

NORTHERN ELECTRIC FINANCE plc

HALF-YEARLY FINANCIAL REPORT

SIX MONTHS ENDED 30 JUNE 2015

NORTHERN ELECTRIC FINANCE plc

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JUNE 2015**

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NORTHERN ELECTRIC FINANCE plc
(REGISTERED NUMBER: 03070482)

INTERIM MANAGEMENT REPORT

Registered in England and Wales
Registered Office: Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF

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.

Operations

The Company is part of the Northern Powergrid Holdings Company group of companies (the “Northern Powergrid Group”) and is a subsidiary of Northern Powergrid (Northeast) Limited (“NPg Northeast”). The Company’s principal activity during the six months to 30 June 2015 was to act as the issuer of long-term bonds.

Results for the six months ended 30 June 2015

During the period ended 30 June 2015, the Company made a loss after tax of £0.1 million (period ended 30 June 2014: loss of £0.1 million).

The half-yearly accounts for the six months ended 30 June 2015 are prepared under International Financial Reporting Standards. The half-yearly accounts do not comprise statutory accounts required to be delivered to the Registrar of Companies under the Companies Act 2006 and have not been subject to audit or review by the Company’s auditor. The Company will deliver its statutory accounts for the current financial year ending on 31 December 2015 to the Registrar of Companies by 30 June 2016.

There were no significant events during the period ended 30 June 2015 such that there was no material impact on the financial statements and the Company met its obligations to make the annual interest payment on its 2035 debt securities on 5 May 2015. The annual interest payment on the Company’s 2020 debt securities is due to be paid on 16 October 2015.

Key financials

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

Income statement

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

Cash flow

Cash equivalents as at 30 June 2015 were in line with the position at 31 December 2014.

INTERIM MANAGEMENT REPORT (CONTINUED)

Financial position

Loss after tax at £0.1 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 6 to this half-yearly financial report.

Dividends

No ordinary dividends were paid in the period such that reserves were reduced by the loss of £0.1 million.

Principal risks and uncertainties

The principal risk facing the Company for the remainder of 2015 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.

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.

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 2014, which is available at www.northernpowergrid.com.

Going concern

In the Company's latest annual report and accounts for the year to 31 December 2014 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 2015, which alter the view expressed in the Company's annual report and accounts for the year to 31 December 2014.

Future strategy and objectives

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

INTERIM MANAGEMENT REPORT (CONTINUED)

Responsibility Statement

The directors confirm that to the best of their 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 as required by DTR 4.2.4 R for the six months to 30 June 2015; and
- (b) the interim management report contains a fair review of the information required by DTR 4.2.7 R (important events that have occurred during the first six months of the year and description of the principal risks and uncertainties for the remaining six months of the year).

By order of the board



P A Jones
Director

19 August 2015

CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015

CONDENSED STATEMENT OF PROFIT OR LOSS – SIX MONTHS ENDED TO 30 JUNE 2015

	Six months ended 30 June 2015 (unaudited) £m	Six months ended 30 June 2014 (unaudited) £m
CONTINUING OPERATIONS		
Finance income	8.5	8.5
Finance costs	<u>(8.6)</u>	<u>(8.6)</u>
LOSS BEFORE INCOME TAX	(0.1)	(0.1)
Income tax	<u>-</u>	<u>-</u>
LOSS FOR THE PERIOD	<u>(0.1)</u>	<u>(0.1)</u>

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2015

There is no other comprehensive income for the Company for the six months to 30 June 2015 or the comparative six month period in 2014 other than the losses reported above.

NORTHERN ELECTRIC FINANCE plc (REGISTERED NUMBER: 03070482)**CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015****CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**

	30 June 2015 (unaudited) £m	31 December 2014 £m
ASSETS		
NON-CURRENT ASSETS		
Trade and other receivables	<u>247.9</u>	<u>247.9</u>
CURRENT ASSETS		
Trade and other receivables	9.2	3.4
Cash and cash equivalents	<u>-</u>	<u>1.6</u>
	<u>9.2</u>	<u>5.0</u>
TOTAL ASSETS	<u>257.1</u>	<u>252.9</u>
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	0.1	0.1
Retained earnings	<u>(1.2)</u>	<u>(1.1)</u>
TOTAL EQUITY	<u>(1.1)</u>	<u>(1.0)</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings	247.0	246.9
Deferred tax	<u>0.2</u>	<u>0.2</u>
	<u>247.2</u>	<u>247.1</u>
CURRENT LIABILITIES		
Borrowings	<u>11.0</u>	<u>6.8</u>
TOTAL LIABILITIES	<u>258.2</u>	<u>253.9</u>
TOTAL EQUITY AND LIABILITIES	<u>257.1</u>	<u>252.9</u>

