

Southern Gas Networks plc
Unaudited interim financial information
for the six-month period ended 30 September 2021

Southern Gas Networks plc

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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

Southern 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	353	393	806
Net operating costs	3	(232)	(224)	(461)
Operating profit		121	169	345
Interest receivable and similar income	5	2	2	5
Interest payable and similar charges	6	(75)	(54)	(107)
Profit on ordinary activities before taxation	4	48	117	243
Tax charge on profit on ordinary activities	7	(186)	(23)	(47)
(Loss)/Profit for the financial period		(138)	94	196

Southern 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		(138)	94	196
Cash flow hedges	15	-	-	(1)
Actuarial gain/(loss) on defined benefit pension schemes (net of deferred tax)	15	6	(21)	(33)
Total recognised (loss)/gains for the period		(132)	73	162

Southern Gas Networks plc

Balance sheet as at 30 September 2021

		Unaudited	Audited
	Notes	30 September 2021 £'m	31 March 2021 £'m
Fixed assets			
Intangible assets	9	214	220
Tangible assets	10	4,801	4,743
		5,015	4,963
Current assets			
Debtors	11	61	74
Short term deposits		125	97
Cash		-	2
		186	173
Creditors: amounts falling due within one year	12	(223)	(229)
Net current assets/(liabilities)		(37)	(56)
Total assets less current liabilities		4,978	4,907
Creditors: amounts falling due after more than one year	13	(3,003)	(2,972)
Provisions for liabilities	14	(766)	(592)
Deferred income		(277)	(263)
Net assets excluding pension liability/asset		932	1,080
Defined benefit pension surplus		195	179
Net assets including pension liability/asset		1,127	1,259
Capital and reserves			
Called up share capital		160	160
Hedge reserves		-	-
Profit and loss account		967	1,099
Shareholders' funds	15	1,127	1,259

Southern Gas Networks plc

Statement of changes in equity as at 30 September 2021

	Notes	Called up share capital £m	Profit and loss account £m	Total £m
At 1 April 2021		160	1,099	1,259
Loss for the financial period		-	(138)	(138)
Cash flow hedges		-	-	-
Remeasurement of net defined benefit pension asset		-	13	13
Deferred tax movements relating to items of other comprehensive income:				
- Cash flow hedges		-	-	-
- Pension asset		-	(7)	(7)
Total comprehensive (loss)/income		-	(132)	1,127
Dividends paid	8	-	-	-
At 30 September 2021		160	967	1,127

Southern 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	181	456
Interest paid		(37)	(104)
Tax paid		(14)	(45)
Net cash inflow from operating activities		130	307
Cash flows from investing activities			
Purchase of intangible fixed assets		(1)	(3)
Purchase of tangible fixed assets		(121)	(262)
Sale of tangible fixed assets		-	-
Customer contributions received		17	25
Interest received		-	-
Net cash outflow from investing activities		(105)	(240)
Cash flows from financing activities			
Issue of debt		-	250
Repayment of debt		-	(215)
Payments of interest rate swaps		-	-
Payments of mirror swaps		(2)	(7)
Receipts from inflation-linked swaps		3	-
Equity dividends paid		-	(81)
Net cash inflow/ (outflow) from financing activities		1	(53)
Increase in cash and cash equivalents		26	14
Cash and cash equivalents at beginning of year	2	99	85
Cash and cash equivalents at end of year	2	125	99

Southern 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	48	243
Depreciation charges	61	116
Amortisation charges	7	13
Loss on disposal of fixed assets	2	5
Amortisation of deferred income	(3)	(6)
(Decrease)/ increase in provisions	(2)	1
Interest payable and similar charges	75	107
Interest receivable and similar income	(2)	(5)
	186	474
Decrease in trade and other debtors	10	4
Decrease in trade and other creditors	(15)	(22)
Cash generated from operations	181	456

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	-	2
Short term deposits	125	97
	125	99
Year ended 31 March 2021	31.03.2021 £m	01.04.2020 £m
Cash in hand	2	3
Short term deposits	97	82
	99	85

Southern 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 Southern 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	232	224	461

