

Scotland Gas Networks plc

Unaudited interim financial information

for the six month period ended 30 September 2020

Scotland Gas Networks plc

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Profit and loss account

for the six month period ended 30 September 2020

		Unaudited		Audited
		Six month period ended 30 September 2020	Six month period ended 30 September 2019	Year ended 31 March 2020
	Notes	£'m	£'m	£'m
Turnover	2	185	177	357
Net operating costs	3	(93)	(93)	(188)
Operating profit		92	84	169
Interest receivable and similar income	5	1	1	2
Interest payable and similar charges	6	(23)	(27)	(55)
Profit on ordinary activities before taxation		70	58	116
Tax (charge)/credit on profit on ordinary activities	7	(14)	(11)	(49)
Profit for the financial period		56	47	67

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Statement of comprehensive income for the six month period ended 30 September 2020

		Unaudited		Audited
	Notes	Six month period ended 30 September 2020	Six month period ended 30 September 2019 £'m	Year ended 31 March 2020 £'m
Profit for the financial period		56	47	67
Cash flow hedges	15	(1)	(13)	(12)
Actuarial gain/(loss) on defined benefit pension schemes (net of deferred tax)	15	(14)	14	44
Total recognised (losses)/gains for the period		41	48	99

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Balance sheet as at 30 September 2020

		<u>Unaudited</u>	<u>Audited</u>
	Notes	30 September 2020 £'m	31 March 2020 £'m
Fixed assets			
Intangible assets	9	114	117
Tangible assets	10	2,091	2,077
		2,205	2,194
Current assets			
Debtors	11	95	78
		95	78
Creditors: amounts falling due within one year	12	(89)	(81)
Net current assets/(liabilities)		6	(3)
Total assets less current liabilities			
		2,211	2,191
Creditors: amounts falling due after more than one year	13	(1,442)	(1,441)
Provisions for liabilities	14	(251)	(258)
Deferred income		(168)	(168)
Net assets excluding pension liability/asset		350	324
Defined benefit pension surplus		127	142
Net assets including pension liability/asset		477	466
Capital and reserves			
Called up share capital		49	49
Hedge reserve		(68)	(67)
Profit and loss account		496	484
Shareholders' funds	15	477	466

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Statement of changes in equity as at 30 September 2020

	Notes	Called up share capital £m	Hedge reserve £m	Profit and loss account £m	Total £m
At 1 April 2020		49	(67)	484	466
Profit for the financial year		-	-	56	56
Cash flow hedges		-	(2)	-	(2)
Remeasurement of net defined benefit pension asset/liability		-	-	(17)	(17)
Deferred tax movements relating to items of other comprehensive income:					
- Cash flow hedges		-	1	-	1
- Pension asset		-	-	3	3
Total comprehensive income		-	(1)	42	41
Dividends paid	8	-	-	(30)	(30)
At 30 September 2020		49	(68)	496	477

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Cash Flow Statement as at 30 September 2020

		Unaudited	Audited
		Six month period ended 30 September 2020 £m	Year ended 31 March 2020 £m
	Notes		
Cash flows from operating activities			
Cash generated from operations	1	98	189
Interest paid		(14)	(41)
Tax paid		(11)	(35)
Net cash from operating activities		73	113
Cash flows from investing activities			
Purchase of intangible fixed assets		(2)	(3)
Purchase of tangible fixed assets		(39)	(134)
Sale of tangible fixed assets		-	-
Customer contributions received		2	9
Interest received		-	-
Net cash from investing activities		(39)	(128)
Cash flows from financing activities			
Issue of debt		-	125
Loan repayments in year		-	(75)
Payments of financial instruments		(4)	(7)
Equity dividends paid		(30)	(28)
Net cash from financing activities		(34)	15
Increase/ (decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year	2	-	-
Cash and cash equivalents at end of year	2	-	-

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Notes to the Cash Flow Statement as at 30 September 2020

1 Reconciliation of profit before taxation to cash generated from operations

	Six month period ended 30 September 2020 £m	Year ended 31 March 2020 £m
Profit before tax	70	116
Depreciation charges	24	54
Amortisation charges	3	8
Loss on disposal of fixed assets	-	1
Amortisation of deferred income	(2)	(3)
Finance costs	23	55
Finance income	(1)	(2)
	117	229
Decrease/(increase) in trade and other debtors	(17)	(39)
Increase/(decrease) in trade and other creditors	(2)	(1)
Cash generated from operations	98	189

2 Cash and cash equivalents

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Period ended 30 September 2020	30.09.2020 £m	01.04.2020 £m
Cash in hand	-	-
Short term deposits	-	-
	-	-

Year ended 31 March 2020	31.03.2020 £m	01.04.2019 £m
Cash in hand	-	-
Short term deposits	-	-
	-	-

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Notes to the financial information for the six month period ended 30 September 2020

1 Basis of preparation

This interim report for Scotland Gas Networks plc (“the Company”) presents the unaudited financial information of the Company for the six month period ended 30 September 2020. Unaudited profit and loss account comparative figures have been presented for the six month period ended 30 September 2019. Comparative figures for the year ended 31 March 2020 have also been presented which have been derived from the audited statutory accounts of the Company.

This interim financial information does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006.

The accounting policies used are consistent with those as set out in the statutory accounts of the Company for the year ended 31 March 2020, and these accounts are therefore prepared under FRS 102.

