Company number 14177081

GasT MidCo Limited

Annual Report & Accounts 2022/23

For the period ended 31 March 2023

Strategic Report

Our business at a glance

GasT MidCo Limited ('MidCo') holds investments in a number of subsidiary companies and obtains and provides finance to fellow subsidiaries, including National Gas Transmission plc ("National Gas"). MidCo was incorporated in June 2022 and acquired National Gas Transmission Holdings Limited and its subsidiaries on 31 January 2023. MidCo is 100% owned by GasT Pledgeco and indirectly owned by GasT Topco (owned by a consortium comprising Macquarie Asset Management and British Columbia Investment Management Corporation (60%) and National Grid plc (40%)).

National Gas is proud of its role in the UK. More than 1,600 skilled colleagues bring gas to around 23m homes and over 500,000 businesses, including heavy industries and power stations that keep the lights on.

National Gas is formed of three businesses – National Gas Transmission, National Gas Services and National Gas Metering. Together, National Gas can play a leading role in the journey to Net Zero by developing a hydrogen backbone which can:

- Facilitate the decarbonisation of our energy system.
- Enable the development of the UK's hydrogen economy.

National Gas Transmission

National Gas Transmission ('NGT') is the backbone of Britain's energy system today and aims to play a leading role in the transition to a clean energy future that works for every home and business. NGT owns and operates the national gas network, delivering energy to where it is needed in every part of the country. Through fulfilling its strategic priorities, NGT will bolster Britain's energy security for the coming decades, helping to achieve its Net Zero ambitions, and ensure a competitive edge for British business.

National Gas Services

National Gas Services is the UK's trusted authority in pipeline repair, maintenance and intervention. It provides comprehensive services for strategic gas assets. With extensive expertise in both emergency and planned solutions, National Gas Services ensure rapid 24/7 responses, 365 days a year, along with a full range of maintenance, inspection, and repair services.

National Gas Metering

National Gas Metering (NGM) is one of the largest meter equipment managers in Great Britain, enabling homes and industry to access the energy they need safely and reliably.
NGM manages around seven million diverse and, in some cases, significantly complex gas metering installations delivering consistently high performance and outstanding levels of customer satisfaction. The award-winning business is built from a dynamic, people-centred culture and an ethos of trust, care, transparency, agility, and value which guides us in all that it does.

Business Review

The year has presented many opportunities for National Gas, as it became a stand-alone gas business. On 31 January 2023, we saw the completed acquisition of a 60% equity stake in the business by a consortium comprising Macquarie Asset Management and British Columbia Investment Management Corporation.

The investment will enable the business to support the expansion of hydrogen's role in the energy mix to deliver a competitive edge for the UK, and to work with the Government and Ofgem to maintain security of supply over the coming decades.

Last year National Gas made strong progress on our consumer priorities that underpin its business: delivering reliable energy, affordable energy and sustainable energy to consumers. Below are brief summaries of each constituent companies' performance and achievements in 2022/23 – note that these entities were consolidated in MidCo only for the last two months of this period. You can find more detail in the *National Gas Transmission plc Annual Report and Accounts* which does not form part of this report.

National Gas Transmission: annual summary

Below is a summary of the achievements for National Gas Transmission in 2022/23:

- The business substantially improved its safety performance
  - 0 tier 1 or 2 process safety incidents in 2022/23 versus 1 in 21/22
  - 6 high potential controllable events in 2022/23 versus 10 in 21/22
  - Lost time injury frequency rate of 0.03 in 2022/23 versus 0.12 in 21/22
- Customers, and therefore British energy consumers, experienced zero supply interruptions, keeping homes warm, industry fuelled and the lights on
- Following Russia's invasion of Ukraine and subsequent reduction of Russian gas supplies to Europe, the business re-configured its network to facilitate sustained, high levels of export through the interconnectors to Belgium and the Netherlands. These exports totalled more than 20 billion cubic metres of gas during the year.
- 100% reliability of the network – same as 21/22
- 92% availability of seasonal critical compressors vs 93.5 in 21/22
- 15% of EU storage refilled with exports through interconnectors (estimated)
- Successfully delivered the annual network emergency exercise 'Exercise Degree', once again demonstrating that the gas industry is prepared and able to meet its obligations in the event of a Network Gas Supply Emergency
- National Gas Transmission continued to keep its annual impact on consumer bills low.
  - £7.30 per year in March 2022
  - £7.99 per year in March 2023
- Continued focus on delivering for customers is having a positive impact.
  - Customer Satisfaction Score of 8.6 (113 responses) vs 8.6 (95 responses) in 21/22
  - Stakeholder Satisfaction Score of 8.7 (84 responses) vs 8.6 (71 responses) in 21/22
- It has managed the system efficiently to minimise constraints, maximising capacity releases on the system and saving money for our direct customers and consumers more broadly.
  - This resulted in a capacity constraint management incentive performance of £4.8 million in 2022/23
- Customers experienced zero unplanned outages and therefore no interruption to their gas supply
  - Over 1,000 summer maintenance activities with only one day of change to the agreed plan

- Despite volatile markets, the business provided accurate demand forecasts, helping our customers make informed decisions
  - 8.97 mcm/d difference in our forecast accuracy versus the daily demand vs 8.52 in 21/22.
  - 2 million cubic metres of gas required each day to balance the system, which is the same as 21/22
- In response to the Russian invasion of Ukraine the business co-ordinated the collection of essential gas transmission and distribution components, with substantial donations from the four UK Gas Distribution Networks (GDNs), for delivery to the Ukrainian transmission operator

National Gas Services: annual summary

Previously known as Pipelines Maintenance Centre (PMC), National Gas Services is Britain's leading provider of planned and emergency pipeline maintenance and repair solutions with six depots strategically placed across England, Scotland and Wales.

It is the UK's trusted authority in pipeline repair, maintenance and intervention. It has an efficient, integrated modern delivery unit of strategic gas assets and have become a key supply chain partner to the UK pipeline industry enabling security of supply and more recently building our capacity to support customers in the transition to a greener future.

As a competitive, commercial business, it carries out work for National Gas Transmission and other companies both inside and beyond the gas networks. It provides Centralised Emergency Materials and Equipment (CEME) which ensures customers receive an emergency response service 24 hours a day, 365 days a year. Below is a summary of the achievements for National Gas Services in 2022/23:

- NGS found new efficiencies and innovation to enable a 31% increase in profit since 2021/22 (£10.5 million from £8 million)
- 37% increase in resource utilisation from 52% to 89% significantly enhancing performance efficiency
- Successful O&M framework win delivering £12 million-£13 million in 2022/23 with further opportunity in future years
- Digitalisation of National Gas Services beginning to drive efficiency improvements
- Significant improvements in cost control including reduction in ILI dig costs (2020/21 £198K, 2021/22 £135K, 2022/23 £108K)
- National Gas Services refreshed its senior management across Commercial, Innovation, Market Insight, Programming and Customer disciplines
- Introduction of new suppliers to support a blended and flexible resource model
- Increased presence of industry events in the and abroad to support brand promotion and build market awareness of National Gas Services capability

National Gas Metering: annual summary

National Gas Metering (NGM) is one of the largest meter equipment managers in Great Britain, enabling homes and industry to access the energy they need safely and reliably. Managing and maintaining around 6.8 million metering installations – including some of high complexity - National Gas Metering is responsible for keeping a large proportion of the UK's homes and businesses connected to gas networks. Its expertise spans domestic, commercial, and industrial gas metering installations along with designing and building new connections to local gas distribution networks.

Below is a summary of National Gas Metering's achievements during 2022/23:

- External recognition by the European Contact Centre & Customer Service Awards, the Utility Awards and the 'A Great Place to Work' accreditation.
- Improved safety culture and performance. 12-month lost time injury frequency rate of 0.04 and strong safety leadership, rated 6.82 out of 8.
- Strong market understanding, supply chain management and great customer relationships leading to highest ever customer satisfaction and net promoter scores, and 95% of customer standards were delivered to target.
- Redesigned asset management system, new quantitative risk models to improve holistic risk management, implemented technology upgrades to our Field Force and Customer Self Service Portal and piloted a new telemetry system. We remain the highest user of Robotic Process Automation.
- 375,000 activities have been safely delivered ranging from data surveys, meter installations and exchanges to high pressure replacement projects and siteworks projects.
- Maintained external accreditations; ISO55001 Asset Management, ISO14001 Environmental Management, GIRS and Metering Code of Practice (MCOP) recertifications have all been achieved, founded on robust assurance, governance, risk management and controls.

Climate risk and responding to climate change

Climate risk is broadly defined as the range of potential business and financial impacts that organisations may face resulting from the effects of climate change. These risks are categorised as either physical risks or as transition risks. A changing climate, including rising temperatures, changing weather patterns, and increased instances of extreme climate- related disasters, create physical risks for our network.

Transition risks are climate risks facing the organisation resulting from the relative uncertainty created by the global shift towards a more sustainable, net-zero economy. For example, regulatory, geopolitical, and social pressures. NGT undertook an assessment of the physical risks from climate change in the publication of its third-round report under the Adaptation Reporting Power (ARP) set out in the Climate Change Act 2008. It formally assessed forty-one risks within its report and the assessment identified one high risk and ten medium climate risks. These risks can be summarised as falling within the following themes: raised temperatures, erosion, flooding, ground movement, wind damage, vegetation growth and lightning. They have been further summarised into three; coastal flooding, river flooding and high temperatures.

The process of prioritisation was to assess asset groups. Their reaction was modelled based on different climate scenarios and time periods. These were the baseline climate scenario based on UK Climate Projection (UKCP18) 1981-2010 data; the 4 Degree climate scenario for 2050 time period (based on climate projections for the 30 year period 2036-2065; and the 4 Degree scenario associated with this time period in the data which refers to expected temperature rise by 2100 assuming no intervention).

The output of the assessment has enabled NGT to prioritise Critical National Infrastructure (CNI) sites for more detailed risk assessments. The prioritised list of sites will be reviewed with operations personnel to validate the risk assessment and determine where further assessment is warranted.

A key part of our strategy to manage the risks posed by climate change on our business is to engage with the wider infrastructure operator community to share best practice and share learning. Examples of this is our membership of the Energy Networks Association where we are an active member of the Climate Change Resilience Working Group, membership of the UK Collaboration for Research on Infrastructure and Cities (UKCRIC) and Net-Zero Infrastructure

Industry Coalition. National Gas Transmission will review the transitional risks in 2023/24 as the business establishes itself at the 'Beginner' stage of the Task Force on Climate-related Financial Disclosures (TCFD) disclosure maturity and moves towards 'Intermediate'.

Risk Management

Identifying and Assessing the Impact of Climate-related Risks and Opportunities

The scale of ambition and speed of change required to meet net zero emission targets, along with the potential changes in weather patterns present both risks and opportunities to our business.

National Gas has identified its risks aligned to climate change. These risks and associated mitigations are managed through its risk management framework with appropriate executive oversight and line of sight to the National Gas Transmission plc Board (the National Gas Board). National Gas takes the potential risks of climate change to its business extremely seriously and is committed to assessing these risks on an ongoing basis and taking appropriate mitigation and adaption action where necessary.

Through its membership of the Energy Networks Association, National Gas Transmission and other energy network operators conducted a longer-term assessment of climate change risks out to 2050 utilising the latest UKCP18 UK Climate Projections. The conclusion of this work supported the Arup climate risk assessment that raised temperatures along with increased impacts from flooding and erosion have the potential to impact operation of the gas transmission system.

Climate Change and Enterprise Risk Management

Climate change risks are considered as part of our Enterprise Risk Management (ERM) process and has been one of our principal risks since May 2021. The ERM process is the framework through which National Gas Transmission identifies, assesses, prioritises, manages, monitors and reports risks. The principal climate risk is owned by the Director of Asset, Steve Vallender.

In February 2023, this principal risk was joined by two child risks which split the climate change principal risk into two distinct elements: adaptation risk and mitigation risk. As a new business, separated from National Grid Group, these risks form the foundation of our climate risk adaptation and mitigation which will mature over the next twelve months. Emerging risks are managed under our Risk management framework with results reviewed by senior leadership.

Parent Risk	There is a risk that the business fails to manage the impacts of climate change and to meet our Net Zero Targets because of complex systems, ageing assets and inadequate proactive planning leading to reputational damage, falling investor confidence, legislation non-compliance, enforcement actions and fines.
Child Risk 1	There is a risk that the business fails to meet Net Zero targets by 2040 because of no clear glide path to Net Zero Scope 1 and 2 emissions or associated decarbonisation strategy leading to reputational damage and a fall in investor confidence, legislation non- compliance, enforcement actions, fines.
Child Risk 2	There is a risk that a climate change event will cause harm (damage) to a significant asset because of a failure to respond to known climate hazards and appropriately manage asset vulnerabilities based on asset type characteristics and location of assets in relation to the hazard. Leading to loss of supply, increased maintenance and asset replacement costs. This could result in reputational damage, legislation non-compliance, enforcement actions, fines and safety/health/environment incidents.

Governance of climate-related risks and opportunities
The Board of Directors is accountable for setting and leading the company's climate-related strategy and has oversight of climate-related risks and opportunities impacting NGT.

The National Gas Board was established on the 31 January 2023 with Dr Phil Nolan as chair. Phil has served on the board of many public and private companies, both in an executive and non-executive capacity. He has industry experience as Executive Director of BG Group plc and Chief Executive of Transco plc between 1998 and 2000. Phil also led the demerger of Transco from BG Group plc, as the Chief Executive of Lattice Group. Phil is currently the Chair of Associated British Ports, a leading UK ports group, and the Chair of Encyclis. The National Gas Board is made up of seven shareholder appointed directors, two sufficiently independent directors (or 'SIDS'), our Chief Executive Officer Jon Butterworth and Chief Finance Officer Nick Hooper.

The National Gas Board meets six times a year with a particular focus on the strategic direction of our business. There have been several developments throughout the year that have strengthened focus on climate related matters at a National Gas Board level, throughout the organisation and also externally. There has been a realignment of strategic goals, significantly the net zero target ambition has been brought forward to 2040. This is in line with the strategic ambition of Macquarie Asset Management and British Columbia Investment Management Corporations, who have acquired a 60% stake in National Gas (the remaining 40% remains with National Grid.) To support the work of the National Gas Board, sub-committees and steering groups focus on specialist subjects in detail and ensure robust governance. Ownership of climate related issues sits within the Safety and Sustainability Committee. This committee is chaired by Howard Higgins. This committee oversees our safety and sustainability strategy, performance and risks. It provides assurance to the National Gas Board that the company is effectively managing legal, regulatory, and moral obligations.

Greenhouse Gas (GHG) Emissions
National Gas Transmission generate Greenhouse Gas (GHG) emissions across Scope 1 (direct emissions from our operational activities), Scope 2 (indirect emissions from our purchase and use of gas and electricity) and from the use of gas turbine driven compressors supporting gas exports to Europe, most notable from Scope 3 (other indirect emissions from activities and sources outside of our ownership or control). We have a target to meet net zero for our Scope 1, 2 and 3 emissions by 2040 and are developing a strategy to achieve this along with an abatement roadmap by the end of 2023. In 2022/23 our Scope 1 emissions were 368 ktCO2e, a 40% increase on the prior year (263 ktCO2e). The increase in Scope 1 emissions is related to fuel combustion of the compressors. The increase is mainly from emissions at Felindre and Kings Lynn Compressor Station. The increase in Scope 3 is a result of increased air travel, resulting from increasing travel following the lifting of Covid-19 restrictions. Of the emissions presented below only those relating to the period from 31 January 2023 to 31 March 2023 relate to GasT MidCo Limited.

Scope of emissions	Units	2022	2023
Scope 1	tCO2e	262,912	367,657
Scope 2	tCO2e	33,612	37,733
Scope 3	tCO2e	256	605
Total BCF	tCO2e	296,780	405,995

Currently there is not regulatory requirement for us to report our scope 3 emissions. However, we have chosen to report a small proportion of them, covering waste and employee commuting. We are drafting a decarbonisation strategy for 2023/24 which will detail a "road map" for scope 3 emissions, which will include provision to report on all relevant categories.

Financial review

On 31 January 2023 National Grid completed the sale of a 60% stake in National Gas Transmission Holdings Limited (including subsidiaries National Gas Transmission plc and National Gas Metering Limited) to a Macquarie-led consortium, which includes BCI of Canada. For the purpose of this transaction, GasT MidCo Limited was incorporated on 16 June 2022 and on 31 January 2023, GasT MidCo Limited acquired 100% of the share capital of National Gas Transmission Holdings Limited for a consideration of £5.42 billion funded by borrowings and intercompany loans. Following the acquisition a full purchase price allocation was completed which resulted in uplift in fair values of both tangible and intangible assets and recognition of goodwill.

The results for the period (from incorporation 16 June 2022 to 31 March 2023) show an operating loss of £32 million after operating expenses, and before interest and taxes have been deducted. The Group did not trade prior to the acquisition of National Gas Transmission Holdings Limited, and therefore only two months of trading was included in the consolidated income statement. National Gas Transmission plc showed strong results for the full year with 15.7% increase in operating profit from 2021/22 so GasT MidCo Limited is expected to record a consolidated operating profit for 2023/2024.

Consolidated revenues of MidCo were £290 million which is primarily made up of regulated income for capacity and commodity along with metering income.

Operating Costs were £292 million made up of amortisation and depreciation, costs related to the transmission of gas and purchases of gas.

There were exceptional items of £(30)m which is primarily made up of stamp duty costs related to the acquisition and other consolidated acquisition fees and costs.

New accounting standards

There has been no major impact on the financial statements due to the adoption of any new accounting standards. Amendments to standards that have been adopted and new accounting standards yet to be adopted are listed within section G and H of note 1; Basis of preparation and recent accounting developments.

Use of adjusted profit measures

In considering the financial performance of our businesses and segments, we analyse each of our primary financial measures of operating profit, profit before tax, profit for the period attributable to equity shareholders into two components.

The first of these components is referred to as an adjusted profit measure also known as 'Headline' or a' business performance' measure. Adjusted results exclude the impact of exceptional items and remeasurements that are treated as discrete transactions. These items are reported collectively as the second component of the financial measures. Note 5 of the financial statements explains in detail the items which are excluded from our adjusted profit measures.

Adjusted profit measures have limitations in their usefulness compared with the comparable total profit measures as they exclude important elements of our financial performance. However, we believe that by presenting our financial performance in two components it is easier to read and interpret financial performance between periods, as adjusted profit measures are more comparable having removed the distorting effect of the excluded items. Those items are more clearly understood when separately identified and analysed.

The presentation of these two components of financial performance is additional to, and not a substitute for, the comparable total profit measures presented. Management uses adjusted profit measures as the basis for monitoring financial performance.

Internal financial reports, budgets and forecasts are primarily prepared on the basis of adjusted profit measures, although planned exceptional items, such as significant restructurings, are also reflected in budgets and forecasts. We separately monitor and disclose the excluded items as a component of our overall financial performance.

