

**NORTHERN POWERGRID (NORTHEAST) plc**  
**HALF-YEARLY FINANCIAL REPORT FOR THE**  
**SIX MONTHS ENDED 30 JUNE 2022**

## 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 2022 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 2022

The Group made a profit after tax of £48.4 million, a decrease of £25.9 million when compared to the 6 months ended 30 June 2021 due to higher gross margins and lower income tax due to the impact of change in tax legislation in the prior period.

### Revenue

Revenue at £212.3 million was £24.8 million higher than for the six months ended 30 June 2021 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 2022 were £331.7 million, representing an increase of £331.7 million when compared with the position at 31 December 2021. This is primarily due to the new bond issued in April 2022.

The Group 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 Group entered into a new Facility Agreement in December 2021 for a period of three years, with two 1-year extension options

In addition, the Group has access to short-term borrowing facilities provided by Yorkshire Electricity Group plc, a related party, and to a £19.0 million overdraft facility provided by Lloyds Bank plc.

### Dividends

No ordinary dividends were paid in the period resulting in £48.4 million being transferred to reserves.

### 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 2021, which is available at [www.northernpowergrid.com](http://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 2022.

### **Going concern**

In the Group's latest annual reports and accounts for the year to 31 December 2021, 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 2022, which alter the view expressed in the annual reports and accounts to 31 December 2021.

### **Future strategy and objectives**

The directors intend that the Company will continue to develop its business by operating with the goal of efficiently investing in its distribution network, improving the quality of supply and service provided to customers and delivering the regulatory business plan for the remainder of the ED1 period which ends on 31 March 2023.

### **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 2022; 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

12 September 2022

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS – SIX MONTHS  
ENDED 30 JUNE 2022**

	6 Months ended 30 June 2022 (unaudited) £m	6 Months ended 30 June 2021 (unaudited) £m
Revenue	212.3	187.5
Cost of sales	<u>(21.7)</u>	<u>(6.4)</u>
<b>Gross profit</b>	<b>190.6</b>	<b>181.1</b>
Operating expenses	<u>(115.0)</u>	<u>(104.1)</u>
<b>Operating profit</b>	<b>75.6</b>	<b>77.0</b>
Gain on disposals	0.3	0.2
Finance income	0.9	0.5
Finance costs	<u>(16.6)</u>	<u>(13.9)</u>
<b>Profit before tax</b>	<b>60.2</b>	<b>63.8</b>
Income tax expense	<u>(11.8)</u>	<u>(41.3)</u>
<b>Profit from ordinary activities after tax</b>	<b><u>48.4</u></b>	<b><u>22.5</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME - SIX MONTHS ENDED 30 JUNE 2022**

There is no other comprehensive income for the Group for the six months to 30 June 2022 or the comparative six-month period in 2021 other than the profits reported above.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2022**

	30 June 2022 (unaudited) £m	31 December 2021 £m
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2,814.6	2,782.1
Right of use asset	11.8	11.7
Intangible assets	46.3	48.9
	<u>2,872.7</u>	<u>2,842.7</u>
<b>CURRENT ASSETS</b>		
Inventories	22.6	19.9
Trade and other receivables	62.7	59.8
Tax receivable	4.7	2.2
Cash and cash equivalents	331.7	-
	<u>421.7</u>	<u>81.9</u>
<b>TOTAL ASSETS</b>	<b><u>3,294.4</u></b>	<b><u>2,924.6</u></b>
<b>EQUITY</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	200.0	200.0
Retained earnings	1,010.5	962.1
<b>TOTAL EQUITY</b>	<b><u>1,210.5</u></b>	<b><u>1,162.1</u></b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Deferred revenue	649.0	649.0
Borrowings	1,156.9	810.5
Lease liabilities	9.1	9.1
Deferred tax	130.6	130.8
Provisions	0.1	0.1
	<u>1,945.7</u>	<u>1,599.5</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	95.6	86.7
Deferred revenue	29.3	28.6
Borrowings	9.0	42.1
Lease liabilities	3.0	2.9
Provisions	1.3	2.7
	<u>138.2</u>	<u>163.0</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,083.9</u></b>	<b><u>1,762.5</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>3,294.4</u></b>	<b><u>2,924.6</u></b>

The interim financial statements were approved by the board of directors and authorised for issue on 12 September 2022 and were signed on its behalf by:

