

Quadgas MidCo Limited
Report for the six months ended 30 September 2025

Quadgas MidCo Limited (the company) holds investments in a number of subsidiary companies and obtains and provides finance to fellow subsidiary companies via intercompany transactions.

This interim management report has been prepared for the Quadgas MidCo Limited Group (the 'Group'), which comprises Quadgas MidCo Limited, Quadgas Finance Plc, Cadent Services Limited, 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 Quadgas MidCo Limited, the operating company for the Group is Cadent Gas Limited and the ultimate parent company is Quadgas Holdings TopCo Limited.

Operations

The Group's principal activity during the period was the ownership of 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 gas distribution company in the UK; who 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 serve the three largest cities of London, Birmingham and Manchester, delivering gas to over 11 million homes, over 200,000 businesses, 40,000 industrial customers and 200 power stations, on behalf of 47 principal gas shippers. Cadent plays a vital role in ensuring their network is secure and reliable for the 11 million homes and businesses who rely on them every day.

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 ambition is to be a leader in the energy sector and at the forefront of helping the UK achieve its ambition of net zero carbon emissions, in a way that is deliverable and that ensures consumers are at the heart of the transition. There is still a long way to go in demonstrating how greener alternatives can support the huge task of decarbonising industry and domestic heating at scale, but our green gas projects continue to progress well.

A small proportion of a typical household gas bill goes towards the cost of maintaining our gas network. In 2024/25 a typical domestic customer paid £144 annually towards the cost of our services, down from an average bill of £175 over the RII0-1 period, 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 committed over £30 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 £417 million of operating profit (2024: £335 million) on revenues of £1,215 million (2024: £1,056 million), generating £674 million of operating cash flow (2024: £675 million), and invested £439 million (2024: £498 million) on new and existing assets. The increase in revenue of £159 million was mainly due to an increase in formula income, predominantly capacity and exit capacity income due to higher NTS rates. Other revenues also increased, mainly as a result of the higher number of completed network diversions in the period.

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Interim management report (continued)

Operations (continued)

Operating costs have increased by £77 million to £798 million (2024: £721 million) largely due to higher exit capacity charges of £101 million (2024: £48 million) as a result of higher NTS rates, higher depreciation and amortisation of £282 million (2024: £269 million) and increased employment costs of £139 million (2024: £133 million).

Finance income before adjusting items for the period was £15 million (2024: £37 million) due to lower interest income on current asset investments.

Finance costs for the period of £261 million (2024: £228 million) have increased largely due to higher levels of accretion on our index linked debt and swaps.

For the full year the Group remains on track to deliver stable returns with an ongoing focus on delivering a safe and reliable service to our customers.

Long-term strategy and business objectives

The next regulatory review by Ofgem, RIIO-3, is on the horizon and our industry is at an important juncture, as we continue the journey to a cleaner and greener future. Our natural gas network plays a critical role, not only for resilience in power, but also in delivering a safe and reliable service to heat homes and to power industry. The RIIO-3 business plan was submitted to Ofgem in December 2024 and builds on the firm foundations of sector leading customer service levels and frontier level cost efficiency, while seeking to continue pushing the boundaries for the sector.

It makes a clear statement on the need for continued investment in the existing infrastructure, to enable the gas network to continue playing a critical role in delivering net zero over the decades to come.

The RIIO-3 business plan builds on the existing commitments in relation to customers in vulnerable situations and seeks to leverage innovative technology and best practice from other countries to deliver an ambitious programme of work to reduce methane emissions.

We remain committed to delivery of the objectives set out in five customer outcome areas:

- Delivering a quality experience for all of our customers and stakeholders;
- Providing a resilient network to keep the energy flowing;
- Tackling climate change and improving the environment;
- Trusted to act for our communities; and
- Turning insight into action.

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

Ofgem published their RIIO-3 Draft Determination (DD) on 1 July 2025, covering the allowed costs and revenues for RIIO-3, however, at this time there is no firm decision, as the final determinations are scheduled to be published in December 2025. There is nothing in the DD that changes our view that the gas networks will be required to support a resilient energy infrastructure and enable a smooth transition to a lower carbon economy for decades to come.

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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 350 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 £439 million (2024: £498 million) to deliver on our commitment to provide a resilient network for our customers as part of an overall investment of more than £4 billion over the five-year RIIO-2 regulatory period. We remain on track to deliver our RIIO-2 plans for the final year of the price control. 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 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. We continue to focus on supporting the decarbonisation of industry by planning where new and repurposed hydrogen pipelines will be. We have been leading several projects and trials, as well as meeting leaders across the political spectrum, industrial users, and multinational energy companies to establish key relationships for hydrogen production and blending. Our regional hydrogen programmes (East Coast Hydrogen, HyNet, Hydrogen Valley and Capital Hydrogen) 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, with the initial stages of these programmes supported by funding from Ofgem in RIIO-2; securing the country's industrial future for years to come.

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 has undergone a significant green transformation, with 100% of the fleet now consisting of either electric vehicles or plugin hybrid electric vehicles. We continue to look at our carbon footprint upstream and downstream of our supply chain. We recognise our responsibility to support the UK to meet its greenhouse gas target and have committed to reduce our own carbon footprint by reducing our targets as we progress into the next financial year.