Reconciliations of adjusted profit measures

Reconciliation of adjusted operating profit to total operating profit
There were exceptional items included within operating profit for the period ended 31 March 2023. These related to the acquisition, further details can be found in Note 5.

Unadjusted and adjusted profit figures are provided below;

	From 16 June 2022 to 31 March 2023
	2023
	£m
Adjusted operating loss	**(2)**
Exceptional items[1]	**(30)**
Total operating loss	**(32)**

[1] Additional detail is provided in Note 5 of the financial statements.

Reconciliation of adjusted operating profit to adjusted earnings

From 16 June 2022 to 31 March 2023	2023 £m
Adjusted operating loss	(2)
Adjusted net finance costs	(82)
Adjusted loss before tax	(84)
Adjusted taxation	19
Adjusted loss after tax	(65)
Adjusted earnings	(65)
Exceptional items after tax	(30)
Remeasurements after tax	(1)
Earnings	(96)

Consolidated income statement

The commentary below describes the continuing business results for the period ended 31 March 2023.

From 16 June 2022 to 31 March 2023	2023 £m
Revenue	290
Operating costs	(292)
Adjusted operating loss	(2)
Exceptional items	(30)
Finance income	7
Finance costs:	
Before remeasurements	(89)
Remeasurements	(1)
Loss before tax	(115)
Taxation:	
Before exceptional items and	19
Exceptional items and remeasurements	—
Loss after tax	(96)

Revenue

Consolidated revenues were £290 million which is primarily made up of regulated income for capacity and commodity along with metering income.

Operating loss

Adjusted operating loss for the period ended 31 March 2023 of £2 million represents two months of consolidated trading. The operating loss reflects the seasonality of the gas business where lower profit was achieved in the two months consolidated due to, and was not sufficient to fully offset, the additional depreciation charge arising on purchase price allocation adjustments to property, plant and equipment.

Net finance costs

For the period ended 31 March 2023, net finance costs before remeasurements were £83 million. This relates to external loans and derivative financial instruments.

Exceptional finance gains/losses were £(1) million loss for the period ended 31 March 2023.

Taxation

The tax charge on profits before exceptional items and remeasurements was £19 million due to tax losses arising in the period.

Consolidated statement of financial position

	Period ended 31 March
	2023
	£m
Non-current assets	**11,216**
Current assets	**795**
Total assets	**12,011**
Current liabilities	**(1,292)**
Non-current liabilities	**(7,808)**
Total liabilities	**(9,101)**
Net assets	**2,910**

Non-current Assets

Non-current assets are primarily made up of property, plant and equipment and intangible assets, including goodwill and license intangible.

Property, plant and equipment

Property, plant and equipment was £7,705 million as at 31 March 2023. This was made up of £4,737 million net book value at acquisition, 31 January 2023, fair value uplift of £2,951 million (purchase price allocation on acquisition) and subsequent net consolidated movements of £17m relating to additions and depreciation.

As detailed in note 9 there has been no revision to the assessment in the lives of pipeline assets following the net zero commitments.

Intangible assets

Intangible assets was £3,023 million as at 31 March 2023, made up of £488 million customer relationships, £742 million intangible license and £1,688 million goodwill recognised through the purchase price allocation on acquisition, with the remainder being software intangible assets.

Current and deferred tax liabilities

The net deferred tax liability was £1,891 million as at 31 March 2023. The liability at acquisition was £723 million with an additional liability of £1,157 million recognised from the acquisition of National Gas Transmission Holdings Limited.

Net debt

Net debt is £6,142 million at 31 March 2023, increased £2,233 million post acquisition, primarily due changes from cash flows £1,784 million, net interest charge £95 million offset by exchange and non-cash movements £354 million. For detailed movements see note 22.

Other balance sheet items

The remaining balance sheet amounts represent the consolidated trading of the Group. For full details and movements refer to the Annual Report and Accounts of National Gas Transmission plc.

Contract Liabilities

Contract liabilities were written down to nil as part of the purchase price allocation on acquisition and no new liabilities have been recognised in the consolidated balance sheet at 31 March 2023.

Net pension asset

A summary of the total assets and liabilities and the overall net IAS 19 (revised) accounting asset is shown below:

Net scheme asset	**£m**
As at acquisition, 31 January 2023	341
Current service cost	(1)
Redundancies	—
Special termination benefit cost - redundancies	—
Net interest credit	3
Administration costs	—
Actuarial gains/(losses)	
on plan assets	(32)
on plan liabilities	100
Employer contributions	3
As at 31 March 2023	412

The principal movements in the pension asset during the period include net actuarial gains of £68 million and employer contributions of £3 million. The overall pension asset increased by £71 million, post acquisition, to a closing asset of £412 million.

Further information on our pensions benefit obligations can be found in note 18 to the consolidated financial statements.

Off balance sheet items

There were no significant off balance sheet items other than the contractual obligations shown in note 25 (b) to the consolidated financial statements, and the commitments and contingencies discussed in note 23.

Climate Related Financial Disclosures

As we establish ourselves as a separate business, we are continuing the excellent progress made in the prior financial year to support the important work of the Task Force on Climate-Related Financial Disclosures (TCFD). In year one of the new business, 2023/24, we will implement recommendations to comply with the beginner's stage and will progress each year to demonstrate leadership.

This report builds on previous National Grid disclosures and provides details on our approach to understanding and managing climate-related risks. This includes our governance, strategy, risk management, metrics and targets.

We will continue to monitor developments, engage with stakeholders and evolve our approach to identifying and managing climate-related risks and opportunities.

Introduction to our climate related financial disclosures
Climate change remains the defining challenge of the 21st century and in our role as the owner and operator of Great Britain's gas transmission system we play a critical role in the energy transition.

As the UK transitions away from fossil fuel derived natural gas, we stand ready to support government, industry and consumers as the hydrogen economy develops and we all strive for carbon emission reduction.

The transition to a future hydrogen economy presents significant risks and opportunities to our business model that we manage with the due focus and attention required to enable the positive and responsible energy transition. We are committed to developing a business model that is consistent with the objectives of the Paris Agreement and prior to separation from National Grid Group were part of the Group business commitment to reach net zero emissions by 2050. As a standalone business we will developing a more ambitious strategy in 2023 that supports the reduction of our Scope 1, 2 and 3 emissions to net zero by 2040. The strategy and associated roadmap will detail interim targets and initiatives we intend to undertake to meet this ambition. This includes setting science- based aligned targets for Scope 1, 2 and 3 emission reduction.

Highlights of the period
National Gas Transmission has maintained its focus on climate change risk management and establishment of environmental targets which deliver carbon reductions. Highlights from last year include:

- Re-baselining to a 2040 net zero target for scope 1, 2 and 3 emissions
- Securing Ofgem funding to purchase equipment which will reduce the need to vent gas during our routine operations and also deliver trials of technology which will allow vented gas to be re-compressed back into the network.
- Publication of our first Annual Environmental Report explaining our progress against environmental targets that will deliver carbon reduction funded within the RIIO-2 price control.
- Establishment of two additional child climate risks complimenting the existing parent risk with executive oversight and appropriate mitigation actions.
- In February 2023 all members of the Executive Committee received a climate change risk awareness training session from the Institute of Environmental Management and Assessment.

Managing risk

The risk management process in the National Gas group is conducted on a group wide rather than individual entity basis. The National Gas group have a number of processes to support its internal control environment. These processes are managed by dedicated specialist teams, including risk management, ethics and compliance management, internal audit and controls, and safety, environment and health.

Managing our risks
National Gas is exposed to a variety of uncertainties that could have a material adverse effect on its financial condition, its operational results, its reputation, and its value.

The Board oversees risk management and internal control systems. As part of the role, the Board sets and monitors the amount of risk we are prepared to seek or accept in pursuing our strategic objective - risk appetite. The Board and Audit and Risk Committee assesses these risks and monitors the risk management process through regular risk review.

Risk management process
Risk strategy, policy and processes are set at a function level with the business responsible for implementation. Our Enterprise Risk Management (ERM) process provides a framework to identify, assess, prioritise, manage, monitor and report risks.

Our risk profile, contains the principal risks that the Board considers to be the main uncertainties currently facing the company as we endeavour to achieve our strategic objectives. These top risks are agreed through implementation of our top-down/bottom-up risk management process.

Emerging risks
We have an established process to identify and monitor emerging risks. The process is designed to ensure adequate steps are taken to prevent the occurrence or manage the impact of unexpected issues.

The ERM process monitors management information from a wide variety of internal and external sources when considering emerging risks.

Changes During the Period
MidCo became the parent company of National Gas Transmission plc on 31 January 2023. From that point onwards it has participated in the newly developed standalone risk framework and profile for the National Gas group.

Principal Risks and Uncertainties
Accepting that it is not possible to identify, anticipate or eliminate every risk that may arise and that risk is an inherent part of doing business, the risk management process aims to provide assurance that the main uncertainties faced by the National Gas group in delivering its strategic objectives are understood, monitored and managed. This aim includes consideration of inherent risks, which exist because of the nature of day-to-day operations in our industry, including financial risks.

Our principal risks:

- **Asset Failure.** There is a risk of a significant gas containment breach event on the gas transmission network because of an asset failure due to poor asset condition or a third-party infringement. This would lead to a significant safety event, lasting reputational damage among customers and regulators, and can damage investor confidence and potential disruption to energy supplies.
- **Energy Disruption.** There is a risk that we fail to appropriately mitigate, predict and respond to a significant disruption of energy that adversely impacts our customers and/or the public because of the performance or unavailability of National Gas Transmission asset(s), or inadequate supply onto the NTS to meet demand as a result of the failure of a 3rd party asset(s) or wider market failure(s). This could lead to a disruption to GB energy supplies, resulting in significant customer harm, lasting reputational damage with customers and

regulators, material financial losses and damage to investor confidence

- **Network Performance.** There is a risk that we fail to deliver the required level of network performance because of the unavailability, reliability or performance of an asset (or a combination of assets). This could lead to lasting reputational damage with customers and regulators, damage to investor confidence and potential disruption to GB energy supplies
- **National Gas Failure of IT Assets**. There is a risk that the CNI and/or Enterprise IT system's used by National Gas fail because of a full-scale outage. This could result in potential regulatory fines, loss of license and loss of customer and regulator trust.
- **Climate Change**. There is a risk that National Gas fail to manage the impacts of climate change and to meet our NetZero Targets because of complex systems, aging assets and inadequate proactive planning leading to reputational damage, falling investor confidence, legislation non-compliance, enforcement actions and fines.
- **Environment, Social and Governance**. There is a risk that National Gas' ESG vision is not achieved because the business does not adequately drive appropriate activity, leading to a potential reputational issue and threat of 'greenwashing'.
- **Occupational Safety**. There is a risk that our employees, contractors or members of the public experience an occupational safety incident that results in a fatal or life changing injury because of immature or inconsistent safety culture, failure to follow procedures, inadequate risk assessments, ineffective competence management or human error/violations. This could lead to prosecution, fines, damage to reputation, loss of license, loss of trust from our employees and loss of investor confidence.
- **Security**. There is a risk that cyber and physical security controls on National Gas operational sites may not be operationally effective and provide the required levels of protection against either a Cyber or Physical Security breach, because of a systemic weakness within the group's operational model (Systems, processes, people). This could result in a loss of confidentiality, availability or integrity of systems and/or operational data resulting in risks related to continuity of service, personal safety, reputation, regulatory standing, or financial loss
- **Compliance with External Legislation**. There is a risk that the National Gas group fail to achieve compliance with external legislation, due to the lack of understanding / accountability of obligations and/or ineffective controls. The consequences of this would be prosecution/ significant enforcement action (including financial penalty) increased regulator intervention, loss of trust and confidence in the National Gas group.
- **Resilience.** There is a risk that National Gas fail to appropriately plan to respond to an event requiring its resilience framework to be enacted because of weak, ineffective and immature plans and impact assessments, processes, meeting and governance structure in place. This could lead to National Gas Transmission not being able to meet principal deliverables and adverse impacts upon the Business plan in place.
- **Supply Chain.** There is a risk that external market conditions prevent the ability to procure essential goods and services, due to disruptions in economic cycles, supplier performance, consumer demands, natural and man-made disasters. The consequences of this would be National Gas failing to operate the network and deliver obligations through the ineffective operation and maintenance of our assets via the supply chain.
- **Talent & Resourcing.** There is a risk that the National Gas group do not attract, develop and retain a diverse talent pool with the capability to meet our business needs now and in future because of a lack of brand/ identity and a lack of understanding as to why diverse talent is leaving the organisation as well as fierce competition for diverse talent within the recruitment market, leading to a less diverse and capable workforce which delivers sub-optimal financial results as well as impacting on the National Gas group's reputation and its ESG commitments.
- **T2 Performance**. There is a risk that National Gas Transmission is unable to achieve the financial commitments that it has made for RIIO-T2 regarding underlying operating profit, asset growth, controllable cost reductions and ROE outperformance. This could happen if performance, risk and opportunities have not been rigorously tracked and monitored with

improvement plans being put in place to rectify deviations where appropriate, resulting in financial underperformance, shareholder dissatisfaction and credit metrics being impacted.
- **Transition to Hydrogen.** There is a risk that that the National Gas group fails to achieve its strategic ambition to build, own and operate the UK's future hydrogen transmission network because it cannot demonstrate our assets are suitable, the UK hydrogen economy does not align with the group's plans, and it cannot articulate a realistic methane to hydrogen transition plan.
- **Political Direction**. There is a risk that national politics could pivot because of a General Election leading to an associated change in the direction of energy policy, such as financing, regulation and hydrogen.
- **Policy Decision.** There is a risk that policy decisions are delayed because of political uncertainty hindering decision-making in the Civil Service leading to outcomes which will impact the longer-term role of the gas networks.
- **T3 Achieving the Right Outcome**. There is a risk that the National Gas group fails to secure an acceptable RIIO-3 regulated settlement because it fails to provide sufficient evidence to Ofgem of the need for its proposed work scope, the efficiency of the costs and the benefits to consumers, as well as having a poor track record for RIIO-2 delivery leading to failure to deliver its strategic ambitions to build, own and operate the UK's future hydrogen transmission network, and deliver RIIO-1 levels of network reliability throughout the energy transition.
- **Customer and Stakeholder**. There is a risk that the National Gas group fails to deliver on the expectations of its customers/ stakeholders because of a lack of customer understanding and an organisation not effectively processing the needs of customers/ stakeholders. This could lead to low customer/ stakeholder performance e.g. against incentives, loss of future opportunity, loss of customer advocacy for its business plan and failure to deliver license obligations.
- **External Supplier Capability.** There is a risk that the National Gas group fails to maintain and secure future supplier capability that ensures that key engineering and operational capability and skills can be delivered, because of retirement of veteran skills and low uptake of roles within the construction and maintenance industries. This could lead to a lack of ability to deliver against its future investments and higher costs within the external market.

Running our Business Ethically

Ethical Business Conduct

We regard the potential for bribery and corruption as a significant risk to the National Gas group's business and have established policies and governance that set and monitor our approach to preventing financial crimes, fraud, bribery and corruption, including our Anti-Bribery and Corruption Policy and our Code of Ethics ("Code"). We have a framework of controls designed to prevent and detect bribery or corruption.

The Code sets out the standards and behaviours we expect from all National Gas employees. The document is issued to all employees and is supported by a communication and training programme to promote a strong ethical culture. National Gas's Audit and Risk Committee (ARC) oversees the Code and associated awareness programmes. We operate an e-learning course for all employees so they can adequately understand the National Gas Group's zero-tolerance approach to fraud, bribery or corruption of any kind.

The National Gas group also has an Anti-Bribery and Corruption Policy which applies to all employees and those working on behalf of National Gas. It sets out our zero-tolerance approach to bribery, fraud, money laundering, tax evasion and other corrupt business practices. To ensure compliance with the UK Bribery Act 2010 and other relevant legislation, we operate an antifinancial crime risk assessment process across National Gas to identify higher-risk areas and make sure adequate procedures are in place to address them.

National Gas's Code of Ethics and Anti-Bribery and Corruption Policy are reviewed annually and were last updated in November 2022.
We investigate all allegations of ethical misconduct thoroughly and take corrective action and share learnings and report to the National Gas Audit and Risk Committee. We also record trends and metrics relating to such allegations. None of our investigations over the last 12 months have identified cases of bribery.

Whistleblowing
National Gas has a confidential external 'Speak-Up' helpline that is available 24 hours a day, 365 days a year. We publicise the contact information to our colleagues and on our intranet and allow for concerns to be reported anonymously. The National Gas Code of Ethics makes it clear that we will support and protect whistle-blowers and any form of retaliation will not be tolerated.

Section 172 statement

Effective engagement with our stakeholders is key to successful achievement of our strategy in the long term. The Board believes that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, as a whole, having regard to the stakeholders and matters set out in section 172(a)-(f) of the Companies Act 2006 in the decisions taken during the period ended 31 March 2023. It follows the National Gas Group's ('the Group') business standards and compliance with local corporate governance requirements, For the operating company's section 172 statement please see the National Gas Transmission plc Annual Report and Accounts.

The Company has no operational activities and no employees. It holds an investment in National Gas Transmission Holdings Limited (which indirectly holds the entire issued share capital of National Gas Transmission plc) and obtains and provides finance to subsidiary companies via intercompany balances. The Directors consider the impact of the Company's activities on its stakeholders, consisting of its shareholder, its direct and indirect subsidiaries and other stakeholders. Whilst not directly regulated, the Company maintains a close relationship with Ofgem via the Company's subsidiary, National Gas Transmission plc.

The Board recognises the importance of establishing and maintaining a good relationship with the Company's stakeholders. Our stakeholders are therefore, as appropriate, routinely consulted on key matters to ensure that their views are known before decisions are taken by the Directors. When doing so, and in order to protect the long-term interests of the Company, the Directors ensures that high standards of governance and business conduct are adhered to. The Directors also take into consideration the delivery of the National Gas Transmission longer term strategy and compliance with National Gas Transmission governance policies and procedures. The Board is also mindful of the wider social context within which the National Gas business operates, including those issues related to climate change which are of fundamental importance to the planet's well-being.

An overview of key decisions taken by the Board during the period is provided from page 18.

The Strategic Report was approved by the Board on 18 July 2023 and signed on its behalf by:

DocuSigned by:

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William Price
Director
18 July 2023

Corporate Governance statement

Governance
MidCo is a party to a private agreement between its shareholders (the Shareholders' Agreement), which governs how the shareholders manage their investment in the National Gas business. This includes a schedule of matters reserved for decision by the MidCo shareholders and the MidCo Board of Directors.

Composition of the Board
The composition of the Board is essential to its success in providing strong and effective leadership and together the Directors bring a wide range of experience, skills and perspectives to Board deliberations.

The Board is made up of seven Shareholder Nominated Directors. The Board may benefit from more diversity, however the Board does not operate a formal Board diversity policy since Board appointments are a matter reserved to the shareholders of GasT MidCo Limited, under the Shareholders' Agreement.

