Company Registration Number: 10487004

Quadgas Investments BidCo Limited

Annual Report and Financial Statements

For the year ended 31 March 2025

Quadgas Investments BidCo Limited

Strategic Report

For the year ended 31 March 2025

The Directors present their Strategic Report for Quadgas Investments BidCo Limited ("the company") for the year ended 31 March 2025.

Principal activities

The company is part of a larger group (“the Group”) comprising of its direct holding in Quadgas HoldCo Limited and its indirect subsidiary holdings as set out in note 8. The ultimate controlling and immediate parent company is Quadgas Holdings TopCo Limited (see note 16). The principal activity of the company is to hold investments in other Quadgas Holdings TopCo Limited subsidiary companies and to provide long term finance. The Directors are not aware, at the date of this report, of any likely major changes in the company’s activities or prospects in the next year.

Results

The company’s profit for the year was £378,000,000 (2024: £370,000,000) as disclosed on page 15. The movement is largely due to an increase in dividend income to £378,000,000 (2024: £370,000,000).

Financial position

The financial position of the company is presented in the statement of financial position. Total shareholders’ funds at 31 March 2025 were £4,146,000,000 (2024: £4,146,000,000) comprising primarily of investments in Group undertakings of £4,148,000,000 (2024: £4,148,000,000). The company has external borrowings of £902,000,000 (2024: £902,000,000) which it passes on to Quadgas HoldCo Limited on identical terms.

Key performance indicators and principal risks and uncertainties

As the company is part of a larger group comprising of its direct holding in Quadgas HoldCo Limited and its indirect subsidiary holdings as set out in note 8, the management of the company does not involve the use of key performance indicators, other than the profit or loss for the year, in measuring the development, performance or the position of the company. The principal risks and uncertainties are integrated with the principal risks of Quadgas Holdings TopCo Limited.

Future developments

By nature of its operating business the Directors believe the company will continue to act as a holding company for the foreseeable future. Despite recent macro-economic volatility impacting inflation, energy prices, US Government and retaliatory tariffs and the ongoing conflicts in the Middle East and Ukraine, the company has not been significantly impacted, and the Directors believe the current level of operating activity as reported in the income statement will continue into the foreseeable future.

As a holding company, Quadgas BidCo Investments Limited is not currently directly or significantly impacted by climate change. Cadent Gas Limited, the Group's operating company, is. For information on how climate change will impact the Group's operating company, Cadent Gas Limited, refer to the Strategic Report included in Cadent Gas Limited's Annual Report and Accounts 2024/2025.

S172 Statement

The following statement describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006.

The company has no employees and no operational activities; it is a financing company for shareholder debt. The company's principal activity is to hold investments in Quadgas HoldCo Limited and its indirect subsidiary companies.

As a wholly owned subsidiary holding company, the Directors consider the impact of the company's activities on its stakeholders, consisting of its shareholder, its subsidiaries and other stakeholders including (but not limited to) Ofgem (The Office of Gas and Electricity Markets), the UK Government, banks and other financial institutions, and members of the consortium of investors who together own the parent company ('the Consortium'). Whilst not directly regulated itself, the company maintains a close relationship with Ofgem, via the indirect subsidiary company Cadent Gas Limited.

The company's stakeholders are consulted routinely on a wide range of matters including funding decisions, investment strategy, delivery of the Group's strategy, governance and compliance with Group policies with the aim of maximising investment returns for the benefit of its shareholder and ensuring that its subsidiaries maintain high standards of business conduct and governance. The Board considers the consequences of its decisions through these consultations to ensure that the long-term interests of the company are protected.

As an investment vehicle for the Group, the company obtains finance externally and provides finance to fellow subsidiary companies via intercompany balances. The Board considers the company's investments in light of the Group's environmental, corporate and social responsibility strategies, as such the Board receives information on these topics from management to make better informed Board decisions.

The Directors delegate authority for day-to-day management of the company and other subsidiaries in the Group to the Executive Committee and then engage management in setting, approving and overseeing execution of the business strategy, to ensure that company policies and practices support effective decision making to deliver long-term value.

For further information on the Group activities and disclosure please refer to the Cadent Gas Annual Report and Accounts 2024/25.

This statement is also available at: https://cadentgas.com/

The Strategic Report was approved by the Board and signed on its behalf by:

E Howell

Director

19 June 2025

Quadgas Investments BidCo Limited
Directors' Report
For the year ended 31 March 2025

The Directors present their Report and the audited financial statements of the company for the year ended 31 March 2025.

Future developments
Details of future developments have been included within the Strategic Report on page 1.

Dividends
An interim dividend of 0.061p per ordinary share amounting to £189,159,343 was declared on 25 September 2024 and paid on 26 September 2024.

A second interim dividend of 0.061p per ordinary share amounting to £189,060,776 was declared on 23 January 2025 and paid on 27 January 2025.

No further dividends are proposed for the current financial year.

Charitable and political donations
Charitable donations made by the Group during the year totalled £0.5 million (2023/24: £4.8 million).

The Group made no political donations during the year (2023/24: £Nil)

Research and development
The company spent £Nil (2024: £Nil) on research and development during the year.

Financial risk management
The management of the company and the execution of the company's strategy are subject to a number of financial risks. The Directors have identified the need to manage the company's material financial risks, including liquidity, credit, exchange rate risk, interest rate risks, inflation rate risks, and the use of derivative and non-derivative financial instruments.

The company acts as a conduit for finance raised and any related derivative transactions between the market and its immediate subsidiary company, and amounts raised or entered into are usually passed on to its immediate subsidiary on identical terms. The company's exposures are limited to the credit risk on the intercompany loans (as disclosed below and in note 9).

The company has limited direct exposure to macro-economic volatility, however we recognise the macro-economic impacts on interest rates and foreign exchange rates on our underlying debt portfolio. These impacts are addressed through our financial risk management.

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Quadgas Holdings TopCo Limited's (the immediate parent company) short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of external borrowings and intercompany receivables.

Credit risk
The company raises debt finance for other Group subsidiaries. Amounts raised are usually passed on to subsidiaries on identical terms. The principal risk of these arrangements is that the subsidiary is unable to meet its obligations to the company. The company is exposed to the expected credit losses on its intercompany loan with its subsidiary. The expected credit loss has been calculated by considering the probability of default and the loss given default on the balance outstanding on the intercompany loan.

Interest rate risk

The company has interest bearing intercompany assets. To the extent that the company enters into intercompany loan agreements, the company's exposure to interest rate cash flow risk arises on such loans on which interest is charged based upon a floating index. There were no such loans at 31 March 2025 (2024: £Nil).

