

2015/16 Full Year Results

19 MAY 2016



Cautionary statement

This announcement contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. These forward-looking statements are not guarantees of National Grid's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control or estimate precisely, such as changes in laws or regulations, announcements from and decisions by governmental bodies or regulators (including the timeliness of consents for construction projects); the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption, the inability to carry out critical non network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to counterparties being unable to deliver physical commodities, or due to the failure of or unauthorised access to or deliberate breaches of National Grid's IT systems and supporting technology; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, including those related to investment programmes and internal transformation and remediation plans; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. Other factors that could cause actual results to differ materially from those described in this announcement include fluctuations in exchange rates, interest rates and commodity price indices; restrictions and conditions (including filing requirements) in National Grid's borrowing and debt arrangements, funding costs and access to financing; regulatory requirements for the Company to maintain financial resources in certain parts of its business and restrictions on some subsidiaries' transactions such as paying dividends, lending or levying charges; inflation or deflation; the delayed timing of recoveries and payments in National Grid's regulated businesses and whether aspects of its activities are contestable; the funding requirements and performance of National Grid's pension schemes and other post-retirement benefit schemes; the failure to attract, train or retain employees with the necessary competencies, including leadership skills, and any significant disputes arising with the National Grid's employees or the breach of laws or regulations by its employees; the failure to respond to market developments, including competition for onshore transmission, the threats and opportunities presented by emerging technology, development activities relating to changes in the energy mix and the integration of distributed energy resources, and the need to grow the Company's business to deliver its strategy, as well as incorrect or unforeseen assumptions or conclusions (including unanticipated costs and liabilities) relating to business development activity, including assumptions in connection with joint ventures. For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 173 to 176 of National Grid's most recent Annual Report and Accounts, as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2015 published on 10 November 2015. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this announcement.

Agenda

Introduction	Sir Peter Gershon
Highlights	John Pettigrew
Financial review	Andrew Bonfield
Priorities and outlook	John Pettigrew



Introduction

SIR PETER GERSHON
CHAIRMAN



Highlights

JOHN PETTIGREW
CHIEF EXECUTIVE



2015/16 financial performance

OPERATING
PROFIT

£4.1bn

RETURN ON
EQUITY

12.3%

CAPITAL
INVESTMENT

£3.9bn

ASSET
GROWTH*

4%

EARNINGS PER SHARE

63.5p

DIVIDEND PER SHARE

43.34p

* Regulatory asset base growth calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

Safety and reliability

- One of the best years for safety performance
- UK performance once again excellent
- Double-digit improvement in key US safety measures
- Networks demonstrated strong reliability



2015/16 UK performance review

UK

- Continued strong performance
- £330m+ in savings generated for customers through three years of RIIO
- Other activities outperformed
- Regulatory update
- Gas Distribution process on track

RIIO mid-period review

Onshore competition

Future System Operator role

2015/16 US performance review

US

- Returns in line with expectations
- Step-up in capital investment
- Good progress with rate case filings



Financial performance

ANDREW BONFIELD

FINANCE DIRECTOR



Financial highlights

OPERATING PROFIT

£4.1bn

FY15 £3.9bn

EPS

63.5p

FY15 57.6p**

RETURN ON EQUITY

12.3%

FY15 11.8%

VALUE ADDED

£1.8bn

FY15 £1.7bn

ASSET GROWTH*

4%

FY15 3%

DIVIDEND

43.34p

FY15 42.87p

Operating profit and value added calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

* Regulatory asset base growth calculated at constant currency

** EPS restated for the impact of scrip issuances

UK Electricity Transmission

10.2% Base return	+	210bps Totex incentive	+	80bps Other incentives	+	80bps Additional allowances	=	ACHIEVED RETURN	13.9%
									<u>FY15 14.0%</u>

OPERATING PROFIT

£1.2bn -5%

FY15 **£1.2bn**

CAPITAL INVESTMENT

£1.1bn

FY15 **£1.1bn**

REGULATED ASSET VALUE

£11.8bn

FY15 **£11.3bn**

Adjusted results, excluding exceptional items and remeasurements

UK Gas Transmission

$$\begin{array}{r}
 10.0\% \\
 \text{Base return}
 \end{array}
 +
 \begin{array}{r}
 (20)\text{bps} \\
 \text{Totex incentive}
 \end{array}
 +
 \begin{array}{r}
 120\text{bps} \\
 \text{Other incentives}
 \end{array}
 +
 \begin{array}{r}
 150\text{bps} \\
 \text{Additional allowances}
 \end{array}
 =
 \begin{array}{r}
 \text{ACHIEVED} \\
 \text{RETURN}
 \end{array}
 \begin{array}{r}
 12.5\% \\
 \hline
 \text{FY15 } 14.2\%
 \end{array}$$

OPERATING PROFIT

£486m +11%

FY15 £437m

CAPITAL INVESTMENT

£186m

FY15 £184m

REGULATED ASSET VALUE

£5.6bn

FY15 £5.6bn

Adjusted results, excluding exceptional items and remeasurements

UK Gas Distribution

$$\begin{array}{r}
 9.9\% \\
 \text{Base return}
 \end{array}
 +
 \begin{array}{r}
 200\text{bps} \\
 \text{Totex incentive}
 \end{array}
 +
 \begin{array}{r}
 100\text{bps} \\
 \text{Other incentives}
 \end{array}
 +
 \begin{array}{r}
 10\text{bps} \\
 \text{Additional allowances}
 \end{array}
 =
 \begin{array}{r}
 \text{ACHIEVED} \\
 \text{RETURN}
 \end{array}
 \underline{13.0\%}$$

