

NORTHERN ELECTRIC plc

HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2025

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 Electric 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 2025 was to act as a holding company, with its main operating subsidiaries being Northern Powergrid (Northeast) plc (“Northern Powergrid”), Integrated Utility Services Limited (“IUS”) and Northern Powergrid Metering Limited (“Metering”).

Northern Powergrid distributes electricity to approximately 1.6 million customers connected to its electricity distribution network in the North East of England and is an authorised distributor under the Electricity Act 1989. IUS provides engineering contracting services to various clients and Metering rents meters to energy suppliers.

Results for the six months ended 30 June 2025

During the period ended 30 June 2025, the Group made a profit after tax of £85.0 million; this was £10.0 million lower than the 6 months ended 30 June 2024 and was mainly as a result of lower gross margins and higher operating expenses.

IUS continued to operate its engineering contracting business with revenues slightly lower than the 6 months ended 30 June 2024.

Metering continued to deliver a satisfactory performance in terms of the contracts secured with energy suppliers for the provision of smart meters in the United Kingdom.

Revenue

Revenue at £305.8 million was £11.2 million lower than for the six months ended 30 June 2024 due to lower distribution use of system tariffs, lower contracting and lower metering revenues.

Cash flow

Cash and cash equivalents as at 30 June 2025 were £13.7 million, representing an increase of £0.3 million when compared with the position at 31 December 2024. This compares with a decrease of £1.7 million in the comparative six-month period, reflecting a stable cash flow position.

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. During 2024 the Group exercised the second extension option which extended the termination date to December 2026.

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 £85.0 million being transferred to reserves.

Related party transactions

The Company provides certain corporate functions to the Northern Powergrid Group.

Further details of the related party transactions entered into by the Group are included in Note 7 to this half-yearly financial report.

Principal risks and uncertainties

Information concerning the principal long-term risks and uncertainties and the internal control system are included in the Group's latest annual reports and accounts for the year to 31 December 2024, 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 2025.

Going concern

In the Group's latest annual reports and accounts for the year to 31 December 2024 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 2025, which alter the view expressed in the annual reports and accounts to 31 December 2024.

Future strategy and objectives

The Company will continue to develop its business as a holding company in a manner that concentrates on the Group's principal activities of electricity distribution, engineering contracting and the rental of meters to energy suppliers.

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 and the undertakings included in the consolidation as a whole as required by Disclosure and Transparency Rules ("DTR") 4.2.4R for the six months to 30 June 2024;
- (b) the interim management report contains a fair review of the information required by DTR 4.2.7R; and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R.

By order of the board



A P Jones
Director

22 September 2025

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS - SIX MONTHS
ENDED 30 JUNE 2025**

	6 Months ended 30 June 2025 (unaudited)	6 Months ended 30 June 2024 (unaudited)
	£m	£m
Revenue	305.8	317.6
Cost of sales	<u>(23.8)</u>	<u>(28.2)</u>
Gross profit	282.0	289.4
Operating expenses	<u>(147.0)</u>	<u>(143.5)</u>
Operating profit	135.0	145.9
Other (losses)/gains	0.3	-
Finance income	6.4	10.0
Finance costs	<u>(27.6)</u>	<u>(27.3)</u>
Profit before tax	114.1	128.6
Income tax expense	<u>(29.1)</u>	<u>(33.6)</u>
Profit from ordinary activities after tax	<u>85.0</u>	<u>95.0</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
COMPREHENSIVE INCOME - SIX MONTHS ENDED 30 JUNE 2025**

	6 Months ended 30 June 2025 (unaudited) £m	6 Months ended 30 June 2024 (unaudited) £m
PROFIT FOR THE PERIOD	85.0	95.0
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Employee benefit obligation	6.0	7.3
Income tax relating to items of other comprehensive income	(1.5)	(1.8)
	<u>4.5</u>	<u>5.5</u>
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedge	(3.3)	0.6
Income tax relating to items of other comprehensive income	0.8	(0.2)
	<u>(2.5)</u>	<u>0.4</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>2.0</u>	<u>5.9</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>87.0</u>	<u>100.9</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2025