Directors

The Directors of the company during the period and up to the date of signing of the financial statements were:

S Fennell
E B Fidler
M W Mathieson
M W Braithwaite
D A Karnik
H Su
D J Xie
M Wang
D L Wilkins
N R V Corrigall
G E Cooley
E Howell
A G Ray
A Carta (Appointed 22 May 2025)
W D G Price (Resigned 23 October 2024)
A M Al-Ansari (Resigned 22 May 2025)

Directors' indemnity

Quadgas Holdings TopCo Limited has arranged, in accordance with the Companies Act 2006 and the Articles of Association, qualifying third party indemnities against financial exposure that Directors may incur in the course of their professional duties. Alongside these indemnities, Quadgas Holdings TopCo Limited places Directors' and Officers' liability insurance for each Director.

Going concern

The statement of financial position shows net assets of £4,146,000,000 at 31 March 2025 (2024: £4,146,000,000). The income statement shows a profit for the year ended 31 March 2025 of £378,000,000 (2024: £370,000,000), driven by an increase in dividend income in the year. The existing borrowings are not repayable until 2043 (extended to 2050 on the 30 April 2025), and the interest payable on the liability is matched to the interest receivable from Quadgas HoldCo Limited on the same terms. The company continues to receive dividend income and interest income from Quadgas HoldCo Limited which continues to operate as a going concern as at 31 March 2025. See the Directors report within the Quadgas HoldCo Limited Annual Report and Accounts for further details.

In determining the relevant assessment period, the Directors have considered the principal risks and specific factors impacting the company and have made the judgement that, given there are no planned events in the medium term which would significantly impact the length of the assessment period including any major refinancing or the expiry of existing facilities, the minimum period of 12 months from signing the accounts is a sufficient period for the assessment.

Going concern (continued)

Despite recent macro-economic volatility impacting inflation, energy prices, US Government and retaliatory tariffs and the ongoing conflicts in the Middle East and Ukraine, Quadgas Investments BidCo has not been significantly impacted. The company continues to closely monitor and manage the impacts of changes in the macroeconomic environment. 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. The Directors are satisfied 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. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

On 30 April 2025, Quadgas BidCo Limited amended the terms on its £902 million external loan from the Consortium, extending the termination date to 30 April 2050 and increasing the interest rate to 8.0%. All other terms remain unchanged. At the same time, Quadgas BidCo Limited also amended the terms on the internal loan made to its subsidiary Quadgas HoldCo Limited, extending the termination date to 30 April 2050 and increasing the interest rate to 8.0%. All other terms remained unchanged.

Disclosure of information to auditors

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The auditors have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

Internal control and risk management

As the company is part of a larger Group, the internal control and risk management procedures are integrated with the internal control and risk management procedures in Cadent Gas Limited. Cadent Gas Limited has established internal control and risk management systems in relation to the process for preparing its financial statements. The key features of these internal control and risk management systems are:

- The Risk Assurance function and management conducts various checks on internal financial controls periodically.
- Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting, and where appropriate, reflects developments in the financial statements. Appropriate briefings and/or training are provided to key finance personnel on relevant developments in accounting and financial reporting.
- The financial statements are subject to review by the Financial Reporting function for unusual items, unexplained trends and completeness. Any unexplained items are investigated.
- The Board review the draft financial statements. The Board receive reports from management on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements.

Capital structure

The share capital of the company consists of 311,653,789,270 ordinary shares of £0.001 each.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). 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 state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising IFRS, have been followed subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors 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’ Report was approved by the Board and signed on its behalf by:

E Howell
Director
19 June 2025

Registered office:
Pilot Way
Ansty Park
Coventry
CV7 9JU
United Kingdom

Registered in England and Wales
Company registration number: 10487004

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUADGAS INVESTMENTS BIDCO LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Quadgas Investments BidCo Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its profit for the year then ended;
- 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 16.

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

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 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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

3. Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was: • the valuation of unlisted investments

	Within this report, the key audit matter identified has a similar level of risk compared to the prior year.
Materiality	The materiality that we used in the current year was £38.0m which was determined on the basis of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes to our approach from the prior year.

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.

The company is a member of the Quadgas Holdings TopCo Limited and its subsidiaries (the "group") and the going concern of the company is closely linked to the group. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting has therefore been performed at the group level, supplemented with procedures specific to the company, and included:

- evaluation of financing facilities including nature of facilities, repayment terms and covenants;
- assessment of the reasonableness of assumptions used in the forecasts;
- assessment of amount of headroom in the forecasts (cash and covenants);
- evaluation of sensitivity analysis;
- assessment of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts; and
- assessment of the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

5. Key audit matters

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

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

5.1. Valuation of unlisted investments

Key audit matter description	The company has unlisted investments of £4,148m as at 31 March 2025 (2024: £4,148m), valued at cost less impairment. These investments comprise an investment in Quadgas HoldCo Limited and its subsidiaries and are highly material to the company as they account for 82% of total assets (2024: 82%). The valuation of these investments is largely underpinned by the valuation of the gas assets held by Cadent Gas Limited as determined in the assessment for the value in use of Quadgas MidCo Limited. No impairment has been recognised during the year (2024: Nil). Judgement is required by the directors as to whether the investments should be impaired or whether there are identifiable favourable indicators that a reversal of an impairment loss can be recognised based on the financial position and future prospects of the investments. The recoverable amount is estimated from value in use calculations. In the current year, the key and most sensitive assumption underpinning the value in use estimate (or enterprise value) is the discount rate assumption. Other assumptions and estimates underpinning the forecast cash flows, impairment reviews, and consequently, the value in use are: • assumptions impacting regulatory returns, including regulatory weighted average cost of capital (WACC); • regulatory asset value ('RAV') exit multiple; • terminal year of 2045; and • inflation rate (CPIH) for RIIO-3 and beyond. Regulatory WACC is calculated by Ofgem and is set for five-year periods known as price control periods, however management make assumptions in relation to future price controls. The regulatory WACC represents the regulatory cost of equity being the expected rate of return on investment that is allowed for a company's shareholders, and the cost of debt being the return Cadent receives for the cost of debt finance. The terminal value is calculated by applying a terminal value multiple (RAV exit multiple) to the cash flows expected in the final forecast year of the entity's explicit forecasts at 2045. The inflation indexation applied in management's model is the Consumer Price Index including owner occupiers' housing costs (CPIH). These assumptions are sensitive to publications by Ofgem regarding future price control periods from 1st April 2026 ('RIIO-3' and beyond). Although Ofgem have not published their draft or final determinations for the next price control periods, there has been a Sector Specific Methodology Decision ('SSMD') issued by Ofgem ahead of RIIO-3 during the year, which impact the value in use estimate. Furthermore, the UK Government has enacted legislation and established targets in respect of net zero carbon emissions by 2050 and, accordingly, climate related risks represent a strategic challenge to the group. As described in Note 8 the to the financial statements management considered the potential uses for the group's gas assets as part of their consideration around whether developments in the UK towards binding carbon reduction targets should trigger any changes to the group's estimates, judgements, or disclosures. Management's assessment included an overview of the risks and opportunities arising as a result of the UK Government's legislative changes in this regard. Whilst there is inherent uncertainty over the transition to 'Net zero' by the Government's