The delivery of net zero on our network by 2050 requires an unprecedented amount of change, investment and collaboration. Hydrogen and biomethane will play an important role as an energy source for industry, transport, power generation and heating buildings and homes, that's why we're acting now. We continue to showcase how the gas industry can, and will, tackle climate change as we keep on championing a whole systems approach to decarbonisation, emphasising the role of green hydrogen and biomethane as low carbon alternatives to natural gas. We believe that the gas network offers a seamless and familiar transition to a cleaner, greener future, with our recent Future of the Gas Network report demonstrating our long-term commitment to decarbonise heat while minimising the impact to consumers.

Ahead of the government's Heat Policy decision over which pathway the UK will follow to reach net zero there is transitional risk for all energy utilities associated with accurately planning infrastructure development. The infrastructure we need can take several years to deliver. Recent government net zero announcements have been supportive of a role for Hydrogen in the future energy system and we are mitigating transitional risk by working closely with government, regulators, system operators, regional and local authorities and customers to understand the need and build 'whole system' plans that minimise uncertainty and risk.

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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 revenue, 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.

Based on the above, the Directors have concluded that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of 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 23 September 2025, Cadent Finance Plc, a subsidiary of Quadgas MidCo Limited, priced CHF 53 million 1.86% Fixed Rate Notes with a settlement date of 14 October 2025 and a maturity date of 14 October 2037. On the same day, Cadent Finance Plc entered into a cross currency swap which converted the proceeds and all future interest and principal payments on the notes to GBP.

At 30 September 2025, the Group had undrawn credit facilities, money market funds and cash, including overdrafts, totalling £745 million (31 March 2025: £930 million) made up of available Revolving Credit Facilities of £700 million, none of which is drawn (31 March 2025: £700 million undrawn), investments in short-term money market funds of £49 million (31 March 2025: £209 million), and cash of £20 million (31 March 2025: £21 million) offset by an overdraft of £24 million (31 March 2025: £Nil). 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 2025

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

	Six months ended 30 September 2025 £m	Six months ended 30 September 2024 £m	Movement £m
Revenue	1,215	1,056	159
Operating profit – Before adjusting items	418	338	80
Adjusting items	(1)	(3)	2
Operating profit	417	335	82
Profit before tax – Before adjusting items	172	147	25
Profit before tax	178	165	13
Profit for the period	122	123	(1)
Capital investment	439	498	(59)

Revenue

Total Group revenue for the period was £1,215 million (2024: £1,056 million) comprising £1,185 million (2024: £1,032 million) of regulated allowed revenue and £30 million (2024: £24 million) from other activities.

The £153 million increase in regulated allowed revenue was mainly due to an increase in formula income, predominantly capacity and exit capacity income due to higher NTS rates. The £6 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 before adjusting items

Operating profit before adjusting items for the period was £418 million (2024: £338 million), with revenue of £1,215 million (2024: £1,056 million) offset by £797 million (2024: £718 million) of operating costs. Operating costs have increased by £79 million largely due to higher exit capacity charges of £101 million (2024: £48 million) as a result of higher NTS rates, higher depreciation and amortisation of £282 million (2024: £269 million) and increased employment costs of £139 million (2024: £133 million).

In managing the business, we use alternative performance measures (APM) 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 before adjusting items (continued)

Adjusted EBITDA Reconciliation		Six months ended 30 September 2025 £m	Six months ended 30 September 2024 £m
	Reference		
Statutory results:			
Profit for the period		122	123
Add:			
Tax	Note 7	56	42
Net finance costs	Note 6	239	170
Total operating profit	Page 17	417	335
Add:			
Depreciation and amortisation		282	269
Adjusting items within total operating costs	Note 5	1	3
Alternative performance measure:			
Adjusted EBITDA		700	607

Adjusted EBITDA has increased by £93 million due to higher operating profit due to higher revenue resulting from an increase in formula revenue. This is partially offset by an increase in operating costs, driven by higher exit capacity charges and employment costs.

Finance income and costs

Finance income before adjusting items for the period was £15 million (2024: £37 million) due to lower interest income on current asset investments. Finance costs for the period of £261 million (2024: £228 million) have increased largely due to higher levels of accretion on our index linked debt and swaps.

Adjusting items

Included within total operating profit of £417 million (2024: £335 million) are adjusting items of £1 million (2024: £3 million). The Group is completing a transformation programme to improve the efficiency of our operations by restructuring the business. During the period the Group have recognised £1 million (cumulative: £44 million) in adjusting items in relation to our Operational Efficiency programmes and Voluntary Redundancy programmes. These activities are infrequent and adjusting in nature, and are financially material over the course of the multi-year exercise. On 4 November 2025 a further consultation was launched. Any future costs under these programmes are not expected to be material.

Included within finance income are adjusting items of £7 million (2024: £21 million) in relation to net gains on derivative financial instruments. This gain is largely due to the remeasurement of derivatives not designated as hedges.

Profit for the period

The Group made a profit after tax of £122 million (2024: £123 million). The reduction in profit for the period is due to higher operating profits offset by higher taxation and finance costs.

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Interim management report (continued)

Dividend

In making the decision to pay a dividend in the period, the Board considered:

- The cumulative performance and payments over recent years and a forward assessment into future years;
- Customers benefitting from value for money and better services;
- Supporting households through the shareholder funded Cadent Foundation;
- Enhancing the environment in which we operate;
- 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 outperformance with our customers through delivering efficiencies that 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 91 to 103 of the Cadent Gas Annual Report and Financial Statements for the year ended 31 March 2025, 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 £3 billion of distributable reserves at 30 September 2025. During the first half of the year, the company paid an interim ordinary dividend of £165 million (2024: £199 million).

