

Scotland Gas Networks plc

Unaudited interim financial information

for the six-month period ended 30 September 2021

Scotland Gas Networks plc

Unaudited interim financial information for the six-month period ended 30 September 2021

Contents

Profit and loss account for the six-month period ended 30 September 2021.....	1
Statement of comprehensive income for the six-month period ended 30 September 2021	2
Balance sheet as at 30 September 2021.....	3
Statement of changes in equity as at 30 September 2021	4
Cash flow statement as at 30 September 2021.....	5
Notes to the cash flow statement as at 30 September 2021.....	6
Notes to the financial information for the six-month period ended 30 September 2021	7 - 13

Scotland Gas Networks plc

Profit and loss account

for the six-month period ended 30 September 2021

		Unaudited		Audited
		Six-month period ended 30 September 2021	Six-month period ended 30 September 2020	Year ended 31 March 2021
	Notes	£'m	£'m	£'m
Turnover	2	167	185	384
Net operating costs	3	(107)	(93)	(220)
Operating profit		60	92	164
Interest receivable and similar income	5	1	1	3
Interest payable and similar charges	6	(34)	(23)	(48)
Profit on ordinary activities before taxation	4	27	70	119
Tax charge on profit on ordinary activities	7	(83)	(14)	(23)
(Loss)/Profit for the financial period		(56)	56	96

Scotland Gas Networks plc

Statement of comprehensive income for the six-month period ended 30 September 2021

		Unaudited		Audited
	Notes	Six-month period ended 30 September 2021 £'m	Six-month period ended 30 September 2020 £'m	Year ended 31 March 2021 £'m
(Loss)/Profit for the financial period		(56)	56	96
Cash flow hedges	15	2	(1)	10
Actuarial gain/(loss) on defined benefit pension schemes (net of deferred tax)	15	8	(14)	(23)
Total recognised (loss)/gains for the period		(46)	41	83

Scotland Gas Networks plc

Balance sheet as at 30 September 2021

		<u>Unaudited</u>	<u>Audited</u>
	Notes	30 September 2021 £'m	31 March 2021 £'m
Fixed assets			
Intangible assets	9	109	111
Tangible assets	10	2,141	2,119
		2,250	2,230
Current assets			
Debtors	11	78	63
Cash at bank		17	8
		95	71
Creditors: amounts falling due within one year	12	(98)	(86)
Net current assets/(liabilities)		(3)	(15)
Total assets less current liabilities		2,247	2,215
Creditors: amounts falling due after more than one year	13	(1,443)	(1,433)
Provisions for liabilities	14	(332)	(257)
Deferred income		(175)	(171)
Net assets excluding pension liability/asset		297	354
Defined benefit pension surplus		130	119
Net assets including pension liability/asset		427	473
Capital and reserves			
Called up share capital		49	49
Hedge reserves		(55)	(57)
Profit and loss account		433	481
Shareholders' funds	15	427	473

Scotland Gas Networks plc

Statement of changes in equity as at 30 September 2021

	Notes	Called up share capital £m	Hedge reserve £m	Profit and loss account £m	Total £m
At 1 April 2021		49	(57)	481	473
Loss for the financial period		-	-	(56)	(56)
Cash flow hedges		-	2	-	2
Remeasurement of net defined benefit pension asset		-	-	9	9
Deferred tax movements relating to items of other comprehensive income:					
- Cash flow hedges		-	-	-	-
- Pension asset		-	-	(1)	(1)
Total comprehensive income/ (loss)		-	2	(48)	(46)
Dividends paid	8	-	-	-	-
At 30 September 2021		49	(55)	433	427