FY15 12.9%

OPERATING PROFIT

£878m +6%

FY15 £826m

CAPITAL INVESTMENT

£549m

FY15 £498m

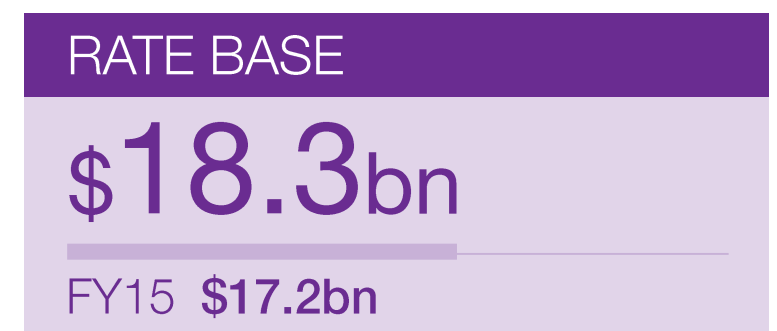
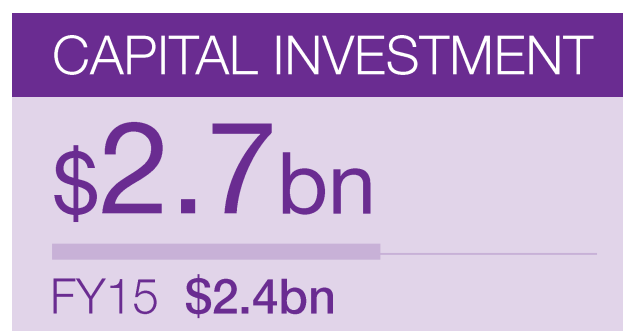
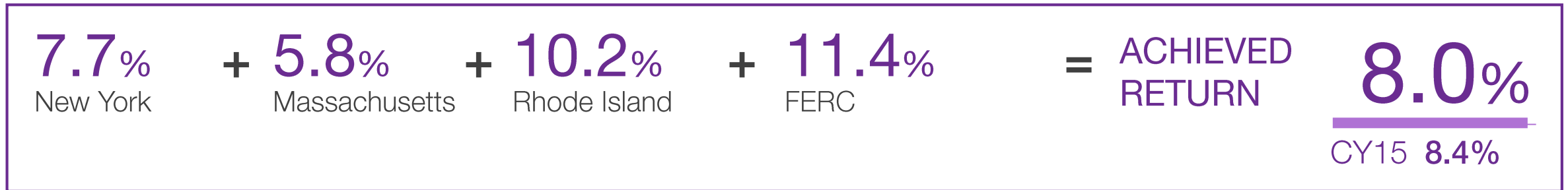
REGULATED ASSET VALUE

£8.7bn

FY15 £8.5bn

Adjusted results, excluding exceptional items and remeasurements

US Regulated



Operating profit calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

Other Activities & JVs

OTHER ACTIVITIES	£162m	£72m	£123m	£56m
	Metering	Grain LNG	IFA	Property

OPERATING PROFIT	£374m
	FY15 £191m

JVs	£50m	£11m
	BritNed	Millennium

POST TAX SHARE	£59m
	FY15 £47m

TOTAL INVESTMENT	£271m*
	FY15 £220m

* Excludes £63m equity contribution to St. William property joint venture
 Operating profit and investment calculated at constant currency
 Adjusted results, excluding exceptional items and remeasurements

Interest, tax and earnings

FINANCE COSTS

£1,013m

6% lower than 2015

- Effective interest rate of 3.8%
- Innovative financing at low interest rates

EFFECTIVE TAX RATE

24.0%

at £(753)m

- Tax rate 20bps lower than 2015
- Tax charge £58m higher than 2015

EARNINGS

£2,386m

FY15 £2,189m

- 3,755m weighted average shares
- 63.5p/share

Adjusted results, excluding exceptional items and remeasurements

Finance costs are calculated at constant currency

Cash flow and net debt

£m

Period ended 31 March 2016

Operating profit	4,096
Depreciation & amortisation	1,614
Pensions	(327)
Working capital & other	339
Net operating cash flow	5,722
Net debt	(25,325)

RCF / NET DEBT

11.5%

FFO / NET DEBT

16.7%

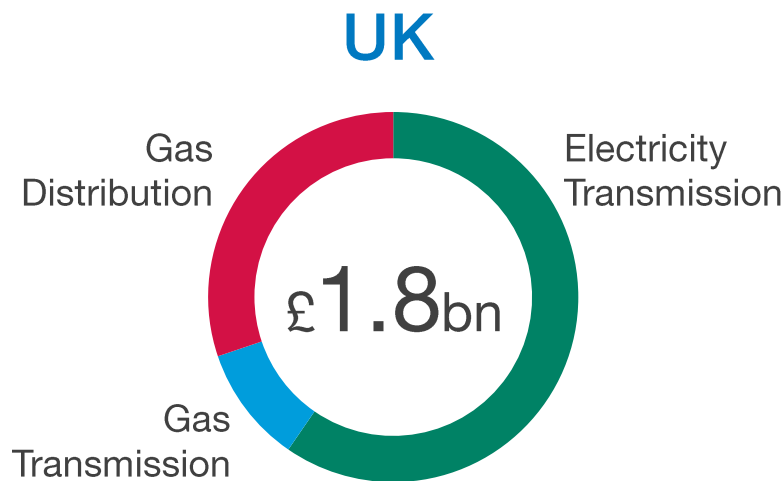
INTEREST COVER

5.5x

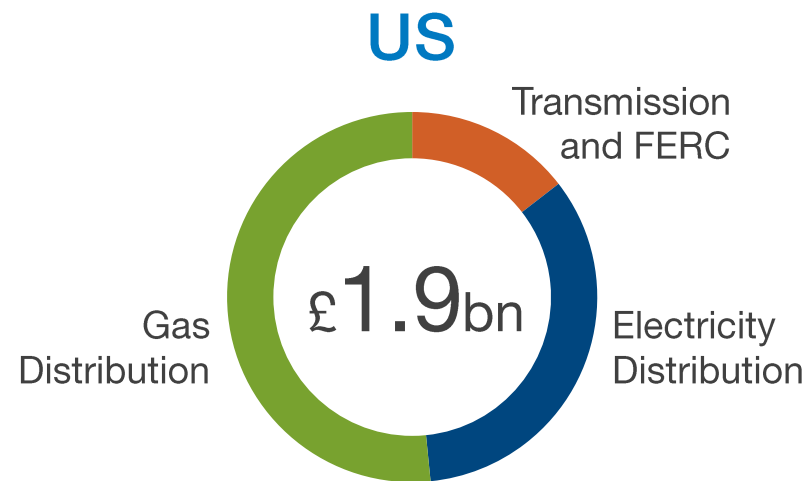
Adjusted results, excluding exceptional items and remeasurements