During the period the composition of the Board has at all times been such that the Directors collectively bring a wealth of experience, knowledge and expertise from a broad range of backgrounds, including from the energy sector and other regulated industries. This depth and breadth of experience enables the Board to engage in constructive and challenging discussions, ensures that collectively the Board has a high-level of understanding relevant to the business and considers not only the interests of the shareholders but also of the wider range of stakeholders.

Shareholder Nominated Directors
Our Board consists of seven shareholder nominated directors, representing members of the consortium of investors in the Company. As per the Shareholders' Agreement, each of the Shareholder Nominated Directors can appoint alternate directors to participate in meetings in their absence.

Our Board

Will Price
Will joined the Board on 16 June 2022. Will is Head of Utilities in EMEA at Macquarie Asset Management. He has been involved in several utilities acquisitions, including Wales & West Utilities, Thyssengas, Czech Grid Holding, EP Infrastructure, Viesgo, CEZ Romania, and Southern Water. He has extensive experience in key asset management initiatives including regulatory resets and re-financings, a consensual restructuring of National Car Parks, separation and transition of EP Infrastructure and Czech Gas Networks, and the disposal of Viesgo. Will currently serves as a director on the board of Southern Water, EP Infrastructure, and Czech Grid Holdings.

Mark Mathieson
Mark joined the Board on 16 June 2022. Mark was appointed as a Managing Director in Macquarie Asset Management in October 2018. Prior to that, he spent 26 years at SSE, including ten years as the Managing Director for their electricity network businesses. He serves the boards of Cadent Gas Networks, Nortegas Energia Grupo (Spain), and Distributie Energie Oltenia SA, an electricity distribution network in Romania.

Previously Mark was the Chief Executive at Green Highlands Renewables, the UK's leading developer of run-of-river hydro- electric schemes. Mark has over 30 years of executive and non-executive experience in energy utility sector, including non- executive director at the Smart DCC, the company responsible for the role out of the central infrastructure of the UK smart metering roll out, and chair of the Energy Networks Association and EA Technology. Mark is a Chartered Engineer, and a Fellow of the Institution of Engineering and Technology.

Howard Higgins
Howard joined the Board on 16 June 2022 and has played a key role in global energy and utility transactions and transitions undertaken by Macquarie Asset Management since he joined in 2003. In his role as Senior Advisor, Howard provides specialist support on the acquisition, transition and management of energy and utility businesses and sits on a number of company boards within Macquarie Asset Management's investment portfolio.

Howard's prior roles include CEO of BG Storage and Operations Director of Transco and Cadent Gas Networks. Howard is a Chartered Engineer and a member of the Institution of Mechanical Engineers.

Lincoln Webb
Lincoln joined the Board on 31 January 2023 and is an Executive Vice President and Global Head of British Columbia Investment Management Corporation's (BCI) global Infrastructure & Renewable Resources group. Lincoln joined BCI in 2002 and leads the management of investments across 30 countries and all major infrastructure sectors.

He holds a number of different board positions for companies within BCI's investment portfolio, including roles on the presidential and supervisory boards of Open Grid Europe, and the boards of Cleco Corporation, Endeavour Energy, Glencore Agriculture, Teays River Investments LLC, TimberWest Forest Corporation, and Corix Infrastructure.

Jerry Divoky
Jerry joined the Board on 31 January 2023 and is a Vice President of British Columbia Investment Management Corporation's (BCI) global Infrastructure & Renewable Resources group with investments across 30 countries and all major infrastructure sectors.

He joined BCI in 2004 and is responsible for sourcing, executing and managing private direct investments in infrastructure with a focus on utilities, transportation and energy. Jerry has over 20 years experience in acquisitions including 10 years in energy & banking, He holds a number of different board positions for companies within BCI's investment portfolio, including Pacific National, Global Container Terminals, and Endeavour Energy. Prior board appointments include Thames Water, Transelec, Dalrymple Bay Coal Terminal, Isagen, NTS, Arteris, and GCT Global Container Terminals Inc.

Ben Wilson
Ben joined the Board on 16 June 2022 and was the chair of the Board until the end of January 2023. He is the Chief Strategy and External Affairs Officer of National Grid plc and has more than 25 years' experience in the energy sector. His focus areas include strategy, regulation, external affairs, stakeholder engagement, M&A, innovation and sustainability.

Prior to joining National Grid, Ben was the Chief Executive Officer of Australian Gas Infrastructure Group (AGIG), one of the largest utility infrastructure businesses in Australia; and the Director of Strategy & Regulation and Chief Financial Officer of UK Power Networks. Before moving into industry, Ben spent 15 years as an energy and utilities investment banker, working in Europe and Asia.

Katerina Tsirimpa
Katerina joined the Board on the 16 June 2022. She joined National Grid in 2014 and has over 14 years of experience within the world's leading energy companies. Her current role at National Grid plc is that of Group Head of Mergers & Acquisitions. Prior to joining National Grid plc, Katerina spent over seven years in different financial roles at BP plc. Katerina has a MSc in International Business Economics from KU Leuven in Belgium and has completed the Executive Corporate Finance Programme at London Business School.

Board activities

The Board met three times since incorporation and 31 March 2023, of which one was an ad hoc meeting to consider specific governance items and to consider and approve specific items related to the acquisition of National Gas Transmission Holdings Limited.

The Board culture is one of openness and collaboration and the Chair ensures that all Directors have an opportunity to contribute to debates.

A significant part of the Board agenda is dedicated to strategic matters. Any actions arising from meetings are overseen by the Company Secretariat and updated action lists form the agenda for the next scheduled meeting.

Other key items considered by the Board during the period:

Finance
- Budget and five-year plan
- Approval of annual report and accounts
- Reviewed and approved the going concern statement for inclusion in the annual report and accounts

Operational
- Annual business plan
- Annual asset data assurance
- Risk appetite and corporate risk register

Acquisition of National Gas Transmission Holdings Limited
- Regular updates on the acquisition process
- Governance of the new Group

Governance
- Approval of National Gas Transmission specific policies

All Directors utilise a dedicated secure app to access their papers. This provides them with immediate and secure access to documentation and ensures information can be provided in a timely manner and in a format and quality appropriate to enable the Board to discharge its duties effectively.

Board Induction and Training
The Board believes that an induction and continuous training and development supports Board effectiveness. It is committed to offering relevant training opportunities, tailored to each individual, that provide Directors with the necessary resources to refresh, update and enhance their skills, knowledge and capabilities. The extensive due diligence that was carried out as part of the acquisition of National Gas, meant that the Shareholder Nominated Directors appointed to the Board during the year already had an in depth understanding of the business and the environment

in which it operates. Individual meetings with senior executives and site visits were scheduled at the request of the individual Directors.

Directors' Report

For the period from incorporation on 16 June 2022 to 31 March 2023

The Directors present their report on the audited financial statements of GasT MidCo Limited for the period from incorporation on 16 June 2022 to 31 March 2023. The accounting reference period was shortened from 30 June to 31 March 2023.

The Directors' Report for the period ended 31 March 2023 comprises pages 22 to 24 of this report, together with the sections of the Annual Report incorporated by reference and, accordingly, should be read as part of this report.

As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report on pages 2 to 21, as the Board considers them to be of strategic importance. Details of the Company's activities, business review, future developments, principal risks and uncertainties, research and development, environment and climate change are included in the Strategic Report.

Directors

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

Name	Position	Appointment date
Jerry Divoky	Shareholder Nominated Director	31 January 2023
Howard Higgins	Shareholder Nominated Director	16 June 2022
Mark Mathieson	Shareholder Nominated Director	16 June 2022
William Price	Shareholder Nominated Director	16 June 2022
Katerina Tsirimpa	Shareholder Nominated Director	16 June 2022
Lincoln Webb	Shareholder Nominated Director	31 January 2023
Benjamin Wilson	Shareholder Nominated Director	16 June 2022
Mia Agoumi	Alternate Director	31 January 2023
Kylee Dickie	Alternate Director	31 January 2023
Natalie Humphries -New	Alternate Director	31 January 2023
Timothy Keeling	Alternate Director	20 March 2023
Rhian Kelly	Alternate Director	31 January 2023
Christy Pham	Alternate Director	20 March 2023

Director's insurance and indemnities

The Company maintains Directors' and Officers' liability insurance for the benefit of its Directors and officers. As permitted by the Company's Articles of Association (the 'Articles'), and to the extent permitted by law, GasT TopCo Limited indemnifies each of the Directors and other officers of the Company and of the National Gas Group against certain liabilities that may be incurred as a result of their positions with the group.

Director's conflict of interests
The General Counsel and Company Secretary maintains a register of Directors' interests and the Board reviews and considers any potential conflicts of interest as they arise. Our Directors are conscious of their statutory duties in relation to conflicts of interest and their duty to make the Board aware of any situations which may create a conflict of interest.

Political donations and expenditure
The Company did not make any political donations or incurred any political expenditure during since incorporation.

Dividends
The Company has not paid any dividends since incorporation.

Share capital
The Company's issued ordinary share capital as at 31 March 2023 comprised of 2,961,649,730 ordinary shares. See note 20 to the consolidated financial statements for further details.

Major shareholdings
As of 31 March 2023, the Company's share capital was held by GasT PledgeCo Limited. The ultimate parent company is Luppiter Consortium Limited.

Capital structure
The capital structure of the Company consists of shareholder's equity, as disclosed in the consolidated statement of changes in equity, and net debt.

Areas of operation
During the financial year the Company's activities and operations were all in the UK.

Going concern
These financial statements have been prepared on a going concern basis, which presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. The Directors considered it appropriate to prepare the financial statements on a going concern basis, having considered the Company's cash flow forecasts with respect to business planning and treasury management activities. The Directors have assessed the principal cashflow risks, including by modelling both a base case and a reasonable worst-case scenario. The main cash flow impacts identified in the reasonable worst-case scenario are:

- adverse impacts on our own-use gas and balancing costs of prevailing market conditions;
- adverse impacts of inflation on our assets and liabilities;
- adverse impact from actual versus forecast variations on working capital requirements; and
- adverse fluctuations in interest rates.

As part of their analysis the Board also considered the following potential levers at their discretion to improve the position identified by the reasonable worst-case scenario should debt capital market funding be unavailable:

- adjustments to dividend plan; and
- access to £902m of existing committed RCF bank facilities.

Having considered the reasonable worst-scenario and further levers at the Board's discretion, the Directors of the Company conclude that there is sufficient headroom against the available facilities under the reasonable worst-case scenario.

Post Balance Sheet Events

There were no significant events after the statement of the financial position date.

Disclosure of information to the auditor

Each of the Directors at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors is unaware; and
- that they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors' Report was approved by the Board on 18 July 2023 and signed on its behalf by:

DocuSigned by:

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William Price
Director
18 July 2023

GasT MidCo Limited, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA. Registered in England and Wales Number 14177081.

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 year.

Under that law the directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ("IFRS"). 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.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable IFRSs (as adopted by the UK), have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- Make an assessment of the Company's ability to continue as a going concern.

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 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.

Each of the current Directors confirm that to the best of their knowledge:

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

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

This responsibility statement was approved by the Board on 18 July 2023 and signed on its behalf by:

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William Price
Director
18 July 2023

Independent auditor's report to the members of GasT MidCo Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of GasT MidCo Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2023 and of the group's loss for the period then ended;
- the group financial statements have been properly 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);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 30 to the consolidated financial statements; and
- the related notes 1 to 14 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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.

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.

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

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

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.

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

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

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.

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.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, IFRS as issued by the IASB, FRS 101, pensions and tax legislation, as well as laws and regulations prevailing in the UK.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, financial instruments and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.

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Jacqueline Holden FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
18 July 2023

Consolidated income statement

For the period from incorporation 16 June 2022 to 31 March 2023

	Notes	2023 £m	2023 £m
Revenue	3		**290**
Operating costs	4		**(292)**
Operating loss			
Before exceptional items	4	**(2)**	
Exceptional items	5	**(30)**	
Total Operating loss			**(32)**
Finance income	6		**7**
Finance costs			
Before remeasurements	6	**(89)**	
After remeasurements	5, 6	**(1)**	
Total finance costs	6		**(90)**
Loss before tax			
Before exceptional items and remeasurements		**(84)**	
Exceptional items and remeasurements	5	**(31)**	
Total loss before tax			**(115)**
Tax			
Before exceptional items and remeasurements	7	**19**	
Exceptional items and remeasurements	5, 7	**—**	
Total tax	7		**19**
Loss after tax			
Before exceptional items and remeasurements		**(65)**	
Exceptional items and remeasurements	5	**(31)**	
Loss after tax			**(96)**
Total loss for the period attributable to owners of the parent			**(96)**

The Company was incorporated on 16 June 2022 and started trading as a group on 31 January 2023 the date of the acquisition of National Gas Transmission Holdings Limited (previously National Grid Gas Holdings), and its trading subsidiaries National Gas Transmission plc (previously National Grid Gas) and National Gas Metering Limited (previously National Grid Metering). Therefore the statement of comprehensive income only comprises two months from 31 January 2023 to 31 March 2023.

Consolidated statement of comprehensive income

For the period from incorporation 16 June 2022 to 31 March 2023

	Notes	2023 £m
Loss for the period		**(96)**
Other comprehensive income:		
Items that will never be reclassified to profit or loss		
Remeasurement gains/(losses) on pension assets and post-retirement	18	**68**
Net losses on financial liability designated at fair value through profit and loss attributable to changes in own credit risk		**—**
Tax on items that will never be reclassified to profit or loss	7	**(17)**
Total items that will never be reclassified to profit or loss		**51**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net gains/(losses) in respect of cash flow hedges and cost of hedging		**(7)**
Tax on items that may be reclassified subsequently to profit or loss		**—**
Total items that may be reclassified subsequently to profit or loss		**(7)**
Other comprehensive income for the period, net of tax		**45**
Total comprehensive income for the period attributable to owners of the parent		**(52)**

The Company was incorporated on 16 June 2022 and started trading as a group on 31 January 2023 the date of the acquisition of National Gas Transmission Holdings Limited (previously National Grid Gas Holdings), and its trading subsidiaries National Gas Transmission plc (previously National Grid Gas) and National Gas Metering Limited (previously National Grid Metering). Therefore the statement of comprehensive income only comprises two months from 31 January 2023 to 31 March 2023.

Consolidated statement of financial position

As at 31 March 2023	Notes	2023 £m
Non-current assets		
Intangible assets	8	**3,023**
Property, plant and equipment	9	**7,705**
Other non-current assets	10	**10**
Derivative financial assets	11	**65**
Pensions asset	18	**412**
Total non-current assets		**11,216**
Current assets		
Inventories and current intangible assets	12	**14**
Trade and other receivables	13	**294**
Financial and other investments	14	**473**
Derivative financial assets	11	**—**
Cash and cash equivalents	15	**13**
Total current assets		**795**
Total assets		**12,011**
Current liabilities		
Borrowings	16	**(812)**
Derivative financial liabilities	11	**(1)**
Trade and other payables	17	**(452)**
Contract liabilities		**—**
Current tax liabilities	7	**(22)**
Provisions	19	**(6)**
Total current liabilities		**(1,292)**
Non-current liabilities		
Borrowings	16	**(5,841)**
Derivative financial liabilities	11	**(37)**
Other non-current liabilities	17	**—**
Contract liabilities		**—**
Deferred tax liabilities	7	**(1,891)**
Pension Liability	18	**(1)**
Provisions	19	**(40)**
Total non-current liabilities		**(7,808)**
Total liabilities		**(9,101)**
Net assets		**2,910**
Equity		
Share capital	20	**2,962**
Retained earnings		**(45)**
Other reserves	21	**(7)**
Shareholder's equity		**2,910**

The consolidated financial statements set out on pages **31 to 97** were approved by the Board of Directors and authorised for issue on 18 July 2023. They were signed on its behalf by:

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William Price
Director

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GasT MidCo Limited Registered number: 14177081

Consolidated statement of changes in equity

For the period from incorporation 16 June 2022 to 31 March 2023

	Share capital	Share premium account	Retained earnings	Other reserves[1]	Shareholders' equity
	£m	£m	£m	£m	£m
At 16 June 2022	—	—	—	—	—
Loss for the period	—	—	(96)	—	(96)
Total other comprehensive income/(loss) for the period	—	—	51	(7)	44
Total comprehensive income for the period	—	—	(45)	(7)	(52)
Issue of Share Capital	2,962	—	—	—	2,962
At 31 March 2023	2,962	—	(45)	(7)	2,910

[1] Analysis of other equity reserves is provided within note 21.

Consolidated cash flow statement

For the period from incorporation 16 June 2022 to 31 March 2023

	Notes	2023 £m
Cash flows from operating activities		
Total operating loss		(32)
Adjustments for:		
Exceptional items	5	30
Depreciation, amortisation and impairment		78
Share-based payment charge		—
Changes in working capital		
(Increase)/decrease in inventories		—
(Increase)/decrease in receivables		135
(Increase)/decrease in payables		35
(Increase)/decrease in capital contributions		—
(Increase)/decrease in derivatives		—
Changes in provisions		—
Loss on disposal of property, plant and equipment and intangible assets		4
Changes in pensions and other post-retirement benefit obligations		(3)
Cash flows relating to exceptional items		(30)
Cash generated from operations		**219**
Tax paid		(20)
Net cash inflow from operating activities		**199**
Cash flows from investing activities		—
Purchases of intangible assets		2
Purchases of property, plant and equipment		(61)
Disposals of property, plant and equipment and intangible assets		2
Interest received		3
Movement in short-term financial investments		(149)
Acquisition of investments (net of cash acquired)[1]		(1,921)
Net cash flow from / (used in) investing activities		**(2,124)**
Cash flows from financing activities		
Proceeds from loans		1,955
Repayment of loans		—
Net movement in short-term borrowings		—
Net movement in long-term borrowings		—
Net movement in derivatives		—
Payments of lease liabilities		(1)
Interest paid		(17)
Dividends paid to shareholders		—
Net cash flow (used in) / from financing activities		**1,938**
Net (decrease) / increase in cash and cash equivalents		**13**
Net cash and cash equivalents at the start of the period		—
Net cash and cash equivalents at the end of the period	15	**13**

[1] Acquisition of investments comprises cash paid to acquire National Gas Transmission Holdings Limited funded through external borrowings of £1,953 million, less £27 million stamp duty paid and net of cash acquired on acquisition, £5 million. The remainder of the consideration was non-cash refer to note 27.

Notes to the consolidated financial statements - analysis of items in the primary statements

1. Basis of preparation and recent accounting developments

Accounting policies describe our approach to recognising and measuring transactions and balances in the period. The accounting policies applicable across the financial statements are shown below, whereas accounting policies that are specific to a component of the financial statements have been incorporated into the relevant note.

This section also shows areas of judgement and key sources of estimation uncertainty in these financial statements. In addition, we have summarised new International Accounting Standards Board (IASB) and UK endorsed accounting standards, amendments and interpretations and whether these are effective for this period end or in later years, explaining how significant changes are expected to affect our reported results.