Capital investment

Our capital investment has decreased by £59 million as compared to the comparative period. Capital investment was £439 million (2024: £498 million) comprising £9 million (2024: £1 million) of intangible assets and £430 million (2024: £497 million) of tangible assets. Tangible asset additions mainly comprise of £380 million (2024: £432 million) of plant and machinery with the majority relating to our ongoing mains replacement programme with 801km being replaced in the period (2024: 925km). Remaining additions comprise land and buildings £9 million (2024: £17 million), £31 million (2024: £12 million) of assets in the course of construction, motor vehicles and other equipment £6 million (2024: £12 million) and £4 million (2024: £24 million) of right-of-use assets.

Financial position

Net assets decreased by £95 million to £3,095 million (31 March 2025: £3,190 million). The main movements in the balance sheet items were an increase in borrowings to £11,547 million (31 March 2025: £11,450 million), coupled with a decrease in current asset investments of £160 million to £49 million (31 March 2025: £209 million). This was offset by a net increase in property, plant and equipment and intangible fixed assets of £157 million arising from capital investment and an increase in trade and other receivables to £214 million (31 March 2025: £190 million).

Goodwill of £1,713 million (31 March 2025: £1,713 million) has been recognised. Having reviewed its assets for indicators of significant impairment since the annual report for the 2025 financial year were signed, including the profit after tax of £122 million for the period, management has concluded no such indicators exist and therefore no impairment has been recognised as at 30 September 2025. The annual impairment test for goodwill and indefinite life intangibles will be completed at 31 March 2026.

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Interim management report (continued)

Financial position (continued)

The Group 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 £295 million at 30 September 2025 (31 March 2025: £340 million). There is an overall decrease of £45 million (DBO reduced by £97 million but assets reduced by £142 million resulting in the smaller net overall decrease). This decrease follows a valuation exercise undertaken at 30 September 2025 by the Group's independent actuary. The main drivers of the decrease over the period are a gain of £120 million due to a change in financial assumptions, a gain of £7 million due to demographic assumptions offset by an experience loss of £85 million on liabilities due to actual inflation over the period being higher than that assumed and offset by an experience loss on the assets with actual assets being £93 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 have updated the allowance for GMP equalisation to 0.4% of liabilities in the calculation of the DBO at 30 September 2025, an increase of 0.2% from the 0.2% of liabilities initially used.

In preparing to equalise GMPs, an issue was discovered with the Scheme's long-standing administration practices that pre-dates the formation of Cadent but has an impact on the measurement of the scheme liabilities. The measurement is subject to a number of risks and uncertainties particularly in relation to the application of the scheme rules and the population impacted. Further legal and actuarial work is ongoing to fully assess the implications. The defined benefit obligation at 30 September 2025 includes a further reserve of 0.85% of the Scheme liabilities (£31 million) representing management's best estimate of the impact at the reporting date.

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. In June 2025 the Department for Work and Pensions confirmed that the Government will introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. Detailed investigations are ongoing, but we currently have no reason to believe that the ruling in the case will have any financial impact for the Group. We will continue to assess the position.

The Group has net debt of £11,985 million (31 March 2025: £11,724 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 2025 £m	31 March 2025 £m
Statutory results:		
Cash, cash equivalents and financial investments	(69)	(230)
Borrowings	11,547	11,450
Derivatives	389	376
Lease liabilities	118	128
Alternative performance measure:		
Net debt (see note 11)	11,985	11,724

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Interim management report (continued)

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 2025, the Group had undrawn credit facilities, money market funds and cash totalling £745 million (31 March 2025: £930 million) made up of available Revolving Credit Facilities of £700 million, none of which is drawn (31 March 2025: £700 million undrawn), investments in short-term money market funds of £49 million (31 March 2025: £209 million), and cash of £20 million (31 March 2025: £21 million), offset by an overdraft of £24 million (31 March 2025: £Nil). 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 2025 was £611 million (30 September 2024: £637 million) with the decrease due to an adverse movement in trade and other receivables and trade and other payables, coupled with an increase in the cash flows relating to adjusting items and higher tax paid, offset by higher operating profits.

Events after the balance sheet date

There are no post balance sheet events.

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 8 and 12 respectively.

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Interim management report (continued)

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 2025 (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 2025 and the six month period to 30 September 2024.

Strategic priorities	KPIs	Definition	Performance
Trusted to act for our communities	Safety	Lost time injuries frequency rate Any injury to employee or contractor resulting in time off work (injuries per million hours worked).	2025/26 half year: 0.20 2024/25: 0.35 2024/25 half year: 0.59 (Target: 0.54) ¹
Providing a resilient network to keep the energy flowing	Kilometres of network replaced	Kilometres of network replaced Number of kilometres of mains pipe replaced.	2025/26 half year: 801km 2024/25: 1,751km 2024/25 half year: 925km (Full year target 2025/26: 1,583km) ²
Delivering a quality experience for all our customers and stakeholders	Customer satisfaction	Customer satisfaction Our score in customer satisfaction surveys. Ofgem set a baseline target.	2025/26 half year: 9.39 2024/25: 9.35 2024/25 half year: 9.36 (Target: Higher than 8.75) ³
	Complaints	Complaints handling Percentage of complaints handled within 1 day.	2025/26 half year: 88.4% 2024/25: 90.4% 2024/25 half year: 89.2%
Tackling climate change and improving the environment	Sustainability	Waste Reduction Total permissible waste in tonnes	2025/26 half year: 333 2024/25: 948 2024/25 half year: 430 (Full year target 2025/26: 864) 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 the total permissible waste in tonnes which excludes spoil, PE pipe and recycled waste.