Credit metrics reported using Moody's methodology

Growth through balanced investments



3% RAV growth



7.5%* rate base growth



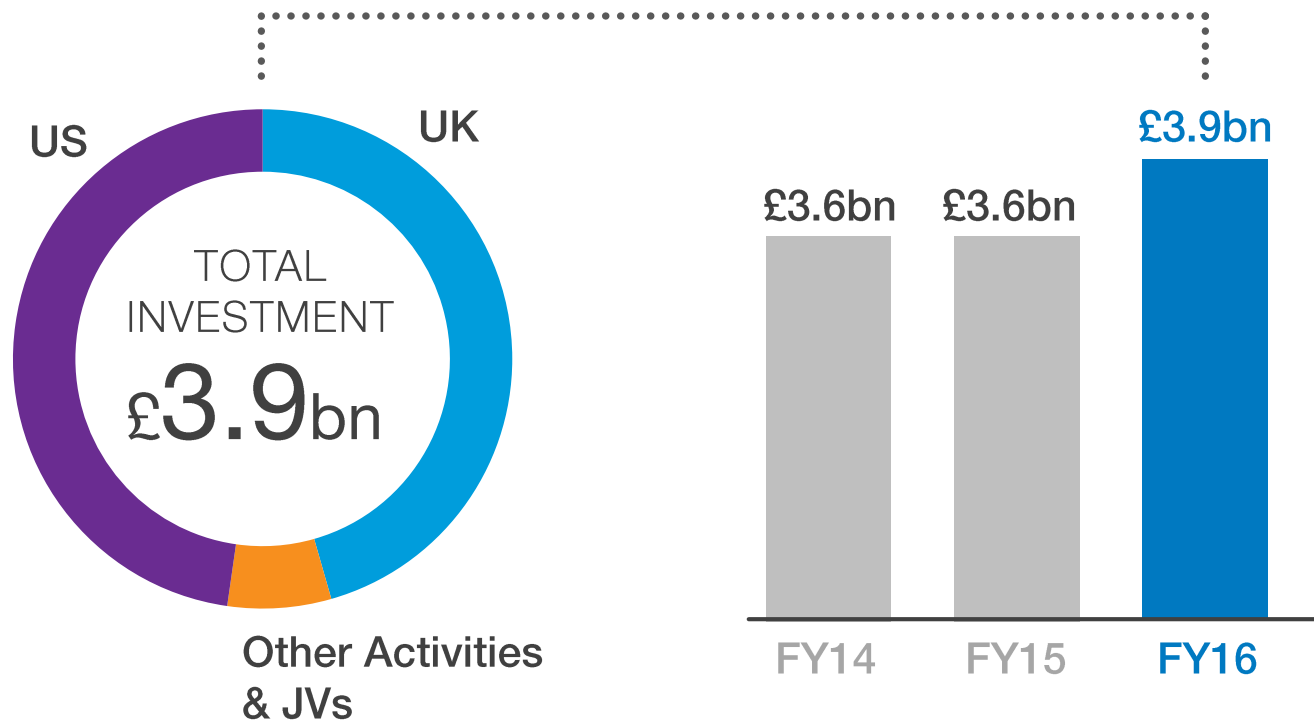
Investment started on new interconnectors

* Excluding movements in working capital

** Excludes £63m equity contribution to St. William property joint venture

US rate based growth is calculated at constant currency

Sustained investment

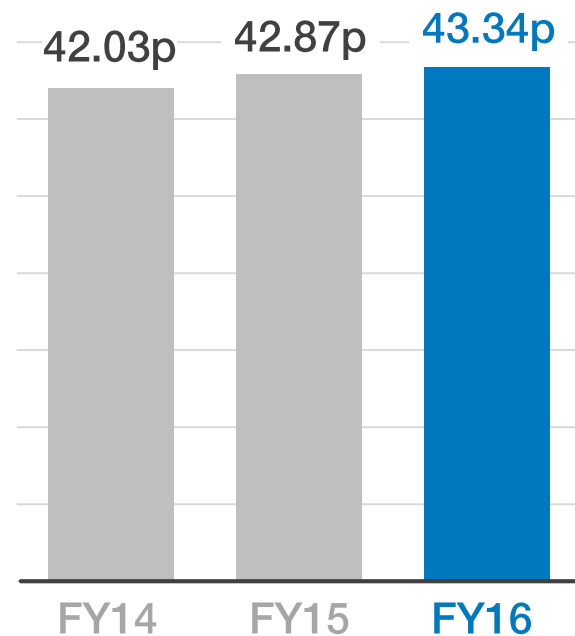


- Expect to sustain this level of investment over the coming years
- Targeting asset growth of 5-7%*

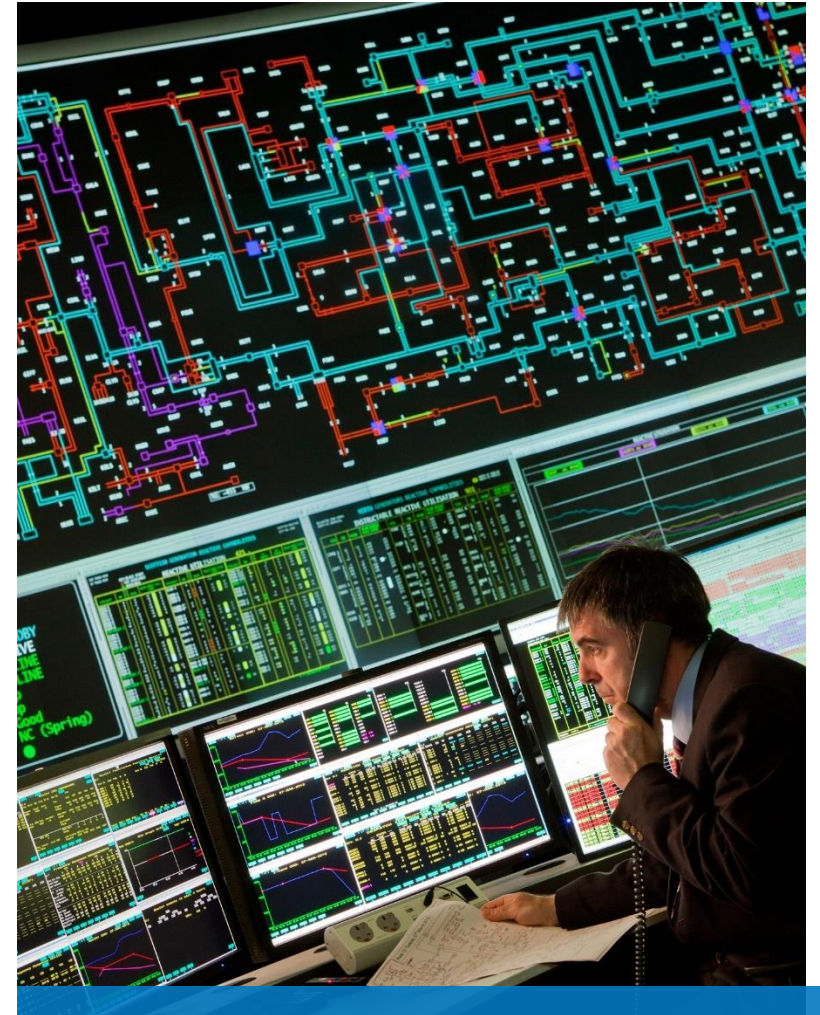
* Assuming 3% UK RPI inflation
At constant currency