GasT MidCo Limited's principal activity is its investments in Companies that transmit gas in Great Britain. The Company is a private limited company incorporated and domiciled in England, with its registered office at National Grid House, Warwick Technology Park, Gallows Hill, Warwick CV34 6DA.

These consolidated financial statements were approved for issue by the Board of Directors on 18 July 2023. These consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations as issued by the International Accounting Standards Board (IASB) and IFRS as adopted by the UK. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for periods ended 31 March 2023 and in accordance with the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except for the recording of pension assets and liabilities, and the revaluation of derivative financial instruments and certain commodity contracts and certain financial assets and liabilities measured at fair value.
These consolidated financial statements are presented in pounds sterling, which is also the functional currency of the Company.

The notes to the financial statements have been prepared on a continuing basis unless otherwise stated. Our income statement and segmental analysis separately identify financial results before and after exceptional items and remeasurements. This is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee, and assists users of the financial statements to understand the results. The inclusion of total profit for the period from operations before exceptional items and remeasurements is used to derive part of the incentive target set annually for remunerating certain Executive Directors and accordingly we believe it is important for users of the financial statements to understand how this compares to our results on a statutory basis and period on period.

A. Going concern

The Directors considered it appropriate to prepare the financial statements on a going concern basis, having considered the Company's cash flow forecasts with respect to business planning and treasury management activities. The going concern basis presumes that the Group 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.

The Directors have assessed the principal cashflow risks, including by modelling both a base case and a reasonable worst-case scenario. The main cash flow impacts identified in the reasonable worst-case scenario are:

- adverse impact from actual versus forecast variations on working capital requirements related to shrinkage and our gas transmission licence obligations including residual balancing and operating margins;
- adverse impacts of inflation on our assets and liabilities;
- adverse impact from actual versus forecast variations on working capital requirements; and
- adverse fluctuations in interest rates.

As part of their analysis the Board also considered the following potential levers at their discretion to improve the financial and liquidity position identified by the reasonable worst-case scenario should debt capital market funding be unavailable:

- adjustments to dividend plan; and
- access to £902m of existing committed RCF bank facilities.

Having considered the reasonable worst-scenario and further levers at the Board's discretion and the impact on covenants, the Directors of the Company conclude that there is sufficient headroom against the available facilities under the reasonable worst-case scenario.

B. Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. A subsidiary is defined as an entity controlled by the Company. Control is achieved where the Company has the power to affect the returns of an entity to which it is exposed or to which it has rights.

Where necessary, adjustments are made to bring the accounting policies used in the individual financial statements of the Company and its subsidiaries into line with those used by the Company in its consolidated financial statements under IFRS. Inter-company transactions are eliminated.

Both the Group and Company financial statements have been prepared in accordance with the accounting policies set out in the below section of this note.

C. Foreign currencies
Transactions in currencies other than the functional currency of the Company or subsidiary concerned are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. Non-monetary assets are not retranslated unless they are carried at fair value.
Gains and losses arising on the retranslation of monetary assets and liabilities are included in the income statement, except where the application of hedge accounting requires inclusion in other comprehensive income (see note 25).

D. Acquisition of UK Gas Transmission
On 31 January 2023, GasT MidCo Limited acquired 100% of National Gas Transmission Holdings Limited, including subsidiaries National Gas Transmission plc and National Gas Metering Limited. This was part of a sale of a 60% stake by National Grid plc to a consortium comprised of Macquarie Asset Management and British Columbia Investment Management Corporation in exchange for £4 billion cash consideration. As a result of the acquisition the Company is required to account for the transaction using the acquisition method, where all identified assets and liabilities that satisfy IFRS 3 recognition criteria are included on the consolidated Balance Sheet at fair value. On 27 March 2022, National Grid also entered into a Further Acquisition Agreement (FAA) for the potential sale of the remaining 40% stake. The FAA is a put option that

can be exercised by the purchaser either in the period between 1 January and 31 March 2023 or in the period between 1 April and 31 July 2023.

E. Areas of judgement and key sources of estimation uncertainty

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

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

- review of residual lives, carrying values and impairment charges for other intangible assets and property, plant and equipment, in particular the estimates made regarding the useful economic lives of our gas network assets due to the length over which they are being depreciated and the potential for significant technological change over that period – note 9.
- categorisation of certain items as exceptional items or remeasurements and the definition of adjusted earnings (see notes 5 and 6). In applying the Company's exceptional items frameworks, we have considered a number of key matters, as detailed in note 5.
- allocation of the Purchase Price consideration across the tangible and intangibles assets (including goodwill and identifying a license intangible) acquired on the purchase of National Gas Transmission Holdings Limited, in particular, the Judgement around the allocation of cash flows to regulatory property plant and equipment, the licence intangible asset, and the metering customer relationship intangible asset and the discount rates applied to them - note 27
- the allocation of goodwill to cash generating units that are expected to benefit from the business combination in which goodwill arose. We have determined that the National Gas Transmission plc is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Management assess the performance of National Gas Transmission plc as a single business and key decisions are currently made regarding resources at that level - note 8;
- the judgement that notwithstanding legislation enacted and targets committing the UK to achieving Net Zero greenhouse gas emissions by 2050, there is still potential use of the gas transmission network beyond 2050 in maintaining security, reliability and affordability of energy.

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

- estimation of liabilities for pensions and other post-retirement benefits include; estimates in discount rate, RPI and changes in life expectancy – note 18.
- estimation of decommissioning and other provisions - note 19.

In order to illustrate the impact that changes in assumptions for the valuation of pension assets and liabilities, and financial instruments could have on our results and financial position, we have included sensitivity analysis in note 26.

F. Accounting policy choices

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

- Presentational formats: we use the nature of expense method for our income statement and aggregate our statement of financial position to net assets and total equity. In the income statement, we present

subtotals of total operating profit, profit before tax and profit after tax, together with additional subtotals excluding exceptional items. Exceptional items and remeasurements are presented separately on the face of the income statement.
- Financial instruments: we normally opt to apply hedge accounting in most circumstances where this is permitted (see note 25(e)).

G. New IFRS accounting standards and interpretations effective for the period from incorporation 16 June 2022 to 31 March 2023

The Company adopted the following amendments to standards, which have had no material impact on the Company's results or financial statement disclosure:

- Amendments to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework;
- Annual Improvements to IFRS Standards 2018-2020 cycle:
- IFRS1 'First-time Adoption of International Financial Reporting Standards',
- IFRS 9 'Financial Instruments'
- IFRS 16 'Leases' - Amendment to illustrative examples
- IAS 41 'Agriculture'
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use;
- Amendments to IFRS 4 'Insurance Contracts'
- Amendment to IFRS 16 'Leases' -COVID-19-Related Rent Concessions;
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets';
- IFRS 17 'Insurance Contracts'
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- Amendments to IAS 12 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction';

H. New IFRS accounting standards and interpretations not yet adopted

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

- Amendments to IAS 1 'Presentation of Financial Statements'
- Amendments to IFRS 16 'Leases' -Lease Liability in a Sale and Leaseback;

Effective dates will be subject to the UK endorsement process.

The Group is currently assessing the impact of the above standards, but they are not expected to have a material impact. The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

2. Segmental analysis

The Directors believe that the whole of the Group's activities constitute one single segment. Operating segments are identified consistent with internal reporting to the Chief Operating Decision Maker, which is identified as the Board of Directors. Therefore no segmental Reporting has been provided.

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

3. Revenue

Revenue arises in the course of the ordinary activities and principally comprises of revenue from Gas transmission services.

Revenue for the period ended 31 March 2023	Gas Transmission £m	Metering £m	Total £m
Revenue under IFRS 15:	255	34	290
Revenue under other standards	—	—	—
Total revenue	**255**	**34**	**290**

Total revenue is generated from operations solely based in the UK.
The business also receives recovery of pension deficit from other gas transporters under regulatory arrangement.

4. Operating costs

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

	Before exceptional items and remeasurements	Exceptional items and remeasurements	Total
	2023	**2023**	**2023**
	£m	**£m**	**£m**
Depreciation, impairment and amortisation	**78**	**—**	**78**
Profit and loss on disposal of property, plant and equipment	**4**	—	**4**
Payroll costs	**14**	**—**	**14**
Purchases of gas	**136**	**—**	**136**
Rates	**13**	**—**	**13**
Property Costs[1]	**8**	**27**	**35**
Inventory consumed	**11**	**—**	**11**
Research and development expenditure	**2**	**—**	**2**
Other	**26**	**3**	**29**
	292	**30**	**322**

[1] Exceptional property costs include £27 million stamp duty paid on acquisition of National Gas Holdings Transmission plc.

(a) Payroll costs

	2023
	£m
Wages and salaries	**14**
Social security costs	**2**
Defined contribution scheme costs	**3**
Defined benefit pension costs	**1**
	20
Less: payroll costs capitalised	**(6)**
Total payroll costs	**14**

(b) Number of employees, including Directors

	31 March 2023 Number	Monthly average 2023 Number
Gas Transmission and Other	**1,656**	**1,581**

(c) Directors' emoluments

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company as they are shareholder nominated Directors and are remunerated for services wholly attributable to other GasT MidCo Limited subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements.

(d) Auditors' remuneration

	2023 £m
Audit services	
Audit of company and consolidated financial statements	**1.4**
Other services supplied	
Fees payable to the company's auditors for audit-related assurance services[1]	**0.1**

[1] Other services supplied represent fees payable for reports in relation to regulatory returns

The audit fees for the whole audit of GasT MidCo consolidated financial statements including subsidiaries totalled £1.4 million, included within the consolidated MidCo income statements is two months of the consolidated group total. The fees are borne by National Gas Transmission and then recharged, fees for the company audit are disclosed within the company financial statements.

5. Exceptional items and remeasurements

To monitor our financial performance, we use a profit measure that excludes certain income and expenses. We call that measure 'adjusted profit'.

Adjusted profit (which excludes exceptional items and remeasurements as defined below) is used by management to monitor financial performance as it is considered that it aids the comparability of our reported financial performance from year to year. We exclude items from adjusted profit because, if included, these items could distort understanding of our performance for the period and the comparability between periods. This note analyses these items, which are included in our results for the period but are excluded from adjusted profit.

Exceptional items and remeasurements

	2023 £m
Included within operating profit:	
Exceptional items:	
Cost efficiency and restructuring programmes	—
Sale of business[1]	(30)
	(30)
Included within finance income and costs:	
Remeasurements:	
Net gain/(loss) on derivative financial instruments	(1)
Net gain/(loss) on financial liabilities held at fair value through profit and loss	—
	(1)
Total included within profit before tax	**(31)**
Included within taxation:	
Exceptional charge arising on items not included in profit before tax:	
Tax on exceptional items	
Deferred tax arising on the reversal of the reduction in UK corporation tax rate	—
Tax on remeasurements	
	—
Total exceptional items and remeasurements after tax	**(31)**
Analysis of total exceptional items and remeasurements after tax:	
Total exceptional items after tax	(30)
Total remeasurements after tax	(1)
Total exceptional items and remeasurements	**(31)**

1 Includes £27 million stamp duty paid on acquisition of National Grid Holdings Transmission and subsidiaries

Exceptional items

Management uses an exceptional 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, the precedent for similar items, the number of periods over which costs will be spread or gains earned, and the commercial context for the particular transaction.

5. Exceptional items and remeasurements (continued)

Items of income or expense that are considered by management for designation as exceptional items include costs associated with the separation of National Gas Transmission plc from National Grid, significant restructuring, write-downs or impairments of non-current assets, significant changes in environmental or decommissioning provisions, integration of acquired businesses, gains or losses on disposals of businesses or investments and significant debt redemption costs as a consequence of transactions such as significant disposals or issues of equity, and the related tax, as well as deferred tax arising on changes to corporation tax rates.

Costs arising from restructuring programmes include redundancy costs. Redundancy costs are charged to the income statement in the year in which a commitment is made to incur the costs and the main features of the restructuring plan have been announced to affected employees.

Further detail of exceptional items specific to 2023:

Acquisition of Business

National Grid plc announced its intention to sell a majority stake in the Gas Transmission business on 18 March 2021, the transaction was completed on 31 January 2023 with GasT MidCo acquiring 100% of the assets and liabilities of National Gas Transmission Holdings Limited and its subsidiaries, National Gas Transmission and National Gas Metering. The costs recognised in the period ended 31 March 2023 primarily relate to stamp duty on acquisition, professional fees, buyer engagement, IT separation and severance. We have concluded that the costs should be classified as exceptional in line with our exceptional items policy, in order to ensure that the costs are treated in a consistent manner with similar costs incurred previously.

Remeasurements

Remeasurements comprise unrealised gains or losses recorded in the income statement arising from changes in the fair value of certain financial assets and liabilities including derivative financial instruments accounted for at fair value through profit and loss (FVTPL).

Remeasurements excluded from business performance are made up of the following categories:

i. Net gains/(losses) on derivative financial instruments comprise gains/(losses) arising on derivative financial instruments reported in the consolidated income statement in relation to our debt financing. These exclude gains and losses for which hedge accounting has been effective, and have been recognised directly in other comprehensive income or are offset by adjustments to the carrying value of debt (see notes 11 and 25).
ii. Net gains/(losses) on financial liabilities measured at FVTPL comprises the change in the fair value (excluding changes due to own credit risk) of a financial liability that has been designated at FVTPL on transition to IFRS 9 to reduce a measurement mismatch (see note 16).

Once the fair value movements are realised (for example, when the derivative matures), the previously recognised fair value movements are then reversed through remeasurements and recognised within earnings before exceptional items and remeasurements.

6. Finance income and costs

This note details the interest income generated by our financial assets and interest expense incurred on our financial liabilities, primarily our financing portfolio (including our financing derivatives). It also includes the net interest on our pensions and other post-retirement assets. In reporting business performance, we adjust net financing costs to exclude any net gains or losses on financial instruments included in remeasurements (see note 5).

Finance income and costs remeasurements include certain unrealised gains and losses on certain assets and liabilities now treated at FVPL. The interest income, and interest expense on these items are included in finance income and finance costs before remeasurements, respectively.

	2023 £m
Finance income[1]	
Interest income on financial instruments:	
Bank deposits and other financial assets	4
Net interest on pension asset	3
	7
Finance costs	
Interest expense on financial liabilities held at amortised cost:	
Bank loans and overdrafts	(27)
Other borrowings	(73)
Interest expense on financial liabilities held at fair value through profit and loss	—
Derivatives	(1)
Unwinding of discount on provisions	—
Tax related interest	—
Intercompany interest paid	—
Less: interest capitalised[1]	12
	(89)
Remeasurements - Finance costs	
Net gain/(loss) on financial liabilities held at fair value through profit and loss	—
Net gains/(losses) on derivative financial instruments:[2]	
Derivatives designated as hedges for hedge accounting	—
Derivatives not designated as hedges or ineligible for hedge accounting	(1)
	(1)
Total remeasurements - Finance income and costs	**(83)**
Finance income	7
Finance costs[3]	(90)
Net finance costs	**(83)**

1 Interest on funding attributable to assets in the course of construction was capitalised during the period at a rate of 12%.

2 Includes a net foreign exchange gain on financing activities of £3 million offset by foreign exchange losses and gains on derivative financial instruments measured at fair value.

3 Finance costs include principle accretion on inflation linked liabilities of £50 million.

7. Taxation

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

The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in equity, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax assets and liabilities are measured at the amounts expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

The calculation of the Company's 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 provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided for using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor taxable profit or loss.

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

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

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

7. Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and its subsidiaries intend to settle their current tax assets and liabilities on a net basis.

Tax charged to the income statement

	2023 £m
Tax before exceptional items and remeasurements	19
Tax on total exceptional items and remeasurements (note 5)	—
Total tax charge	**19**

Tax as a percentage of profit before tax

	2023 %
Before exceptional items and remeasurements	22.5
After exceptional items and remeasurements	16.4

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

	2023 £m
Current tax:	
Corporation tax at 19% (2022: 19%)	(10)
Corporation tax adjustment in respect of prior periods	(2)
Total current tax	(12)
Deferred tax:	
UK deferred tax	(5)
Impact of change in tax rate	(2)
UK deferred tax adjustment in respect of prior periods	—
Total deferred tax	(7)
Total tax charge	**(19)**

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

	2023 £m
Current tax:	
Share-based payments	(1)
Remeasurement gains of financial instruments	—
Movement in Cash Flow Hedges, Cost of Hedging and Own Credit Reserves	—
Deferred tax:	
Share-based payments	1
Remeasurement losses of financial instruments	—
Movement in Cash Flow Hedges, Cost of Hedging and Own Credit Reserves	—
Remeasurements of net retirement benefit obligations	(17)
Total tax recognised in the statement of other comprehensive income	(17)

The tax charge for the period after exceptional items and remeasurements is higher than the standard rate of corporation tax in the UK of 19%

	Before exceptional items and remeasurements 2023 £m	After exceptional items and remeasurements 2023 £m
Profit before tax		
Before exceptional items and remeasurements	(84)	(84)
Exceptional items and remeasurements	—	(31)
Profit before tax	**(84)**	**(115)**
Profit before tax multiplied by UK corporation tax rate of 19% (2022: 19%)	(16)	(22)
Effect of:		
Adjustments in respect of prior periods	(2)	(2)
Expenses not deductible for tax purposes	—	6
Movement in unrecognised deferred tax	2	2
Non taxable income	(1)	(1)
Deferred tax impact of change in UK tax rate	(2)	(2)
Total tax	**(19)**	**(19)**
Effective tax rate	22.5%	16.4%

7. Taxation (continued)

Factors that may affect future tax charges

An increase in the main corporation tax rate from 19% to 25% was substantively enacted on 24 May 2021. Deferred tax balances as at 31 March 2023, that are expected to reverse after 1 April 2023, have been calculated at 25%.

Deferred tax (assets)/liabilities

Tax included within the statement of financial position

The following are the major deferred tax assets and liabilities recognised, and the movements thereon, during the current and prior reporting periods:

	Pensions	Accelerated tax depreciation	Share based payment	Financial instruments	Other net temporary differences	Total
	£m	£m	£m	£m	£m	£m
16 June 2022	—	—	—	—	—	—
Acquisition of National Gas Transmission on 31 January 2023	84	1,799	(5)	—	2	1,880
31 January 2023	84	1,799	(5)	—	2	**1,880**
Deferred tax assets at 31 January 2023	—	(17)	(5)	—	(4)	(26)
Deferred tax liabilities at 31 January 2023	84	1,816	—	—	6	1,906
31 January 2023	**84**	**1,799**	**(5)**	**—**	**2**	**1,880**
Charged/(credited) to income	2	(8)	—	—	(1)	(7)
Charged/(credited) to other comprehensive income and equity	17	—	1	—	—	18
31 March 2023	**103**	**1,791**	**(4)**	**—**	**1**	**1,891**
Deferred tax assets at 31 March 2023	—	(19)	(4)	—	(4)	(27)
Deferred tax liabilities at 31 March 2023	103	1,810	—	—	5	1,918
31 March 2023	**103**	**1,791**	**(4)**	**—**	**1**	**1,891**

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. The deferred tax balances (after offset) for statement of financial position purposes consist solely of deferred tax liabilities of £1,891 million. At the balance sheet date there were no material current deferred tax assets or liabilities.

