

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

Northern Powergrid (Yorkshire) plc

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 (Yorkshire) plc (the “Company”) 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 2.3 million customers connected to its electricity distribution network within its distribution services area.

Results for the six months ended 30 June 2022

The Company made a profit after tax of £79.2 million, an increase of £51.3 million when compared to the 6 months ended 30 June 2021 primarily due to higher gross margin and lower income tax due to the impact of the corporation tax rate change in the prior year.

Revenue

Revenue at £261.2 million was £31.4 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 £123.8 million, representing an increase of £9.8 million since 31 December 2021. This compares with an increase of £25.7 million in the comparative six month period, primarily due timing of cash flows in relation to payments and recovery of supplier of last resort payments.

The Company has access to £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.

In addition, the Company has access to further 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 £79.2 million being transferred to reserves.

Principal risks and uncertainties

Information concerning the principal risks and uncertainties facing the Company are included in the Company’s latest annual reports and accounts for the year to 31 December 2021, 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 2022.

Northern Powergrid (Yorkshire) plc

INTERIM MANAGEMENT REPORT

Going concern

In the Company'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

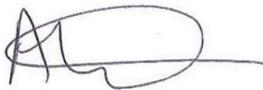
The directors intend that the Company will continue to develop its business by operating with the goal of efficiently investing in its distribution network, improving the quality of supply and service provided to customers and delivering the regulatory business plan for the remainder of the Electricity Distribution 1 price 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 Company 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

12th September 2022

Northern Powergrid (Yorkshire) plc**CONDENSED STATEMENT OF PROFIT OR LOSS – SIX MONTHS ENDED 30 JUNE 2022**

	6 Months ended 30 June 2022	6 Months ended 30 June 2021
	(unaudited) £m	(unaudited) £m
Revenue	261.2	229.8
Cost of sales	<u>(28.2)</u>	<u>(8.1)</u>
Gross profit	233.0	221.7
Operating expenses	<u>(116.5)</u>	<u>(118.1)</u>
Operating profit	116.5	103.6
Finance income	0.3	1.1
Finance costs	<u>(18.4)</u>	<u>(19.7)</u>
Profit before tax	98.4	85.0
Income tax expense	<u>(19.2)</u>	<u>(57.1)</u>
Profit from ordinary activities after tax	<u>79.2</u>	<u>27.9</u>

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

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

Northern Powergrid (Yorkshire) plc**CONDENSED STATEMENT OF FINANCIAL POSITION - SIX MONHS ENDED 30 JUNE 2022**

	30 June 2022 (unaudited) £m	31 December 2021 £m
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	3,801.4	3,731.0
Right of use asset	9.8	8.6
Intangible assets	-	0.1
	<u>3,811.2</u>	<u>3,739.7</u>
CURRENT ASSETS		
Inventories	0.9	0.5
Trade and other receivables	82.7	73.5
Income tax asset	0.8	1.2
Cash and cash equivalents	123.8	114.0
	<u>208.2</u>	<u>189.2</u>
TOTAL ASSETS	<u>4,019.4</u>	<u>3,928.9</u>
EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	290.0	290.0
Retained earnings	1,417.1	1,337.9
TOTAL EQUITY	<u>1,707.1</u>	<u>1,627.9</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Deferred revenue	841.9	837.5
Borrowings	969.0	968.7
Lease liabilities	7.4	6.4
Deferred tax	177.9	178.1
Provisions	0.6	0.6
	<u>1,996.8</u>	<u>1,991.3</u>
CURRENT LIABILITIES		
Trade and other payables	102.1	101.7
Deferred revenue	36.6	35.9
Borrowings	172.8	168.2
Lease liabilities	2.6	2.4
Provisions	1.4	1.5
	<u>315.5</u>	<u>309.7</u>
TOTAL LIABILITIES	<u>2,312.3</u>	<u>2,301.0</u>
TOTAL EQUITY AND LIABILITIES	<u>4,019.4</u>	<u>3,928.9</u>

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

A P Jones
Director

Northern Powergrid (Yorkshire) plc

CONDENSED STATEMENT OF CHANGE IN EQUITY - SIX MONTHS ENDED 30 JUNE 2022

	Share Capital £m	Retained Earnings £m	Total £m
Balance at 1 January 2022	290.0	1,337.9	1,627.9
Profit for the period (unaudited)	-	79.2	79.2
Balance at 30 June 2022	290.0	1,417.1	1,707.1

	Share Capital £m	Retained Earnings £m	Total £m
Balance at 1 January 2021	290.0	1,271.5	1,561.5
Profit for the period (unaudited)	-	27.9	27.9
Balance at 30 June 2021	290.0	1,299.4	1,589.4

	Share Capital £m	Retained Earnings £m	Total £m
Balance at 1 January 2021	290.0	1,271.5	1,561.5
Profit for the year	-	100.8	100.8
Equity dividends paid	-	(34.4)	(34.4)
Balance at 31 December 2021	290.0	1,337.9	1,627.9