	2050 target date and the adaptation of the existing network for greener gases such as hydrogen, management have not made any adjustments to the future cashflows or assumptions in this respect. Having analysed the potential decarbonisation pathways, management has identified potential uses for the group's gas pipeline assets in a net zero energy system, including the opportunity to drive forward the UK's hydrogen economy. On this basis, management have concluded that the group's UK gas network will continue to have an economic use beyond 2045. Further details are included within significant accounting policies in note 1(g) and note 8 to the financial statements.
How the scope of our audit responded to the key audit matter	Together with our valuations, regulatory and ESG specialists, we have evaluated the group assessment for the value in use of Quadgas MidCo Limited impairment assessment: • obtained an understanding of relevant controls around the value in use calculations, the discount rate, and other key assumptions; • understood and assessed management's methodology, data inputs and key assumptions used in estimates as well as management's prepared sensitivity analysis; • performed an independent sensitivity analysis; • evaluated the appropriateness of the discount rate, regulatory WACC, forecast long-term inflation (CPIH), and RAV exit multiple including assessing the impact of climate change and sustainability risks on the cash flow forecasts and available contradictory evidence; • assessed the implied enterprise value/RAV multiple against other comparable regulated businesses and recent transactional evidence; • evaluated the consistency of management's assumptions within the impairment model with those applied in the group's other valuation, forecast models and RIIO-3 Business Plan (e.g., those used for operating the business and for going concern); • tested the arithmetical accuracy of management's model for inconsistencies and errors; and • assessed the disclosures included in the financial statements. Furthermore, we also performed the following procedures specific to the company: • assessed the recoverable amount against the net carrying value of the investment held in Quadgas HoldCo Limited and its subsidiaries; • evaluated the reasons for the changes in the estimate and whether these were identifiable impairment reversal indicators with particular focus on the changes in regulatory cost of equity and inflation; and • assessed the appropriateness of disclosures included in the financial statements.
Key observations	Based on the work performed, we concluded that the valuation of unlisted investments and related disclosures are appropriate.

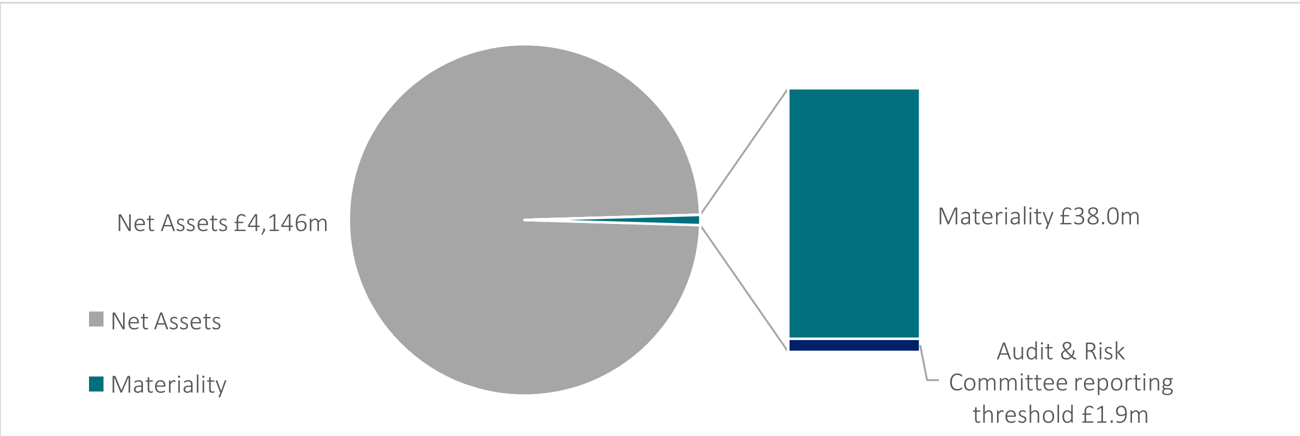
6. Our application of materiality

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:

Materiality	£38.0m (2024: £38.9m)
Basis for determining materiality	Our determined materiality equates to 0.92% (2024: 0.93%) of net asset balance held by the company.
Rationale for the benchmark applied	We determined materiality based on net assets as this is the key metric used by management, investors, analysts, and lenders to assess the value of this company.



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. Performance materiality was set at 70% of materiality for the 2025 audit (2024: 70%). In determining performance materiality, we considered the following factors:

a. our risk assessment, including our assessment of the overall control environment;
b. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and
c. the nature of regulated operations carried out by the business year on year.

6.3. Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £1.9m (2024: £1.9m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

The company's accounting records are held within the group's financial accounting and reporting software platform, SAP. We have worked with our IT specialists to test key General Information Technology Controls (GITC) within the platform, including testing over controls for access, change management and segregation of duties.

We also gained an understanding over the relevant controls and business processes for complex areas of estimation including treasury, alongside the financial closing and reporting process. We had not relied on IT controls or any other controls associated with these systems or processes for the purposes of our audit.

7.3. Our consideration of climate-related risks

Management have performed a climate risk assessment and identified climate change risks across the group. We have reviewed this climate change risk assessment and evaluated the completeness of identified risks and the impact on the financial statements. We also considered the impact of climate change in our own risk assessment procedures. Our response to this risk is documented within the Key Audit Matter detailed in section 5.1 of this report.

In addition to the procedures performed in respect to the Key Audit Matter detailed above we have:

- Alongside our climate change and sustainability (ESG) specialists, made enquiries of management to understand the potential impacts of climate change on the assets of the subsidiaries;
- Read the climate-related disclosures made by directors in the Strategic Report (page 1) and the referenced strategic report of Cadent Gas Limited to consider whether the climate related disclosures are materially consistent with the financial statements and our knowledge obtained in the audit;
- Alongside our climate change and sustainability specialists, read external publications relating to climate change and future energy usage scenarios to consider whether there was contradictory evidence to management's assessments; and
- Evaluated the appropriateness of disclosures included in the financial statements in Notes 2 and 8.

8. Other information

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

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

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

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

We have nothing to report in this regard.

9. Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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 company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;

- results of our enquiries of management, internal audit, in-house legal counsel, the directors and the Audit & Risk committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, regulatory, ESG, pensions, financial instruments and IT 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 company 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 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 company's ability to operate or to avoid a material penalty. These include the license conditions imposed by the office of Gas and Electricity Markets (Ofgem).

11.2. Audit response to risks identified

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

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit & Risk Committee and in-house 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 and reviewing internal audit reports; and
- 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 company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

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

We have nothing to report in respect of this matter.

14. 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.

Deloitte LLP

Jane Whitlock ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

19th June 2025

Quadgas Investments BidCo Limited
Statement of comprehensive income

For the year ended 31 March 2025

	Notes	**2025** **£m**	2024 £m
Dividend income from Group undertakings		**378**	370
Operating Profit		**378**	370
Interest receivable and similar income	5	**60**	61
Interest payable and similar charges	5	**(60)**	(61)
Profit before tax		**378**	370
Tax on profit on ordinary activities	6	**-**	-
Profit after tax		**378**	370
Total other comprehensive income		**-**	-
Total comprehensive income for the year		**378**	370

The results reported above relate to continuing activities. There were no other gains and losses for the period other than those reported above.

The notes on pages 21 to 38 form an integral part of these financial statements.

Quadgas Investments BidCo Limited
Statement of financial position

As at 31 March 2025

	Notes	**2025 £m**	2024 £m
Non-current assets			
Investments in Group undertakings	8	**4,148**	4,148
Amounts owed by subsidiary undertakings	9	**900**	900
Total non-current assets		**5,048**	5,048
Non-current liabilities			
Borrowings	10	**(902)**	(902)
Total non-current liabilities		**(902)**	(902)
Total liabilities		**(902)**	(902)
Total net assets		**4,146**	4,146
Equity			
Share capital	11	**312**	312
Share premium	11	**1,622**	1,622
Retained earnings		**2,212**	2,212
Total equity		**4,146**	4,146

The notes on pages 21 to 38 form an integral part of these financial statements.

The financial statements on pages 17 to 38 were approved by the Board of Directors on 19 June 2025 and were signed on its behalf by:

E Howell
Director
Quadgas Investments BidCo Limited
Company registration number: 10487004

Quadgas Investments BidCo Limited
Statement of changes in equity

For the year ended 31 March 2025

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 April 2024		**312**	**1,622**	**2,212**	**4,146**
Total comprehensive income for the year		**-**	**-**	**378**	**378**
Equity dividends paid		**-**	**-**	**(378)**	**(378)**
At 31 March 2025		**312**	**1,622**	**2,212**	**4,146**

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 April 2023	312	1,622	2,219	4,153
Total comprehensive income for the year	-	-	370	370
Equity dividends paid	-	-	(377)	(377)
At 31 March 2024	312	1,622	2,212	4,146

The notes on pages 21 to 38 form an integral part of these financial statements.

Quadgas Investments BidCo Limited
Statement of cash flows
For the year ended 31 March 2025

	Notes	**2025 £m**	2024 £m
Cash flows from operating activities			
Operating Profit		**378**	370
Adjustments for:			
Increase in receivables		**-**	1
Cash generated from operations		**378**	371
Tax received	6	**-**	1
Net cash generated from operating activities		**378**	372
Cash flows from financing activities			
Interest paid	5	**(60)**	(61)
Interest received	5	**60**	61
Dividend paid	7	**(378)**	(377)
Net cash used in financing activities		**(378)**	(377)
Net increase in cash and cash equivalents		**-**	(5)
Cash and cash equivalents at the beginning of the year		**-**	5
Cash and cash equivalents at end of the year		**-**	-

The notes on pages 21 to 38 form an integral part of these financial statements.

1 Summary of significant accounting policies

The financial statements of Quadgas Investments BidCo Limited have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Quadgas Investment BidCo Limited is exempt from the requirement to prepare consolidated accounts under the Companies Act 2006 section 400 given it is a wholly owned subsidiary of Quadgas Holdings TopCo Limited. Quadgas Holdings TopCo Limited is a company incorporated in Jersey, Channel Islands. Copies of Quadgas Holdings TopCo Limited's consolidated financial statements can be obtained from the Registered office, Quadgas Holdings TopCo Limited, 3rd Floor 37 Esplanade, St. Helier, JE1 1AD, Jersey.

The principal accounting policies applied in the preparation of these financial statements are set out as below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of Quadgas Investments BidCo Limited have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and in accordance with the requirements of the Companies Act 2006.

The financial statements have been prepared on an historical cost basis and modified to include certain items at fair value where applicable. Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the 'functional currency'). The financial statements are presented in pounds sterling which is also the company's functional currency.

The preparation of financial statements may require 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 turnover and expenses during the reporting period. Actual results could differ from these estimates.

Going Concern

Despite recent macro-economic volatility impacting inflation, energy prices, US Government and retaliatory tariffs and the ongoing conflicts in the Middle East and Ukraine, the company has not been significantly impacted. The company continues to closely monitor and manage the impacts of changes in the macroeconomic environment. Having made enquiries and reassessed the principal risks, the Directors consider that the company has adequate resources to continue in business. The Directors are satisfied 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. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(b) New IFRS accounting standards and interpretations

There are no new or amended standards or interpretations during the year that have a significant impact on the financial statements.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Net interest costs

Interest income and interest costs are accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in interest receivable and similar income and interest cost is included in the interest payable and similar charges.

1 Summary of significant accounting policies (continued)

(e) Tax

The tax charge for the period is recognised in the statement of total comprehensive income or directly in equity according to the accounting treatment of the related transaction. Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted by the reporting date.

The calculation of the total tax charge involves a degree of estimation and judgement, and management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes positions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(f) Investments in Group undertakings

Investments in Group undertakings are held at cost less accumulated impairment losses. Impairment reviews are carried out if there is some indication that impairment may have occurred, or where otherwise required to ensure that investments are not carried above their estimated recoverable amounts. Impairments are recognised in the income statement, and, where material, are disclosed separately. Impairment reversals are recognised when there is an indication that an impairment loss for an investment either no longer exists or has decreased.

Impairments of investments are calculated as the difference between the carrying value of the investment and its recoverable amounts. Recoverable amount is defined as the higher of fair value less costs of disposal or estimated value-in-use at the date the impairment review is undertaken. See Note 8.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(h) Financial instruments

Initial recognition

Financial assets have been classified in accordance with business model assessment under IFRS 9. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1 Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

Classification and measurement

Financial instruments are classified at inception into one of the following categories which then determines the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:
- financial assets at amortised cost; or
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories
- financial liabilities at amortised cost; or
- financial liabilities at fair value through profit and loss (FVTPL).