Scotland Gas Networks plc

Cash Flow Statement as at 30 September 2021

		Unaudited	Audited
		Six-month period ended 30 September 2021 £m	Year ended 31 March 2021 £m
	Notes		
Cash flows from operating activities			
Cash generated from operations	1	74	246
Interest paid		(9)	(39)
Tax paid		(7)	(24)
Net cash inflow from operating activities		58	183
Cash flows from investing activities			
Purchase of intangible fixed assets		(1)	(1)
Purchase of tangible fixed assets		(52)	(99)
Sale of tangible fixed assets		-	-
Customer contributions received		6	7
Interest received		-	-
Net cash outflow from investing activities		(47)	(93)
Cash flows from financing activities			
Issue of debt		-	-
Repayment of debt		-	-
Payments of interest rate swaps		(2)	(4)
Payments of mirror swaps		(1)	(3)
Receipts from inflation-linked swaps		1	-
Equity dividends paid		-	(75)
Net cash outflow from financing activities		(2)	(82)
Increase in cash and cash equivalents		9	8
Cash and cash equivalents at beginning of year	2	8	-
Cash and cash equivalents at end of year	2	17	8

Scotland Gas Networks plc

Notes to the Cash Flow Statement as at 30 September 2021

1 Reconciliation of profit before taxation to cash generated from operations

	Six-month period ended 30 September 2021 £m	Year ended 31 March 2021 £m
Profit before tax	27	119
Depreciation charges	29	54
Amortisation charges	3	7
Loss on disposal of fixed assets	1	1
Amortisation of deferred income	(2)	(4)
(Decrease)/increase in provisions	(1)	2
Interest payable and similar charges	34	48
Interest receivable and similar income	(1)	(3)
	90	224
(Increase)/ decrease in trade and other debtors	(17)	17
Increase in trade and other creditors	1	5
Cash generated from operations	74	246

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 2021	30.09.2021 £m	01.04.2021 £m
Cash in hand	17	8
Short term deposits	-	-
	17	8

Year ended 31 March 2021	31.03.2021 £m	01.04.2020 £m
Cash in hand	8	-
Short term deposits	-	-
	8	-

Scotland Gas Networks plc

Notes to the financial information for the six-month period ended 30 September 2021

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 2021. Unaudited profit and loss account comparative figures have been presented for the six-month period ended 30 September 2020. Comparative figures for the year ended 31 March 2021 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 2021, 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 2021 £'m	Six-month period ended 30 September 2020 £'m	Year ended 31 March 2021 £'m
Operating costs	107	93	220

Scotland Gas Networks plc

4 Profit before taxation

The profit is stated after charging/ (crediting):

	Six-month period ended 30 September 2021 £'m	Six-month period ended 30 September 2020 £'m	Year ended 31 March 2021 £'m
Depreciation	29	24	54
Loss on disposal of fixed assets	1	-	1
Goodwill amortisation	1	1	2
Computer software amortisation	2	2	5
Amortisation of customer contributions	(2)	(2)	(4)

5 Interest receivable and similar income

	Six-month period ended 30 September 2021 £'m	Six-month period ended 30 September 2020 £'m	Year ended 31 March 2021 £'m
Net interest on defined benefit asset	1	1	3

Scotland Gas Networks plc

6 Interest payable and similar charges

	Six-month period ended 30 September 2021 £'m	Six-month period ended 30 September 2020 £'m	Year ended 31 March 2021 £'m
Interest payable on fixed rate instruments	15	16	32
Interest payable on floating rate instruments	-	-	1
Interest payable on inflation-linked instruments	13	6	13
Other interest payable	1	1	2
Unwinding of discount	-	-	-
Movement on mirror swaps	-	-	1
Movement on inflation-linked swaps	5	-	-
	34	23	48

Included within interest payable on inflation-linked instruments is £8m of accretion on RPI-linked debt instruments (30 September 2020: £2m and 31 March 2021: £4m). Included within movement on inflation-linked swaps is accretion of £2m on CPI-linked swaps (30 September 2020: nil and 31 March 2021: £nil).