Northern Powergrid (Yorkshire) plc**CONDENSED 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
Profit for the year	79.2	27.9
Depreciation and amortisation	63.8	61.1
Amortisation of deferred revenue	(17.6)	(16.8)
Net finance costs	18.1	18.6
Income tax expense	19.2	57.1
Cash flow before working capital movements	162.7	147.9
(Increase)/decrease in inventory	(0.4)	0.1
(Increase)/decrease in trade receivables	(9.0)	7.3
Decrease in trade and other payables	(1.9)	(1.5)
(Decrease)/increase in provisions	(0.1)	0.1
Cash generated from operations	151.3	153.9
Net interest paid	(14.4)	(14.3)
Tax paid	(18.9)	(13.8)
Net cash from operating activities	118.0	125.8
Investing activities		
Purchase of property, plant and equipment	(135.5)	(129.9)
Receipt of customer contributions	28.7	26.0
Net cash used in investing activities	(106.8)	(103.9)
Financing activities		
Movement in short-term borrowings	-	5.0
Lease payment	(1.4)	(1.2)
Net cash (used)/from financing activities	(1.4)	3.8
Net increase in cash and cash equivalents	9.8	25.7
Cash and cash equivalents at beginning of period	114.0	134.2
Cash and cash equivalents at end of period	123.8	159.9

Northern Powergrid (Yorkshire) plc

NOTES TO THE CONDENSED 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 Company 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 Company’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 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 2021, with the only changes being outlined below.

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).

Northern Powergrid (Yorkshire) plc
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 19.50% (six months ended 30 June 2021: 67.20%). This is higher 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. In addition, the prior year included the impact of the rate change enacted in June 2021.

	6 months ended 30 June 2022 (unaudited) £m	6 months ended 30 June 2021 (unaudited) £m
Current tax	19.4	16.9
Deferred tax	<u>(0.2)</u>	<u>40.2</u>
Total income tax expense	<u>19.2</u>	<u>57.1</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 at 30 June 2021 were re-measured at the 25% rate and this remeasurement gave rise to an increased deferred tax liability of £40.2m which is reflected within the tax charge for the 6 months period ended 30 June 2021.

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

Northern Powergrid (Yorkshire) plc
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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
Financial liabilities				
Short-term loan	-	2.0	-	2.0
Bond 2025 – 2.5%	150.1	151.9	146.9	157.0
Bond 2032 – 4.375%	154.5	151.2	163.1	184.9
Bond 2035 – 5.125%	199.2	204.5	220.2	272.0
Bond 2059 - 2.50%	298.7	295.3	203.4	313.5
EIB Loan – 4.133%	156.9	153.8	156.9	153.8
EIB Loan – 2.564%	131.8	130.1	125.3	136.6
EIB Loan – 2.073%	50.6	50.1	48.4	50.9
	<u>1,141.8</u>	<u>1,136.9</u>	<u>1,064.2</u>	<u>1,268.7</u>

Northern Powergrid (Yorkshire) plc
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

6. RELATED PARTY TRANSACTIONS

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

	Sales to related parties £m	Purchases from related parties £m	Loans to related parties £m	Interest from related parties £m
Related party				
<i>Six months ended 30 June</i>				
<i>2022:</i>				
Integrated Utility Services Limited	-	0.2	-	-
Integrated Utility Services Limited (registered in Eire)	-	0.3	-	-
Northern Electric plc	-	1.0	-	-
Northern Powergrid Metering Limited	0.4	-	-	-
Northern Powergrid (Northeast) plc	5.1	12.9	-	-
Vehicle Lease and Service Limited	-	2.9	-	-
Yorkshire Electricity Group plc	-	-	123.8	0.3
	<u>5.5</u>	<u>17.3</u>	<u>123.8</u>	<u>0.3</u>
<i>Six months ended 30 June</i>				
<i>2021:</i>				
Integrated Utility Services Limited	-	0.6	-	-
Integrated Utility Services Limited (registered in Eire)	-	0.2	-	-
Northern Electric plc	-	1.0	-	-
Northern Powergrid Metering Limited	0.3	-	-	-
Northern Powergrid (Northeast) plc	5.4	11.8	-	-
Vehicle Lease and Service Limited	-	3.2	-	-
Yorkshire Electricity Group plc	-	-	159.9	0.1
	<u>5.7</u>	<u>16.8</u>	<u>159.9</u>	<u>0.1</u>

Northern Powergrid (Yorkshire) plc
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

	Sales to related parties £m	Purchases from related parties £m	Loans to related parties £m	Interest from related parties £m
<i>Year ended 31 December</i>				
<i>2021:</i>				
Integrated Utility Services Limited	0.1	3.9	-	-
Integrated Utility Services Limited (registered in Eire)	-	0.4	-	-
Northern Electric plc	-	2.0	-	-
Northern Powergrid Metering Limited	0.7	-	-	-
Northern Powergrid (Northeast) plc	10.5	24.4	-	-
Vehicle Lease and Service Limited	-	5.0	-	-
Yorkshire Electricity Group plc	-	-	114.0	0.1
	<u>11.3</u>	<u>35.7</u>	<u>114.0</u>	<u>0.1</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.