Included within deferred tax liabilities are £(1,157) million of fair value adjustments arising from the acquisition of National Gas Transmission Holdings Limited.

8. Intangible assets

Intangible assets include software, license intangible and customer relationships. Software is written down (amortised) over the length of period we expect to receive a benefit from the asset.

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

As part of the purchase price allocation on acquisition, £742m has been attributed to the Gas Transmission License, £488m has been attributed to customer relationships and £2,951m has been attributed to the gas distribution assets, leaving £1,688m as goodwill.

Ofgem provide the business with an exclusive right to operate, invest in the infrastructure and earn a fair return on that invested capital governed by a comprehensive regulatory framework. On the basis that the License gives the owner the right to operate and invest in the gas transmission network within the licensed geographic area, the License has been separately recognised and valued as part of the purchase price allocation (see note 27). An indefinite useful life has been assumed for the License due to the daily renewing basis.

Customer relationships were identified in the metering business on their existing customer base and operations and will be amortised via the double declining balance method due to the high displacement of meters to smart meters anticipated in the short term.

Goodwill encompasses the management related portion of incentive income, an element of financial outperformance, the benefit of a clean capital structure on acquisition and the established workforce. Goodwill is allocated to cash generating units that are expected to benefit from the business combination in which goodwill arose. The cash generating unit has been determined as the level of National Gas Transmission plc. Management assess the performance of National Gas Transmission as a single business and key decisions are made regarding resources at that level. Goodwill was recognised on 31 January 2023 following the external purchase price allocation exercise. In line with IAS36, it is the Group's policy to assess the recoverable amount of the goodwill annually and consider whether there is any impairment. Management have assessed the changes in external factors and trading of National Gas Transmission plc from the 31 January 2023 to 31 March 2023 and determined that there was no impairment, given the proximity between the two dates.

8. Intangible assets (continued)

	Goodwill	Regulatory licenses	Customer relationships	Software	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m
Cost at 16 June 2022				—	—	—
Gas Transmission and Metering acquisition	**1,688**	**742**	488	88	38	**3,044**
Additions				1	1	**2**
Reclassifications[1]				36	(38)	**(2)**
Disposals				—	—	-
Transfers				—	—	-
Other				—	—	-
Impairment				—	—	-
Cost at 31 March 2023	**1,688**	**742**	**488**	**125**	**1**	**3,044**
Accumulated amortisation at 16 June 2022				—	—	—
Gas Transmission and Metering acquisition				—	—	—
Amortisation charge for the period			(14)	(7)	—	**(21)**
Disposals				—	—	-
Reclassifications				—	—	-
Other				—	—	-
Impairment				—	—	-
Accumulated amortisation at 31 March 2023	**—**	**—**	**(14)**	**(7)**	**—**	**(21)**
Net book value at 31 March 2023	**1,688**	**742**	**474**	**118**	**1**	**3,023**

[1] Reclassifications includes amounts transferred (to)/from property, plant and equipment, see note 9.

9. Property, plant and equipment

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

Property, plant and equipment is recorded at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase price of the asset; any payroll and finance costs incurred which are directly attributable to the construction of property, plant and equipment; and the cost of any associated asset retirement obligations.

Property, plant and equipment includes assets in which the Group's interest comprises legally protected statutory or contractual rights of use. Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacement of, existing assets. All costs associated with projects or activities which have not been fully commissioned at the period end are classified within assets in the course of construction. No depreciation is provided on freehold land or assets in the course of construction.

Contributions received from customers towards the cost of tangible fixed assets for connections to the gas transmission network are initially recognised as a contract liability, and subsequently credited to revenue over the estimated useful economic lives of the assets to which they relate. Contributions towards the alteration, diversion or relocation of tangible fixed assets are initially included as a contract liability and subsequently credited to revenue over the course of the alteration, diversion, or relocation.

Other items of property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets. The assessments of estimated useful economic lives and residual values of assets are performed annually.

Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of property, plant and equipment are, in general, as shown in the table below:

	Years
Freehold and Leasehold buildings	5 to 50
Plant and Machinery	
- mains, services and regulating equipment	5 to 65
- NTS gas pipelines	up to 50
Motor vehicles and office equipment	3 to 10

9. Property, plant and equipment (continued)

Gas asset lives

The role that gas networks play in the pathway to achieving the greenhouse gas emissions reductions targets in which we operate is currently uncertain. However, we believe the gas assets which we own and operate today will continue to have a crucial role in maintaining security, reliability and affordability of energy beyond 2050, although the scale and purpose for which the networks will be used is dependent on technological developments and policy choices of governments and regulators.

The gas mains, services and regulating assets relating to the National Transmission System (NTS) were subject to a detailed review in January 2019. The most material components of these are our pipeline assets, which are due to be fully depreciated by 2070, with other assets being depreciated over various periods between now and then. That review was undertaken prior to the UK enacting legislation committing to net zero by 2050, but considered scenarios which included an extension of the emissions reduction targets (80% emissions reduction target at the time of the report). The review concluded that the most likely outcome was for the NTS network assets to remain in use beyond 2050, including in those scenarios where the greenhouse gas emissions of gas networks were largely eliminated. Since 2019, NGT has not changed its operational and maintenance practices, and continues to work in line with industry standards. The UK Government's ambition for hydrogen production and use in the UK has increased significantly, with its own production target being doubled to 10GW in April 2022 (due to longer term concerns over UK energy security following the reduction of Russian gas supplies to Europe). In conclusion, we believe that our pipelines will be used for gas or alternative fuels beyond 2070.

Given the uncertainty described relating to the UELs of our gas assets, below we provide a sensitivity on the depreciation charge were a shorter UEL presumed:

	Increase in depreciation
	£m
UELs limited to 2050	44
UELs limited to 2060	15
UELs limited to 2070	1

Note that this sensitivity calculation excludes any assumptions regarding residual value for our asset base and the effect shortening asset depreciation lives would expect to have on our regulatory recovery mechanisms. The fair value adjustments to property, plant and equipment as part of the purchase price allocation are depreciated on a weighted average basis and should UELs be limited to 2050 or later there is no increase in the annual depreciation expense.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the income statement.

9. Property, plant and equipment (continued)

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

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office quipment £m	Total £m
Cost at 16 June 2022	—	—	—	—	—
Gas Transmission and Metering acquisition	**115**	**6,814**	**710**	**48**	**7,687**
Additions	6	(1)	72	1	78
Disposals	—	(19)	(1)	—	(20)
Reclassifications[1]	2	64	(75)	11	2
Transfers	—	—	—	—	—
Cost at 31 March 2023	**124**	**6,858**	**706**	**60**	**7,748**
Accumulated depreciation at 16 June 2022	—	—	—	—	—
Gas Transmission and Metering acquisition	—	—	—	—	—
Depreciation charge for the period	(2)	(50)	—	(4)	(56)
Disposals	—	15	—	—	15
Reclassifications[1]	—	—	—	—	—
Impairment	—	—	(2)	—	(2)
Accumulated depreciation at 31 March 2023	**(2)**	**(35)**	**(2)**	**(4)**	**(43)**
Net book value at 31 March 2023	**122**	**6,823**	**704**	**56**	**7,705**

[1] Reclassifications represent commissioning of assets from assets under construction into usage and includes amounts transferred (to)/from intangibles, note 8.

Included within Plant and Machinery is £2,951 million of fair value adjustments arising from the acquisition of National Gas Transmissions Holding.

Right-of-use assets

GasT MidCo Limited's subsidiary, National Gas Transmission plc, leases various properties, equipment and cars. New lease arrangements entered into are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. The right-of-use asset and associated lease liability arising from a lease are initially measured at the present value of the lease payments expected over the lease term, plus any other costs. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The

9. Property, plant and equipment (continued)

finance cost is charged to the income statement over the lease period using the effective interest rate method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as computers), GasT MidCo Limited continues to recognise a lease expense on a straight-line basis.

Included within the net book value of property, plant and equipment at 31 March 2023 are right-of-use assets, split as follows:

	Land and buildings £m	Motor vehicles and office £m	Total £m
Net book value at 16 June 2022	—	—	—
Gas Transmission and Metering acquisition	14	6	20
Additions	6	1	7
Disposals	—	—	—
Reclassification	—	—	—
Other Movements	—	—	—
Gas Transmission and Metering acquisition	(9)	(4)	**(13)**
Depreciation charge	—	—	—
Depreciation on disposals	—	—	—
Accumulated depreciation at 31 March 2023	**(9)**	**(4)**	**(13)**
Net book value at 31 March 2023	**11**	**3**	**14**

The associated lease liabilities are disclosed in note 16.

10. Other non-current assets

Other non-current assets include assets that do not fall into any other non-current asset category (such as property, plant and equipment) where the benefit to be received from the asset is not due to be received until after 31 March 2023.

	2023 £m
Prepayments[1]	**10**

[1] Represents amounts paid in advance to a number of National Grid undertakings for the demolition of gas-holders (see note 19).

11. Derivative financial instruments

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

Derivatives are initially recognised at fair value and subsequently remeasured at fair value at each reporting date. Changes in fair values are recorded in the period they arise, in either the income statement or other comprehensive income as required by IFRS 9. Where the gains or losses recorded in the income statement arise from changes in the fair value of derivatives to the extent that hedge accounting is not applied or is not fully effective, these are recorded as remeasurements, detailed in notes 5 and 6. Certain clauses embedded in non-derivative financial instruments or other contracts are presented as derivatives because they impact the risk profile of their host contracts and they are deemed to have risks or rewards not closely related to those host contracts.

Further information on how derivatives are valued and used for risk management purposes is presented in note 25.

The fair values of derivative financial instruments by type are as follows:

	2023		
	Asset	Liabilities	Total
	£m	£m	£m
Interest rate swaps	13	(35)	(22)
Cross-currency interest rate swaps	52	(2)	50
Foreign exchange forward contracts	—	(1)	(1)
Inflation linked swaps	—		—
	65	(38)	27

[1] Included within the foreign exchange forward contracts balance is net £(1) million of derivatives in relation to capital expenditure.

11. Derivative financial instruments (continued)

The maturity profile of derivative financial instruments is as follows:

	2023		
	Assets £m	Liabilities £m	Total £m
Current			
Less than 1 year	—	(1)	(1)
	—	(1)	(1)
Non-current			
In 1 - 2 years	—	(8)	(8)
In 2 - 3 years	1	(27)	(26)
In 3 - 4 years	—	—	—
In 4 - 5 years	5	(1)	4
More than 5 years	59	(1)	58
	65	(37)	28
	65	(38)	27

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

	2023 £m
Interest rate swaps	(1,274)
Cross-currency interest rate swaps	(616)
Foreign exchange forward contracts	(47)
Inflation linked swaps	—
	(1,937)

12. Inventories and current intangible assets

Inventories represent assets that we intend to use in order to generate revenue in the short-term by using it to fulfil a service to a customer or to maintain our network (consumables). Inventories are stated at the lower of weighted average cost and net realisable value. Emission allowances, principally relating to the emissions of carbon dioxide in the UK, are recorded as intangible assets within current assets, and are initially recorded at cost and subsequently at the lower of cost and net realisable value. A liability is recorded in respect of the obligation to deliver emission allowances, and emission charges are recognised in the income statement in the period in which emissions are made.

	2023 £m
Raw materials, spares and consumables	11
Current intangible assets - emission allowances	3
	14

Raw materials, spares and consumables includes £6 million of gas stocks to support network flows and shrinkage losses on the network.

There is a provision for obsolescence of £1 million against inventories as at 31 March 2023.

13. Trade and other receivables

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

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

	2023 £m
Trade receivables	**95**
Contract assets	**174**
Prepayments	**11**
Other receivables	**14**
	294

Trade receivables are non-interest bearing and generally have a 30 to 90 day term. Due to their short maturities, the fair value of trade and other receivables approximates their carrying value. The maximum exposure of trade receivables to credit risk is the gross carrying amount of £95 million.

Contract assets are all current and have very short maturities.

Provision for impairment of receivables

A provision for credit losses is recognised at an amount equal to the expected credit losses that will arise over the lifetime of the trade receivables and accrued income.

A provision matrix is not used to assess expected loss rates as an assessment is performed on individual debtors.

	2023 £m
At 16 June	**—**
Gas Transmission and Metering acquisition	(3)
Movement in provision	(1)
At 31 March	**(4)**

For further information about wholesale credit risk, refer to note 25(a).

14. Financial and other investments

The financial and other Investments balance of £473 million primarily comprises Money Market Funds and includes current loans to fellow group undertakings.

Financial and other investments are initially recognised on trade date at fair value less transaction costs and expected losses. In the current period, the transaction value equals fair value.

Loans and other receivables are initially recognised at fair value plus transaction costs and subsequently held at amortised cost using the effective interest method. Interest income, together with gains and losses when the loans and receivables are derecognised or impaired, is recognised in the income statement.

	2023 £m
Current	
Financial assets FVTPL	462
Restricted cash	11
	473
Financial assets at FVTPL comprise the following:	
Money Market Funds	462
Restricted balances:	
NIC restricted cash deposits	11
	473

The carrying value of current loans financial assets at amortised cost approximates their fair values, primarily due due to short-dated maturities. The exposure to credit risk at the reporting date is the fair value of the financial investments. For further information on our credit risk, refer to note 25(a).

For the purposes of impairment assessment, all financial assets at amortised cost are investment grade and are therefore considered to have low credit risk. Therefore, they have a loss allowance equal to the lesser of lifetime or 12-month expected credit losses.

In determining the expected credit losses for these assets some or all of the following information has been considered: credit ratings, the financial position of counterparties, the future prospects of the relevant industries and general economic forecasts.

No amortised cost financial assets have had modified cash flows during the period. There has been no change in the estimation techniques or significant assumptions made during the period in assessing the loss allowance for these financial assets. There were no significant movements in the gross carrying value of financial assets during the period that contribute to changes in the loss allowance. No collateral is held in respect of any of the financial investments in the above table. No balances are more than 30 days past due, and no balances were written off during the period.

15. Cash and cash equivalents

Cash and cash equivalents include cash balances, together with short-term investments with an original maturity of less than three months that are readily convertible to cash.

Net cash and cash equivalents reflected in the cash flow statement are net of bank overdrafts, which are reported in borrowings. The carrying amounts of cash and cash equivalents and bank overdrafts approximate their fair values.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods varying between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

Net cash and cash equivalents held in currencies other than sterling have been converted into sterling at period-end exchange rates. For further information on currency exposures, refer to note 25(c).

	2023 £m
Cash at bank and short-term deposits	—
Cash and cash equivalents excluding bank overdrafts	13
Net cash and cash equivalents less bank overdrafts	**13**

16. Borrowings

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

As we continue to invest in our networks, the value of debt is expected to increase over time. To maintain a strong balance sheet and to allow us to access capital markets at commercially acceptable interest rates, we balance the amount of debt we issue with the value of our assets, and take account of certain other metrics such as retained cash flow/net debt (RCF), regulatory gearing and interest cover.

Borrowings, which include interest-bearing and inflation-linked debt and overdrafts, are initially recorded at fair value value. This normally reflects the proceeds received (net of direct issue costs for liabilities measured at amortised cost). Subsequently, borrowings are stated either (i) at amortised cost; or (ii) at fair value though profit and loss. Where a borrowing is held at amortised cost any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method. For the liability held at fair value through profit and loss, interest is calculated using the effective interest method.

Where a borrowing or liability is held at fair value, changes in the fair value of the borrowing due to changes in the issuer's credit risk are recorded in the own credit reserve (see note 21). All other changes in the fair value of the liability are recognised in the income statement within remeasurements (see notes 5 and 6).

Further information on how we manage the rates and currency risk of our borrowings portfolio is presented in note 25. Information on our net debt is presented in note 22.

16. Borrowings (continued)

	2023 £m
Current	
Bank Loans	(775)
Bonds	(25)
Commercial Paper	—
Finance leases	(4)
Other loans	(1)
Borrowings from immediate parent company	(7)
Bank overdrafts	—
	(812)
Non-current	
Bank Loans	(1,955)
Bonds	(3,201)
Commercial Paper	—
Finance leases	(9)
Other loans	(142)
Borrowings from immediate parent company	(534)
	(5,841)
Total borrowings	**(6,653)**

Total borrowings are repayable as follows:

	2023 £m
Less than 1 year	(812)
In 1 - 2 years	(85)
In 2 - 3 years	(229)
In 3 - 4 years	—
In 4 - 5 years	(1,777)
More than 5 years:	
By instalments	(55)
Other than by instalments	(3,695)
	(6,653)

The fair value of borrowings at 31 March 2023 was £6,667 million. The fair value of borrowings (Level 1) was nil. The fair value of borrowings (Level 2) was £6,667 million, calculated by discounting cash flows at prevailing interest rates. The notional amount outstanding of the debt portfolio at 31 March 2023 was £6,851 million.

16. Borrowings (continued)

At 31 March 2023, we had committed credit facilities of £2,879 million of which £902 million was undrawn. All of the facilities at 31 March 2023 are available for liquidity purposes.
Included within borrowings repayable in less than 1 year, the Company has a £750 million GBP loan which was repaid in April 2023.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments expected over the lease term. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term and similar security. The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method.

	2023 £m
Gross lease liabilities are repayable as follows:	
Less than 1 year	4
1 to 5 years	9
More than 5 years	—
	13
Less: finance charges allocated to future periods	(1)
	12
The present value of lease liabilities are as follows:	
Less than 1 year	4
1 to 5 years	8
More than 5 years	—
	12

17. Trade and other payables

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

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

	2023 £m
Trade payables	180
Deferred income	2
Social security and other taxes	64
Other payables	206
	452

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

18. Pensions and other post-retirement benefits

All of our employees are eligible to participate in a pension plan. We have a defined contribution (DC) and a defined benefit (DB) pension plan in the UK as a result of the acquisition and consolidation of National Gas Transmission plc. The fair value of associated plan assets and present value of DB obligations are updated annually in accordance with IAS 19 'Employee Benefits', additionally for the current period a valuation was carried out at the date of acquisition for the recognition of the fair values at that date. Below we provide a more detailed analysis of the amounts recorded in the primary financial statements and the actuarial assumptions used to value the DB obligations.

Defined contribution plan
Employees are eligible to join the Gas Transmission & Metering Retirement Plan (GTMRP), a section of a Master Trust arrangement managed by Legal & General. National Gas Transmission pays contributions into the GTMRP to provide DC benefits on behalf of its employees, generally providing a double match of member contributions up to maximum Company contribution of 12% of salary.

This plan is DC in nature and is designed to provide members with a pension pot for their retirement. Investment risks are borne by the member and there is no legal or constructive obligation on National Gas Transmission to pay additional contributions in the instance that investment performance is poor. Payments to this DC plan are charged as an expense as they fall due.