	30 June 2025 (unaudited) £m	31 December 2024 £m
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	57.0	54.3
Property, plant and equipment	3,366.4	3,309.8
Right of use asset	12.0	12.0
Investments	3.8	3.3
Pension asset	150.2	138.7
Derivative asset	6.8	8.8
Trade and other receivables	4.2	8.1
	<u>3,600.4</u>	<u>3,535.0</u>
CURRENT ASSETS		
Inventories	40.5	29.4
Trade and other receivables	142.1	178.3
Contract assets	12.4	10.3
Tax receivable	-	-
Derivative asset	3.2	4.5
Cash and cash equivalents	13.7	13.4
	<u>211.9</u>	<u>235.9</u>
TOTAL ASSETS	<u>3,812.3</u>	<u>3,770.8</u>
EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	72.2	72.2
Share premium account	158.7	158.7
Hedging reserves	7.5	10.0
Other reserves	6.2	6.2
Retained earnings	1,245.1	1,155.6
TOTAL EQUITY	<u>1,489.7</u>	<u>1,402.7</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2025

	30 June 2025 (unaudited) £m	31 December 2024 £m
LIABILITIES		
NON-CURRENT LIABILITIES		
Deferred revenue	699.6	693.4
Borrowings	1,115.3	1,119.7
Lease liability	9.6	9.6
Deferred tax	176.7	171.3
Provisions	1.3	1.0
Trade and other payables	5.2	6.5
	<u>2,007.7</u>	<u>2,001.6</u>
CURRENT LIABILITIES		
Trade and other payables	149.9	188.6
Deferred revenue	33.4	32.2
Borrowings	109.6	134.8
Lease liability	2.9	2.9
Tax payable	15.9	5.7
Provisions	3.2	2.4
	<u>314.9</u>	<u>366.6</u>
TOTAL LIABILITIES	<u>2,322.6</u>	<u>2,368.1</u>
TOTAL EQUITY AND LIABILITIES	<u>3,812.3</u>	<u>3,770.8</u>

The interim financial statements were approved by the board of directors and authorised for issue on 22 September 2025 and were signed on its behalf by:



A P Jones
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2025

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Hedging Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2025	72.2	158.7	6.2	10.0	1,155.6	1,402.7
Profit for the period (unaudited)	-	-	-	-	85.0	85.0
Other comprehensive income (unaudited)	-	-	-	(2.5)	4.5	2.0
Balance at 30 June 2025	72.2	158.7	6.2	7.5	1,245.1	1,489.7

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Hedging Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2024	72.2	158.7	6.2	11.0	1,237.1	1,485.2
Profit for the period (unaudited)	-	-	-	-	95.0	95.0
Other comprehensive income (unaudited)	-	-	-	0.4	5.5	5.9
Balance at 30 June 2024	72.2	158.7	6.2	11.4	1,337.6	1,586.1

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Hedging Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2024	72.2	158.7	6.2	11.0	1,237.1	1,485.2
Profit for the period	-	-	-	-	207.7	207.7
Other comprehensive income	-	-	-	(1.0)	(11.8)	(12.8)
Dividends	-	-	-	-	(277.4)	(277.3)
Balance at 31 December 2024	72.2	158.7	6.2	10.0	1,155.6	1,402.7

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 Months ended 30 June 2025 (unaudited) £m	6 Months ended 30 June 2024 (unaudited) (restated) £m
Operating activities		
Cash receipts from customers	387.9	374.0
Cash paid to suppliers and employees	(130.9)	(110.9)
Income taxes paid	(6.3)	(29.7)
Net cash from operating activities	250.7	233.4
Investing activities		
Acquisition of PPE	(139.5)	(115.9)
Acquisition of intangible assets	-	(6.2)
Cash transferred to related parties	(55.4)	(58.7)
Interest received	0.3	0.4
Dividends received	-	-
Net cash flows used in investing activities	(194.6)	(180.4)
Financing activities		
Interest paid	(32.0)	(32.7)
Financing transaction costs	-	-
Movement in short-term borrowings	2.2	(2.1)
Preference dividends paid	(4.5)	(4.5)
Payment of lease liabilities	(1.4)	(1.4)
Cash received from related parties	-	-
Dividends paid	-	-
Proceeds from loans and borrowings	-	9.2
Repayment of borrowings	(20.1)	(20.9)
Net cash flows from financing activities	(55.8)	(52.4)
Net increase/(decrease) in cash and cash equivalents	0.3	0.6
Cash and cash equivalents at beginning of period	13.4	14.8
Cash and cash equivalents at end of period	13.7	15.4

* During the year, the Group reflected on the presentation of cash inflows and outflows in the cash flow statement. In the prior year the cash flow statement showed cash flows flowing through the Group's bank accounts together with transactions made by other entities within the wider Northern Powergrid Group on the Group's behalf and recorded in the inter-company current account. The Group's cash flow statement should have only shown the cash flows flowing through the Group's bank accounts. The comparatives have been restated accordingly.