Southern 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	61	71	116
Loss on disposal of fixed assets	2	2	5
Goodwill amortisation	3	4	6
Computer software amortisation	4	6	7
Amortisation of customer contributions	(3)	(3)	(6)

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	2	2	5

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	35	43	83
Interest payable on floating rate instruments	1	2	3
Interest payable on inflation-linked instruments	8	7	14
Other interest payable	2	2	5
Unwinding of discount	-	-	-
Movement on mirror swaps	1	-	2
Movement on inflation-linked swaps	28	-	-
	75	54	107

Southern Gas Networks plc

6 Interest payable and similar charges (continued)

Included within interest payable on inflation-linked instruments is £5m 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 £8m 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	(186)	(23)	(47)

8 Dividends

	Six-month period ended 30 September 2021 £'m	Year ended 31 March 2021 £'m
Equity shares		
Interim dividends paid nil pence per share (31 March 2021: 50.32 pence per share)	-	81

Southern Gas Networks plc

9 Intangible fixed assets

	£'m	£'m	£'m
	Goodwill	Software	Total
Cost			
At 1 April 2021	288	117	405
Additions	-	1	1
At 30 September 2021	288	118	406
Accumulated amortisation			
At 1 April 2021	(91)	(94)	(185)
Charge for the period	(3)	(4)	(7)
At 30 September 2021	(94)	(98)	(192)
Net book value			
At 30 September 2021	194	20	214
At 31 March 2021	197	23	220

Southern 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	89	5,793	69	5,951
Additions	1	118	2	121
Disposals	-	(4)	-	(4)
At 30 September 2021	90	5,907	71	6,068
Depreciation				
At 1 April 2021	(33)	(1,134)	(41)	(1,208)
Charge for the period	(2)	(55)	(4)	(61)
Disposals	-	2	-	2
At 30 September 2021	(35)	(1,187)	(45)	(1,267)
Net book value				
At 30 September 2021	55	4,720	26	4,801
At 31 March 2021	56	4,659	28	4,743

11 Debtors

	30 September 2021 £'m	31 March 2021 £'m
Trade and other debtors	50	65
Prepayments and accrued income	11	9
	61	74

Southern Gas Networks plc

12 Creditors: amounts falling due within one year

	30 September 2021 £'m	31 March 2021 £'m
Trade creditors	23	23
Social security and other taxes	12	19
Other creditors	9	7
Accrued interest	41	34
Accruals	61	75
Deferred income	26	29
Amounts owed to group undertakings	51	42
	223	229

Amounts owed from group undertakings includes an intercompany loan due to Scotland Gas Networks plc of £55m (31 March 2021: £45m), and to SGN Natural Gas Ltd of £4m (31 March 2021: £7m). The loans are both repayable on demand and both bear interest at the Bank of England Base Rate. Also included are intercompany trade balances due from the Group of £8m (31 March 2021: £10m).

The total revolving credit facility is £240m (31 March 2021: £240m) 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
Mirror swaps	19	21
Inflation-linked swaps	28	-
Inflation-linked debt	515	510
Fixed rate debt	2,141	2,141
Floating rate debt	300	300
	3,003	2,972

During the 6 months to 30 September 2021, Southern Gas Networks plc transacted £400m of CPI-linked swaps that economically switch the full notional principal of the following three existing fixed rate debt instruments into CPI-linked debt instruments:

- £75m fixed rate notes maturing in 2030;
- £250m fixed rate notes maturing in 2031; and
- £75m fixed rate notes maturing in 2033.

Southern Gas Networks plc

14 Provisions for liabilities

	Environmental £'m	Deferred tax £'m	Other provisions £'m	Total £'m
At 1 April 2021	6	577	9	592
Movement during the period	-	176	(2)	174
Utilised during the period	-	-	-	-
At 30 September 2021	6	753	7	766

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	(138)	196
Cash flow hedges	-	(1)
Actuarial gain/ (loss) on defined benefit pension	6	(33)
Dividends paid	-	(81)
Net (decrease)/ increase in shareholders' funds	(132)	81
Opening shareholders' funds	8	1,018
Closing shareholders' funds	967	1,099