Dividend and scrip

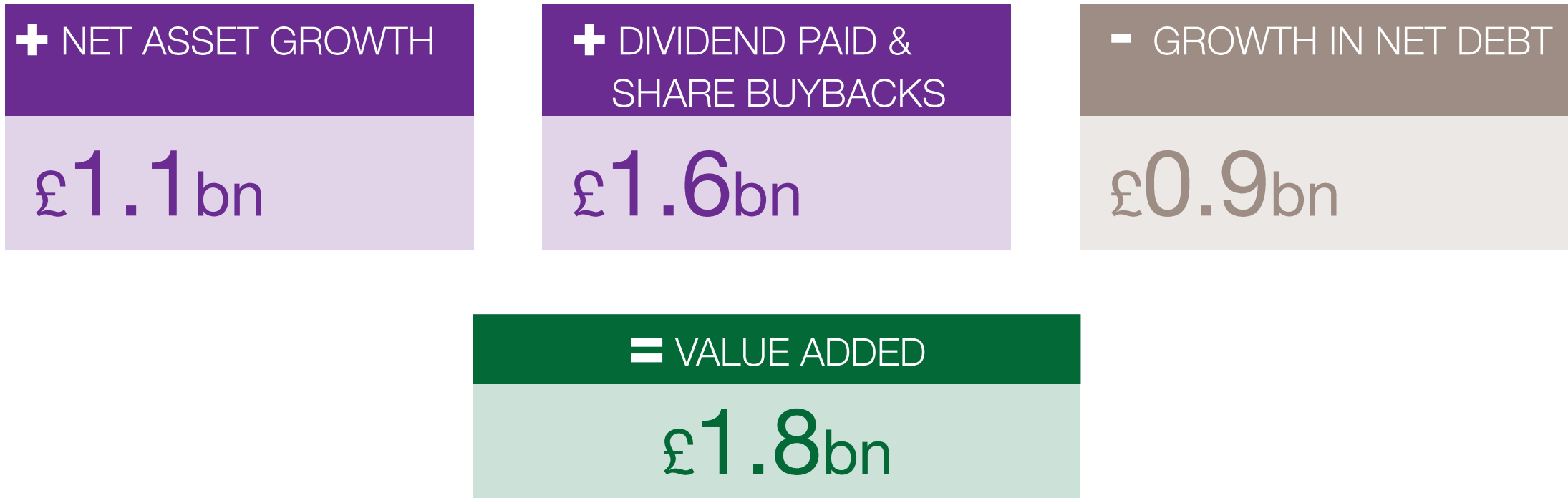
Dividend per share



- Proposed dividend increase of 1.1% in line with UK RPI
- Scrip option to continue



Value Added supporting long-term returns



Net asset growth and growth in net debt are calculated at constant currency

Technical guidance

- UK Regulated operations expected to deliver outperformance of 200-300bps
 - Gas Transmission impacted by expected reduction in legacy incentives
- US returns maintained, ahead of new rates
- Other activities impacted by non-recurrence of one-time gain on Iroquois and lower interconnector income
- Consistent tax rate and marginally higher finance costs

Summary

OPERATING PROFIT

£4.1bn

EPS

63.5p

RETURN ON EQUITY

12.3%

VALUE ADDED

£1.8bn

ASSET GROWTH*

4%

DIVIDEND

43.34p

* Regulated asset base growth calculated at constant currency

Adjusted results, excluding exceptional items and remeasurements

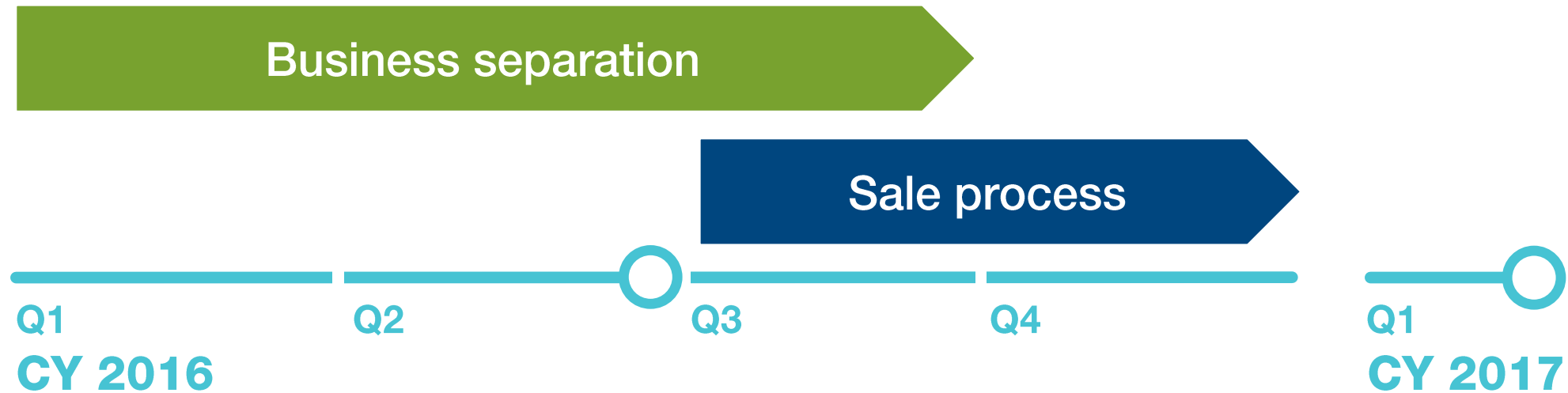
Value added is calculated at constant currency

