

YORKSHIRE POWER FINANCE LIMITED

HALF-YEARLY FINANCIAL REPORT

SIX MONTHS ENDED 30 JUNE 2014

YORKSHIRE POWER FINANCE LIMITED:

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ENDED 30 JUNE 2014**

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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, Ugland 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 2014

During the period ended 30 June 2014, the Company made a profit after tax of £0.2 million (period ended 30 June 2013: £0.1 million).

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.

This half-yearly financial report for the Company, which 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, has not been subject to audit or review by the Company's auditor.

There were no significant events during the period ended 30 June 2014 and the Company met its obligation to make the annual interest payment on its debt securities on 6 August 2014.

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

Key financials

Income statement

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

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

INTERIM MANAGEMENT REPORT (CONTINUED)

Cash flow

Cash equivalents as at 30 June 2014 were in line with the position at 31 December 2013.

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 3 to this half-yearly financial report.

Dividends

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

Risks and uncertainties

The principal risk facing the Company for the remainder of 2014 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.

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 2013, which is available at www.northernpowergrid.com.

Going concern

In the Company's latest annual report and accounts for the year to 31 December 2013 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 and confirm that no events have occurred during the six months to 30 June 2014 to alter the view expressed in that annual report and accounts.

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)

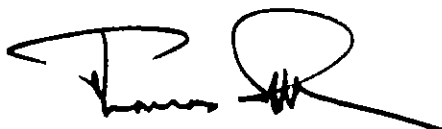
INTERIM MANAGEMENT REPORT (CONTINUED)

Responsibility Statement

We confirm that to the best of our 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 2014; 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

A handwritten signature in black ink, appearing to be 'T E Fielden', with a stylized flourish extending from the end.

T E Fielden
Director

21 August 2014

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD TO 30 JUNE 2014

	Six months ended 30 June 2014 Unaudited £m	Six months ended 30 June 2013 Unaudited £m
CONTINUING OPERATIONS		
Finance income	7.0	7.0
Finance costs	<u>(6.7)</u>	<u>(6.8)</u>
PROFIT BEFORE INCOME TAX	0.3	0.2
Income tax	<u>(0.1)</u>	<u>(0.1)</u>
PROFIT FOR THE PERIOD	<u>0.2</u>	<u>0.1</u>

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2014

There is no other comprehensive income for the Company for the six months to 30 June 2014 or the comparative six month period in 2013 other than the profits reported above.

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)**CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

	30 June 2014 Unaudited £m	31 December 2013 £m
ASSETS		
NON-CURRENT ASSETS		
Trade and other receivables	<u>181.7</u>	<u>181.7</u>
CURRENT ASSETS		
Trade and other receivables	12.7	5.7
Cash and cash equivalents	<u>31.9</u>	<u>31.8</u>
	<u>44.6</u>	<u>37.5</u>
TOTAL ASSETS	<u>226.3</u>	<u>219.3</u>
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	-	-
Share premium	20.0	20.0
Retained earnings	<u>10.1</u>	<u>9.9</u>
TOTAL EQUITY	<u>30.1</u>	<u>29.9</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings	<u>183.9</u>	<u>183.8</u>
CURRENT LIABILITIES		
Borrowings	12.2	5.5
Tax payable	<u>0.1</u>	<u>0.1</u>
	<u>12.3</u>	<u>5.6</u>
TOTAL LIABILITIES	<u>196.2</u>	<u>189.4</u>
TOTAL EQUITY AND LIABILITIES	<u>226.3</u>	<u>219.3</u>

The half-yearly financial statements were approved by the board of directors and authorised for issue on 21 August 2014 and were signed on its behalf by:



T E Fielden
Director

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

**CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD TO
30 JUNE 2014**

	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)	<u>-</u>	<u>20.0</u>	<u>10.1</u>	<u>30.1</u>

	Share Capital £m	Share Premium Account £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2013	-	20.0	9.5	29.5
Comprehensive income for the period (unaudited)	-	-	0.1	0.1
Balance at 30 June 2013 (unaudited)	<u>-</u>	<u>20.0</u>	<u>9.6</u>	<u>29.6</u>

	Share Capital £m	Share Premium Account £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2013	-	20.0	9.5	29.5
Comprehensive income for the period	-	-	0.4	0.4
Balance at 31 December 2013	<u>-</u>	<u>20.0</u>	<u>9.9</u>	<u>29.9</u>

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2014

	6 Months ended 30 June 2014 Unaudited £m	6 Months ended 30 June 2013 Unaudited £m
Net cash from operating activities	<u>0.1</u>	<u>-</u>
Net increase in cash equivalents	0.1	-
Cash and cash equivalents at beginning of period	<u>31.8</u>	<u>31.4</u>
Cash and cash equivalents at end of period	<u>31.9</u>	<u>31.4</u>

YORKSHIRE POWER FINANCE LIMITED (REGISTERED NUMBER CR 75763)

NOTES TO THE HALF-YEARLY FINANCIAL REPORT

1. BASIS OF PREPARATION

These condensed interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which were prepared in accordance with IFRSs.

2. ACCOUNTING POLICIES

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 2013.

Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Fair value measurements

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The valuation of all financial assets and liabilities included within these condensed interim financial statements is based on Level 1 inputs.

3. RELATED PARTY TRANSACTIONS

The Company has advanced loans to other companies within the Northern Powergrid Group. The total interest included in investment income in the statement of profit or loss for the six months ended 30 June 2014 was £7.0m (six months ended 30 June 2013: £7.0m, year ended 31 December 2013: £14.1m).

Included within trade and other receivables is £194.4m as at 30 June 2014 (30 June 2013: £194.2m, 31 December 2013: £187.4m) and included within cash and cash equivalents is £31.9m as at 30 June 2014 (30 June 2013: £31.4m, 31 December 2013: £31.8m) in respect of these loans. Interest on loans to companies within the Northern Powergrid Group is charged at a commercial rate of interest.