

NORTHERN POWERGRID (NORTHEAST) plc
HALF-YEARLY FINANCIAL REPORT FOR THE
SIX MONTHS ENDED 30 JUNE 2024

INTERIM MANAGEMENT REPORT

Cautionary Statement

This interim management report has been prepared solely to provide additional information to shareholders to assess the business and strategies of Northern Powergrid (Northeast) plc (the “Company”) and its subsidiaries (together the “Group”) and should not be relied on by any other party or for any other purpose.

Business Model

The Company is part of the Northern Powergrid Holdings Company and its subsidiaries group of companies (the “Northern Powergrid Group”) and its principal activity during the six months to 30 June 2023 was to act as an authorised distributor under the Electricity Act 1989. The Company distributes electricity to approximately 1.6 million customers connected to its electricity distribution network within its distribution services area. The Company’s subsidiary, Northern Electric Finance plc, provides finance to the Company.

Results for the six months ended 30 June 2024

The Group made a profit after tax of £80.0 million, an increase of £24.7 million when compared to the 6 months ended 30 June 2023 due to higher gross margins.

Revenue

Revenue at £250.1 million was £32.4 million higher than for the six months ended 30 June 2023 mainly due to higher tariffs and the recovery of amounts paid under the supplier of last resort process.

Cash flow

Cash and cash equivalents as at 30 June 2024 was nil, representing a decrease of £234.1 million when compared with the position at 30 June 2023. This is primarily due to the payment of a dividend during Q1.

The Company has access to a £100 million revolving credit facility provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada. The Company entered into a new Facility Agreement in December 2021 for a period of three years, with two 1 year extension options. During the year the Company exercised the second extension option which extended the termination date to December 2026. In addition, the Company has access to further short-term borrowing facilities provided by YEG and to a £19 million overdraft facility provided by Lloyds Bank plc, which is reviewed annually, these borrowings are repayable on demand.

At 31 December 2023, the Group had available £116.3m (2022: £85.8m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Dividends

A dividend of £300m was paid during the period to 30 June 2024.

Principal risks and uncertainties

Information concerning the principal risks and uncertainties facing the Group are included in the Group’s latest annual reports and accounts for the year to 31 December 2022, which is available at www.northernpowergrid.com. It is anticipated that these risks will continue to be the principal risks facing the Company for the remaining six months of 2023.

Going concern

In the Group's latest annual reports and accounts for the year to 31 December 2023, the directors set out a number of factors they took into account when they considered continuing to adopt the going concern basis in preparing those annual reports and accounts. The directors confirm that no events have occurred during the six months to 30 June 2024, which alter the view expressed in the annual reports and accounts to 31 December 2023.

Future strategy and objectives

The directors intend that the Company will continue to implement the ED2 Business Plan. During the transition into the ED2 period and beyond, the strategy set out in the ED2 Business Plan will support the Company's evolution from DNO to Distribution System Operator ("DSO"), in order to facilitate decarbonisation and take steps to achieve a fully integrated energy system. The Company will deliver the strategic objectives linked to the Core Principles and continue to develop its business to be efficiently investing in the Network and improving the quality of supply and service provides to customers.

Responsibility Statement

The board of directors confirm that to the best of their knowledge:

- (a) the condensed set of financial statements, which has been prepared in accordance with IAS 34, gives a true and fair view of the assets, liabilities, financial position and profit of the Group as required by Disclosure and Transparency Rules ("DTR") 4.2.4R for the six months to 30 June 2023; and
- (b) the interim management report contains a fair review of the information required by DTR 4.2.7R.

By order of the board



A P Jones
Director

September 23, 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS – SIX MONTHS ENDED 30 JUNE 2024

	6 Months ended 30 June 2024 (unaudited) £m	6 Months ended 30 June 2023 (unaudited) £m
Revenue	250.1	217.7
Cost of sales	<u>(11.4)</u>	<u>(24.3)</u>
Gross profit	238.7	193.4
Operating expenses	<u>(118.9)</u>	<u>(109.6)</u>
Operating profit	119.8	83.8
(Loss)/Gain on disposals	-	(0.1)
Finance income	3.7	5.5
Finance costs	<u>(16.3)</u>	<u>(16.1)</u>
Profit before tax	107.2	73.1
Income tax expense	<u>(27.2)</u>	<u>(17.8)</u>
Profit from ordinary activities after tax	<u>80.0</u>	<u>55.3</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - SIX MONTHS ENDED 30 JUNE 2024