Priorities & Outlook

JOHN PETTIGREW
CHIEF EXECUTIVE



UK Gas Distribution – sale of majority holding



Reshape the portfolio towards higher growth while delivering returns to shareholders and maintaining the dividend policy

Major regulatory filings

NEW YORK

KEDNY/KEDLI (filed January 2016)

- Requested revenue increases of \$245m / \$142m
- Discovery phase
- New rates effective January 2017

Niagara Mohawk (filed December 2015)

- \$1.4bn capex petition for 2017-2018

MASSACHUSETTS

MA Electric (filed November 2015)

- Requested revenue increase of \$143m
- Discovery phase complete; Hearing Process underway
- New rates effective October 2016

FUTURE FILINGS

- MA Gas - 2017
- Niagara Mohawk - 2017

Drivers for long-term success

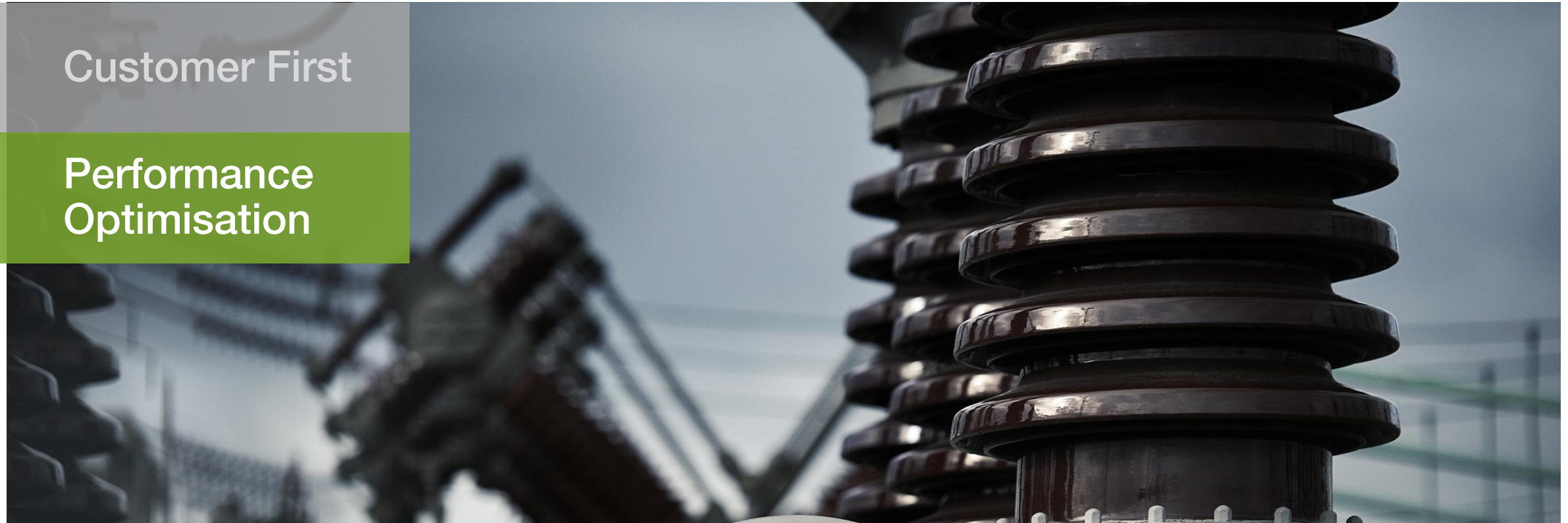
Customer First



Drivers for long-term success

Customer First

Performance
Optimisation



Drivers for long-term success

Customer First

Performance
Optimisation

Growth



Drivers for long-term success

Customer First

Performance
Optimisation

Growth

Evolve for
the Future



Summary

- Strong business, demonstrated by consistent performance
- Gas Distribution process on track
- Progress on US rate filings
- Good growth opportunities
- Well positioned for the long-term in an evolving industry



Q&A



JOHN PETTIGREW
CHIEF EXECUTIVE



ANDREW BONFIELD
FINANCE DIRECTOR



DEAN SEEVERS
US EXECUTIVE DIRECTOR

Appendices

UK Electricity Transmission

Operating profit

For the year ended 31 March (£m)	2016	2015
Revenue	3,977	3,754
Pass through costs	(2,030)	(1,821)
Net revenue ¹	1,947	1,933
Depreciation & amortisation	(390)	(376)
Regulated controllable costs	(311)	(283)
Pensions	(40)	(36)
Other costs	(33)	(1)
Total UK Electricity Transmission operating profit²	1,173	1,237

¹ Net revenue includes BSIS performance of £27m in 2016 (2015: £23m)

² Operating profit includes a contribution from other electricity services of £7m (2015: £9m)

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements

UK Gas Transmission

Operating profit

For the year ended 31 March (£m)	2016	2015
Revenue	1,047	1,022
Pass through costs	(221)	(242)
Net revenue	826	780
Depreciation & amortisation	(178)	(172)
Regulated controllable costs	(135)	(125)
Pensions	(18)	(18)
Other costs	(9)	(28)
Total UK Gas Transmission operating profit¹	486	437

¹ Operating profit includes a profit from LNG Storage of £8m in 2016 (2015: loss £2m)

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements

UK Gas Distribution

Operating profit

For the year ended 31 March (£m)	2016	2015
Revenue	1,918	1,867
Pass through costs	(352)	(363)
Net revenue	1,566	1,504
Depreciation & amortisation	(298)	(286)
Regulated controllable costs	(374)	(353)
Pensions	(39)	(36)
Other costs / contributions released	23	(3)
Total UK Gas Distribution operating profit	878	826