Loans receivable are carried at amortised cost using the effective interest method less any allowance for estimated impairments. Impairments are calculated using the expected credit loss approach by calculating the probability of default and the estimated recoverable amount given default. A loss allowance is established for impairments using the expected credit loss approach by calculating the probability of default and the estimated recoverable amount given default. Interest income, together with losses when the loans are impaired, is recognised using the effective interest method in the income statement.

Borrowings, which include interest-bearing loans, are recorded at their initial fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost, using the effective interest method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

Assets and liabilities on different transactions are only netted if the transactions are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis. Gains and losses arising from changes in fair value are included in the income statement in the period they arise.

Derivative financial instruments (‘derivatives’) are recorded at fair value. The fair value of financial derivatives is calculated by discounting all future cash flows by the market yield curve at the reporting date and adjusting for own and counterparty credit and funding risk adjustments. The market yield curve for each currency is obtained from external sources for interest and foreign exchange rates. Where the fair value of a derivative is positive, it is carried as a derivative asset and where negative, as a liability. Balance sheet presentation of derivatives have been determined based on the final maturity date. A derivative that matures within one year has been classified as current and a derivative that matures after one year has been classified as non-current.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

1 Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

Derecognition

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Impairment of financial assets

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- trade receivables;
- loan receivables; and
- other receivables.

The company measures the loss allowances for amounts owed by immediate parent company at an amount equal to the 12 month expected credit loss. The way this is calculated is based on the applied impairment methodology, as described below:

Stage 1: For financial assets where there has not been a significant increase in credit risk since initial recognition, and were not credit impaired on recognition, the company recognises a loss allowance based on the 12 month expected credit loss.

Stage 2: For financial assets where there has been a significant increase in credit risk since initial recognition, and were not credit impaired, the company recognises a loss allowance for lifetime expected credit loss.

Stage 3: For financial assets which are credit impaired, the company recognises the lifetime expected credit loss.

A significant increase in credit risk would by any change in circumstances specific to the counterparty or to the wider economic environment whereby the risk of default could be said to have been significantly increased within reasonable thresholds.

Evidence that the financial asset is credit impaired includes the following:

- significant financial difficulties of the counterparty; or
- a breach of contract such as default or past due event; or
- the restructuring of the loan or advance by the company that the company would not consider otherwise; or
- it is probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for an associated security because of financial difficulties.

1 Summary of significant accounting policies (continued)

(i) Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

(j) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one period or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, 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.

Critical accounting judgements

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

- For the purpose of valuing our investment in the Group, the judgement is that the network can be used beyond 2050. The UK's target to achieve net zero by 2050 will change how fossil fuels are used, which will also impact how our network is used. The UK Government is exploring different pathways including the production and use of hydrogen to achieve net zero, although there remains uncertainty about significant aspects of the UK energy sector plans under net zero. We recognise that there are a range of possible futures regarding how our network is used and the role that hydrogen, biomethane and other green gases have to play. Scenarios range from high hydrogen through our existing network, through to slow decarbonisation driving a multi heat solution through to a high electrification route and we are continuing to assess what impact these scenarios would have on our business. Given the information currently available regarding these plans and the initial feasibility studies completed regarding the use of alternative gases through our network and the large scale production of these gases, we have judged that our network will continue to be used to transport gas (methane, biomethane, hydrogen, other green gases or a combination of these) beyond 2050, and that these gases will be available in sufficient quantities and our valuation has been completed on that basis - **note 8**.

Key sources of estimation uncertainty

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

- Review of carrying values of investments and calculation of impairment. Investments are reviewed annually for impairment by comparison of the cost of the investment with equity value, where equity value is equal to the value-in-use of the company invested in less any external borrowings plus any cash and cash equivalents. The impairment review requires management to calculate the value-in-use for investments. The key assumptions for the value-in-use calculation are those regarding the underlying cash flows, including the period over which the regulatory asset value is depreciated, discount rate, regulatory weighted average cost of capital, inflation and terminal value cashflow – **note 8**.

Sensitivity analysis on how potential changes in significant estimates and assumptions might impact on our results or financial position has been performed – **note 14**.

3 Administrative expenses

Fees payable to the company's auditors for the audit of the company's annual financial statements were £33,319 (2024: £32,703). No other fees were payable to the auditors (2024: £Nil).

4 Directors and employees

There were no employees of the company during the current or preceding year.

Directors emoluments are paid by Cadent Gas Limited. It is not practicable to split the directors services or remuneration between Group entities.

The emoluments of the Directors are not paid to them in their capacity as Directors of the company and are payable for services wholly attributable to other subsidiary undertakings. Amounts paid to the Directors for services rendered to all relevant group entities in the current year are disclosed within the Cadent Gas Limited financial statements.

5 Finance income and costs

	2025	2024
	£m	£m
Interest income from financial instruments	**60**	61
Interest receivable and similar income	**60**	61
Interest expense on financial liabilities held at amortised cost	**(60)**	(61)
Interest payable and similar charges	**(60)**	(61)

6 Taxation

	2025	2024
	£m	£m
Current tax		
UK Corporation tax at 25% (2024: 25%)	**-**	-
Deferred tax		
UK deferred tax	**-**	**-**
Total tax charge	**-**	-

The tax credit for the period is lower (2024: lower) than the standard rate of corporation tax in the UK of 25% (2024: 25%).

6 Taxation (continued)

	2025 £m	2024 £m
Profit before tax	**378**	370
Profit before tax multiplied by UK Corporation tax rate of 25% (2024: 25%)	**95**	93
Effects of:		
Tax effect of dividend income not taxable in determining taxable profit	**(95)**	(93)
	-	-

7 Dividends

	2025 £m	2024 £m
An interim dividend of 0.061p per ordinary share amounting to £189,159,343 was declared on 25 September 2024 and paid on the 26 September 2024.	**189**	-
A second interim dividend of 0.061p per ordinary share amounting to £189,060,776 was declared on the 23 January 2025 and paid on the 27 January 2025.	**189**	-
An interim dividend of 0.044p per ordinary share amounting to £138,500,000 was declared on 22 September 2023 and paid on the 28 September 2023.	**-**	138
A second interim dividend of 0.077p per ordinary share amounting to £238,600,000 was declared on the 24 January 2024 and paid on the 25 January 2024.	**-**	239
	378	377

No further dividends are proposed for the current financial year.

8 Investments in Group undertakings

Quadgas HoldCo Limited is the direct subsidiary of the company.

