

NORTHERN ELECTRIC FINANCE plc
HALF-YEARLY FINANCIAL REPORT FOR THE
SIX MONTHS ENDED 30 JUNE 2023

Northern Electric Finance plc

INTERIM MANAGEMENT REPORT

Cautionary Statement

This interim management report has been prepared solely to provide additional information to shareholders to assess the business of Northern Electric Finance 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 is a subsidiary of Northern Powergrid (Northeast) plc. The Company’s principal activity during the six months to 30 June 2023 was to act as the issuer of long-term bonds.

Results for the six months ended 30 June 2023

During the period ended 30 June 2023, the Company was in a break-even position (period ended 30 June 2022: break-even position).

Income statement

Finance income and costs were in line with the same period as prior year due to the interest rates remaining consistent.

Cash flow

Cash equivalents as at 30 June 2023 were £1.6 million lower than the position at 31 December 2022 due to interest paid, offset by movements in intercompany loans.

Financial position

Net assets as at 30 June 2023 were in line with the position at 31 December 2022.

Related party transactions

Details of the related party transactions entered into by the Company and changes therein are included in Note 5 to this half-yearly financial report.

Dividends

No ordinary dividends were paid in the period such that reserves were unchanged.

Risks and uncertainties

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 2022, which is available at www.northernpowergrid.com.

It is anticipated that these risks will continue to be the principal risks facing the business for the remaining six months of 2023.

Going concern

In the Company’s latest annual reports and accounts for the year to 31 December 2022 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 2023, which alter the view expressed in the Company’s annual report and accounts for the year to 31 December 2022.

Northern Electric Finance plc
INTERIM MANAGEMENT REPORT

Future strategy and objectives

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

Responsibility Statement

The 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 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 handwritten signature in blue ink, appearing to be 'A P Jones', with a long horizontal stroke extending to the right.

A P Jones
Director

14 September 2023

Northern Electric Finance plc**CONDENSED STATEMENT OF PROFIT OR LOSS – SIX MONTHS ENDED TO 30 JUNE 2023**

	Six months ended 30 June 2023 (unaudited) £m	Six months ended 30 June 2022 (unaudited) £m
CONTINUING OPERATIONS		
Finance income	6.2	6.2
Finance costs	<u>(6.2)</u>	<u>(6.2)</u>
PROFIT BEFORE INCOME TAX	-	-
Income tax	<u>-</u>	<u>-</u>
PROFIT FOR THE PERIOD	<u>-</u>	<u>-</u>

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023

There is no other comprehensive income for the Company for the six months to 30 June 2023 or the comparative six-month period in 2022 other than the amounts reported above.

Northern Electric Finance plc

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	30 June 2023 (unaudited)	31 December 2022
	£m	£m
ASSETS		
NON-CURRENT ASSETS		
Trade and other receivables	296.2	296.1
CURRENT ASSETS		
Trade and other receivables	3.4	4.1
Cash and cash equivalents	-	1.6
	3.4	5.7
TOTAL ASSETS	299.6	301.8
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	0.1	0.1
Retained earnings	(1.8)	(1.8)
TOTAL EQUITY	(1.7)	(1.7)
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings	296.2	296.1
	296.2	296.1
CURRENT LIABILITIES		
Borrowings	5.1	7.4
	5.1	7.4
TOTAL LIABILITIES	301.3	303.5
TOTAL EQUITY AND LIABILITIES	299.6	301.8

The half-yearly financial statements were approved by the board of directors and authorised for issue on 14 September 2023 and were signed on its behalf by:



A P Jones
Director

Northern Electric Finance plc
CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED
30 JUNE 2023

	Share Capital £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2023	0.1	(1.8)	(1.7)
Comprehensive income for the period (unaudited)	-	-	-
Balance at 30 June 2023 (unaudited)	0.1	(1.8)	(1.7)

	Share Capital £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2022	0.1	(1.8)	(1.7)
Comprehensive income for the period (unaudited)	-	-	-
Balance at 30 June 2022 (unaudited)	0.1	(1.8)	(1.7)

	Share Capital £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2022	0.1	(1.8)	(1.7)
Comprehensive income for the period	-	-	-
Balance at 31 December 2022	0.1	(1.8)	(1.7)

CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2023

	6 Months ended 30 June 2023 (unaudited) £m	6 Months ended 30 June 2022 (unaudited) £m
Profit before income tax	-	-
Finance costs	6.2	6.2
Finance income	<u>(6.2)</u>	<u>(6.2)</u>
Cash generated from operations	-	-
Net interest paid	<u>(5.1)</u>	<u>(5.1)</u>
Net cash used in operating activities	<u>(5.1)</u>	<u>(5.1)</u>
Investing activities		
Loan to related party	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>-</u>	<u>-</u>
Financing activities		
Issue of long-term debt	-	-
Movement in loan from group undertakings	<u>3.5</u>	<u>3.5</u>
Net cash generated from financing activities	<u>3.5</u>	<u>3.5</u>
Net decrease in cash equivalents	(1.6)	(1.6)
Cash and cash equivalents at beginning of period	<u>1.6</u>	<u>1.6</u>
Cash and cash equivalents at end of period	<u>-</u>	<u>-</u>

Northern Electric Finance 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 2022 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 report and accounts for the year to 31 December 2022 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 2023, which alter the view expressed in the Company’s annual report and accounts for the year to 31 December 2022.

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 2022.

Application of new and revised IFRS

None of the standards, interpretations and amendments which are effective for periods beginning 1 January 2023 has had a material effect on the financial statements:

- Amendments to IFRS 17 – Insurance contracts;
- Amendments to IAS 1 – disclosure of accounting policies;
- Amendments to IAS 8 – definition of accounting estimates; and
- Amendments to IAS 12 – deferred tax on leases and decommission obligations.

3. INCOME TAX EXPENSE

Tax for the six-month period to 30 June 2023 is charged at 23.5% (six months ended 30 June 2022: 19.00%), 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 Autumn Statement 2022 confirmed the increased the rate of corporation tax from 19% to 25% from 1 April 2023.

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

4. 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 2023	31 December 2022	30 June 2023	31 December 2022
	(unaudited) £m	£m	(unaudited) £m	£m
Financial assets				
Amounts owed by group undertakings	299.6	300.2	237.6	251.0
Cash and cash equivalents	-	1.6	-	1.6
	<u>299.6</u>	<u>301.8</u>	<u>237.6</u>	<u>252.6</u>
Financial liabilities				
Intercompany short-term loan	3.5	-	3.5	-
2035 – 5.125% bonds	149.5	153.4	141.0	150.1
2049 – 2.750% bonds	148.3	150.1	95.0	100.5
	<u>301.3</u>	<u>303.5</u>	<u>239.5</u>	<u>250.6</u>

5. RELATED PARTY TRANSACTIONS

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

	Interest received from related parties £m	Borrowings owed (to)/from related parties £m
Related party		
Six months ended 30 June 2023 (unaudited):		
Northern Powergrid (Northeast) plc	6.2	299.6
Yorkshire Electricity Group plc	-	(3.5)
	<u>6.2</u>	<u>296.1</u>
Six months ended 30 June 2022 (unaudited):		
Northern Powergrid (Northeast) plc	6.2	299.1
Yorkshire Electricity Group plc	-	(3.5)
	<u>6.2</u>	<u>295.6</u>
Year ended 31 December 2022:		
Northern Powergrid (Northeast) plc	12.4	300.2
Yorkshire Electricity Group plc	-	1.6
	<u>12.4</u>	<u>301.8</u>

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