There is no other comprehensive income for the Group for the six months to 30 June 2024 or the comparative six-month period in 2023 other than the profits reported above.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2024

	30 June 2024 (unaudited) £m	31 December 2023 £m
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	3,002.3	2,944.4
Right of use asset	25.7	22.1
Intangible assets	51.7	50.6
	<u>3,079.7</u>	<u>3,017.1</u>
CURRENT ASSETS		
Inventories	27.3	29.3
Trade and other receivables	85.6	394.4
Income tax asset	3.4	-
Cash and cash equivalents	-	-
	<u>116.3</u>	<u>378.7</u>
TOTAL ASSETS	<u>3,196.0</u>	<u>3,395.8</u>
EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	200.0	200.0
Retained earnings	900.7	1,120.7
TOTAL EQUITY	<u>1,100.7</u>	<u>1,320.7</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Deferred revenue	672.9	668.1
Loans and borrowings	1,057.6	1,057.4
Lease liabilities	21.2	17.8
Deferred tax	143.1	134.3
Provisions	-	0.1
	<u>1,894.8</u>	<u>1,877.5</u>
CURRENT LIABILITIES		
Trade and other payables	145.4	132.1
Deferred revenue	32.0	30.0
Loans and borrowings	16.9	23.7
Lease liabilities	5.1	5.1
Income tax liability	-	5.2
Provisions	1.3	1.5
	<u>200.5</u>	<u>197.6</u>
TOTAL LIABILITIES	<u>2,095.3</u>	<u>2,075.1</u>
TOTAL EQUITY AND LIABILITIES	<u>3,196.0</u>	<u>3,395.8</u>

The interim financial statements were approved by the board of directors and authorised for issue on September 23, 2024 and were signed on its behalf by:



A P Jones
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2024

	Share Capital £m	Retained Earnings £m	Total £m
Balance at 1 January 2024	200.0	1,118.9	1,318.9
Profit for the period (unaudited)	-	80.0	80.0
Dividends paid	-	(300.0)	(300.0)
Balance at 30 June 2024	200.0	898.9	1,098.9

	Share Capital £m	Retained Earnings £m	Total £m
Balance at 1 January 2023	200.0	1,036.7	1,236.7
Profit for the period (unaudited)	-	55.3	55.3
Balance at 30 June 2023	200.0	1,092.0	1,292.0

	Share Capital £m	Retained Earnings £m	Total £m
Balance at 1 January 2023	200.0	1,036.7	1,236.7
Profit for the year	-	113.6	113.6
Dividends paid	-	(31.4)	(31.4)
Balance at 31 December 2023	200.0	1,118.9	1,318.9

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – SIX MONTHS
ENDED 30 JUNE 2024**

	6 Months ended 30 June 2024 (unaudited) £m	6 Months ended 30 June 2023 (unaudited & restated) £m
Profit for the year	80.0	55.3
Depreciation and amortisation	59.2	56.2
Amortisation of deferred revenue	(15.4)	(15.0)
Profit on disposal of fixed assets	-	0.1
Net finance costs	12.6	10.6
Income tax expense	27.2	17.8
Cash flow before working capital movements	163.6	125.0
Decrease/(Increase) in inventories	2.0	(1.4)
(Increase)/Decrease in trade receivables	(18.5)	11.1
Increase in trade and other payables	13.3	5.5
Decrease in provisions	(0.3)	-
Cash generated from operations	160.2	140.2
Net interest paid	(28.2)	(17.2)
Tax paid	(27.0)	(14.6)
Receipt of customer contributions	33.5	32.5
Net cash from operating activities	138.4	140.9
Investing activities		
Proceeds from disposal of property, plant, and equipment	-	(0.1)
Purchase of property, plant, and equipment	(109.2)	(81.6)
Purchase of intangibles	(6.8)	(5.3)
Amounts loaned to group companies	-	(45.2)
Net cash used in investing activities	(116.0)	(132.2)
Financing activities		
Movement in short term borrowings	(2.7)	(35.1)
Movement in intercompany borrowings	283.1	(13.9)
Lease payment	2.8	(1.7)
Dividends paid	(300.0)	-
Net cash (used in)/generated by financing activities	(22.4)	(50.7)
Net (decrease)/increase in cash and cash equivalents	-	(42.0)
Cash and cash equivalents at beginning of period	-	276.1
Cash and cash equivalents at end of period	-	234.1