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements

US Regulated

Operating profit

For the year ended 31 March (£m)	2016	2015
Revenue	7,493	8,544
Pass through costs	(3,154)	(4,181)
Net revenue	4,339	4,363
Depreciation & amortisation	(535)	(484)
Regulated controllable costs	(1,453)	(1,524)
Pensions	(96)	(81)
Bad debt	(132)	(127)
Other costs	(938)	(902)
Total US Regulated operating profit	1,185	1,245

- At constant currency
- Adjusted results, excluding exceptional items and remeasurements

Metering, Grain LNG, French Interconnector and Property

Operating profit

For the year ended 31 March (£m)	2016	2015
Revenue	301	309
Depreciation & amortisation	(79)	(82)
Operating costs (excluding depreciation & amortisation)	(60)	(67)
Metering operating profit	162	160
Revenue	199	198
Depreciation & amortisation	(59)	(55)
Operating costs (excluding depreciation & amortisation)	(68)	(71)
Grain LNG operating profit	72	72
Revenue	145	124
Depreciation & amortisation	(5)	(4)
Operating costs (excluding depreciation & amortisation)	(17)	(17)
Interconnector operating profit	123	103
Revenue	68	43
Depreciation & amortisation	(1)	(1)
Operating costs (excluding depreciation & amortisation)	(11)	(14)
Property operating profit	56	28

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements

Exchange rates

For the year ended 31 March	2016	2015
Closing \$ / £ rate	1.44	1.49
Average \$ / £ rate for the period	1.47	1.58

For the year ended 31 March (£m)	2016
Impact on operating profit ¹	73
Impact on interest ¹	(44)
Impact on tax, JVs and minority interests ¹	(5)
Net impact on earnings¹	24
Impact on net debt ²	(501)
Impact on book value of assets ²	556

¹ Currency impact calculated by applying the average March 2016 rate to 2015 results

² Currency impact calculated by applying the closing March 2016 rate to March 2015 balances

• Adjusted results, excluding exceptional items and remeasurements

Pensions & other post-retirement benefit obligations (IAS 19 data)

At 31 March 2016 (£m)	UK		US		Total
	ESPS	NGUK PS	Pensions	OPEBs ¹	
Market value of assets	2,556	16,845	5,136	1,897	26,434
Present value of liabilities	(2,826)	(16,590)	(6,145)	(3,458)	(29,019)
Net (liability) / asset	(270)	255	(1,009)	(1,561)	(2,585)
Taxation	49	(46)	406	629	1,038
(Liability) / asset net of taxation	(221)	209	(603)	(932)	(1,547)
Discount rates	3.3%	3.3%	4.3%	4.3%	

¹ OPEBs = other post employment benefits

Timing impacts

£m	UK Electricity Transmission	UK Gas Transmission	UK Gas Distribution	US Regulated	Total
2015/16 Opening balance	(164)	(29)	16	159	(18)
2015/16 Opening balance restatement adjustment	(12)	-	4	49	41
2015/16 over/(under) recovery	5	67	26	(73)	25
2015/16 Closing balance	(171)	38	46	135	48
2014/15 Opening balance	(75)	(11)	3	127	44
2014/15 over/(under) recovery	(89)	(18)	13	32	(62)
2014/15 Closing balance	(164)	(29)	16	159	(18)
Year on year timing variance	94	85	13	(105)	87

- 2015/16 opening balance restatement reflects finalisation of timing balances
- All USD balances stated using the average 2016 rate (\$1.47 to £1.00)

UK Transmission and UK Gas Distribution

Regulated asset values ('RAV') and returns

	UK Electricity Transmission	UK Gas Transmission	UK Gas Distribution
Regulator	Ofgem	Ofgem	Ofgem
RAV	£11,830m	£5,594m	£8,676m
Base allowed real return (assumed CoD 2.55%)	4.33% (‘vanilla’ WACC)	4.14% (‘vanilla’ WACC)	4.00% (‘vanilla’ WACC)
Allowed RoE (nominal)	10.2%	10.0%	9.9%
Achieved RoE (nominal)	13.9%	12.5%	13.0%
Equity / debt (assumed)	40 / 60	37.5 / 62.5	35 / 65
Sharing factors (shareholder retention at RoE)	46.9% plus incentive schemes	44.4% plus incentive schemes	63.0% plus incentive schemes
	from April 2016	from April 2016	from April 2016
Base allowed real return (assumed CoD 2.38%)	4.23%	4.04%	3.89%

• CoD = Cost of Debt

New York Jurisdiction

Regulated asset base ('Rate base') and returns

Rate bases are reported by regulatory entity as at 31 March 2016

Returns are those for the calendar year ended 31 December 2015

	Long Island (KEDLI)	Downstate New York (KEDNY)	Upstate New York (NMPC Gas)	Upstate New York (NMPC Electric)
Regulator	New York PSC	New York PSC	New York PSC	New York PSC
Rate base	\$2,176m	\$2,525m	\$1,160m	\$4,621m
Base allowed return	9.80% (RoE)	9.40% (RoE)	9.30% (RoE)	9.30% (RoE)
Achieved return	7.3%	7.1%	8.4%	8.1%
Equity / debt (assumed)	45 / 55	48 / 52	48 / 52	48 / 52
Sharing factors (shareholder retention at RoE)	100% to 10.5% 50% to 12.5% 35% to 13.5% 0% above 13.5%	20% above 9.4%	50% to 10.3% 25% to 11.3% 10% above 11.3%	50% to 10.3% 25% to 11.3% 10% above 11.3%
Last / next rate case filing	Filed on 29 January 2016 New rates effective 1 January 2017	Filed on 29 January 2016 New rates effective 1 January 2017	Rate extension filed on 15 December 2015	Rate extension filed on 15 December 2015

Massachusetts and Rhode Island Jurisdiction

Regulated asset base ('Rate base') and returns

Rate bases are reported by regulatory entity as at 31 March 2016
Returns are those for the calendar year ended 31 December 2015

	Massachusetts Electric ¹	Massachusetts Gas ²	Narragansett Distribution (Electric and Gas) ³
Regulator	Massachusetts DPU	Massachusetts DPU	Rhode Island PUC
Rate base	\$2,156m	\$1,945m	\$1,234m
Base allowed return	10.35% (RoE)	9.75% (RoE)	9.50% (RoE)
Achieved return	3.4%	8.4%	10.2%
Equity / debt (assumed)	50 / 50	50 / 50	49 / 51
Sharing factors (shareholder retention at RoE)	100% to 10.35% 50% above 10.35%	100%	100% to 9.5% 50% to 10.5% 25% above 10.5%
Last / next rate case filing	Filed on 6 November 2015 New rates effective 1 October 2016	Effective from November 2010	Effective from February 2013