Further details of our priorities are disclosed in the Annual Report and Financial Statements 2024/25.

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Interim management report (continued)

Delivering our 2025/26 Priorities

As we are halfway through the final year of the current regulatory price control period, there are three key areas of focus for Cadent. Firstly, it is essential that operational performance remains at the high levels the company has attained, we maintain excellent customer service standards and we continue to deliver outstanding support for those living in the most vulnerable situations. Secondly, it is essential that we attain the right outcome through the RIIO-3 business planning process; one that recognises the need for the gas network in the medium to long term and secures investment to allow us to maintain the world class assets that our customers have invested in. Third, and finally, to continue to lead the sector, demonstrating the case for low-carbon gas as a safe and core component of the UK's long term energy system, as the UK transitions towards net zero.

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 driving down the emissions from our operations. Our business carbon footprint is predominantly influenced by shrinkage emissions, accounting for 98% of our scope 1 and scope 2 emissions. 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 801km of iron mains in the first half of the year and are on track to deliver our annual mains replacement target of 1,583km. We are well on track to complete our five-year RIIO-2 investment workload. Our relentless focus in tackling climate change means that we are out-performing our RIIO-2 targets and continue to have the lowest leakage emissions per customer across all of the gas distribution network companies in Great Britain. Our RIIO-3 plan proposes to continue this 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. We recognise we have a long way to go in demonstrating how the capabilities of biomethane and hydrogen can support the huge task of decarbonising industry and domestic heating at scale, but our green gas projects are progressing well. Our East Coast Hydrogen project aims to repurpose and build new gas pipelines to deliver clean hydrogen at scale across the North East, the Humber region, Yorkshire and the East Midlands. It will play a key role in helping power generation and heavy industry across the East Coast transition from natural gas to low carbon hydrogen. On 20 June 2025, Ofgem announced £96 million of funding to support the next phase of the project. Our HyNet project in the North West has made important progress and we're looking forward to seeing the completed project bring hydrogen to the important industrial markets of the North West. Government has also confirmed its support for blending hydrogen into the gas network, to enable hydrogen production at scale. This outcome is a direct result of the key enabling projects under our HyDeploy programme, that has looked specifically at the safety and technical potential for blending hydrogen.

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 whilst we are expecting several key policy decisions in 2025/26, in the meantime we continue to invest in hydrogen 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. We have worked with the Carbon Trust and have successfully met their 'Taking Action' threshold against their Route to Net Zero works and now annually have our Scope 1, 2 and part of our Scope 3 data externally audited. Responding to the urgent need to decarbonise the energy system, we're applying 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.

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Interim management report (continued)

Delivering our 2025/26 Priorities (continued)

We are committed to do all this while continuing to deliver our current levels of outstanding network reliability, customers 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. This year we intend to launch the Hydrogen Skills Academy through our learning and development programme and we are actively collaborating with the hydrogen engineering team to stay abreast of the latest procedures and outputs from industry technical evidence projects.

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 Financial Statements for the year ended 31 March 2025. A detailed explanation of the risks and how the Group seeks to mitigate the risks, can be found on pages 10 to 17 of the Annual Report and Financial Statements for the year ended 31 March 2025. Below is a summary of our key risks as at 30 September 2025

- Cyber, physical security breach, data issues or critical system failure
- Effectively managing assets and network reliability
- Securing critical resources and engagement
- 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.

Quadgas MidCo Limited

Interim management report (continued)

Auditor

Following the completion of the 2024/25 audit process, Deloitte LLP have been re-appointed as auditor of the Quadgas Holdings TopCo Limited Group and its subsidiaries including Quadgas MidCo Limited.

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,



E Howell

Director

20 November 2025

Pilot Way, Ansty, Coventry, CV7 9JU

Quadgas MidCo 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 Quadgas MidCo Limited during the period and up to the signing of the condensed financial statements are as listed in the Quadgas MidCo Limited Annual Report and Financial statements for the year ended 31 March 2025 with the exception of the following changes to the Board:

On 22 May 2025 A Carta was appointed as Director of Quadgas MidCo Limited.

On 31 October 2025 S M J Sulaiman was appointed as Director of Quadgas MidCo Limited.

On 22 May 2025 A M Al-Ansari resigned as Director of Quadgas MidCo Limited.

On 31 October 2025 M W Braithwaite resigned as a Director of Quadgas MidCo Limited.

By order of the Board,



E Howell

Director

20 November 2025

INDEPENDENT REVIEW REPORT TO QUADGAS MIDCO 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 2025 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 2025 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 the parent 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.

A handwritten signature in dark ink, appearing to read "Deloitte LLP", is positioned above the printed name of the firm.

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
20 November 2025

Quadgas MidCo Limited

Condensed consolidated income statement

Six months ended 30 September 2025

			Six months ended 30 September 2025 (unaudited)		Six months ended 30 September 2024 (unaudited)
	Notes	£m	£m	£m	£m
Revenue			1,215		1,056
Operating costs					
Before adjusting items		(797)		(718)	
Adjusting items	5	<u>(1)</u>		<u>(3)</u>	
Total operating costs			(798)		(721)
Total operating profit			417		335
Finance income					
Before adjusting items		15		37	
Adjusting items	5/6	<u>7</u>		<u>21</u>	
Total finance income	6		22		58
Finance costs					
Before adjusting items	6	<u>(261)</u>		<u>(228)</u>	
Total finance costs			(261)		(228)
Profit before tax					
Before adjusting items		172		147	
Adjusting items	5	<u>6</u>		<u>18</u>	
Total profit before tax			178		165
Tax					
Before adjusting items	7	(54)		(38)	
Adjusting items	5/7	<u>(2)</u>		<u>(4)</u>	
Total tax	7		(56)		(42)
Profit after tax					
Before adjusting items		118		109	
Adjusting items	5	<u>4</u>		<u>14</u>	
Profit for the period			<u>122</u>		<u>123</u>

The results reported above relate to continuing operations.