A P Jones  
Director

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2022**

	Share Capital £m	Retained Earnings £m	Total £m
<b>Balance at 1 January 2022</b>	<b>200.0</b>	<b>962.1</b>	<b>1,162.1</b>
Profit for the period (unaudited)	-	48.4	48.8
<b>Balance at 30 June 2022</b>	<b>200.0</b>	<b>1,010.5</b>	<b>1,210.5</b>

	Share Capital £m	Retained Earnings £m	Total £m
<b>Balance at 1 January 2021</b>	<b>200.0</b>	<b>919.6</b>	<b>1,119.6</b>
Profit for the period (unaudited)	-	22.5	22.5
<b>Balance at 30 June 2021</b>	<b>200.0</b>	<b>942.1</b>	<b>1,142.1</b>

	Share Capital £m	Retained Earnings £m	Total £m
<b>Balance at 1 January 2021</b>	<b>200.0</b>	<b>919.6</b>	<b>1,119.6</b>
Profit for the year	-	68.5	68.5
Equity dividends paid	-	(26.0)	(26.0)
<b>Balance at 31 December 2021</b>	<b>200.0</b>	<b>962.1</b>	<b>1,162.1</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – SIX MONTHS  
ENDED 30 JUNE 2022**

	6 Months ended 30 June 2022 (unaudited) £m	6 Months ended 30 June 2021 (unaudited) £m
<b>Profit for the year</b>	48.4	22.5
Depreciation and amortisation	54.5	53.1
Amortisation of deferred revenue	(14.5)	(13.8)
Profit on disposal of fixed assets	(0.3)	(0.2)
Net finance costs	15.7	13.4
Income tax expense	11.8	41.3
	<hr/>	<hr/>
Cash flow before working capital movements	115.6	116.3
Increase in inventories	(2.7)	(1.0)
(Increase)/decrease in trade receivables	(3.1)	4.4
Increase/(decrease) in trade and other payables	9.0	(4.2)
Decrease in provisions	(1.4)	-
	<hr/>	<hr/>
Cash generated from operations	117.4	115.5
Net interest paid	(16.2)	(13.8)
Tax paid	(14.4)	(8.9)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>86.8</b>	<b>92.8</b>
	<hr/>	<hr/>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	0.3	0.2
Purchase of property, plant and equipment	(88.0)	(96.0)
Purchase of intangibles	(3.2)	(2.0)
Receipt of customer contributions	23.8	16.9
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(67.1)</b>	<b>(80.9)</b>
	<hr/>	<hr/>
<b>Financing activities</b>		
Movement in short term borrowings	-	5.0
Movement in intercompany borrowings	(31.5)	(14.6)
Lease payment	(2.8)	(2.6)
Issue of long-term borrowings	346.3	-
	<hr/>	<hr/>
<b>Net cash generated by/(used in) financing activities</b>	<b>312.0</b>	<b>(12.2)</b>
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>331.7</b>	<b>(0.3)</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at beginning of period</b>	<b>-</b>	<b>0.3</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b>331.7</b>	<b>-</b>
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## 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 2021 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 2021 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 2022, which alter the view expressed in the annual reports and accounts to 31 December 2021.

#### **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 2021.

#### **Application of new and revised IFRS**

None of the standards, interpretations and amendments which are effective for periods beginning 1 January 2022 has had a material effect on the financial statements:

- Amendments to IFRS 3 – Reference to the Conceptual Framework;
- Amendments to IAS 16 – Proceeds before Intended Use; and
- Amendments to IAS 37 – Onerous Contracts (Cost of fulfilling a contract).

### 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 2022 is charged at 19.6% (six months ended 30 June 2021: 64.7%). This higher effective rate was due to disallowed items and the inclusion of the rate change in the six months ended 30 June 2021, 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.

	6 months ended 30 June 2022 (unaudited) £m	6 months ended 30 June 2021 (unaudited) £m
Current tax	12.0	12.5
Deferred tax	<u>(0.2)</u>	<u>28.8</u>
Total income tax expense	<u>11.8</u>	<u>41.3</u>

Finance Act 2021 was enacted on the 10 June 2021 and the impact of the Finance Act has increased the rate of corporation tax from 19% to 25% from 1 April 2023. As a result, deferred tax balances have been re-measured at the 25% rate and this remeasurement gave rise to an increased deferred tax liability of £29.3m (for the six-months ended 30 June 2021) which is reflected within the above tax charge.