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – SIX MONTHS
ENDED 30 JUNE 2024**

Yorkshire Electricity Group plc, a Northern Powergrid Group Company, acting on behalf of other group companies was authorised to settle various liabilities against the relevant intercompany accounts. The Company has disclosed the underlying cash flows as operating, investing or financing according to their nature on the basis that, as a principal, the entity has the right to the cash inflows and/or the obligation to settle the liability and ensure clarity of disclosure of the cash costs of the business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The information included within these condensed financial statements that refer to the year ended 31 December 2023 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts 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 Group are prepared in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board ("IASB"). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the IASB.

Going concern

In the Group's latest annual reports and accounts for the year to 31 December 2023 the directors set out a number of factors they took into account when they considered continuing to adopt the going concern basis in preparing those annual reports and accounts. The directors confirm that no events have occurred during the six months to 30 June 2024, which alter the view expressed in the annual reports and accounts to 31 December 2023.

Changes in accounting policy

The Group'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 2023.

New standards, interpretations and amendments effective

Effective for periods beginning on or after 1 January 2024:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
- Amendments to IFRS 16: Lease Liability on a Sale and Leaseback
- Amendments to IAS 7 and IFRS 7: Supplier Finance Agreements

The Directors have considered the above accounting standards issued that are not yet applicable and have noted no material changes are likely to arise.

3. SEGMENTAL ANALYSIS

Revenue, profit before tax and net assets are attributable to electricity distribution. Revenue is all in respect of sales to United Kingdom customers.

Revenue represents charges made to customers for use of the distribution system, rental of meters, the recharge of costs incurred on behalf of related parties, amortisation of customer contributions and other goods sold and services provided, exclusive of value added tax.

4. INCOME TAX EXPENSE

Tax for the six-month period ended 30 June 2024 is charged at 25.4% (six months ended 30 June 2023: 24.4%). This effective tax rate is lower than the standard rate of corporation tax in the UK and 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.

	6 months ended 30 June 2024 (unaudited) £m	6 months ended 30 June 2023 (unaudited) £m
Current tax	17.0	18.1
Deferred tax	<u>10.2</u>	<u>(0.3)</u>
Total income tax expense	<u>27.2</u>	<u>17.8</u>

The Finance (No.2) Act 2024 maintained the rate of corporation tax of 25%. Deferred tax balances are therefore measured at 25% at 30 June 2024 (six months ended 30 June 2023: 25%).

There is no uncertainty over the acceptable income tax treatment. Should any uncertainties arise, the Company will apply adopted amendments to IFRIC 23.

5. FINANCIAL INSTRUMENTS

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

	Carrying value		Fair value	
	30 June 2024 (unaudited) £m	31 December 2023 £m	30 June 2024 (unaudited) £m	31 December 2023 £m
Financial liabilities				
Short-term loan	-	2.7	-	2.7
Intercompany loan	10.9	-	10.9	-
2035- 5.125%	149.6	155.3	148.4	158.7
2049- 2.750%	148.1	150.2	94.7	107.3
2052- 3.250%	349.3	355.0	239.7	272.4
2062- 1.875%	294.9	297.7	138.9	159.5
EIB Loan 2027- 2.564%	121.7	120.1	112.4	111.7
	<u>1,074.5</u>	<u>1,081.1</u>	<u>745.0</u>	<u>812.3</u>