	2025	2024
	£m	£m
Cost		
At the opening of the year	**4,592**	4,592
Total investment in Group undertakings at the end of the year	**4,592**	4,592
Provision		
At the opening of the year	**(444)**	(444)
Total impairment of Group undertakings at the end of the year	**(444)**	(444)
Net book value at the end of the year	**4,148**	4,148
Percentage ownership at the end of the year	**100%**	100%

Annual impairment review

The net carrying value of the investment held in Quadgas HoldCo Limited and its subsidiaries was compared to its recoverable amount as part of the annual impairment review carried out by management.

The impairment test required the comparison of the carrying value of the net assets of the cash generating unit (Cadent Gas Limited) and its recoverable amount.

Recoverable amount is defined as the higher of fair value less costs of disposal or estimated value-in-use at the date the impairment review is undertaken. The recoverable amount of the cash generating unit was determined from the value-in-use calculations. The key assumptions for the value-in-use calculation are those regarding the underlying cash flows, including the period and rate over which the regulatory asset is depreciated, discount rate, regulatory weighted average cost of capital, inflation and terminal value cashflow.

RIIO-3

Management have been reviewing Ofgem announcements on RIIO-3, given the potential impact on the recoverable amount. On 18 July 2024, Ofgem published the RIIO-3 Sector Specific Methodology Decision which provided more certainty over key items such as the confirmation of the change in the cost of debt funding mechanism (i.e. implementation of the semi-nominal WACC), the range of output delivery incentives, the continuation of the Repex programme and notional company gearing assumptions. The main uncertainty in the price control and regulatory model going forwards that could impact the recoverable amount is the potential change to the regulatory asset depreciation methodology which could impact the profile of future cash flows. Additional sensitivity analysis on the choice of regulatory asset depreciation policy has been performed. At this stage, no policy decisions have been made until the final determination is published and therefore no change has been made to the base case. Management have assessed the potential impact of changes on the estimated value-in-use and have concluded that these would not result in an impairment.

Underlying cash flows

In the short-term, the differences between actual cash flows and prior projections and budgets for Cadent Gas Limited are small due to the stable and predictable nature of the business. With 97% of revenue formula driven, there is a high level of predictability. This predictability of the cash flows and projections can be seen in the full year performance to 31 March 2025 where the results were broadly in line with the budget. The embedded debt outperforms the baseline allowed debt return following investment by owners at the time of separation from National Grid.

8 Investments in Group undertakings (continued)

Underlying cash flows (continued)

The assumptions used in the Group's Financial Plan 2025 for the period to March 2026 have been applied to the calculations undertaken in completing the impairment test, as detailed below. This Plan includes our Latest Best Estimate for the year to March 2025 which was broadly in line with outturn and a year of forecast data. Our RIIO-3 plan submitted to Ofgem in December 2024 forms the basis for our total expenditure (totex) forecasts up to 2031.

The totex forecasts included in the impairment model are a base case and assume the investment in the network will continue to 2045 and beyond. However, the base case does not include cash flows associated with a significant increase in the number of biomethane connections or the potential to re-purpose the network for hydrogen or other fuels. In a scenario that resulted in the majority of the network being repurposed for use with green gases, we would expect funding through future regulatory price controls. In the base case we continue to assume regulatory asset depreciation of 45 years and investment is fully capitalised into the Regulated Asset Value (RAV) consistent with the current methodology. Ofgem are considering changing its regulatory asset depreciation policy as part of the RIIO-3 price control process and we have performed sensitivity analysis reflecting the impact of potential changes.

We have determined the regulated weighted average cost of capital (WACC) and totex allowances using Ofgem's latest published Price Control Financial Model. The regulatory cost of equity for RIIO-2 is 5.08% (2024: 5.09%) and in management's view is forecast to increase in future price controls through updates to key parameters to reflect the latest market evidence.

Longer term, we have continued to assume that investment reduces in scale post-2032 following completion of the Health and Safety Executive (HSE) mandated iron mains replacement programme but maintenance of the network and the service levels to customers is maintained with continued focus on safety critical investment. As noted above, we have not incorporated into the base case any investment in the network to make it hydrogen ready.

Discount rate

Cash flow projections have been discounted to reflect the time value of money, using a pre-tax discount rate of 8.5% (2024: 7.3%). The pre-tax discount rates applied to the cash flow forecasts are derived from our post tax-weighted average cost of capital.

The post-tax weighted average cost of capital is calculated using the capital asset pricing model ("CAPM") and the assumptions used reflect current market assessments. This is then converted to a pre-tax rate using an iterative calculative approach in the value-in-use methodology. This discount rate is applied to the Group's single CGU.

Inflation

In the RIIO-2 period the average CPIH assumption at March 2025 of 4.86% (2024: 4.47%) is aligned to Ofgem assumptions contained within the price control model used for price setting.

The longer-term CPIH assumption reflects the Office of Budget Responsibility's (OBR) long term forecast published in October 2024 and within other external long run forecasts which show a range of potential outcomes between 2.0% - 2.8%.

8 Investments in Group undertakings (continued)

Terminal value cashflow

A terminal value cash flow is applied in 2045; the end of the forecast period. The terminal value is calculated based on a RAV forecast multiple at 2045. Management has derived a RAV multiple of 1.2x (2024: 1.2x) by reviewing external sources of information on similar transactions which is supportive of this assumption.

International Accounting Standard (IAS) 36 states that projections based on budgets and forecasts should cover a maximum of five years whereas management have used projections out to 2045. However, management believe, whilst there is uncertainty when moving from one price control period into the next, there is otherwise a degree of predictability to the cash flows of the assets and therefore management consider that it is appropriate to project out to 2045 before a terminal value is applied.

Climate Change continues to result in uncertainty over the future use of the Cadent Gas assets for transporting natural gas to heat homes and power industry, and management have considered this uncertainty when performing the impairment test. There have been no adjustments to assumptions or cash flows as a result of this uncertainty.

Cadent continues to invest in programmes to support its ambition to make hydrogen a safe, fair and reliable choice for consumers, and has a long-term commitment to decarbonise homes and businesses in a way that minimises the impact to the consumer and creates jobs across the UK. Given the information currently available, it is still reasonable to assume that the entire network will continue to be used in 2045 and beyond, in its current form, adapted to accommodate hydrogen or bio-methane, therefore we consider it appropriate to project out to 2045 before a terminal value is applied.

Climate change presents a significant transitional risk, particularly from low and medium emission scenarios. Although all plausible pathways to net zero contain hydrogen and biomethane, there is a wide range of projections for hydrogen demand volumes and use cases, and the time frame this will all occur over. However, the Government's Ten Point Plan, the Energy White Paper, the Hydrogen Strategy and the Heat and Buildings Strategy all propose a significant role for the gas infrastructure and particularly hydrogen and biomethane in supporting delivery of the UK's net zero ambition.