The prior year cash flow statement was presented using the indirect method, which reconciled profit before tax to net cash flows from operating activities by adjusting for non-cash items and changes in working capital. The restatement involves presenting cash flows from operating activities using the direct method, which shows major classes of gross cash receipts and gross cash payments

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

relating to the Group. Accordingly in the comparative period this has resulted in an increase in net cash from operating activities of £75.2m, an increase in cash flows used in investing activities by £37.6m and an increase in cash flows from financing activities by £37.6m . There has been no impact on net cash flows.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2025

1. GENERAL INFORMATION

The information included within these condensed financial statements that refer to the year ended 31 December 2024, 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 2024 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 2025, which alter the view expressed in the annual reports and accounts to 31 December 2024.

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 2024.

Application of new and revised IFRS

None of the standards, interpretations and amendments which are effective for periods beginning 1 January 2025 has had a material effect on the financial statements:

- Lack of Exchangeability – Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

3. SEGMENTAL ANALYSIS

The Group operates in three principal areas of activity, those of the distribution of electricity, engineering contracting and smart meter rental in the United Kingdom.

The Group is separated into the following segments:

Distribution: Northern Powergrid (Northeast) plc

Contracting: Integrated Utility Services Limited

Metering: Northern Powergrid Metering Limited

Other: Includes support activities and consolidation adjustments

The following is an analysis of the Group's revenue and results by reportable segment in the six months ended 30 June 2025 (unaudited):

	Distribution	Contracting	Metering	Other	Consolidation Adjustment	Total
	£m	£m	£m	£m	£m	£m
REVENUE						
External sales	245.1	18.3	41.6	0.8	-	305.8
Inter-segment sales	1.9	3.7	-	-	5.6	-
Total Revenue	<u>247.0</u>	<u>22.0</u>	<u>41.6</u>	<u>0.8</u>	5.6	<u>305.8</u>
SEGMENT RESULTS						
Operating profit/(loss)	<u>111.8</u>	<u>1.6</u>	<u>16.9</u>	<u>0.2</u>	4.5	135.0
Other gains						0.3
Finance income						6.4
Finance costs						<u>(27.6)</u>
Profit before tax						<u>114.1</u>
OTHER INFORMATION						
Capital additions	136.3	-	5.6	-	0.1	141.8
Depreciation and amortisation	53.3	0.1	24.0	-	1.0	76.4
Amortisation of deferred revenue	<u>(15.7)</u>	<u>-</u>	<u>-</u>	<u>-</u>	-	<u>(15.7)</u>

External sales to the E.ON group in the six months ended 30 June 2025 represented 16.51% of revenue within the Distribution segment.

External sales to British Gas Ltd in the six months ended 30 June 2025 represented 14.48% of revenue within the Distribution segment.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

3. SEGMENTAL ANALYSIS (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable segment in the six months ended 30 June 2023 (unaudited):

	Distribution	Contracting	Metering	Other	Consolidation Adjustment	Total
	£m	£m	£m	£m	£m	£m
REVENUE						
External sales	250.5	20.0	46.5	0.6	-	317.6
Inter-segment sales	1.9	4.9	-	-	6.8	(0.1)
Total Revenue	<u>252.4</u>	<u>24.9</u>	<u>46.5</u>	<u>0.6</u>	6.8	<u>317.6</u>
SEGMENT RESULTS						
Operating profit/(loss)	<u>120.9</u>	<u>0.9</u>	<u>20.3</u>	<u>0.6</u>	3.2	145.9
Other losses						-
Finance income						10.0
Finance costs						<u>(27.3)</u>
Profit before tax						<u>128.6</u>
OTHER INFORMATION						
Capital additions	114.0	-	23.6	-	0.2	137.4
Depreciation and amortisation	51.1	0.2	25.6	-	0.4	76.5
Amortisation of deferred revenue	<u>(15.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	-	<u>(15.0)</u>

External sales to E.ON group in the six months ended 30 June 2024 represented 17.83% of revenue within the Distribution segment.