Quadgas MidCo Limited

Condensed consolidated statement of comprehensive income

Six months ended 30 September 2025

	Six months ended 30 September 2025 (unaudited) £m	Six months ended 30 September 2024 (unaudited) £m
Profit for the period	122	123
Other comprehensive (expense)/income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	(50)	60
Tax on remeasurements of post-employment benefit obligations	12	(15)
Total items that will never be reclassified to profit or loss	(38)	45
Items that may be reclassified subsequently to profit or loss		
Net (loss)/gain in respect of cash flow hedges	(14)	15
Net (loss)/gain in respect of cost of hedging (deficit)/reserve	(6)	2
Amortisation of cost of hedging reserve	1	3
Tax on net loss/(gain) in respect of cash flow hedge reserve and cost of hedging reserve	5	(5)
Total items that may be reclassified subsequently to profit or loss	(14)	15
Other comprehensive (expense)/income for the period, net of tax	(52)	60
Total comprehensive income for the period	70	183

The results reported above relate to continuing operations.

Quadgas MidCo Limited

Condensed consolidated statement of financial position

As at 30 September 2025

		As at 30 September 2025 (unaudited) £m	As at 31 March 2025 (audited) £m
	Notes		
Non-current assets			
Intangible assets		3,875	3,873
Property, plant and equipment	9	13,893	13,738
Pension and other post-retirement benefit assets	12	295	340
Derivative financial assets	10	64	30
Total non-current assets		18,127	17,981
Current assets			
Inventories		15	16
Corporation tax		4	3
Trade and other receivables		214	190
Current asset investments	11	49	209
Cash and cash equivalents	11	20	21
Total current assets		302	439
Total assets		18,429	18,420
Current liabilities			
Trade and other payables		(464)	(456)
Borrowings	11	(122)	(123)
Lease liabilities	11	(17)	(18)
Provisions		(15)	(24)
Total current liabilities		(618)	(621)
Net current liabilities		(316)	(182)
Total assets less current liabilities		17,811	17,799
Non-current liabilities			
Derivative financial liabilities	10	(453)	(406)
Borrowings	11	(11,425)	(11,327)
Lease liabilities	11	(101)	(110)
Deferred tax liabilities		(2,657)	(2,683)
Provisions		(65)	(68)
Accruals and deferred income		(15)	(15)
Total non-current liabilities		(14,716)	(14,609)
Total liabilities		(15,334)	(15,230)
Total net assets		3,095	3,190
Equity			
Share capital		1	1
Cash flow hedge reserve		27	36
Cost of hedging (deficit)/reserve		(4)	1
Retained earnings		3,071	3,152
Total equity		3,095	3,190

The notes on pages 22 to 32 are an integral part of the financial statements.

The condensed consolidated financial statements on pages 17 to 32 were approved for issue by the Board of Directors on 20 November 2025 and were signed on its behalf by:



E Howell

Director

Quadgas MidCo Limited

Company registration number: 10615396

Quadgas MidCo Limited

Condensed consolidated statement of changes in equity

Six months ended 30 September 2025

	Share capital £m	Cash flow hedge reserve £m	Cost of hedging reserve/ (deficit) £m	Retained earnings £m	Total £m
At 1 April 2025	1	36	1	3,152	3,190
Profit for the period	-	-	-	122	122
Other comprehensive expense for the period excluding amortisation of cost of hedging deficit	-	(9)	(6)	(38)	(53)
Amortisation of cost of hedging reserve/(deficit)	-	-	1	-	1
Total comprehensive (expense)/income for the period	-	(9)	(5)	84	70
Equity dividends (note 8)	-	-	-	(165)	(165)
At 30 September 2025 (unaudited)	1	27	(4)	3,071	3,095

	Share capital £m	Cash flow hedge deficit £m	Cost of hedging reserve £m	Retained earnings £m	Total £m
At 1 April 2024	1	(17)	9	3,397	3,390
Profit for the period	-	-	-	123	123
Other comprehensive income for the period excluding amortisation of cost of hedging reserve	-	10	2	45	57
Amortisation of cost of hedging reserve	-	-	3	-	3
Total comprehensive income for the period	-	10	5	168	183
Equity dividends (note 8)	-	-	-	(199)	(199)
At 30 September 2024 (unaudited)	1	(7)	14	3,366	3,374