6. RELATED PARTY TRANSACTIONS

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

Group

	Sales to related parties £m	Purchases from related parties £m	Borrowings from/(to) related parties £m	Interest (to)/from related parties £m
Related party				
<i>Six months ended 30 June</i>				
<i>2023:</i>				
Integrated Utility Services Limited	0.1	4.9	-	-
Integrated Utility Services Limited (registered in Eire)	-	0.3	-	-
Northern Electric plc	-	2.9	-	-
Northern Powergrid Holdings Company	-	-	-	-
Northern Powergrid (Yorkshire) plc	16.2	7.9	-	(0.4)
Vehicle Lease and Service Limited	-	2.3	-	-
Yorkshire Electricity Group plc	-	-	-	(3.5)
	<u>16.3</u>	<u>18.3</u>	<u>-</u>	<u>(3.9)</u>
<i>Six months ended 30 June</i>				
<i>2023:</i>				
Integrated Utility Services Limited	0.1	0.2	-	-
Integrated Utility Services Limited (registered in Eire)	-	0.2	-	-
Northern Electric plc	-	2.5	-	-
Northern Powergrid Holdings Company	-	-	-	-
Northern Powergrid (Yorkshire) plc	14.3	5.9	-	-
Vehicle Lease and Service Limited	-	2.6	-	-
Yorkshire Electricity Group plc	-	-	(44.6)	5.3
	<u>14.4</u>	<u>11.4</u>	<u>(44.6)</u>	<u>5.3</u>

	Sales to related parties £m	Purchases from related parties £m	Borrowings from/(to)to related parties £m	Interest to related parties £m
<i>Year ended 31 December</i>				
<i>2023:</i>				
Integrated Utility Services Limited	0.3	7.0	-	-
Integrated Utility Services Limited (registered in Eire)	-	2.2	-	-
Northern Electric plc	-	5.0	-	-
Northern Powergrid Holdings Company	-	-	-	-
Northern Powergrid (Yorkshire) plc	31.2	14.4	-	-
Vehicle Lease and Service Limited	-	5.1	-	-
Yorkshire Electricity Group plc	-	-	-	-
	<u>31.5</u>	<u>33.7</u>	<u>-</u>	<u>-</u>

Sales and purchases from related parties were made at commercial prices.

Interest on loans to/from Group companies is charged at a commercial rate.

Company

	Sales to related parties £m	Purchases from related parties £m	Borrowings from/(to) related parties £m	Interest to related parties £m
Related party				
<i>Six months ended 30 June 2023:</i>				
Integrated Utility Services Limited	0.1	4.9	-	-
Integrated Utility Services Limited (registered in Eire)	-	0.3	-	-
Northern Electric plc	-	2.9	-	-
Northern Powergrid Holdings Company	-	-	-	-
Northern Powergrid (Yorkshire) plc	16.2	7.9	-	(0.4)
Vehicle Lease and Service Limited	-	2.3	-	-
Northern Electric Finance plc	-	-	-	(6.2)
Yorkshire Electricity Group plc	-	-	-	(3.5)
	<u>16.3</u>	<u>18.3</u>	<u>-</u>	<u>(10.1)</u>
<i>Six months ended 30 June 2023:</i>				
Integrated Utility Services Limited	0.1	0.2	-	-
Integrated Utility Services Limited (registered in Eire)	-	0.2	-	-
Northern Electric plc	-	2.5	-	-
Northern Powergrid Holdings Company	-	-	-	-
Northern Powergrid (Yorkshire) plc	14.3	5.9	-	-
Vehicle Lease and Service Limited	-	2.6	-	-
Northern Electric Finance plc	-	-	299.6	(6.2)
Yorkshire Electricity Group plc	-	-	(44.6)	5.3
	<u>14.4</u>	<u>11.4</u>	<u>255.0</u>	<u>(0.9)</u>

	Sales to related parties £m	Purchases from related parties £m	Borrowings from/(to)to related parties £m	Interest to related parties £m
<i>Year ended 31 December</i>				
<i>2023:</i>				
Integrated Utility Services Limited	0.3	7.0	-	-
Integrated Utility Services Limited (registered in Eire)	-	2.2	-	-
Northern Electric plc	-	5.0	-	-
Northern Powergrid Holdings Company	-	-	-	-
Northern Powergrid (Yorkshire) plc	31.2	14.4	-	-
Vehicle Lease and Service Limited	-	5.1	-	-
Northern Electric Finance plc	-	-	-	-
Yorkshire Electricity Group plc	-	-	-	-
	<u>31.5</u>	<u>33.7</u>	<u>-</u>	<u>-</u>

Sales and purchases from related parties were made at commercial prices.

Interest on loans to/from Group companies is charged at a commercial rate.