

YORKSHIRE POWER FINANCE LIMITED

HALF-YEARLY FINANCIAL REPORT

SIX MONTHS ENDED 30 JUNE 2015

YORKSHIRE POWER FINANCE LIMITED:

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ENDED 30 JUNE 2015**

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YORKSHIRE POWER FINANCE LIMITED
(REGISTERED NUMBER CR 75763)

INTERIM MANAGEMENT REPORT

Registered in the Cayman Islands Registered Number: CR 75763
Registered Office: P O Box 309, Uglund House, South Church Street, Georgetown,
Grand Cayman, Cayman Islands

Cautionary Statement

This interim management report has been prepared solely to provide additional information to shareholders to assess the business of Yorkshire Power Finance Limited (the "Company") and should not be relied on by any other party or for any other purpose.

Operations

The Company is registered in the Cayman Islands, is a subsidiary of Northern Powergrid Holdings Company, which is incorporated in the United Kingdom, and acts as the issuer of long-term debt securities. The Company's financial assets are loans advanced to other undertakings in the Northern Powergrid Holdings Company group of companies (the "Northern Powergrid Group").

Results for the six months ended 30 June 2015

During the period ended 30 June 2015, the Company made a profit after tax of £0.2 million (period ended 30 June 2014: £0.2 million).

This half-yearly financial report for the Company has not been subject to audit or review by the Company's auditor and includes non-statutory financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and the provisions of the United Kingdom Companies Act 2006, being the national law of the Member State of the European Union in which Northern Powergrid Holdings Company is incorporated and which would have been applied if the financial statements were United Kingdom statutory financial statements.

There were no significant events during the period ended 30 June 2015 such that there was no material impact on the financial statements and the Company met its obligation to make the annual interest payment on its debt securities on 4 August 2015.

Key financials

A summary of the key financial results is set out below:

Income statement

Investment income and finance costs were in line with the same period in the prior year.

Cash flow

Cash equivalents as at 30 June 2015 were in line with the position at 31 December 2014.

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

INTERIM MANAGEMENT REPORT (CONTINUED)

Financial position

Profit after tax at £0.2 million was in line with the same period in the prior year.

Related party transactions

Details of the related party transactions entered into by the Company and changes therein are included in Note 6 to this half-yearly financial report.

Dividends

No ordinary dividends were paid in the period resulting in £0.2 million being transferred to reserves.

Principal risks and uncertainties

The principal risk facing the Company for the remainder of 2015 is not having sufficient liquidity to enable the Company to meet its liabilities as they fall due and to provide adequately for contingencies. In this respect, borrowing facilities are made available to the Company by other companies in the Northern Powergrid Group, if required.

Interest on the fixed interest rate loans exposes the Company to fair value interest rate risk. The loans are non-secured and the Company has no undrawn committed borrowing facilities.

Further information on the principal long-term risks and uncertainties and the internal control system are included in Northern Powergrid Holdings Company's annual reports and accounts for the year to 31 December 2014, which is available at www.northernpowergrid.com.

Going concern

In the Company's latest annual report and accounts for the year to 31 December 2014 the directors set out a number of factors taken into account when considering continuing to adopt the going concern basis in preparing that annual report and accounts.

The directors confirm that no events have occurred during the six months to 30 June 2015, which alter the view expressed in the Company's annual report and accounts for the year to 31 December 2014.

Future strategy and objectives

The Company will continue to act as the issuer of long-term debt securities.

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

INTERIM MANAGEMENT REPORT (CONTINUED)

Responsibility Statement

The directors confirm that to the best of their knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting", and gives a true and fair view of the assets, liabilities, financial position and profit of the Company for the six months to 30 June 2015; and
- (b) the interim management report contains a fair review of the important events that have occurred during the first six months of the year and their impact, if any, on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year.

By order of the board



P A Jones
Director

19 August 2015

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015

CONDENSED STATEMENT OF PROFIT OR LOSS – SIX MONTHS ENDED TO 30 JUNE 2015

	Six months ended 30 June 2015 (unaudited) £m	Six months ended 30 June 2014 (unaudited) £m
CONTINUING OPERATIONS		
Finance income	7.0	7.0
Finance costs	<u>(6.7)</u>	<u>(6.7)</u>
PROFIT BEFORE INCOME TAX	0.3	0.3
Income tax	<u>(0.1)</u>	<u>(0.1)</u>
PROFIT FOR THE PERIOD	<u>0.2</u>	<u>0.2</u>

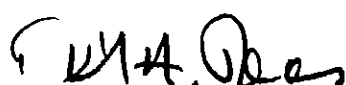
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2015

There is no other comprehensive income for the Company for the six months to 30 June 2015 or the comparative six month period in 2014 other than the profits reported above.