2 Segmental reporting

Turnover arises entirely in the United Kingdom and is attributable to the continuing activity of transportation of natural gas and the provision of related services, which the Directors consider represents a single class of business.

3 Net operating costs

	Six month period ended 30 September 2020 £'m	Six month period ended 30 September 2019 £'m	Year ended 31 March 2020 £'m
Operating costs	93	93	188

4 Profit before taxation

The profit is stated after charging/ (crediting):

	Six month period ended 30 September 2020 £'m	Six month period ended 30 September 2019 £'m	Year ended 31 March 2020 £'m
Depreciation	24	25	54
Loss on disposal of fixed assets	-	-	1
Goodwill amortisation	1	1	3
Computer software amortisation	2	3	5
Amortisation of customer contributions	(2)	(2)	(3)

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5 Interest receivable and similar income

	Six month period ended 30 September 2020 £'m	Six month period ended 30 September 2019 £'m	Year ended 31 March 2020 £'m
Net interest on defined benefit asset	1	1	2
	1	1	2

6 Interest payable and similar charges

	Six month period ended 30 September 2020 £'m	Six month period ended 30 September 2019 £'m	Year ended 31 March 2020 £'m
Index linked bond interest	6	9	20
Other interest payable on bonds	15	16	31
Other interest payable	2	2	4
Unwinding of discount	-	-	-
Movements on financial derivatives	-	-	-
	23	27	55

Included within index-linked bond interest is £2m of accretion (31 March 2020: £11m).

7 Tax credit/(charge) on profit on ordinary activities

	Six month period ended 30 September 2020 £'m	Six month period ended 30 September 2019 £'m	Year ended 31 March 2020 £'m
Total tax (charge)/credit for the period	(14)	(11)	(49)

8 Dividends

	Six month period ended 30 September 2020 £'m	Year ended 31 March 2020 £'m
Equity shares		
Interim dividend paid 60.74 pence per share (31 March 2020: cash dividend of 56.69 pence per share)	30	28

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9 Intangible fixed assets

	£'m	£'m	£'m
	Goodwill	Software	Total
Cost			
At 1 April 2020	143	70	213
Additions	-	-	-
At 30 September 2020	143	70	213
Accumulated amortisation			
At 1 April 2020	(43)	(53)	(96)
Charge for the period	(1)	(2)	(3)
At 30 September 2020	(44)	(55)	(99)
Net book value			
At 30 September 2020	99	15	114
At 31 March 2020	100	17	117

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10 Tangible fixed assets

	Land and buildings £'m	Plant and machinery £'m	Motor vehicles and office equipment £'m	Total £'m
Cost				
At 1 April 2020	38	2,520	42	2,600
Additions	1	37	1	39
Disposals	-	(1)	-	(1)
At 30 September 2020	39	2,556	43	2,638
Depreciation				
At 1 April 2020	(11)	(487)	(25)	(523)
Charge for the period	-	(24)	-	(24)
Disposals	-	-	-	-
At 30 September 2020	(11)	(511)	(25)	(547)
Net book value				
At 30 September 2020	28	2,045	18	2,091
At 31 March 2020	27	2,033	17	2,077

11 Debtors

	30 September 2020 £'m	31 March 2020 £'m
Trade debtors	33	29
Amounts owed by Group Undertakings	57	45
Prepayments and accrued income	5	4
	95	78

Amounts owed to group undertakings includes an intercompany loan due from Southern Gas Networks plc of £73m (31 March 2020: £62m) and intercompany trade balances due to the Group of £16m (31 March 2020: £16m)

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12 Creditors: amounts falling due within one year

	30 September 2020 £'m	31 March 2020 £'m
Trade creditors	7	15
Other creditors	3	2
Other taxation and social security	10	6
Accrued interest	19	10
Other accruals	33	34
Deferred income	14	11
Derivative financial instruments	3	3
	89	81

The total revolving credit facility is £20m and expires in March 2025. The facility was undrawn at 30 September 2020 and 31 March 2020.

13 Creditors: amounts falling due after more than one year

	30 September 2020 £'m	31 March 2020 £'m
Hedging swaps	83	82
Mirror swaps	8	10
Index linked	425	422
EIB Floating	65	65
EIB Fixed	35	35
Eurobonds	473	473
USPP Fixed	274	274
Floating rate note	80	80
	1,443	1,441

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14 Provisions for liabilities

	Environmental £'m	Deferred tax £'m	Other provisions £'m	Total £'m
At 1 April 2020	8	247	3	258
Movement during the period	1	(7)	(1)	(7)
At 30 September 2020	9	240	2	251

The environmental provision represents the Directors' best estimate of environmental restoration costs, where the Company has a legal obligation to restore sites at the balance sheet date. The provision has been discounted and is stated at the present value of the expenditure expected to be required to settle the obligation. The provision is expected to be utilised over the next six years in line with anticipated regulatory output requirements for land remediation.

Other provisions represent the provision for other legal and constructive obligations held by the Company.

Deferred tax has been measured based upon corporation tax rates substantively enacted at the balance sheet date.

15 Reconciliation of movements in shareholders' funds

	Six month period ended 30 September 2020 £'m	Year ended 31 March 2020 £'m
Profit for the period	56	67
Cash flow hedge	(1)	(12)
Actuarial (loss)/gain on defined benefit pension scheme	(14)	44
Dividends paid	7	(28)
Net increase in shareholders' funds	11	71
Opening shareholders' funds	417	346
Closing shareholders' funds	428	417