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 2022 (unaudited) £m	31 December 2021 £m	30 June 2022 (unaudited) £m	31 December 2021 £m
<b>Financial liabilities</b>				
Intercompany loan- YEG	-	31.5	-	31.5
2035- 5.125%	149.4	153.4	165.2	204.2
2049- 2.750%	148.0	150.0	118.1	172.2
2052- 3.250%	349.1	-	299.7	-
2062- 1.875%	294.8	297.6	177.8	289.9
Northern Powergrid Group				
2037- 5.9%	102.9	100.0	122.3	148.3
EIB Loan 2027- 2.564%	121.7	120.1	115.7	126.1
	<u>1,165.9</u>	<u>852.6</u>	<u>998.8</u>	<u>972.2</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 related parties £m
<b>Related party</b>				
<i>Six months ended 30 June</i>				
<i>2022:</i>				
Integrated Utility Services Limited	0.2	3.2	-	-
Integrated Utility Services Limited (registered in Eire)	-	0.9	-	-
Northern Electric plc	-	2.4	-	-
Northern Powergrid Holdings Company	-	-	102.9	(2.9)
Northern Powergrid (Yorkshire) plc	13.0	5.1	-	-
Vehicle Lease and Service Limited	-	2.8	-	-
Yorkshire Electricity Group plc	-	-	-	(0.1)
	<u>13.2</u>	<u>14.4</u>	<u>102.9</u>	<u>(3.0)</u>
<i>Six months ended 30 June</i>				
<i>2021:</i>				
Integrated Utility Services Limited	0.2	4.0	-	-
Integrated Utility Services Limited (registered in Eire)	-	1.0	-	-
Northern Electric plc	-	2.4	-	-
Northern Powergrid Holdings Company	-	-	102.9	(2.9)
Northern Powergrid (Yorkshire) plc	11.8	5.4	-	-
Vehicle Lease and Service Limited	-	3.3	-	-
Yorkshire Electricity Group plc	-	-	1.2	(0.4)
	<u>12.0</u>	<u>16.1</u>	<u>104.1</u>	<u>(3.3)</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>2021:</i>				
Integrated Utility Services Limited	0.3	7.6	-	-
Integrated Utility Services Limited (registered in Eire)	-	2.0	-	-
Northern Electric plc	-	4.6	-	-
Northern Powergrid Holdings Company	-	-	100.0	(5.9)
Northern Powergrid (Yorkshire) plc	24.4	10.5	-	-
Vehicle Lease and Service Limited	-	5.0	-	-
Yorkshire Electricity Group plc	-	-	31.5	(0.6)
	<u>24.7</u>	<u>29.7</u>	<u>131.5</u>	<u>(6.5)</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
<b>Related party</b>				
<i>Six months ended 30 June 2022:</i>				
Integrated Utility Services Limited	0.2	3.2	-	-
Integrated Utility Services Limited (registered in Eire)	-	0.9	-	-
Northern Electric plc	-	2.4	-	-
Northern Powergrid Holdings Company	-	-	102.9	(2.9)
Northern Powergrid (Yorkshire) plc	13.0	5.1	-	-
Vehicle Lease and Service Limited	-	2.8	-	-
Northern Electric Finance plc	-	-	299.4	(6.2)
Yorkshire Electricity Group plc	-	-	-	(0.1)
	<u>13.2</u>	<u>14.4</u>	<u>402.3</u>	<u>(9.2)</u>
<i>Six months ended 30 June 2021:</i>				
Integrated Utility Services Limited	0.2	4.0	-	-
Integrated Utility Services Limited (registered in Eire)	-	1.0	-	-
Northern Electric plc	-	2.4	-	-
Northern Powergrid Holdings Company	-	-	102.9	(2.9)
Northern Powergrid (Yorkshire) plc	11.8	5.4	-	-
Vehicle Lease and Service Limited	-	3.3	-	-
Northern Electric Finance plc	-	-	298.9	(3.5)
Yorkshire Electricity Group plc	-	-	1.5	(0.4)
	<u>12.0</u>	<u>16.1</u>	<u>403.3</u>	<u>(6.8)</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>2021:</i>				
Integrated Utility Services Limited	0.3	7.6	-	-
Integrated Utility Services Limited (registered in Eire)	-	2.0	-	-
Northern Electric plc	-	4.6	-	-
Northern Powergrid Holdings Company	-	-	100.0	(5.9)
Northern Powergrid (Yorkshire) plc	24.4	10.5	-	-
Vehicle Lease and Service Limited	-	5.0	-	-
Northern Electric Finance plc	-	-	300.1	(12.4)
Yorkshire Electricity Group plc	-	-	31.5	(0.6)
	<u>24.7</u>	<u>29.7</u>	<u>431.6</u>	<u>(18.9)</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.