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)**CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015****CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**

	30 June 2015 (unaudited) £m	31 December 2014 £m
ASSETS		
NON-CURRENT ASSETS		
Trade and other receivables	181.7	181.7
CURRENT ASSETS		
Trade and other receivables	12.7	5.7
Cash and cash equivalents	32.4	32.4
	45.1	38.1
TOTAL ASSETS	226.8	219.8
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	-	-
Share premium	20.0	20.0
Retained earnings	10.5	10.3
TOTAL EQUITY	30.5	30.3
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings	184.0	183.9
CURRENT LIABILITIES		
Borrowings	12.2	5.5
Tax payable	0.1	0.1
	12.3	5.6
TOTAL LIABILITIES	196.3	189.5
TOTAL EQUITY AND LIABILITIES	226.8	219.8

The half-yearly financial statements were approved by the board of directors and authorised for issue on 19 August 2015 and were signed on its behalf by:



P A Jones
Director

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

	Share Capital £m	Share Premium Account £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2015	-	20.0	10.3	30.3
Comprehensive income for the period (unaudited)	-	-	0.2	0.2
Balance at 30 June 2015 (unaudited)	-	20.0	10.5	30.5

	Share Capital £m	Share Premium Account £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2014	-	20.0	9.9	29.9
Comprehensive income for the period (unaudited)	-	-	0.2	0.2
Balance at 30 June 2014 (unaudited)	-	20.0	10.1	30.1

	Share Capital £m	Share Premium Account £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2014	-	20.0	9.9	29.9
Comprehensive income for the period	-	-	0.4	0.4
Balance at 31 December 2014	-	20.0	10.3	30.3

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015

CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2015

	6 Months ended 30 June 2015 (unaudited) £m	6 Months ended 30 June 2014 (unaudited) £m
Cash generated from operations	<u>-</u>	<u>-</u>
Net interest received	<u>-</u>	<u>0.1</u>
Net cash generated from operating activities	<u>-</u>	<u>0.1</u>
Net increase in cash equivalents	<u>-</u>	<u>0.1</u>
Cash and cash equivalents at beginning of period	<u>32.4</u>	<u>31.8</u>
Cash and cash equivalents at end of period	<u>32.4</u>	<u>31.9</u>

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015

NOTES TO THE HALF-YEARLY FINANCIAL REPORT

1. GENERAL INFORMATION

The information included within these condensed financial statements for the year ended 31 December 2014 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The auditor reported on the Company's accounts for the year ended 31 December 2014 and that report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. ACCOUNTING POLICIES

Basis of preparation

The annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Going concern

In the Company's latest annual report and accounts for the year to 31 December 2014 the directors set out a number of factors taken into account when considering continuing to adopt the going concern basis in preparing that annual report and accounts.

The directors confirm that no events have occurred during the six months to 30 June 2015, which alter the view expressed in the Company's annual report and accounts for the year to 31 December 2014.

Changes in accounting policy

The Company's accounting policies and methods of computation are the same as the accounting policies which are described in the Company's financial statements for the year ended 31 December 2014. The Company has not adopted any new or revised accounting standards in the current year.

3. INCOME TAX EXPENSE

Tax for the six month period to 30 June 2015 is charged at 20.25% (six months ended 30 June 2014: 21.50%; year ended 31 December 2014: 21.50%), which represents the best estimate of the average annual effective tax rate expected for the full year, as applied to the pre-tax income of the six month period.

The Summer Finance Bill 2015 includes a provision for a 1% reduction to the standard rate of corporation tax from April 2017 and a further 1% reduction from April 2020 but this bill will not be substantively enacted until later in 2015 and, therefore, has not impacted these condensed financial statements.

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015

NOTES TO THE HALF-YEARLY FINANCIAL REPORT (CONTINUED)

4. NOTES TO THE CASH FLOW STATEMENT

	6 Months ended 30 June 2015 (unaudited) £m	6 Months ended 30 June 2014 (unaudited) £m
Profit before income tax	0.3	0.3
Finance costs	6.7	6.7
Finance income	<u>(7.0)</u>	<u>(7.0)</u>
Cash generated from operations	<u>-</u>	<u>-</u>

5. FINANCIAL INSTRUMENTS

Except as detailed in the following table, the directors consider that the carrying value amounts of financial assets and financial liabilities are approximately equal to their fair values:

	Carrying Value		Fair Value	
	30 June 2015 (unaudited) £m	31 December 2014 £m	30 June 2015 (unaudited) £m	31 December 2014 £m
Financial assets				
Amounts owed by group undertakings	<u>194.4</u>	<u>187.4</u>	<u>263.0</u>	<u>264.1</u>
Financial liabilities				
Sterling denominated Eurobond due 2028 @ 7.25%	<u>196.2</u>	<u>189.4</u>	<u>260.1</u>	<u>261.2</u>

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)**CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015****NOTES TO THE HALF-YEARLY FINANCIAL REPORT (CONTINUED)****6. RELATED PARTY TRANSACTIONS**

Transactions entered into with related parties and balances outstanding were as follows:

	Interest received from related parties £m	Borrowings owed from related parties £m
Related party		
Six months ended 30 June 2015 (unaudited):		
Yorkshire Power Group Limited	7.0	194.4
Yorkshire Electricity Group plc	-	32.4
	<u>7.0</u>	<u>226.8</u>
Six months ended 30 June 2014 (unaudited):		
Yorkshire Power Group Limited	7.0	194.4
Yorkshire Electricity Group plc	-	31.9
	<u>7.0</u>	<u>226.3</u>
Year ended 31 December 2014:		
Yorkshire Power Group Limited	14.1	187.4
Yorkshire Electricity Group plc	-	32.4
	<u>14.1</u>	<u>219.8</u>

Interest on loans to companies within the Northern Powergrid Group is charged at a commercial rate of interest.