September 2026 by the Group's independent actuary. The increase primarily reflects a £216 million gain on liabilities from higher corporate bond yields, partially offset by an experience loss of £16 million due to actual inflation over the period being higher than assumed and actual asset returns being £169 million lower than interest income.

The Group included an initial estimate of the impact of GMP equalisation within its 31 March 2019 results with a revision at 31 March 2021 following the secondary ruling on GMP equalisation. The Trustees of the Scheme have made significant progress to calculate the actual impact of GMP equalisation for the Scheme members. While not yet completed, the work undertaken to date indicates an estimated impact of 0.4% of liabilities. The Group continues to hold an allowance for GMP equalisation of 0.4% of the DBO at 30 September 2026.

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 no reason to believe that the ruling in the case will have any financial impact.

13 Commitments and contingencies

(a) Capital and other commitments

At 30 September 2026 there were commitments for future capital expenditure contracted but not provided for £362 million (31 March 2026: £212 million). We also have other commitments relating to contingencies in the form of letters of credit and leases.

(b) Environmental claims

An environmental provision has been set up to deal with the costs of statutory decontamination of Cadent Gas Limited's old gas sites. Other claims have arisen from time to time, however none of these have been significant. It is not possible to determine the level of such future claims however, based upon experience, the Directors do not consider a provision necessary.

(c) Litigation

Through the ordinary course of operations, the company is party to various litigation, claims and investigations. The Directors do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on the company’s results of operations, cash flows or financial position.

(d) Guarantees and letters of credit

Group undertakings have entered into bonds and guarantees in the normal course of business. No liability is expected to arise in respect of bonds, guarantees or letters of credit.

14 Related party transactions

A related party is a company or individual who also has an interest in us. The related parties identified include the immediate parent, ultimate parent, fellow subsidiaries, associated undertakings, investments and key management personnel.

There have been no material changes in the related party transactions described in the last Annual Report and Accounts. Information relating to dividends and pension fund arrangements are disclosed in notes 7 and 12 respectively.

15 Events after the balance sheet date

There are no post balance sheet events.