Defined benefit plan
National Gas Transmission plc sponsors Section B of National Grid UK Pension Scheme (Section B of NGUKPS), a DB pension plan which is now closed to new members and it has some unfunded pension obligations. This plan is managed by a Trustee company with a board consisting of company- and member-appointed directors and holds its assets in separate Trustee administered funds. The net defined pension asset of the pension plan is reflected within the Company's statement of financial position. National Gas Transmission plc also has some unfunded pension obligations.

The pension plan is subject to independent actuarial funding valuations every three years and following consultation and agreement with the Company, the qualified actuary certifies the employers' contributions, which, together with the specified contributions payable by the employees and proceeds from the plans' assets, are expected to be sufficient to fund the benefits payable. The Company is in the process of agreeing the actuarial valuation as at 31 March 2022. The equivalent valuation as at 31 March 2019, led to a funding shortfall for the plan which was expected to be removed by September 2020. The Company continues to fund the cost of future benefit accrual (over and above member contributions), with the aggregate level of ongoing contributions in the period to March 2023 totalling £14 million and pays contributions in respect of plan administration costs and the Pension Protection Fund (PPF) levies.

The Company has also agreed to the provision of contingent security to the plan, whereby up to £600 million of letters of credit, surety bonds or cash held in escrow, are implemented on specified credit rating or gearing triggers. Once implemented, this security is payable to Section B of NGUKPS in specific circumstances including insolvency, failure to pay scheme contributions and loss of regulatory license.

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

Actuarial assumptions

On retirement, members of the plan receive benefits whose value is dependent on factors such as salary and length of pensionable service. The Company's obligations are calculated by projecting the estimated amount of future benefit payments that employees have earned for their pensionable service in the current and prior periods. These future benefit payments are discounted to determine the present value of the liabilities. Current service cost and any unrecognised past service cost are recognised immediately.

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

The company has applied the following financial assumptions in assessing DB liabilities.

	2023
	%
Discount rate - past service	**4.80**
Discount rate - future service	**4.80**
Rate of increase in salaries	**3.10**
Rate of increase in RPI - past service	**3.15**
Rate of increase in RPI - future service	**3.05**

Single equivalent financial assumptions are shown here for presentational purposes, although full yield curves have been used in our calculations. The discount rate is determined by reference to high-quality UK corporate bonds at the reporting date. The rate of increase in salaries has been set with a further promotional scale also applying. The rates of increases stated are not indicative of historical increases awarded or a guarantee of future increase, but merely an appropriate assumption used in assessing DB liabilities. Retail Price Index (RPI) is the key assumption that determines assumed increases in pensions in payment and deferment in the plan.

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

The table below sets out the projected life expectancies adopted for the Company's pension arrangements:

	2023
	Years
Assumed life expectations for a retiree age 65	
Males	21.2
Females	23.3
In 20 years:	
Males	22.5
Females	24.8

The weighted average duration of the DB obligation for the plan is 11 years.

As at the reporting date, the present value of the funded obligations split according to member status, was approximately 3% active members; 12% deferred members and 85% pensioner members.

For sensitivity analysis see note 30.

Amounts recognised in the consolidated statement of financial position

	2023
	£m
Present value of funded obligations	(3,690)
Fair value of scheme assets	4,102
Net defined benefit asset	412
Present value of unfunded obligations	(1)
Net defined benefit asset	411
Represented by:	
Liabilities	(1)
Asset	412
	411

The recognition of the pension assets reflects legal and actuarial advice that we have taken regarding recognition of surpluses under IFRIC 14. The Company has an unconditional right to a refund in the event of a winding up. The NGUKPS Trustee must seek the agreement of the Company to any benefit augmentation beyond the provisions set out in the plan Rules.

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

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

	2023 £m
Included within operating costs	
Administration costs	—
Included within payroll costs	
Current service cost	1
Past service cost - augmentations	—
Past service cost - redundancies	—
Past service cost - plan amendments	—
Special termination benefit cost - redundancies	—
Included within exceptional costs	
Settlements cost	—
	1
Amounts charged to National Grid fellow group undertakings	—
Total amount included within payroll costs	**1**
Total of operating costs	**1**
Included within finance income and costs	
Net interest income	(3)
Total included in the consolidated income statement	**(2)**
Actuarial (gains)/losses on defined benefit obligations	(100)
Return on assets greater than discount rate (gain)/losses	32
Total included in the consolidated statement of other comprehensive income	**(68)**

Reconciliation of the net defined benefit asset

	2023 £m
Defined benefit asset at acquisition	341
Net (charge)/credit recognised in the consolidated income statement	2
Amounts recharged to National Grid group undertakings	—
Remeasurement effects recognised in the consolidated statement of other comprehensive	68
Employer contributions	1
Closing net defined benefit asset	**412**

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

Changes in the present value of defined benefit obligations

	2023 £m
Defined benefit obligations at acquisition	(3,809)
Current service cost	(1)
Interest cost	(18)
Actuarial losses - experience	31
Actuarial gains/(losses) - demographic assumptions	47
Actuarial gains/(losses) - financial assumptions	22
Past service cost - augmentations	—
Employee contributions	1
Benefits paid	37
Closing defined benefit obligations	**(3,690)**

The table below shows the movement in defined benefit assets over the period

	2023 £m
Fair value of scheme assets at acquisition	4,150
Interest income	21
Return on assets greater than assumed	(32)
Administration costs	—
Employer contributions	3
Employee contributions	(1)
Benefits paid	(39)
Closing fair value of scheme assets	**4,102**
Actual return on scheme assets	**(1,091)**
Expected contributions to scheme in the following year	**10**

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

Main defined benefit risks

The Company underwrites the financial and demographic risks associated with the plan. Although the Trustee has sole responsibility for setting investment strategies and managing risks, the Company closely works with and supports the Trustee, to assist in mitigating the risks associated with the plan and to ensure that the plan is funded to meet its obligations.

The most significant risks associated with the DB plan are:

- Investment risk – the plan invests in a variety of asset classes, with actual returns likely to differ from the underlying discount rate adopted, impacting the funding position of the plan through the net balance sheet asset or liability. The plan seeks to balance the level of investment return required with the risk that it can afford to take, to design the most appropriate investment portfolio;

- Changes in bond yields – liabilities will fluctuate as yields change. Volatility of the net balance sheet asset or liability is controlled through liability-matching strategies. The investment strategies allow for the use of synthetic as well as physical assets to be used to hedge interest rate risk;

- Inflation risk – changes in inflation will affect the current and future pensions but are partially mitigated through investing in inflation-matching assets and hedging instruments as well as bulk annuity buy-in policies. The investment strategies allow for the use of synthetic as well as physical assets to be used to hedge inflation risk;

- Member longevity – Improvements in life expectancy will lead to pension payments being paid for longer than expected and benefits ultimately being more expensive. This risk has been partly mitigated by recent scheme investment transactions including the bulk annuity policy.

- Counterparty risk – is managed by having a diverse range of counterparties and through having a strong collateralisation process. Measurement and management of counterparty risk is delegated to the relevant investment managers. For our bulk annuity policy, various termination provisions were introduced in the contract, managing our exposure to counterparty risk. The insurer's operational performance and financial strength is monitored on a regular basis;

- Default risk - investments are predominantly made in regulated markets in assets considered to be of investment grade. Where investments are made either in non-investment grade assets or outside of regulated markets, investment levels are kept to prudent levels and subject to agreed control ranges, to control the risk;

- Liquidity risk - the pension plans holds sufficient cash to meet benefit requirements, with other investments being held in liquid or realisable assets to meet unexpected cash flow requirements. The plans does not borrow money, or act as guarantor, to provide liquidity to other parties (unless it is temporary); and

- Currency risk – fluctuations in the value of foreign denominated assets due to exposure to currency exchange rates is managed through currency hedging carried out by some of the investment managers.

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

Defined benefit plan investment strategy

The Trustees, after taking advice from professional investment advisors and in consultation with National Gas Transmission plc, set their key principles, including expected returns, risk and liquidity requirements.

They formulate an investment strategy to manage risk through diversification, taking into account expected contributions, maturity of the pension liabilities, and the strength of the covenant. This strategy allocates investments between return-seeking assets such as equities and property, and liability-matching assets such as government securities, corporate bonds and the bulk annuity policy which are intended to protect the funding position.

The approximate asset allocation of the plan as at 31 March 2023 is as follows:

	2023 %
Return - seeking assets	22
Liability - matching assets	78
	100

The allocation of assets by asset class is set out below. Within these asset allocations, there is significant diversification across regions, asset managers, currencies and bond categories.

	2023 Quoted £m	2023 Unquoted £m	2023 Total £m
Equities	253	162	415
Corporate bonds	939	—	939
Government securities	1,183	—	1,183
Property	—	180	180
Diversified alternatives	—	325	325
Liability-matching assets[1]	—	990	990
Cash and cash equivalents	—	70	70
Other	—	—	—
	2,375	1,727	4,102

[1] This is in respect of a bulk annuity policy held by NGUKPS with a total value of £990 million. Included above is £29 million of repurchase agreements. These are used to increase the market exposure of the liability-matching portfolios.

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

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

The extreme volatility of the UK gilt market during 2022 led to significant liquidity pressures on DB pension schemes, with large collateral calls from LDI fund managers requiring some schemes to either sell illiquid assets at short notice or reduce their level of hedging. These liquidity calls were met by the plan. However, National Gas Transmission plc took the strategic decision to provide the plan with a loan for £200 million to ensure no reduction in hedging levels would be required should further increases in gilt yields occur. This loan was repaid in January 2023. These events took place before the acquisition of National Gas Transmission Holdings however the plan continues to review its strategy for hedging interest rates and inflation, ensuring it is not exposed to undue risk in the instance of further future market volatility.

The plan has a Responsible Investment (RI) Policy, which takes into account Environmental, Social and Governance (ESG) factors and incorporates the six UN-backed Principles for Responsible Investment (UNPRI). The Trustee board believes that ESG factors can be material to financial outcomes and should therefore be considered alongside other factors. They recognise that their primary responsibility remains a fiduciary one, i.e. their first duty is to ensure the best possible return on investments with the appropriate level of risk. However, they also recognise the increasing materiality of ESG factors and that they have a fiduciary and regulatory duty to consider RI, including ESG factors and their potential impact on the quality and sustainability of long-term investment returns.

19. Provisions

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

The main estimates relate to environmental remediation and decommissioning costs for various sites we own or have owned and other provisions, including restructuring plans. The evaluation of the likelihood of the contingent events has required best judgement by management regarding the probability of exposure to potential loss. Should circumstances change following unforeseeable developments, the likelihood could alter.

Provisions are recognised where a legal or constructive obligation exists at the reporting date, as a result of a past event, where the amount of the obligation can be reliably estimated and where the outflow of economic benefit is probable.

Provision is made for decommissioning and environmental costs, based on future estimated expenditures, discounted to present values. An initial estimate of decommissioning and environmental costs attributable to property, plant and equipment is recorded as part of the original cost of the related property, plant and equipment.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditures that relate to property, plant and equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated useful economic lives; otherwise such changes are recognised in the income statement.

The unwinding of the discount is included within the income statement within finance costs.

	Decommissioni £m	Environmental £m	Other £m	Total provisions £m
At 16 June 2022				
Gas Transmission and Metering	17	10	19	46
Additions	—	—	2	2
Unused amounts reversed	—	—	—	—
Unwinding of discount	—	—	—	—
Utilised	(2)	—	—	(2)
Other movements	—	—	—	—
At 31 March 2023	**15**	**10**	**21**	**46**

	2023 £m
Current	**6**
Non-current	**40**
	46

19. Provisions (continued)

Decommissioning provision

The decommissioning provision represents expenditure relating to the demolition of gas-holders expected to be incurred until 2026.

Following the sale of the Gas Distribution business in 2016, the company sold 78 surplus land sites to a number of fellow National Grid Group undertakings and a legal agreement was entered into with these National Gas Transmission Group companies to demolish the non-operational gas holders on these sites, creating a constructive obligation for the Company.

The undiscounted provision based on 0.5% real discount rate was £15 million.

Environmental provision

The environmental provision represents the estimated restoration and remediation costs relating to operational sites owned by the Company. Cash flows are expected to be incurred until 2075, with £2 million expected to be incurred in the next 10 years.

A number of estimation uncertainties affect the calculation of the provision, including the impact of regulation, the accuracy of site surveys, unexpected contaminants, transportation costs, the impact of alternative technologies and changes in the real discount rate. This provision incorporates our best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could materially impact the calculation of the provision. The undiscounted amount is the undiscounted best estimate of the liability having regard to these uncertainties.

The undiscounted provision based on 0.5% real discount rate was £10 million.

Other provisions

Other provisions at 31 March 2023 include £10 million in respect of legacy provisions recognised following the sale of the Gas Distribution (GD) business.

20. Share capital

Ordinary share capital represents the total number of shares issued.

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

	Number of shares 2023 millions	2023 £m
At 31 March - ordinary shares £1 each		
Allotted, called-up and fully paid	2,962	(2,962)

In line with the provisions of the Companies Act 2006, the Company has amended its Articles of Association and ceased to have authorised share capital.

On incorporation, the company issued 50,000 shares of £1 each.

On 2nd February 2023, the company issued further shares of 2,961,599,730 each at a consideration of £1. This related to the acquisition of National Gas Transmission Holding Limited group on 31 January 2023 net of transaction costs, the acquisition was initially funded through borrowings.

21. Other equity reserves

Other equity reserves are different categories of equity as required by accounting standards and represent the impact of a number of our historical transactions.

Other equity reserves comprise the cost of hedging reserve, the capital redemption reserve, cash flow hedge reserve and own credit reserve. Cost of hedging equity reserve arose as a result of the adoption of IFRS 9 on 1 April 2018. Cash flow hedge represents the Group's cash flow hedging activities (see note 25). As the amounts included in other equity reserves are not attributable to any of the other classes of equity presented, they have been disclosed as a separate classification of equity.

	Cash flow hedge	Cost of hedging	Own credit	Capital redemption	Other equity
	£m	£m	£m	£m	£m
At 16 June 2022	—	—	—	—	—
Net gains/(losses) taken to equity	(7)	—	—	—	(7)
Transferred (from)/to profit or loss					—
Cash flow hedges transferred to the statement of financial position, net of tax					—
Tax	—	—	—	—	—
At 31 March 2023	**(7)**	**—**	**—**	**—**	**(7)**

22. Net debt

Net debt represents the amount of cash and financial investments held, less borrowings, overdrafts and related derivatives.

Funding and liquidity risk management is carried out by the treasury function under policies and delegations approved by the Board. The Finance and Treasury Steering Group of National Gas Transmission plc is responsible for the regular review and monitoring of treasury activity, including the activities of GasT MidCo Limited.

The primary objective of the treasury function is to manage our funding and liquidity requirements. A further important objective is to manage the associated financial risks, in the form of interest rate risk and foreign exchange risk, to within pre-authorised parameters. Details of the main risks arising from our financing activities can be found in note 25 to the consolidated financial statements.

Investment of surplus funds, usually in short-term fixed deposits is subject to our counterparty risk management policy.

(a) Reconciliation of net cash flow to movement in net debt

	2023 £m
(Decrease)/Increase in cash and cash equivalents	8
Increase/(Decrease) in financial investments	149
(Increase)/decrease in borrowings and related derivatives	(1,955)
Net interest paid on the components of net debt	17
Change in net debt resulting from cash flows	(1,782)
Changes in fair value of financial assets and liabilities and exchange movements	(346)
Net interest charge on the components of net debt	(95)
Other non-cash movements	(8)
Movement in net debt (net of related derivative financial instruments) in the period	(2,231)
Net debt (net of related derivative financial instruments) on acquisition of National Gas Transmission Holdings	(3,909)
Net debt (net of related derivative financial instruments) at the end of the period	**(6,140)**

22. Net debt (continued)

Composition of net debt

Net debt is summarised as follows:

	2023 £m
Cash, cash equivalents and financial investments	**486**
Borrowings and bank overdrafts	**(6,653)**
Derivatives	**27**
	(6,140)

(b) Analysis of changes in net debt

	Cash and cash equivalents £m	Financial investments £m	Borrowings £m	Financial derivatives £m	Total debt £m
At 16 June 2022	—	—	—	—	—
Gas Transmission and Metering acquisition	5	324	(4,276)	38	(3,909)
Cash flow	8	145	(1,932)	(3)	(1,782)
Fair value gains and losses	—	—	(333)	(9)	(342)
Foreign exchange movements	—	—	(4)	—	(4)
Interest income/(charges)	—	4	(100)	1	(95)
Other non-cash movements	—	—	(8)	—	(8)
At 31 March 2023	**13**	**473**	**(6,653)**	**27**	**(6,140)**
Balances at 31 March 2023 comprise:					
Non-current assets	—	—	—	65	65
Current assets	13	473	—		486
Current liabilities	—	—	(812)	(1)	(813)
Non-current liabilities	—	—	(5,841)	(37)	(5,878)
	13	**473**	**(6,653)**	**27**	**(6,140)**

23. Commitments and contingencies

Commitments are those amounts that we are contractually required to pay in the future as long as the other party meets its obligations. These commitments primarily relate to energy purchase agreements and contracts for the purchase of assets which, in many cases, extend over a long period of time. We also disclose any contingencies, which include guarantees that companies have given, where we pledge assets against current obligations that will remain for a specific period.

Future capital expenditure

	2023 £m
Future capital expenditure	
Contracted for but not provided	162

Other commitments, contingencies and guarantees

The value of other commitments and guarantees at 31 March 2023 amounted to £82 million, including energy purchase commitments amounting to £58 million. Energy purchase commitments relate to contractual commitments to purchase electricity or gas that are used to satisfy physical delivery requirements to our customers or for energy that we use ourselves (i.e. normal purchase, sale or usage) and hence are accounted for as ordinary purchase contracts.

Security arrangements in favour of NGUKPS Trustees are disclosed separately in note 18.

Parent Company loan guarantees on behalf of subsidiaries

The Company has guaranteed the repayment of principal sums, any associated premium and interest on specific loans by its immediate parent, GasT PledgeCo Limited. At 31 March 2023, there were no amounts outstanding.

Litigation and claims

Through the ordinary course of our operations, we are party to various litigation, claims and investigations. We do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on our results of operations, cash flows or financial position and claims.

24. 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 GasT MidCo Limited. The related parties identified include fellow subsidiaries, joint ventures, associated undertakings, investments and key management personnel.

The following significant transactions with related parties were in the normal course of business. Amounts receivable from and payable to related parties are due on normal commercial terms:

	2023 £m
Income:	
Goods and services supplied	—
Expenditure:	
Services received	19
Corporate services received	—
Charges in respect of pensions costs	—
Interest expense on borrowings to parent	7
	26
Outstanding balances at 31 March in respect of income, expenditure and settlement of	
Amounts receivable	—
Amounts payable	7
Advances to ultimate parent (due within one year)	—
At 31 March	—
Advances to parent company (due after more than one year):[1]	534
At 31 March	534

[1] Immediate parent company is GasT PledgeCo Limited.