Hydrogen is not the only solution to decarbonisation and will be used in combination with other technologies, such as renewable electricity, heat pumps, heat networks, biomethane and other green gases. The uncertainty over which pathway the UK will follow to reach net zero creates transitional risk for all energy utilities associated with accurately planning infrastructure development. The infrastructure we need can take several years to deliver. We are mitigating this by working closely with Government, regulators, system operators, regional and local authorities and customers to understand need and build 'whole system' plans that minimise uncertainty and risk. In September 2024 we published 'The Future of the Gas Network' report which shows how the gas network can be used to support the energy transition and government's net zero target of 2050.

Management have calculated an updated recoverable amount, and the calculation indicated that this was broadly consistent with the prior year calculation. This has resulted in no impairment being recognised or reversed in the year.

Further sensitivity and key assumptions are included in note 14.

8 Investments in Group undertakings (continued)

Carrying value comprised the investment in subsidiary undertakings

Name of Subsidiary	% Holding	Principle activity	Country of Incorporation
Quadgas HoldCo Limited	100%	Intermediate Holding company	England and Wales
Quadgas PledgeCo Limited	100%*	Intermediate Holding company	England and Wales
Quadgas MidCo Limited	100%*	Intermediate Holding company and provision of long term finance	England and Wales
Quadgas Finance Plc	100%*	Provision of long term finance	England and Wales
Cadent Gas Limited	100%*	Gas Distribution	England and Wales
Cadent Finance Plc	100%*	Provision of long term finance	England and Wales
Cadent Services Limited	100%*	Provision of services (including property management)	England and Wales
Cadent Gas Pension Trustee Limited	100%*	Trustee of occupational pension scheme	England and Wales
Cadent Gas Pension Property Company 1 Limited	100%*	Trustee of property assets of occupational pension scheme	England and Wales
Cadent Gas Pension Property Company 2 Limited	100%*	Trustee of property assets of occupational pension scheme	England and Wales
Cadent Gas Pension Services Limited **	100%*	Management of pension services	England and Wales

* Indirect ownership

** Cadent Gas Pension Services Limited has been dissolved on 7 June 2025.

The registered address of these investments is Pilot Way, Ansty Park, Coventry, CV7 9JU, United Kingdom.

9 Trade and other receivables

Amounts owed by subsidiary undertakings (Quadgas HoldCo Limited)	**2025**	2024
	£m	£m
6.7% loan note	**544**	544
6.7% loan note	**6**	6
6.7% loan note (FAA)	**126**	126
6.7% loan note (RAA)	**226**	226
Loss allowance	**(2)**	(2)
Total loan to Subsidiary	**900**	900

On 31 March 2017, the company entered into two shareholder loan note agreements with the Consortium for a maximum amount of £3,768,000,000 and £6,100,000. The loan notes bear interest of 6.7% and are repayable on 29 March 2043. As at 31 March 2024 and 31 March 2025, £544,120,000 and £6,100,000 remained outstanding.

On 28 June 2019, the company entered into two further shareholder loan note agreements (Further Acquisition Agreement (FAA) and Remaining Acquisition Agreement (RAA)) with the Consortium of £126,280,000 and £225,500,000. The loan notes bear interest of 6.7% and are repayable on 29 March 2043. As at 31 March 2024 and 31 March 2025, £126,280,000 and £225,500,000 remained outstanding.

The company measures the loss allowance for amounts owed by immediate parent company at an amount equal to 12 month expected credit loss, representing a stage 1 financial asset.

Financial assets are impaired by calculating the probability of default and the estimated recoverable amount given default, which is used to calculate the expected credit loss. The company has taken default to be defined as a counterparty that has entered administration.

10 Borrowings

	2025	2024
	£m	£m
Amounts falling due after more than one year:		
6.7% Loan notes from Consortium	**550**	550
6.7% Additional loan notes from Consortium	**352**	352
Total borrowings	**902**	902

On 28 June 2019, the company placed £351,780,000 of private loan notes with the Consortium of shareholders. The loan notes were placed on the same terms as the original loan notes with a rate of 6.7% per annum and maturing on 29 March 2043. The loan notes are unsecured and are listed on The International Stock Exchange (TISE).

On 30 April 2025, Quadgas BidCo Limited amended the terms on its £902 million external loan from the Consortium, extending the termination date to 30 April 2050 and increasing the interest rate to 8.0%. All other terms remain unchanged. At the same time, Quadgas BidCo Limited also amended the terms on the internal loan made to its subsidiary Quadgas HoldCo Limited, extending the termination date to 30 April 2050 and increasing the interest rate to 8.0%. All other terms remain unchanged.

11 Share capital and share premium

Ordinary shares are classified as equity and have a par value of £0.001. The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

As at 31 March 2025, the share capital, amounting to £311,653,739, is represented by 311,653,789,270 ordinary shares with nominal value of £0.001. Below is a breakdown of the issued share capital as at the reporting date.

	2025 Number of Shares	**2025 Par Value £m**	**2025 Share Premium £m**	**2025 Total £m**
At 31 March 2025 - fully paid	**311,653,789,270**	**312**	**1,622**	**1,934**
Total equity at 31 March 2025	**311,653,789,270**	**312**	**1,622**	**1,934**

	2024 Number of Shares	2024 Par Value £m	2024 Share Premium £m	2024 Total £m
At 31 March 2024 - fully paid	311,653,789,270	312	1,622	1,934
Total equity at 31 March 2024	311,653,789,270	312	1,622	1,934

12 Financial risk management

The company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the company's continuing profitability. The company is exposed to market risk (which namely includes interest rate risk), credit risk and liquidity risk arising from the financial instruments it holds.

The company's senior management oversees the management of those risks. Management reviews and agrees policies for managing each of those risks, which are summarised below.

(a) Market risk

Market risk comprises the following types of risk: interest rate risk and currency risk. The maximum risk resulting from financial instruments equals their carrying amount.

(b) Interest rate risk

The company is not exposed to changes in interest rates, as the company's Loan Notes are issued at a fixed interest rate of 6.7%.

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the presentation currency and functional currency of the company is the same, i.e. GBP, the company has minimal exposure to foreign currency risk.

12 Financial risk management (Continued)

(d) Credit risk

The company passes debt finance from the Consortium to its immediate subsidiary Quadgas HoldCo Limited on identical terms. The principal risk of these arrangements is that Quadgas HoldCo Limited is unable to meet its obligations to the company. The company is exposed to the expected credit losses on its intercompany loan with Quadgas HoldCo Limited. The expected credit loss has been calculated by considering the probability of default and the loss given default on the balance outstanding on the intercompany loan.