7 Tax charge on profit on ordinary activities

	Six-month period ended 30 September 2021 £'m	Six-month period ended 30 September 2020 £'m	Year ended 31 March 2021 £'m
Total tax charge for the period	(83)	(14)	(23)

8 Dividends

	Six-month period ended 30 September 2021 £'m	Year ended 31 March 2021 £'m
Equity shares		
Interim dividend paid nil pence per share (31 March 2021: cash dividend of 151.84 pence per share)	-	75

Scotland Gas Networks plc

9 Intangible fixed assets

	£'m	£'m	£'m
	Goodwill	Software	Total
Cost			
At 1 April 2021	143	71	214
Additions	-	1	1
At 30 September 2021	143	72	215
Accumulated amortisation			
At 1 April 2021	(45)	(58)	(103)
Charge for the period	(1)	(2)	(3)
At 30 September 2021	(46)	(60)	(106)
Net book value			
At 30 September 2021	97	12	109
At 31 March 2021	98	13	111

Scotland Gas Networks plc

10 Tangible fixed assets

	Land and buildings £'m	Plant and machinery £'m	Motor vehicles and office equipment £'m	Total £'m
Cost				
At 1 April 2021	41	2,609	44	2,694
Additions	1	50	1	52
Disposals	-	(1)	-	(1)
At 30 September 2021	42	2,658	45	2,745
Depreciation				
At 1 April 2021	(12)	(536)	(27)	(575)
Charge for the period	(1)	(26)	(2)	(29)
Disposals	-	-	-	-
At 30 September 2021	(13)	(562)	(29)	(604)
Net book value				
At 30 September 2021	29	2,096	16	2,141
At 31 March 2021	29	2,073	17	2,119

11 Debtors

	30 September 2021 £'m	31 March 2021 £'m
Trade and other debtors	29	37
Amounts owed by group undertakings	43	22
Prepayments and accrued income	6	4
	78	63

Amounts owed to group undertakings includes an intercompany loan due from Southern Gas Networks plc of £55m (31 March 2021: £45m) and intercompany trade balances due to the Group of £12m (31 March 2021: £24m). The loan is repayable on demand and it bears interest at the Bank of England Base Rate.

Scotland Gas Networks plc

12 Creditors: amounts falling due within one year

	30 September 2021 £'m	31 March 2021 £'m
Trade creditors	19	9
Other creditors	3	3
Social security and other taxes	4	6
Accrued interest	20	10
Accruals	40	42
Deferred income	12	16
	98	86

The total revolving credit facility is £120m (31 March 2021: £120m) and expires in March 2025. The facility was undrawn at 30 September 2021 and 31 March 2021.

13 Creditors: amounts falling due after more than one year

	30 September 2021 £'m	31 March 2021 £'m
Interest rate swaps	69	71
Mirror swaps	7	8
Inflation-linked swaps	5	-
Inflation-linked debt	435	427
Fixed rate debt	782	782
Floating rate debt	145	145
	1,443	1,433

During the 6 months to 30 September 2021, Scotland Gas Networks plc transacted £75m of CPI linked swaps that economically switch the full notional principal of the following existing fixed rate debt instrument into a CPI-linked debt instrument:

- £75m fixed rate notes maturing in 2030.

Scotland Gas Networks plc

14 Provisions for liabilities

	Environmental £'m	Deferred tax £'m	Other provisions £'m	Total £'m
At 1 April 2021	8	242	7	257
Movement during the period	-	76	(1)	75
At 30 September 2021	8	318	6	332

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 four years in line with anticipated regulatory output requirements for land remediation.

Other provisions include asbestos related liabilities. The provision has been discounted and is stated at the present value of the estimated expenditure to settle the obligation. The provision is expected to be utilised over the next 29 years.

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 2021 £'m	Year ended 31 March 2021 £'m
(Loss)/Profit for the period	(56)	96
Cash flow hedge	2	10
Actuarial gain/ (loss) on defined benefit pension scheme	8	(23)
Dividends paid	8	(75)
Net (decrease)/ increase in shareholders' funds	(46)	8
Opening shareholders' funds	424	416
Closing shareholders' funds	378	424