There were no advances to other related parties at 31 March 2023.

Amounts receivable from or payable to related parties in respect of sales and expenditure are ordinarily settled one month in arrears. The advance to the parent due after more than one year is not interest bearing. Advances to and borrowings from fellow subsidiaries are repayable on demand and bear interest at commercial rates.

No amounts have been provided at 31 March 2023 and no expense has been recognised during the period in respect of bad or doubtful debts for related party transactions.

Details of guarantees provided in respect of related parties are provided in note 23.

25. Financial risk management

Our activities expose us to a variety of financial risks including currency risk, interest rate risk, credit risk, capital risk and liquidity risk. Our risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential volatility of financial performance from these risks. We use financial instruments, including derivative financial instruments, to manage these risks.

Risk management related to financing activities is carried out by the treasury department under policies and actions approved by the Board. The objective of the treasury department is to manage funding and liquidity requirements, including managing associated financial risks, in line within Treasury Policy and Board resolutions.

We have exposure to the following risks, which are described in more detail below:
- credit risk;
- liquidity risk;
- currency risk;
- interest rate risk;
- capital risk.

Where appropriate, derivatives and other financial instruments used for hedging currency and interest rate risk exposures are formally designated as fair value, or cash flow hedges as defined in IFRS 9. Hedge accounting allows the timing of the profit or loss impact of qualifying hedging instruments to be recognised in the same reporting period as the corresponding impact of hedged exposures. To qualify for hedge accounting, documentation is prepared specifying the risk management objective and strategy, the component transactions and methodology used for effectiveness measurement.

Hedge accounting relationships are designated in line with risk management activities further described below. Categories designated are:

- currency risk arising from our forecasted foreign currency transactions (capital expenditure) is designated in cash flow hedges;
- currency and interest rate risk arising from borrowings are designated in cash flow or fair value hedges.

Critical terms of hedging instruments and hedged items are transacted to match on a 1:1 ratio by notional values. Hedge ineffectiveness can nonetheless arise from inherent differences between derivatives and non-derivative instruments and other market factors including credit, correlations, supply and demand, and market volatilities. Ineffectiveness is recognised in the remeasurements component of finance income and costs (see note 6). Hedge accounting is discontinued when a hedging relationship no longer qualifies for hedge accounting.

Certain hedging instrument components are now treated separately as costs hedging, with the cost of hedging gains and losses deferred in a component of other equity reserves, and released systematically into profit or loss to correspond with the timing and impact of hedged exposures, or released in full to finance costs upon an early discontinuation of a hedging relationship.

Refer to sections (c) currency risk and (d) interest rate risk below for further details about hedge accounting.

25. Financial risk management (continued)

(a) Credit risk

We are exposed to the risk of loss resulting from counterparties' default on their commitments including failure to pay or make a delivery on a contract. This risk is inherent in our commercial business activities. Exposure arises from our cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The maximum limit applies to all transactions, including long-term transactions. The long-term limit applies to transactions which mature in more than 12 months' time.

At 31 March 2023, we had a number of exposures to individual counterparties. In accordance with our treasury policies, counterparty credit exposure utilisations are monitored daily against the counterparty credit limits. Based on expected credit loss probabilities, management does not expect any significant losses from non-performance by these counterparties.

Wholesale

Our principal commercial exposure in the UK is governed by the credit rules within the Uniform Network Code. These set out the level of credit relative to the RAV for each credit rating. We are committed to measuring, monitoring, minimising and recording counterparty credit risk in our wholesale business. The utilisation of credit limits is regularly monitored and collateral is collected against these accounts when necessary. Management does not expect any significant losses of receivables that have not been provided for as shown in note 13.

Offsetting financial assets and liabilities

The following tables set out financial assets and liabilities which are subject to offset and to enforceable master netting arrangements or similar agreements. The tables show the amounts which are offset and reported net in the statement of financial position. Amounts which cannot be offset under IFRS, but which could be settled net under terms of master netting agreements if certain conditions arise, and with collateral received or pledged, are shown to present GasT MidCo's net exposure.

Financial assets and liabilities on different transactions would only be reported net in the balance sheet if the transactions were with the same counterparty, a currently enforceable legal right of offset exists, and the cash flows were intended to be settled on a net basis.

Amounts which do not meet the criteria for offsetting on the statement of financial position, but could be settled net in certain circumstances, principally relate to derivative transactions under ISDA agreements, where each party has the option to settle amounts on a net basis in the event of default of the other party. For bank account balances and bank overdrafts there are no pooling arrangements and no 'Gross amounts offset'.

The gross amounts offset for trade payables and receivables, which are subject to general terms and conditions, are insignificant.

25. Financial risk management (continued)

			Related amounts available to be offset but not offset in statement of financial position			
	Gross carrying amounts	*Gross amounts offset*	Net amount presented in statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
As at 31 March 2023	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Assets						
Derivative financial instruments	65	—	65	(4)	—	61
	65	—	65	(4)	—	61
Liabilities						
Derivative financial instruments	(38)	—	(38)	4	—	(34)
	(38)	—	(38)	4	—	(34)
Total	27	—	27	—	—	27

(b) Liquidity risk

Our policy is to determine our liquidity requirements by the use of both short-term and long-term cash flow forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding requirements for at least a 24 month period and maintain adequate liquidity for a continuous 12-month period.

We believe our contractual obligations, including those shown in commitments and contingencies in note 23 can be met from existing cash and investments, operating cash flows and internal or external financing that we reasonably expect to be able to secure in the future, together with the use of committed facilities if required.

Our debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity, restrictions on disposals and financial covenants. Failure to comply with these covenants, or to obtain waivers of those requirements, could prevent shareholder distributions, require early repayment of some of our debt, and restrict our ability to draw upon our facilities to access the capital markets.

25. Financial risk management (continued)

The following is a payment profile of our financial liabilities and derivatives:

At 31 March 2023	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding finance lease	(752)	(82)	(228)	(5,776)	(6,838)
Interest payments on borrowings[1]	(248)	(216)	(235)	(1,962)	(2,661)
Lease liabilities	(4)	(3)	(3)	(3)	(13)
Other non-interest bearing liabilities	(385)	—	—	—	(385)
Derivative financial liabilities					
Derivative contracts - receipts[2]	519	21	21	579	1,140
Derivative contracts - payments[2]	(537)	(38)	(47)	(590)	(1,212)
Derivative financial assets					
Derivative contracts - receipts[2]	34	225	162	39	460
Derivative contracts - payments[2]	(26)	(209)	(150)	(30)	(415)
Total at 31 March 2023	**(1,399)**	**(302)**	**(480)**	**(7,743)**	**(9,924)**

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

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

(c) Currency risk

We are exposed to foreign exchange risk arising from non-sterling future commercial transactions and non-sterling recognised assets and liabilities. Currency risk arises from funding activities and capital investment. This risk is managed using financial instruments including derivatives as approved by policy, typically cross currency interest rate swaps, foreign exchange swaps and forwards.

Funding activities - Our policy is to borrow in the most advantageous market available. Foreign currency funding gives rise to risk of volatility in the amount of functional currency cash to be repaid. This risk is reduced by swapping principal and interest back into the functional currency of the issuer. All foreign currency debt and transactions are hedged except where they provide a natural offset to assets elsewhere in the Group.

25. Financial risk management (continued)

Capital investment - Capital projects often incur costs in a foreign currency, most often Euro transactions done by the UK business. Our policy for managing foreign exchange transaction risk is to hedge contractually committed foreign currency cash flows over a prescribed minimum size, typically by buying Euro forwards to hedge future expenditure. For hedges of forecast cash flows our policy is to hedge a proportion of highly probable cash flows.

As at 31 March 2023, derivative financial instruments were used to manage foreign currency risk as follows:

	2023				
	Sterling	**Euro**	**Dollar**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Cash and cash equivalents	**13**	—	—	—	**13**
Financial investments	**473**	—	—	—	**473**
Borrowings	**(6,482)**	—	—	**(171)**	**(6,653)**
Pre-derivative position	**(5,996)**	—	—	**(171)**	**(6,167)**
Derivative effect	**(154)**	**7**	**3**	**171**	**27**
Net debt position	**(6,150)**	**7**	**3**		**(6,140)**

There was no significant currency exposure on other financial instruments, including trade receivables and payables and other receivables and payables.

Hedge accounting for currency risk

Where available, derivatives transacted for hedging are designated for hedge accounting. Economic offset is qualitatively determined because the critical terms (currency and volume) of the hedging instrument match the hedged exposure. If a forecast transaction was no longer expected to occur, the cumulative gain or loss previously reported in equity would be transferred to the income statement. This has not occurred in the current or comparative periods.

Cash flow hedging of currency risk of capital expenditure is designated as hedging the exposure to movements in the spot translation rates only; the timing of forecasted transactions is not designated as a hedged risk. Gains and losses on hedging instruments arising from forward points and foreign currency basis spreads are excluded from designation and are recognised immediately in profit or loss, along with any hedge ineffectiveness. Where a non-financial asset or a non-financial liability results from a forecast transaction or firm commitment being hedged, the amounts deferred in reserves are released directly to the initial measurement of that asset or liability.

Hedges of foreign currency funding are designated as cash flow hedges or fair value hedges of forward exchange risk (hedging both currency and interest rate risk together, where applicable). Hedge accounting for funding is described further in the interest rate risk section below.

25. Financial risk management (continued)

(d) Interest rate risk

GasT MidCo' interest rate risk arises from our long-term borrowings. Our interest rate risk management policy is to seek to minimise total financing costs (being interest costs and changes in the market value of debt). Hedging instruments principally consist of interest rate and cross-currency swaps that are used to translate foreign currency debt into functional currency and to adjust the proportion of fixed-rate and floating-rate in the borrowings portfolio to within a range set by the Board. The benchmark interest rates hedged are currently based on GBP Sterling Overnight Index Average (SONIA).

We also consider inflation risk and hold some inflation-linked borrowings. We believe that these provide a partial economic offset to the inflation risk associated with our UK inflation linked revenues.
The table in note 16 (Borrowings) sets out the carrying amount, by contractual maturity, of borrowings that are exposed to interest rate risk before taking into account interest rate swaps.

As at 31 March 2023, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	2023				
	Fixed rate £m	**Floating rate £m**	**RPI £m**	**Other £m**	**Total £m**
Cash and cash equivalents	—	13	—	—	13
Financial investments	—	473	—	—	473
Borrowings	(1,483)	(2,735)	(2,435)	—	(6,653)
Pre-derivative position	(1,483)	(2,249)	(2,435)	—	(6,167)
Derivative effect	(799)	821	6	(1)	27
Net debt position	(2,282)	(1,428)	(2,429)	(1)	(6,140)

Hedge accounting for interest rate risk

Borrowings paying variable or floating rates expose GasT MidCo to cash flow interest rate risk, partially offset by cash held at variable rates. Where a hedging instrument results in paying a fixed rate, it is designated as a cash flow hedge because it has reduced the cash flow volatility of the hedged borrowing. Changes in the fair value of the derivative are initially recognised in other comprehensive income as gains or losses in the cash flow hedge reserve, with any ineffective portion recognised immediately in the income statement.

Borrowings paying fixed rates expose GasT MidCo to fair value interest rate risk. Where the hedging instrument pays a floating rate, it is designated as a fair value hedge because it has reduced the fair value volatility of the borrowing. Changes in the fair value of the derivative and changes in the fair value of the hedged item in relation to the risk being hedged are both adjusted on the balance sheet and offset in the income statement to the extent the fair value hedge is effective, with the residual difference remaining as ineffectiveness.

25. Financial risk management (continued)

Both types of hedges are designated as hedging the currency and interest rate risk arising from changes in forward points. Amounts accumulated in the cash flow hedge reserve (cash flow hedges only) and the deferred cost of hedging reserve (both cash flow and fair value hedges) are reclassified from reserves to the income statement on a systematic basis as hedged interest expense is recognised. Adjustments made to the carrying value of hedged items in fair value hedges are similarly released to the income statement to match the timing of the hedged interest expense.

When hedge accounting is discontinued, any remaining cumulative hedge accounting balances continue to be released to the income statement to match the impact of outstanding hedged items. Any remaining amounts deferred in the cost of hedging reserve are released immediately to the income statement.

The amendments will be applied until the earliest point in time where affected cash flows are amended, the relationship is formally discontinued, and any cash flow hedge reserve balance has been released, or formal market conventions ending uncertainty are published and widely adopted. If amended cash flows do not cause a hedging relationship to be discontinued, then the amendments will cease to be applied only when that relationship is discontinued under IFRS 9.

The IFRS amendments impact fair value and cash flow hedges of interest rate risk and related hedging instruments. The notional values of hedging instruments, for each type of hedging relationship impacted, are shown in the hedge accounting tables in note 25(e). These amounts also correspond to the exposures designated as hedged.

25. Financial risk management (continued)

(e) Hedge accounting

In accordance with the requirements of IFRS 9, certain additional information about hedge accounting is disaggregated by risk type and hedge designation type in the tables below:

Period ended 31 March 2023	Fair value hedges of foreign currency and interest rate	Cash flow hedges of foreign currency and interest rate	Cash flow hedges of foreign currency risk
	£m	£m	£m
Consolidated statement of comprehensive income			
Net gains/(losses) in respect of:			
Cash flow hedges		(7)	—
Cost of hedging	1	—	
Transferred to profit or loss in respect of:			
Cash flow hedges		—	
Cost of hedging	—	—	
Consolidated statement of changes in equity			
Other equity reserves - cost of edging balances	1	—	
Consolidated statement of financial position			
Derivatives - carrying value of hedging instruments[1]			
Assets - current	—	—	
Assets - non-current	56	6	
Liabilities - current	—	—	
Liabilities - non-current	(27)	(8)	
Profiles of the significant timing, price and rate information of hedging instruments			
Maturity range	Jan 2025 - May 2038	Jan 2026 - Apr 2030	Apr 2023 - Aug 2023
Spot FX range			
GBP USD	1.64 - 1.66	n/a	1.22
GBP EUR	n/a	1.14	1.07 - 1.12
Interest rate range			
GBP	Pay-float GBP SONIA +42bps/+432bps	Pay-fixed GBP 1.795% - 4.3%	n/a

[1] The use of derivatives may entail a derivative transaction qualifying for more than one hedge type designation under IFRS 9. Therefore, the derivative amounts in the table above are grossed up by hedge type, whereas they are presented net at an instrument level in the statement of financial position.

25. Financial risk management (continued)

The following tables show the effects of hedge accounting on financial position and year-to-date performance for each type of hedge:

(i) Fair value hedges of foreign currency and interest rate risk on recognised borrowings as at 31 March 2023:

At 31 March 2023		Balance of fair value hedge adjustments in borrowings			Change in value used for calculating ineffectiveness	
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings[1]	(316)	2	—	2	(2)	—

[1] The carrying value of the hedged borrowings is £294 million, of which £nil is current and £294 million is non-current.

(ii) Cash flow hedges of foreign currency and interest rate risk as at 31 March 2023:

		Balance in cash flow hedge reserve		Change in value used for calculating ineffectiveness		
	Hedging instrument nominal	Continuing hedges	Discontinued hedges	Hedged item	Hedging instrument	Hedge ineffectiveness
Hedge type	£m	£m	£m	£m	£m	£m
Foreign currency and interest rate risk on borrowings	(1,536)	(7)	—	(7)	6	(1)
Foreign currency risk on forecasted cash flows	(7)	—	—	—	—	—

25. Financial risk management (continued)

(f) Fair value analysis

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

	2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivative financial instruments	—	65	—	65
	—	65	—	65
Liabilities				
Derivative financial instruments	—	(38)	—	(38)
Liabilities held at fair value	—	—	—	—
	—	(38)	—	(38)
	—	27	—	27

Level 1: Financial instruments with quoted prices for identical instruments in active markets.

Level 2: Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are based directly or indirectly on observable market data.

Level 3: Financial instruments valued using valuation techniques where one or more significant inputs are based on unobservable market data.

Our Level 1 financial liability held at fair value is valued using quoted prices from liquid markets.

Our Level 2 derivative financial instruments include cross-currency, interest rate and foreign exchange derivatives. We value these derivatives by discounting all future cash flows by externally sourced market yield curves at the reporting date, taking into account the credit quality of both parties. These derivatives can be priced using liquidly traded interest rate curves and foreign exchange rates, therefore we classify our vanilla trades as Level 2 under the IFRS 13 framework.

25. Financial risk management (continued)

(g) Capital Risk Management

The capital structure of the Group consists of shareholders' equity, as disclosed in the consolidated statement of changes in equity, and net debt (note 22). 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 the regulated company within the group, National Gas Transmission, is an important aspect of our capital risk management strategy and balance sheet efficiency. We monitor our balance sheet efficiency by regulatory asset value (RAV) gearing calculated as net debt expressed as a percentage of RAV, which indicates the level of debt employed to fund our regulated business. It is compared with the level of RAV gearing indicated by Ofgem as being appropriate for our business, at around 60%. The RAV gearing ratio at 31 March 2023 was 56%.

The Gas Transmission group are subject to certain restrictions on the payment of dividends by administrative order, contract and/or licence. The types of restrictions that a company may have that would prevent a dividend being declared or paid unless they are met include:

- liquidity risk;
- the subsidiary must have at least two recognised rating agency credit ratings of at least investment grade;
- dividends must be limited to cumulative retained earnings, including pre-acquisition retained earnings;
- the securities must maintain an investment grade credit rating and if that rating is the lowest investment grade bond rating it cannot have a negative watch/review for downgrade notice by a credit rating agency;
- the subsidiary must not carry on any activities other than those permitted by the licences;
- the subsidiary must not create any cross-default obligations or give or receive any intra-group cross-subsidies; and
- the percentage of equity compared with total capital of the subsidiary must remain above certain levels.

These restrictions are subject to alteration in the normal licence review process.

As most of our business is regulated, at 31 March 2023 the majority of our net assets are subject to some of the restrictions noted above. These restrictions are not considered to be significantly onerous, nor do we currently expect they will prevent the planned payment of dividends in future in line with our dividend policy.

All the above requirements are monitored on a regular basis in order to ensure compliance. The Gas Transmission group has complied with all externally imposed capital requirements to which it is subject.

26. Sensitivities

In order to give a clearer picture of the impact on our results or financial position of potential changes in significant estimates and assumptions, the following sensitivities are presented. These sensitivities are based on assumptions and conditions prevailing at the 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 in the tables below show the potential impact in the income statement (and consequential impact on net assets) for a reasonably possible range of different variables each of which 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 included in the tables below broadly have an equal and opposite effect if the sensitivity increases or decreases by the same amount unless otherwise stated.

(a) Sensitivities on areas of estimation uncertainty

The table below sets out the sensitivity analysis for certain areas of estimation uncertainty set out in note 1E. These estimates are those that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities in the next year.