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

Quadgas MidCo Limited

Condensed consolidated statement of cash flows

Six months ended 30 September 2025

		Six months ended 30 September 2025	Six months ended 30 September 2024
	Notes	(unaudited) £m	(unaudited) £m
Cash flows from operating activities			
Total operating profit		417	335
Adjustments for:			
Adjusting items	5	1	3
Depreciation and amortisation		282	269
Increase in inventories		1	1
(Increase)/decrease in trade and other receivables		(26)	7
Increase in trade and other payables		16	49
Capital contribution income		(14)	(7)
Changes in provisions		(1)	(1)
Gain on disposal of property, plant and equipment		(1)	(1)
Changes in pensions and other post-retirement obligations		5	2
Capital contributions received		10	24
Cash flows relating to adjusting items		(16)	(6)
Cash generated from operations		674	675
Tax paid		(63)	(38)
Net cash inflow from operating activities		611	637
Cash flows from investing activities			
Purchases of intangible assets		(9)	(1)
Purchases of property, plant and equipment		(427)	(443)
Disposals of property, plant and equipment		1	2
Interest received		6	31
Net decrease in financial investments		159	149
Net cash flow used in investing activities		(270)	(262)
Cash flows from financing activities			
Proceeds received from loans		-	591
Cash paid on derivatives hedging loan proceeds		-	(2)
Repayment of loans		-	(580)
Cash received from early termination of derivatives		-	-
Repayment of lease liabilities		(17)	(13)
Interest paid on loans		(220)	(197)
Cash received on interest settlement of derivatives		36	28
Dividends paid to shareholders	8	(165)	(199)
Net cash flow used in financing activities		(366)	(372)
Net (decrease)/increase in cash and cash equivalents		(25)	3
Net cash and cash equivalents at the start of the period		21	30
Net cash and cash equivalents, including overdrafts, at the end of the period		(4)	33
Comprising:			
- Cash		20	33
- Overdraft		(24)	-
		(4)	33

Notes to the condensed consolidated financial statements

Six months ended 30 September 2025

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

The Annual Report and Financial Statements 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 2025, 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 financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of 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 2025.

The half year financial information has been prepared in accordance with the accounting policies expected to be applicable for the year ending 31 March 2026 and consistent with those applied in the preparation of the accounts for the year ended 31 March 2025. There have been no new IFRS Accounting Standards applicable to the period with material impact on the Group's results.

Notes to the condensed consolidated financial statements (continued)

Six months ended 30 September 2025

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1 to the 2024/25 Annual Report and Financial Statements, 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 2025, with the exception of the Scheme administration practices and the impact on the measurement of the scheme liabilities (see note 12).

Ofgem published their RIIO-3 DD on 1st July 2025 following the submission of company business plans in December 2024. The DD covers the allowed costs and revenues for RIIO-3 which is the five-year period from 1 April 2026 to 31 March 2031. The DD includes proposals for accelerating the regulatory Regulated Asset Value (RAV) recovery profile to mitigate asset stranding risk whilst balancing the needs of current and future customers. Whilst the DD included proposals on the accelerated RAV recovery profile, we continue to believe the gas networks will be required to support a resilient energy infrastructure and enable a smooth transition to a lower carbon economy for decades to come and therefore believe the DD does not impact our assessment of the UELs of our assets or the risk of impairment of the Group's goodwill.

Notes to the condensed consolidated financial statements (continued)

Six months ended 30 September 2025

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 Group. 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 2025 is £1 million (2024: £3 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.

Quadgas MidCo Limited

Notes to the condensed consolidated financial statements (continued)

Six months ended 30 September 2025

5. Adjusting items (continued)

	Six months ended 30 September 2025	Six months ended 30 September 2024
	£m	£m
Adjusting items included within total operating costs:		
Restructuring costs ⁽ⁱ⁾	<u>1</u>	<u>3</u>
	1	3
Adjusting items included within finance income:		
Net gains on derivative financial instruments ⁽ⁱⁱ⁾	<u>(7)</u>	<u>(21)</u>
	(7)	(21)
Total included within profit before tax	<u>(6)</u>	<u>(18)</u>
Included within taxation:		
Tax on adjusting items		
Tax credit on restructuring costs	-	(1)
Tax charge on net gains on derivative financial instruments	<u>2</u>	<u>5</u>
	2	4
Total adjusting items after tax	<u>(4)</u>	<u>(14)</u>
Analysis of total adjusting items after tax		
Total adjusting items included within operating costs after tax	<u>1</u>	<u>2</u>
Total adjusting items included within finance income after tax	<u>(5)</u>	<u>(16)</u>
	(4)	(14)

(i) The Group is undergoing a transformation programme to improve the efficiency of our operations by restructuring the business. During the period the Group have recognised £1 million in adjusting items in relation to our Operational Efficiency programmes and Voluntary Redundancy programme in order to drive efficiency (cumulative: £44 million). These activities are infrequent and adjusting in nature, and are financially material over the course of the multi-year exercise. On 4 November 2025 a further consultation was launched. Any future costs under these programmes are not expected to be material.

(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.

Quadgas MidCo Limited

Notes to the condensed consolidated financial statements (continued)

Six months ended 30 September 2025

6. Finance income and costs

	Six months ended 30 September 2025	Six months ended 30 September 2024
	£m	£m
Finance income		
Interest income from pensions	10	9
Interest income from financial investments	5	28
Adjusting items ⁽ⁱ⁾	7	21
Total finance income	<u>22</u>	<u>58</u>
Finance costs		
Interest expense on financial liabilities held at amortised cost:		
Bank loans and overdrafts	16	20
Bonds ⁽ⁱⁱ⁾	173	158
Interest payable on intercompany financing	36	31
Derivatives ⁽ⁱⁱⁱ⁾	33	17
Unwinding of discounts on provisions and lease liabilities	3	2
Total finance cost	<u>261</u>	<u>228</u>
Net finance costs	<u>239</u>	<u>170</u>

(i) Includes a net foreign exchange loss on financing activities of £61 million (six months ended 30 September 2024: £84 million gain). These amounts are fully offset by foreign exchange gains and losses on derivative financial instruments measured at fair value. Also includes a gain of £7 million (six months ended 30 September 2024: £13 million gain) relating to the remeasurement of derivatives not designated as hedges and £Nil gain (six months ended 30 September 2024: £8 million) on redemption of swaps.