The half-yearly financial statements were approved by the board of directors and authorised for issue on 19 August 2015 and were signed on its behalf by:



P A Jones
Director

NORTHERN ELECTRIC FINANCE plc (REGISTERED NUMBER: 03070482)

CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

	Share Capital £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2015	0.1	(1.1)	(1.0)
Comprehensive income for the period (unaudited)	<u>-</u>	<u>(0.1)</u>	<u>(0.1)</u>
Balance at 30 June 2015 (unaudited)	<u>0.1</u>	<u>(1.2)</u>	<u>(1.1)</u>

	Share Capital £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2014	0.1	(1.0)	(0.9)
Comprehensive income for the period (unaudited)	<u>-</u>	<u>(0.1)</u>	<u>(0.1)</u>
Balance at 30 June 2014 (unaudited)	<u>0.1</u>	<u>(1.1)</u>	<u>(1.0)</u>

	Share Capital £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2014	0.1	(1.0)	(0.9)
Comprehensive income for the period	<u>-</u>	<u>(0.1)</u>	<u>(0.1)</u>
Balance at 31 December 2014	<u>0.1</u>	<u>(1.1)</u>	<u>(1.0)</u>

NORTHERN ELECTRIC FINANCE plc (REGISTERED NUMBER: 03070482)

CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015

CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2015

	6 Months ended 30 June 2015 (unaudited) £m	6 Months ended 30 June 2014 (unaudited) £m
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>
Financing activities		
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 increase 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>

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The information included within these condensed financial statements for the year ended 31 December 2014 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 IFRSs as adopted by the European Union. 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 European Union.

Going concern

In the Company's latest annual report and accounts for the year to 31 December 2014 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 2015, which alter the view expressed in the Company's annual report and accounts for the year to 31 December 2014.

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 2014. The Company has not adopted any new or revised accounting standards in the current year.

3. INCOME TAX EXPENSE

Tax for the six month period to 30 June 2015 is charged at 20.25% (six months ended 30 June 2014: 21.50%; year ended 31 December 2014: 21.50%), 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 Summer Finance Bill 2015 includes a provision for a 1% reduction to the standard rate of corporation tax from April 2017 and a further 1% reduction from April 2020 but this bill will not be substantively enacted until later in 2015 and, therefore, has not impacted these condensed financial statements.

CONDENSED FINANCIAL STATEMENTS – SIX MONTHS ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. NOTES TO THE CASH FLOW STATEMENT

	6 Months ended 30 June 2015 (unaudited) £m	6 Months ended 30 June 2014 (unaudited) £m
Profit before income tax	(0.1)	(0.1)
Finance costs	8.6	8.6
Finance income	(8.5)	(8.5)
Cash generated from operations	-	-

5. FINANCIAL INSTRUMENTS

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

	Carrying Value		Fair Value	
	30 June 2015 (unaudited) £m	31 December 2014 £m	30 June 2015 (unaudited) £m	31 December 2014 £m
Financial assets				
Amounts owed by group undertakings	257.1	251.3	315.6	317.0
Financial liabilities				
Intercompany short-term loan	3.6	-	3.6	-
2020 – 8.875% bonds	105.4	100.9	136.6	135.4
2035 – 5.125% bonds	149.0	152.8	176.1	183.9
	258.0	253.7	316.3	319.3

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. 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 2015 (unaudited):		
Northern Powergrid (Northeast) Limited	8.5	257.1
Yorkshire Electricity Group plc	-	(3.6)
	<u>8.5</u>	<u>253.5</u>
Six months ended 30 June 2014 (unaudited):		
Northern Powergrid (Northeast) Limited	8.5	257.1
Yorkshire Electricity Group plc	-	(3.6)
	<u>8.5</u>	<u>253.5</u>
Year ended 31 December 2014:		
Northern Powergrid (Northeast) Limited	17.0	251.3
Yorkshire Electricity Group plc	-	1.6
	<u>17.0</u>	<u>252.9</u>

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