¹ Includes Nantucket Electric. The rate bases includes transmission assets

² Massachusetts Gas currently comprises two separate entities: Boston Gas and Colonial Gas. Base allowed and achieved RoE's are weighted averages (using rate base)

³ Narragansett comprises two separate entities: Narragansett Gas and Narragansett Electric. Base allowed and achieved RoE's are weighted averages (using rate base)

FERC Jurisdiction

Regulated asset base ('Rate base') and returns

Rate bases are reported by regulatory entity as at 31 March 2016

Returns are those for the calendar year ended 31 December 2015

	New England Power	Narragansett Electric (Transmission)	Canadian Interconnector¹	Long Island Generation²
Regulator	FERC	FERC	FERC	FERC
Rate base	\$1,405m	\$608m	\$11m	\$420m
Base allowed return	10.57% (RoE)	10.57% (RoE)	13.00% (RoE)	9.90% (RoE)
Achieved return	11.0%	11.2%	13.0%	12.5%
Equity / debt (assumed)	64 / 36	50 / 50	72 / 28	46 / 54
Sharing factors (shareholder retention at RoE)	100%	100%	100%	100%
Last / next rate case filing	Monthly formula rates	Monthly formula rates	Monthly formula rates	Effective from May 2013

¹ National Grid retains 100% of the return it earns on its stake of ~54% in the Canadian Interconnector

² Long Island Generation rate base includes peaking plant

Value Added

For the year ended 31 March (£m)	2016	2015 (constant currency)	change
UK RAV	26,100	25,323 ¹	777
US rate base	12,703	11,974	729
Other regulated assets	1,291	2,068 ¹	(777)
Regulated Financial Position	40,094	39,365	729
Other invested capital	1,903	1,540	363
Total group regulated and other assets	41,997	40,905	1,092
Goodwill	5,315	5,315	-
Net debt	(25,325)	(24,416)	(909)
Equity	21,987	21,804	183
Share buy-backs			267
Dividend paid during the year			1,337
Value Added			1,787
Value Added per share (pence)			47.6p

¹ UK restated for opening balance adjustments following Regulatory Reporting Pack process in 2015

Group Return on Equity

For the year ended 31 March (£m)	2016	2015	2014
Regulated financial performance	3,663	3,741	3,468
IFRS operating profit for non-regulated companies	374	199	131
Share of post tax results of joint ventures	59	46	28
Non-controlling interest	(3)	8	12
Treasury managed interest	(922)	(945)	(1,055)
Group tax charge	(753)	(695)	(581)
Tax on adjustments	4	(14)	73
Adjusted Group profit after tax for RoE	2,422	2,340	2,076
Opening rate base/RAV	36,998	35,237	33,128
Non-regulated companies' opening net book value	1,213	1,341	1,185
Joint ventures	319	358	371
Opening goodwill	5,182	4,856	5,028
Opening capital employed	43,712	41,792	39,712
Opening net debt	(24,024)	(21,974)	(21,429)
Group equity value	19,688	19,818	18,283
Group RoE – nominal (adjusted group profit after tax / group equity value)	12.3%	11.8%	11.4%

- Adjusted results, excluding exceptional items and remeasurements

Weighted average number of shares

For the year ended 31 March	2016	2015
Number of shares (millions):		
Prior period as reported (weighted average)	-	3,766
Current period opening shares	3,739	
Scrip dividend shares	32	32
Other share movements (weighted from issuance/repurchase)	(16)	-
Weighted average number of shares (restated)	3,755	3,798
Business performance earnings (£m)	2,386	2,189
Business performance EPS (restated)	63.5p	57.6p

- Business performance, excluding exceptional items and remeasurements

Interest Cover

For the year ended 31 March (£m)	2016	2015	2014
Interest expense (P&L)	1,035	1,069	1,144
Hybrid interest reclassified as dividend	(49)	(55)	(52)
Capitalised interest	112	86	148
Pensions interest adjustment	(60)	(48)	(88)
Interest on decommissioning liabilities adjustment	1	1	1
Interest on lease rentals adjustment	17	32	34
Unwinding of discounts on provisions	(73)	(73)	(73)
Adjusted interest expense	983	1,012	1,114
Net cash inflow from operating activities	5,368	5,007	4,019
Interest income on financial instruments	23	37	35
Interest paid on financial instruments	(834)	(826)	(901)
Dividends received	72	79	38
Working capital adjustment	(456)	(301)	59
<i>add back</i> excess employer pension contributions	301	237	228
<i>add back</i> Hybrid interest reclassified as dividend	49	55	52
<i>add back</i> lease rentals	77	65	68
Difference in net interest expense in income statement to cash flow	(129)	(156)	(189)
Difference in current tax in income statement to cash flow	(42)	47	88
<i>add back</i> current tax related to prior years	(26)	(64)	(97)
Adjusted funds from operations	4,403	4,180	3,400
Interest cover (adjusted funds from operations + adjusted interest expense / adjusted interest expense)	5.5x	5.1x	4.1x

• Adjusted results, excluding exceptional items and remeasurements

RCF:Debt

For the year ended 31 March (£m)	2016	2015	2014
Adjusted funds from operations (FFO)	4,403	4,180	3,400
Hybrid interest reclassified as dividend	(49)	(55)	(52)
Dividends paid to shareholders	(1,337)	(1,271)	(1,059)
RCF (headline)	3,017	2,854	2,289
Purchase of treasury shares	(267)	(338)	0
RCF (net of share buybacks)	2,750	2,516	2,289
Bank Overdrafts	3	3	15
Borrowings	28,341	25,907	25,935
Less			
50% hybrid debt	(995)	(948)	(1,030)
Cash & Cash Equivalents	(127)	(119)	(354)
Restricted cash	2	1	24
Available for sale investments	(1,951)	(1,232)	(2,689)
Underfunded pension obligations	1,434	1,675	1,276
Operating leases adjustment	544	588	612
Derivative asset removed from debt	(183)	(89)	(775)
Currency swaps	55	453	(224)
Nuclear decommissioning liabilities reclassified as debt	38	22	17
Collateral - cash received under collateral agreements	(610)	(540)	(843)
Accrued interest removed from ST debt	(243)	(230)	(239)
Adjusted Net Debt (includes pension deficit)	26,308	25,491	21,725
FFO/Adjusted Net Debt	16.7%	16.4%	15.7%
RCF (headline)/Adjusted Net Debt	11.5%	11.2%	10.5%
RCF (net of share buybacks)/Adjusted Net Debt	10.5%	9.9%	10.5%