Credit risk also arises from cash and cash equivalents held in banks and other financial institutions. Cash and cash equivalents are invested in major banks. The management of the company believes that the financial institutions that hold the company's investments are financially sound and accordingly, minimal credit risk exists with respect to cash and cash equivalents of the company.

(e) Liquidity risk

Liquidity risk is defined as the risk the company will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risks arises because of the possibility that the company could be required to pay its liabilities earlier than expected.

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments as at 31 March 2025:

	Less than 1 year £m	**Between 1 and 5 years £m**	**More than 5 years £m**	**Total £m**
Loan notes	**-**	**-**	**902**	**902**
Interest payable on loan notes	**61**	**242**	**785**	**1,088**
Total at 31 March 2025	**61**	**242**	**1,687**	**1,990**

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments as at 31 March 2024:

	Less than 1 year £m	Less than 1 year £m	More than 5 years £m	Total £m
Loan notes	-	-	902	902
Interest payable on loan notes	61	242	845	1,148
Total at 31 March 2024	61	242	1,747	2,050

(f) Capital risk

The capital structure of the company consists of shareholder's equity, as disclosed in the statement of changes in equity. Our objectives when managing capital are: to safeguard our ability to continue as a going concern, to remain within regulatory constraints of our regulated operating company 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 main regulated operating company, Cadent Gas Limited, is an important aspect of our capital risk management strategy and balance sheet efficiency.

13 Related party transactions

A related party is a company or individual who also has an interest in us, for example a company that provides a service to us with a Director who holds a controlling stake in that company and who is also a Director of the company. The related parties identified include the immediate parent, ultimate parent and fellow subsidiaries.

	2025	2024
	£m	£m
Dividend received from subsidiary undertaking	**378**	370
Dividend paid to immediate parent undertaking	**378**	377
Interest received from subsidiary undertaking	**60**	61
Interest paid to Consortium	**60**	61
Amounts receivable from subsidiary undertaking	**900**	900
Borrowings owed to Consortium	**902**	902

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

14 Sensitivity analysis

In order to give a clearer picture of the impact on our results or financial position of potential changes in the significant estimates and assumptions, the following sensitivities are presented. These sensitivities are hypothetical, as they are based on assumptions and conditions prevailing at the period 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 shown are changes that management deem reasonably likely within the next 12 months.

The sensitivities in the table below show the potential impact in the income statement (and consequential impact on net assets) for a range of different variables each of which have 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 all have an approximately equal and opposite effect if the sensitivity increases or decreases by the same amount unless otherwise stated. A negative value in the table below indicates the value of impairment which would be recognised, whereas a positive value indicates an increase in headroom. An increase in the carrying value of the investment can only be recognised to the extent that it reverses a previous impairment, in line with the requirements of IAS 36.

14 Sensitivity analysis (continued)

	2025		2024	
	Income Statement £m	**Net Assets £m**	Income Statement £m	Net Assets £m
Investment in Group undertakings impairment				
CPI decrease of 0.5%	**(195)**	**(195)**	(263)	(262)
Pre-tax discount rate increase of 0.5%	**(410)**	**(410)**	(246)	(245)
Terminal value change in multiple of 0.05	**-**	**-**	-	-
Cost of Equity within Regulatory WACC decrease of 0.5% (i)	**-**	**-**	-	-
Regulatory asset depreciation - Option 1(ii)	**-**	**-**	n/a	n/a
Regulatory asset depreciation - Option 2(ii) with Acceleration Factor 1(iii)	**(280)**	**(280)**	n/a	n/a
Regulatory asset depreciation - Option 3(ii) with Acceleration Factor 1(iii)	**(280)**	**(280)**	n/a	n/a
Regulatory asset depreciation - Option 4(ii)	**-**	**-**	n/a	n/a

Ofgem determinations for RIIO-3 are expected in the next 12 months following the publication of these accounts.

(i) In both years sensitivity was applied from RIIO-3 onwards.

(ii) Ofgem has set our 4 potential options for changing the current regulated asset depreciation policy for RIIO-3 onwards:

Option	Description
1 - Sum-of-digits to 2050	A sum-of-digits profile with asset lives set such that the RAV is fully depreciated by the government net zero target date.
2 - Sum-of-Digits (Variable) to 2050	As with option 1, but with an acceleration factor decided at each price control and applied to the depreciation amount for that period to accelerate payments as required.
3 - Straight Line (Variable) to 2050	As with option 2, but with a straight-line profile rather than sum-of-digits. The acceleration factor will be chosen based on the same metrics as option 2.
4 - New Investments Sum-of-Digits to 2050	Leave depreciation policy for existing assets unchanged. Set a new policy for new additions to the RAV. This would be a sum-of digits profile with asset lives set such that the new investment is fully depreciated by the government net zero target date.

Further details can be found within table 19 on pages 180 and 181 of Ofgem's RIIO-GD3 SSMD Finance Annex https://www.ofgem.gov.uk/sites/default/files/2024-07/RIIO-3_SSMD_Finance_Annex.pdf. These sensitivities represent applying each depreciation policy to the base case during the forecast period to 2045 and applying the base case terminal value at that point.

(iii) Ofgem have indicated the potential for variable acceleration factors to be included within their depreciation Options 2 and 3. In setting the level of the acceleration factor Ofgem have said they would take into account four metrics: RIIO3 consumer bills, future consumer bills, perceived asset stranding risk and financeability. These sensitivities have assumed an acceleration factor of 1 in line with Ofgem’s business planning guidance for our December 2024 submission. In isolation it is not reasonably possible that a change in the acceleration factor could result in an impairment.

15 Post balance sheet events

On 30 April 2025, Quadgas BidCo Limited amended the terms on its £902 million external loan from the Consortium, extending the termination date to 30 April 2050 and increasing the interest rate to 8.0%. All other terms remain unchanged. At the same time, Quadgas BidCo Limited also amended the terms on the internal loan made to its subsidiary Quadgas HoldCo Limited, extending the termination date to 30 April 2050 and increasing the interest rate to 8.0%. All other terms remain unchanged.

16 Ultimate parent company

The ultimate parent and controlling company is Quadgas Holdings TopCo Limited which is the immediate parent company. The largest and smallest groups which include the company and for which consolidated financial statements are prepared are headed by Quadgas Holdings TopCo Limited. Quadgas Holdings TopCo Limited is registered in Jersey.

Copies of Quadgas Holdings TopCo Limited's consolidated financial statements can be obtained from the Registered Office, Quadgas Holdings TopCo Limited, 3rd Floor 37 Esplanade, St. Helier, JE1 1AD, Jersey.