External sales to British Gas Ltd in the six months ended 30 June 2024 represented 14.44% of revenue within the Distribution segment.

Sales and purchases between the different segments are made at commercial prices.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

3. SEGMENTAL ANALYSIS (CONTINUED)

The accounting policies of the reportable segments are the same as the Group's accounting policies which are described in the Group's latest annual financial statements. The segment results represent the profit earned by each segment without allocation of the share of profits of joint ventures, associates, finance income and finance costs and income tax expense.

Segment net assets	30 June 2025 Unaudited £m	31 December 2024 £m
Distribution	2,330.4	2,391.7
Contracting	8.8	6.1
Metering	151.4	133.8
Other	<u>71.1</u>	<u>142.9</u>
Total net assets by segment	2,380.2	2,674.5
Unallocated net corporate liabilities	<u>(1,072.0)</u>	<u>(1,271.8)</u>
Total net assets	<u><u>1,489.7</u></u>	<u><u>1,402.7</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

4. INCOME TAX EXPENSE

Tax for the six-month period ended 30 June 2025 is charged at 25.5% (six months ended 30 June 2024: 26.3%). 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

	6 months ended 30 June 2025 Unaudited £m	6 months ended 30 June 2024 Unaudited £m
Current tax	24.3	24.0
Deferred tax	<u>4.8</u>	<u>9.6</u>
Total income tax expense	<u>29.1</u>	<u>33.6</u>

Finance Act 2025 confirmed that the corporation tax rate will remain at 25% from 1 April 2023 as previously enacted.

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

5. RETIREMENT BENEFIT SCHEMES

The defined benefit obligation as at 30 June 2025 is calculated on a year-to-date basis, using the annual actuarial valuation as at 31 December 2024. The latest triennial valuation carried out by AON was on the 4 February 2025. There have not been any significant fluctuations or one-time events since that time that would require adjustment to the actuarial assumptions made at June 2025.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

6. 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 2025 Unaudited £m	31 December 2024 £m	30 June 2025 Unaudited £m	31 December 2024 £m
Financial liabilities				
Short-term loan	81.4	79.9	81.4	79.9
Bond 2035 – 5.125% (Northern Electric Finance plc)	149.6	149.6	147.8	148.4
Bond 2049 – 2.750% (Northern Electric Finance plc)	148.2	148.1	88.6	94.7
Bond 2052 – 3.25% (Northern Electric Finance plc)	349.4	349.3	223.3	239.7
Bond 2062 – 1.875% (Northern Powergrid (Northeast) plc)	295.0	294.9	116.7	138.9
Amortising loan 2026 – 3.23768%*	75.5	115.3	76.5	117.2
EIB Loan 2027 – 2.564% (Northern Powergrid (Northeast) plc)	121.7	121.7	116.4	112.4
Cumulative preference shares	3.4	3.4	152.4	134.6
	<u>1,224.2</u>	<u>1,262.2</u>	<u>1,003.1</u>	<u>1,065.8</u>

*2026 £76.4m Amortising Loan is 80% swapped at a fixed rate of 2.4455%, with the remaining 20% floating at SONIA plus 1.65%

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

7. RELATED PARTY TRANSACTIONS

Group

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

	Sales to related parties £m	Purchases from related parties £m	Amounts owed (to)/from related parties £m	Borrowings (to)/from related parties £m	Finance income/ (costs) from/(to) related parties £m
Related party					
<i>Six months ended 30 June</i>					
<i>2025:</i>					
Northern Powergrid (Yorkshire) plc	19.2	7.4	-	-	-
Yorkshire Electricity Group plc	-	-	-	46.5	(4.1)
	<u>19.2</u>	<u>7.4</u>	<u>-</u>	<u>46.5</u>	<u>(4.1)</u>
<i>Six months ended 30 June</i>					
<i>2024:</i>					
Northern Powergrid (Yorkshire) plc	19.8	8.4	-	-	-
Yorkshire Electricity Group plc	-	-	-	263.6	(6.7)
	<u>19.8</u>	<u>8.4</u>	<u>-</u>	<u>263.6</u>	<u>(6.7)</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.