UK Electricity Transmission net revenue

For the year ended 31 March (£m)		2016
Revenue		3,977
Net timing adjustment		(5)
Pass through costs		
Revenue collected on behalf of others	(971)	
BSIS costs	(907)	
Electricity Transmission Owner (ETO) pass through costs	(120)	
Electricity System Operator (ESO) pass through costs	(32)	
		(2,030)
Net revenue adjusted for timing		1,942

	£m
Incentives (excluding totex), true ups (non-controllable costs, pensions etc.) and revenue over/under recoveries	
Deferred for future recovery/(return):	
Incentives	15
True ups	(31)
Revenue under/(over) recovery	95
(Collection)/return of prior year deferrals	(84)
Net timing adjustment	(5)

UK Electricity Transmission operating profit

For the year ended 31 March (£m)

2016

Net Revenue adjusted for timing

Transmission Owner (ETO) excluding incentives	1,722	
ETO incentives	15	
System Operator (ESO) excluding incentives	148	
ESO incentives	27	
Other (including legal settlements)	30	
		1,942
Depreciation & Amortisation		
Electricity Transmission Owner	(370)	
Electricity System Operator	(20)	
Other	-	
		(390)
Regulated Controllable costs, pensions and other costs		
Electricity Transmission Owner	(285)	
Electricity System Operator	(99)	
Other	-	
		(384)
Total UK Electricity Transmission operating profit adjusted for timing		
Electricity Transmission Owner	1,082	
Electricity System Operator	56	
Other	30	
Total UK Electricity Transmission operating profit adjusted for timing		1,168
Timing adjustment		5
Total UK Electricity Transmission operating profit: headline		1,173

	£m
Ofgem annual iteration TO revenue	1,362
+ TIRG	13
- model non-controllable costs	(88)
+ inflate to actual 15/16 prices	260
Ofgem model net revenue	1,547
+ network innovation allowance, contributions, pensions true up and other	12
+ excluded services income	163
TO net revenue excluding timing and incentives	1,722

	£m
Ofgem annual iteration SO revenue	120
+ inflate to actual 15/16 prices	24
Ofgem model net revenue	144
+ other	4
SO net revenue excluding timing and incentives	148

UK Gas Transmission net revenue

For the year ended 31 March (£m)		2016
Revenue		1,047
Net timing adjustment		(67)
Pass through costs		
Revenue collected on behalf of others	(28)	
Gas Transmission Owner (GTO) pass through costs	(123)	
Gas System Operator (GSO) pass through costs	(70)	
		(221)
Net revenue adjusted for timing		759

	£m
Incentives (excluding totex), true ups (non-controllable costs, pensions etc.) and revenue over/under recoveries	
Deferred for future recovery/(return):	
Incentives	31
True ups	(19)
Revenue under/(over) recovery	(71)
(Collection)/return of prior year deferrals	(8)
Net timing adjustment	(67)

UK Gas Transmission operating profit

For the year ended 31 March (£m)

2016

Net Revenue adjusted for timing

Transmission Owner (GTO) excluding incentives	537	
GTO incentives	5	
System Operator (GSO) excluding incentives and revenue drivers	66	
GSO incentives (excluding revenue drivers)	26	
Revenue drivers income	95	
Other including LNG Storage	30	
		759
Depreciation & Amortisation		
Gas Transmission Owner	(159)	
Gas System Operator	(19)	
Other	-	
		(178)
Regulated Controllable costs, pensions and other costs		
Gas Transmission Owner	(91)	
Gas System Operator	(57)	
Other	(14)	
		(162)
Total UK Gas Transmission operating profit adjusted for timing		419
Gas Transmission Owner	292	
Gas System Operator	111	
LNG Storage & Other	16	
Total UK Gas Transmission operating profit adjusted for timing		419
Timing adjustment		67
Total UK Gas Transmission operating profit: headline		486

	£m
Ofgem annual iteration TO revenue	558
- model non-controllable costs	(110)
+ inflate to actual 15/16 prices	91
Ofgem model net revenue	539
+ network innovation allowance, contributions, pensions true up and other	(5)
+ excluded services income	3
TO net revenue excluding timing and incentives	537

	£m
Ofgem annual iteration SO revenue	55
+ inflate to actual 15/16 prices	11
Ofgem model net revenue	66
+ other	-
SO net revenue excluding timing and incentives	66

	£m
Legacy revenue drivers	79
+ inflate to actual 15/16 prices	16
Revenue drivers income	95

UK Gas Distribution net revenue and operating profit

For the year ended 31 March (£m)	2016
Revenue	1,918
Net timing adjustment	(26)
Pass through costs	(352)
Net revenue adjusted for timing	1,540

For the year ended 31 March (£m)	2016
Net revenue adjusted for timing	
Net revenue excluding incentives	1,499
Incentives	41
	1,540
Depreciation & Amortisation	(298)
Regulated Controllable costs, pensions and other costs	(390)
Total UK Gas Distribution operating profit adjusted for timing	852
Timing adjustment	26
Total UK Gas Distribution operating profit: headline	878

	£m
Incentives (excluding totex), true ups (non-controllable costs, pensions etc.) and revenue over/under recoveries	
Deferred for future recovery/(return):	
Incentives	41
True ups	(61)
Revenue under/(over) recovery	(9)
(Collection)/return of prior year deferrals	3
Net timing adjustment	(26)

	£m
Ofgem annual iteration revenue	1,500
- model non-controllable costs	(266)
+ inflate to actual 15/16 prices	250
Ofgem model net revenue	1,484
+ network innovation allowance, contributions, pensions true up and other	9
+ excluded services income	6
Net revenue excluding timing and incentives	1,499