	2023	
	Income statement £m	Net assets £m
Pensions obligations benefit (pre-tax)[1]		
Discount rate change of 0.5%[2]	3	196
RPI rate change of 0.5%[3]	—	161
Long-term rate of increase in salaries change of 0.5%	—	3
Change of one year to life expectancy at age 65	5	148

[1] The sensitivities shown in 2023 are the net change in the Income Statement and the net change in the defined benefit obligations. We have changed the approach in 2023 because the sensitivity of the service charge to these changes is now immaterial.

[2] This net asset shows the impact of the change in the discount rate on the liabilities only. A change in the discount rate is likely to occur as a result of changes in bond yields and as such would be expected to be offset to a significant degree by a change in the value of the bond assets held by the plan. For the purpose of the Income Statement sensitivity it is assumed that the change in assets and liabilities offset each other.

[3] The net assets show the impact of the change in RPI on the liabilities only. The projected impact resulting from a change in RPI reflects the underlying effect on pensions in payment, pensions in deferment and resultant increases in salary assumptions. In practice, as the plan hedges inflation risk we would expect any change in liabilities to be offset to a significant degree by a change in the value of the inflation linked assets held by the plan. For the purpose of the Income Statement sensitivity it is assumed that the change in assets and liabilities offset each other.

26. Sensitivities (continued)

Pensions and post retirement benefits assumptions

Sensitivities have been prepared to show how the defined benefit obligations and annual service costs could potentially be impacted by changes in the relevant actuarial assumption that were reasonably possible as at 31 March 2023. In preparing sensitivities the potential impact has been calculated by applying the change to each assumption in isolation and assuming all other assumptions remain unchanged. This is with the exception of RPI in the UK where the corresponding change to increases to pensions in payment, increases to pensions in deferment and increases in salary are recognised.

(b) Sensitivities on financial instruments

We are further required to show additional sensitivity analysis under IFRS 7 and these are shown separately in the subsequent table due to the additional assumptions that are made in order to produce meaningful sensitivity disclosures.

Our net debt as presented in note 22 financial instruments is sensitive to changes in market variables, being UK interest rates and the UK RPI. These impact the valuation of our borrowings, deposits and derivative financial instruments. The analysis illustrates the sensitivity of our financial instruments to reasonably possible changes in these market variables.

(b) Sensitivities on financial instruments (continued)

The following main assumptions were made in calculating the sensitivity analysis for continuing operations:

- the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio, and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2023;
- the statement of financial position sensitivity to interest rates relates to items presented at their fair values: derivative financial instruments; our investments measured at fair value through profit and loss (FVTPL) and fair value through other comprehensive income; and our liability measured at FVTPL. Further debt and other deposits are carried at amortised cost and so their carrying value does not change as interest rates move;
- the sensitivity of interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- changes in the carrying value of derivatives from movements in interest rates of designated cash flow hedges are assumed to be recorded fully within equity.

26. Sensitivities (continued)

	2023	
	Income statement £m	Other equity reserves £m
Financial risk (post-tax)		
UK RPI rate change of 0.5%[1]	10	—
UK Interest rate changes of 0.5%	6	23

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

	2023	
Assets and liabilities carried at fair value (post-tax):	Income statement £m	Net assets £m
10% fair value change in derivative financial instruments[1]	2	2

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

27. Business Combinations

On 31 January 2023, GasT MidCo Limited acquired 100% of the share capital of National Gas Transmission Holdings Limited (formerly National Grid Gas Holdings Limited), the holding company of, National Gas Transmission PLC (formerly National Grid Gas PLC) and National Gas Metering Limited (formerly National Grid Metering Limited), which together make up the UK's National Gas Transmission and Metering network. The purchase price was £5.42 billion, funded through intercompany loans from GasT MidCo Limited's parent company and external borrowings. This transaction was part of a plan announced on 18 March 2021 by National Grid Plc to sell a majority stake in the UK National Gas Transmission and Metering business.

The Group has applied IFRS 3 'Business Combinations' and the acquisition has been accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are recognised at their fair values at the acquisition date.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date.

Acquisition-related costs are expensed as incurred and included within exceptional and costs and totalled £27 million for the period.

The acquired business of National Gas Transmission plc contributed only 2 months of revenue and net profit to the Group's results being the results from the date of acquisition, 31 January 2023, to Statement of Financial Position date, 31 March 2023. Had the acquisition been completed at the date of incorporation, 16 June 2022, Group revenue and net profit for the period would be approximately £1,598 million and £232 million respectively.

The fair values of the assets and liabilities following the finalisation of the purchase price allocation are set out below:

	IFRS book value at acquisition £m	Fair value adjustments £m	Fair value £m
Non-current assets			
Intangible assets	125	1,230	1,355
Property, plant and equipment	4,737	2,951	7,688
Other non-current assets	12		12
Financial and other investments	1		1
Derivative financial assets	93		93
Pensions asset	341		341
Total non-current assets	**5,308**	**4,180**	**9,489**
Current assets			
Inventories and current intangible assets	14		14
Trade and other receivables	427		427
Financial and other investments	323		323
Derivative financial assets	3		3
Cash and cash equivalents	5		5
Total current assets	**772**		**772**
Total assets	**6,081**	**4,180**	**10,261**
Current liabilities			
Borrowings	(28)		(28)
Derivative financial liabilities	(1)		(1)
Trade and other payables	(412)		(412)
Contract liabilities	(57)	57	—
Current tax liabilities	(55)		(55)
Provisions	(9)		(9)
Bank overdraft	—		—
Total current liabilities	**(563)**	**57**	**(506)**
Non-current liabilities			
Borrowings	(4,248)	201	(4,047)
Derivative financial liabilities	(56)		(56)
Other non-current liabilities	(1)		(1)
Contract liabilities	(98)	98	—
Deferred tax liabilities	(723)	(1,157)	(1,880)
Pension Liability	(3)		(3)
Provisions	(37)		(37)
Total non-current liabilities	**(5,166)**	**(858)**	**(6,024)**
Total liabilities	**(5,728)**	**(801)**	**(6,529)**
Total identifiable net assets	352	3,380	3,732
Goodwill		1,688	1,688
Total consideration transferred	**352**	**5,068**	**5,420**
Consideration[1]			5,420
Consideration paid			**5,420**

[1] Consideration of £5,420 million was funded through a combination of non-cash intercompany borrowings of £3,467 million (of which £2,962 million was converted to equity) and cash of £1,953 million which was funded through external borrowings.

28. Ultimate parent company

This note shows the immediate and ultimate parent companies for these consolidated financial statements.

GasT MidCo Limited's immediate parent company is GasT PledgeCo Limited. The ultimate parent company and controlling party is Luppiter Consortium Limited. Both of these companies are incorporated in Great Britain and are registered in England and Wales. Luppiter Consortium Limited consolidates the financial statements of GasT MidCo Limited. Copies of the consolidated financial statements of Luppiter Consortium Limited may be obtained from the Company Secretary, C/O Alter Domus (UK) Limited 10th Floor, 30 St Mary Axe, London EC3A 8BF.

29. Subsidiary undertakings, joint ventures and associates

While we present consolidated results in these financial statements as if we were one company, our legal structure is such that there are a number of different operating and holding companies that contribute to the overall result. This structure has evolved through acquisitions as well as regulatory requirements to have certain activities within separate legal entities.

Subsidiary undertakings

The list below contains all subsidiaries included within the GasT MidCo Limited Group.

	Principal activity		Holding
National Gas Transmission Holdings Limited (incorporated in England and Wales)	Holding Company	Direct	100 %
National Gas Transmission PLC (incorporated in England and Wales)	Gas Transmission services	Indirect	100 %
National Gas Metering Limited (incorporated in England and Wales)	Gas metering services	Indirect	100 %

Other equity investments

The list below contains all other equity investments included within the GasT MidCo Limited Group.

	Principal activity	Holding
PRISMA European Capacity Platform GmbH (incorporated in Germany)	Trading platform	12 %
Joint Radio Company Limited (incorporated in England and Wales)	Consultancy services	25 %
Xoserve Limited (incorporated in England and Wales)	IT systems, management for gas transportation	11 %

PRISMA European Capacity Platform GmbH is based at Reichsstraße 1-9, Leipzig, Saxony 04109, Germany.
Joint Radio Company Limited is based at Friars House, Manor House Drive, Coventry, England, CV1 2TE.
Xoserve Limited is based at Lansdowne Gate, 65 New Road, Solihull B91 3DL

30. Events after the reporting period

There were no events after the reporting period.

Company balance sheet

As at 31 March 2023

	Notes	2023 £m
Fixed assets		
Investments	5	**5,447**
		5,447
Current assets		
Cash at bank and in hand	6	**4**
Debtors (amounts falling due within one year)	7	**4**
		8
Creditors (amounts falling due within one year)	9	**(21)**
Net current assets		**(13)**
Total assets less current liabilities		**5,435**
Creditors (amounts falling due after more than one year)	10	**(2,289)**
Net assets		**3,146**
Equity		
Share capital	12	**2,962**
Share premium account		**—**
Other equity reserve	13	**(5)**
Profit and loss account		**189**
Total shareholders' equity		**3,146**

The Company financial statements set out on pages **28 to 106** were approved by the Board of Directors and authorised for issue on 18 July 2023. They were signed on its behalf by:

DocuSigned by:

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William Price
Director

GasT MidCo Limited
Registered number: 14177081

Company statement of changes in equity

For the period from incorporation 16 June 2022 to 31 March 2023

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Shareholders equity £m
At 16 June 2022					
Profit for the period		—	189	—	189
Total other comprehensive income for the period	—	—	—	(5)	(5)
Total comprehensive income for the period	—	—	189	(5)	184
Issue of Share Capital	2,962	—	—	—	2,962
Equity dividends	—	—	—	—	—
Share-based payments	—	—	—	—	—
At 31 March 2023	**2,962**	**—**	**189**	**(5)**	**3,146**

The Company has not presented its own profit and loss account and related notes as permitted by section 408 of the Companies Act 2006. The Company's profit after taxation was £189 million which was primarily due to dividends received from subsidiaries.

Notes to the Company financial statements

1. Company accounting policies

We are required to include the stand-alone balance sheet of our parent Company, GasT MidCo Limited, under the Companies Act 2006. The following disclosures provide additional information to users of these financial statements.

A. Basis of preparation of individual financial statements under FRS101

The Company holds an investment in National Gas Transmission Holdings plc and obtains and provides finance to subsidiary companies via intercompany balances. The principle activities of its subsidiary National Gas Transmission plc involves the transmission of gas in Great Britain. The Company is a private limited company incorporated and domiciled in England, with its registered office at National Grid House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.

The company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements. Accordingly, the company has elected to apply FRS 101 Reduced Disclosure Framework. The recognition and measurements requirements of UK-adopted IFRS have therefore been applied within these financial statements, with amendments where necessary in order to comply with the Companies Act 2006. In accordance with the exemption permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account or statement of comprehensive income.

As permitted by FRS 101, the company has taken advantage of exemptions from the requirements of IFRS in relation to the following elements:

- presentation of a cashflow statement and related notes;
- disclosures in respect of share based payment;
- disclosures in respect of capital management;
- disclosures required by IFRS 13 '*Fair Value Measurement*';
- disclosures required by IFRS 7 '*Financial Instruments: Disclosures*';
- presentation of comparative information in respect of certain assets;
- the effect of standards not yet effective; and
- related party transactions.

Where required, equivalent disclosures are given in the Group financial statements of GasT MidCo Limited, which are available to the public and can be obtained as set out in note 28 to the consolidated financial statements.

These individual financial statements of the Company have been prepared on an historical cost basis, except for the revaluation of financial instruments, and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates.

The individual financial statements have been prepared on a going concern basis following the assessment made by the Directors as set on page 23.

2. Auditors' remuneration

Audit Fees of £19,000 for the audit of these financial statements are bourne by a subsidiary undertaking and then recharged to the Company.

Disclosure of non-audit fees is not required as these have been disclosed in the consolidated financial statements.

3. Number of employees, including Directors

There were no employees of the Company during the period.

4. Key management compensation and Directors' emoluments

The Directors are party to a private agreement between the shareholders of GasT TopCo Limited, which governs how the shareholders manage their investment in the National Gas Transmission business, and under this agreement the Directors are not entitled to any remuneration for their services as a director of the Company.

Details of Directors' emoluments are provided in note 4(d) to the consolidated financial statements.

5. Investments

	2022 £m
Shares in subsidiary undertakings	5,447

The fixed asset investment at 31 March 2023 represents 100% of the ordinary share capital of National Gas Transmission Holdings Limited which was acquired on 31 January 2023.

The Directors are satisfied that the realisable value of the subsidiary exceeds the carrying value of the investment in National Gas Transmission Holdings Limited and therefore no impairment has been recorded.

The Company also controls indirectly through its subsidiary undertaking a number of companies split between subsidiaries and joint ventures as listed in note 29 in the consolidated financial statements. These undertakings are wholly owned unless otherwise indicated.

6. Cash and Cash equivalents

	2023 £m
Cash at bank and short-term deposits	—
Cash and cash equivalents excluding bank overdrafts	4
Bank overdrafts	—
Net cash and cash equivalents less bank overdrafts	**4**

7. Debtors (less than one year)

	2023 £m
Amounts owed by fellow subsidiary undertakings	4
	4

8. Derivative financial instruments

The fair values of derivative financial instruments are:

	2023		
	Assets £m	Liabilities £m	Total £m
Amounts falling due within one year	—	—	—
Amounts falling due after more than one	—	(6)	(6)
	—	(6)	(6)

For each class of derivative the notional contract amounts[1] are as follows:

	2023 £m
Interest rate swaps	(1,000)
Cross-currency interest rate swaps	—
Foreign exchange forward currency	—
Inflation linked swaps	—
	(1,000)

[1] The notional contract amounts of derivatives indicate the gross nominal value of transactions outstanding at the balance sheet date.

For details on fair value techniques and assumptions, refer to note 25 to the consolidated financial statements.

9. Creditors (amounts falling due within one year)

	2023 £m
Borrowings (note 11)	20
Trade creditors	1
Amounts owed to fellow subsidiary undertakings	—
	21

10. Creditors (amounts falling due after more than one year)

	2023 £m
Derivative financial instruments (note 8)	6
Borrowings (note 11)	2,283
Other creditors	—
Accruals and deferred income	—
	2,289

11. Borrowings

The following table analyses the Company's total borrowings:

	2023 £m
Amounts falling due within one year:	
Bank loans and overdrafts	13
Bonds	—
Lease liabilities	—
Borrowings from fellow subsidiary undertakings	7
Other loans	—
	20
Amounts falling due after more than one year:	
Bank loans	1,749
Bonds	—
Lease liabilities	—
Borrowings from parent	534
Other loans[1]	—
	2,283
Total borrowings	2,303

Total borrowings are repayable as follows:	
Less than 1 year	20
In 1 - 2 years	—
In 2 - 3 years	—
In 3 - 4 years	—
In 4 - 5 years	1,749
More than 5 years by instalments	—
More than 5 years, other than by instalments	534
	2,303

[1]Amounts owed by immediate parent GasT Pledgeco, £534 million at 8% fixed interest, repayable 31st January 2048.

The notional amount outstanding of the Company's debt portfolio at 31 March 2023 was £2,299 million. None of the Company's borrowings are secured by charges over assets of the Company.

12. Share capital

	Number of shares 2023 millions	2023 £m
At 31 March - ordinary shares £1 each		
Allotted, called-up and fully paid	**2,962**	**2,962**

On incorporation, the company issued 50,000 shares of £1 each.

On 2nd February 2023, the company issued further shares of 2,961,599,730 each at a consideration of £1. This related to the acquisition of National Gas Transmission Holdings Limited group on 31 January 2023 net of transaction costs, the acquisition was initially funded through borrowings.

13. Other equity reserves

	Capital Redemptio £m	Own credit £m	Cash flow hedge £m	Cost of hedging £m	Total £m
At 16 June 2022	—	—	—	—	—
Net gains/(losses) taken to equity	—	—	(5)	—	(5)
Tax	—	—	—	—	—
At 31 March 2023	**—**	**—**	**(5)**	**—**	**(5)**

Cash flow hedge represents the Company's cash flow hedging activities (for more details see note 25 within the consolidated Group Financial Statements)

14. Related parties

The Company is exempt under FRS 101.8(k) from disclosing transactions with GasT TopCo Limited and its subsidiary undertakings where all of the voting rights are held within the group. There were no related party transactions with other companies.

Glossary and definitions

References to the 'Company', 'we', 'our', and 'us', refer to GasT MidCo Limited itself or to GasT MidCo Limited and its subsidiaries collectively, depending on context.

EU

European Union

FRS

UK Financial Reporting Standard

GAAP

Generally accepted accounting principles

GHG

Greenhouse Gas

GW

Gigawatt, 10^9 watts

GWh

Gigawatt hours

HSE

Health and Safety Executive

IAS

International Accounting Standard

IASB

International Accounting Standards Board

IFRIC

International Financial Reporting Standard Interpretations Committee

IFRS

International Financial Reporting Standard

KPI

Key Performance Indicators

LNG

Liquefied natural gas

Lost time injury (LTI)

A work-related injury which causes a person to be away from work for at least one normal shift after the shift on which the injury occurs, because the person is unfit to perform his or her duties

National Grid

Luppiter Consortium Limited, the ultimate parent Company of GasT MidCo Limited and its controlling party

Ofgem

The Office of Gas and Electricity Markets which regulates the energy markets in the UK.

tonnes CO_2 equivalent

Measure of greenhouse gas emissions in relation to the impact of carbon dioxide

regulated controllable operating costs

Total operating costs under IFRS less depreciation and certain regulatory costs where, under our regulatory agreements, mechanism are in place to recover such costs in current or future periods

regulatory asset value (RAV)

The RAV is a regulatory construct that reflects a company's historical investment, adjusted for inflation (currently CPIH). The RAV is calculated by summing an estimate of the initial market value of each company's regulated asset base at privatisation and all subsequent allowed additions to it at historical cost and deducting annual depreciation amounts.

Other regulated assets

Other regulated assets relates to regulatory revenue timing differences. These are costs that are either due to National Gas Transmission or owed to Ofgem and arise due to timing (for example shrinkage, under or over recovery and passthrough costs).

Regulatory Revenue differences arise from the difference between allowed revenue and collected revenue, pass through costs allowances and actual pass through costs, incentives allowances and incentives earned and CPIH indexation forecast in our allowed revenue versus actual indexation in year. These amounts are then trued up between National Gas Transmission and the Regulator.

RIIO

Revenue = Incentives + Innovation + Outputs, the regulatory framework for energy networks issued by Ofgem which started on 1 April 2021.

RoE

A performance metric measuring returns from the investment of shareholders' funds. It is a financial ratio of a measure of earnings divided by an equity base.

UK regulated return on equity is a measure of how a business is performing operationally against the assumptions used by Ofgem. These returns are calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure, at the assumed cost of debt and that UK taxation paid is at the level assumed by Ofgem.

RPI

UK Retail Prices Index

STEM

Science, Technology, Engineering & Mathematics

TW

Terawatt, 10^{12} watts

TWh

Terawatt hours