(ii) Included within finance costs in bonds is £Nil (six months ended 30 September 2024: £1 million) of accretion on RPI-linked debt instruments with 7-10 year an original tenor (cumulative: £252 million) and £28 million (six months ended 30 September 2024: £18 million) RPI-linked debt instruments with an original tenor of >10 years (cumulative: £535 million).

(iii) Included within finance costs in derivatives is a credit of £16 million (six months ended 30 September 2024: 12 million credit) relating to interest on derivatives. Also included is £18 million (six months ended 30 September 2024: £12 million) of accretion on RPI-linked swaps with an original tenor > 10 years (cumulative: £206 million), £22 million (six months ended 30 September 2024: £12 million) on CPI-linked swaps with an original tenor of 7-10 years (cumulative: £191 million) and £9 million (six months ended 30 September 2024: £5 million) on CPI-linked swaps with an original tenor of > 10 years (cumulative: £70 million).

Quadgas MidCo Limited

Notes to the condensed consolidated financial statements (continued)

Six months ended 30 September 2025

7. Taxation

Tax charged to the income statement

	Six months ended 30 September 2025	Six months ended 30 September 2024
	£m	£m
Tax before adjusting items	54	38
Tax on adjusting items	2	4
Total tax expense	56	42

Taxation as a percentage of profit before tax

	2025	2024
Before adjusting items	31.4%	25.9%
After adjusting items	31.5%	25.5%

The effective tax rate before adjusting items of 31.4% for the six months to 30 September 2025 is higher (2024: 25.9% higher) than the standard rate of corporation tax in the UK of 25% (2024: 25%). The rate is higher than the standard rate as a result of an increase in the effective rate of 5.4% relating to financing costs for which tax relief is restricted. Additionally, an increase in the effective rate of 1.1% arising from depreciation on assets which have not qualified for tax relief (and so is not included in temporary differences) and an increase in the effective rate of 0.2% arising from non-tax deductible costs. This is offset by a reduction in the effective rate of 0.3% arising from non-taxable income. The expected tax rate for the full year in respect of profit before adjusting items is 30.5% (31 March 2025: 25.4% actual rate).

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

	2025	2024
	£m	£m
Current tax	65	50
Deferred tax	(9)	(8)
	56	42

8. Dividends

	2025	2024
	£m	£m
Interim dividend of £0.032 per ordinary share amounting to £164,500,000 was declared on 18 August 2025 and paid on 1 September 2025	165	-
Interim dividend of £0.039 per ordinary share amounting to £199,436,430 was declared on 25 September 2024 and paid on 26 September 2024	-	199
	165	199

No further dividends are proposed for the current financial period.

Quadgas MidCo Limited

Notes to the condensed consolidated financial statements (continued)

Six months ended 30 September 2025

9. Property, plant and equipment

	Land and buildings	Plant and machinery	Assets in the course of construction	Motor vehicles and other equipment	Right-of- use assets	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2025	263	16,210	88	239	173	16,973
Additions	9	380	31	6	4	430
Reclassifications	-	9	(9)	-	-	-
Disposals	(3)	(1)	-	(18)	(3)	(25)
At 30 September 2025	269	16,598	110	227	174	17,378
Accumulated depreciation and impairment						
At 1 April 2025	(73)	(2,961)	-	(153)	(48)	(3,235)
Depreciation charge for the period	(8)	(237)	-	(17)	(13)	(275)
Disposals	3	1	-	18	3	25
At 30 September 2025	(78)	(3,197)	-	(152)	(58)	(3,485)
Net book value:						
At 30 September 2025	191	13,401	110	75	116	13,893
At 31 March 2025	190	13,249	88	86	125	13,738

The UK's target to achieve net zero by 2050 may impact the 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 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 Financial Statements 2024/25.

	Land and buildings	Plant and machinery	Assets in the course of construction	Motor vehicles and other equipment	Right-of- use assets	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2024	260	15,355	60	234	142	16,051
Additions	17	432	12	12	24	497
Reclassifications	(7)	8	(4)	3	-	-
Disposals	-	(1)	-	(13)	(4)	(18)
At 30 September 2024	270	15,794	68	236	162	16,530
Accumulated depreciation and impairment						
At 1 April 2024	(60)	(2,505)	-	(140)	(33)	(2,738)
Depreciation charge for the period	(7)	(226)	-	(17)	(11)	(261)
Disposals	-	-	-	12	4	16
At 30 September 2024	(67)	(2,731)	-	(145)	(40)	(2,983)
Net book value:						
At 30 September 2024	203	13,063	68	91	122	13,547
At 31 March 2024	200	12,850	60	94	109	13,313

Quadgas MidCo Limited

Notes to the condensed consolidated financial statements (continued)

Six months ended 30 September 2025

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 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Fair value through profit and loss ('FVTPL') instruments	49	-	-	49
Derivative financial instruments	-	64	-	64
Liabilities				
Derivative financial instruments	-	(252)	(201)	(453)
Total	49	(188)	(201)	(340)
As at 31 March 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Fair value through profit and loss ('FVTPL') instruments	209	-	-	209
Derivative financial instruments	-	30	-	30
Liabilities				
Derivative financial instruments	-	(237)	(169)	(406)
Total	209	(207)	(169)	(167)

Financial liabilities in the consolidated statement of financial position are either 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 2025 is £10,367 million (31 March 2025: £10,295 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 and £250 million of RPI-CPI basis inflation swaps maturing in 2032 and 2033 both of which are traded based on a spread to liquid RPI inflation markets. The market for CPI swaps is still maturing with the expected future differential between RPI and CPI not currently observable in their own liquid market. The fair values for these instruments are calculated by using forecasts of the expected future differential between RPI and CPI obtained from third party valuation data to provide a series of future cashflows. These are then discounted back to a net present value using quoted interest rates to which model-derived counterparty and Cadent credit adjustments are applied. As the RPI and CPI spreads, the funding adjustments and Cadent credit spread are not observable, these swaps have been classified as Level 3 instruments. As these instruments are linked to CPI, higher inflation forecasts will result in a larger liability at maturity, negatively impacting the fair value. Conversely, a reduction in inflation forecasts 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 £11.7 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.

Quadgas MidCo Limited

Notes to the condensed consolidated financial statements (continued)

Six months ended 30 September 2025

10. Fair value measurement (continued)

Movements in the 6 months to 30 September 2025, for assets and liabilities measured at fair value using Level 3 valuations inputs are as follows:

	Six months ended 30 September 2025	Six months ended 30 September 2024
	£m	£m
At 1 April	(169)	(145)
Net (loss)/gain for the period	(3)	13
Settlements	(29)	(29)
At 30 September	<u>(201)</u>	<u>(161)</u>

Net (losses)/gains in the period are shown within interest cost in the income statement.

11. Net debt

	Six months ended 30 September 2025	Year ended 31 March 2025
	£m	£m
Decrease in borrowings & related derivatives	-	(86)
Repayment of lease liabilities	17	29
Net interest paid on borrowings and derivatives	<u>184</u>	<u>336</u>
Changes in net debt arising from financing activities	201	279
Decrease in cash and cash equivalents, including overdraft	(25)	(9)
Decrease in financial investments	<u>(165)</u>	<u>(413)</u>
Changes in net debt arising from cash flows	11	(143)
Changes in fair value	48	6
Foreign exchange movements	(62)	61
Net interest charge on the components of net debt	(256)	(410)
Other non-cash changes	<u>(2)</u>	<u>(38)</u>
Movement in net debt (net of related derivative financial instruments)	(261)	(524)
Net debt at the start of the period (net of related derivative financial instruments) at the start of the period	<u>(11,724)</u>	<u>(11,200)</u>
Net debt (net of related derivative financial instruments) at the end of the period	<u>(11,985)</u>	<u>(11,724)</u>

Composition of net debt:

Cash, cash equivalents and financial investments	69	230
Borrowings and bank overdrafts	(11,547)	(11,450)
Derivatives	(389)	(376)
Lease liabilities	<u>(118)</u>	<u>(128)</u>
Total net debt	<u>(11,985)</u>	<u>(11,724)</u>

Notes to the condensed consolidated financial statements (continued)

Six months ended 30 September 2025

12. Retirement benefit schemes

	30 September 2025 £m	31 March 2025 £m
Present value of funded obligation	(3,688)	(3,785)
Fair value of plan assets	3,986	4,128
	298	343
Present value of unfunded obligations	(3)	(3)
Net defined benefit asset	295	340
Represented by:		
Liabilities	(3,691)	(3,788)
Assets	3,986	4,128
	295	340
Key actuarial assumptions		
Discount rate - Past service	5.65%	5.55%
Rate of increase in RPI - Past service	2.95%	3.20%

The net pensions position, as recorded under IAS19, at 30 September 2025 was a surplus of £295 million compared to a surplus of £340 million at 31 March 2025. There is an overall decrease of £45 million (DBO reduced by £97 million but assets reduced by £142 million resulting in the smaller net overall decrease). This decrease follows a valuation exercise undertaken at 30 September 2025 by the Group's independent actuary. The main drivers of the decrease over the period are a gain of £120 million due to a change in financial assumptions, a gain of £7 million due to demographic assumptions offset by an experience loss of £85 million on liabilities largely due to actual inflation over the period being higher than that assumed and offset by an experience loss on the assets with actual assets being £93 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. Whilst not yet completed, the work undertaken to date indicates an estimated impact of 0.4% of liabilities. The Group have updated the allowance for GMP equalisation to 0.4% of liabilities in the calculation of the DBO at 30 September 2025, an increase of 0.2% from the 0.2% of liabilities initially used.

In preparing to equalise GMPs, an issue was discovered with the Scheme's long-standing administration practices that pre-dates the formation of Cadent but has an impact on the measurement of the scheme liabilities. The measurement is subject to a number of risks and uncertainties particularly in relation to the application of the scheme rules and the population impacted. Further legal and actuarial work is ongoing to fully assess the implications. The defined benefit obligation at 30 September 2025 includes a further reserve of 0.85% of the Scheme liabilities (£31 million) representing management's best estimate of the impact at the reporting date.

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. In June 2025 the Department for Work and Pensions confirmed that the Government will introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. Detailed investigations are ongoing, but we currently have no reason to believe that the ruling in the case will have any financial impact for the Group. We will continue to assess the position.

Notes to the condensed consolidated financial statements (continued)

Six months ended 30 September 2025

13. Commitments and contingencies

(a) Capital and other commitments

At 30 September 2025 there were commitments for future capital expenditure contracted but not provided for £301 million (31 March 2025: £242 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 and Cadent Services 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 Group 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 Group'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 8 and 12 respectively.

15. Subsequent events

There are no post balance sheet events.