



Annual Review 2007

Delivering gas to the North of England

Northern Gas Networks



Corporate Directory



Northern Gas Networks Limited

1100 Century Way

Thorpe Park Business Park

Colton

LEEDS LS15 8TU

Telephone: 0113 397 5300

Facsimile: 0113 397 5301

Website: www.northerngasnetworks.co.uk

Gas Emergencies: Call 0800 111 999* at any time.

*All calls are recorded and may be monitored.



Phone **0113 397 5300**

Web **www.northerngasnetworks.co.uk**

**The National Gas Emergency
Service is available 24 hours
a day, every day.
FREEPHONE 0800 111 999*.**

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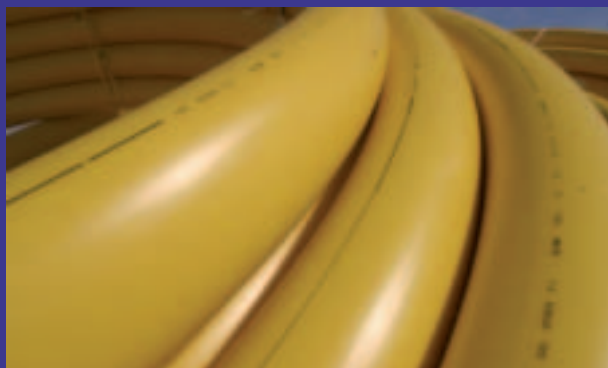
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The Year under Review



In the second full calendar year of operations Northern Gas Networks continued to develop within the UK's energy industry. Building on solid foundations, the company delivered improvements in its financial efficiency, in health and safety and in its customer service, positioning the organisation as one of the leaders in the UK gas industry.

The company won a prestigious Utility Award for the work in delivering the new suite of computer systems which underpin daily operations.



Northern Gas Networks delivers gas through 37,000km of pipes to around 2.6m homes and businesses in the North of England, an area of 27,000 square miles covering northern Cumbria, the North East and much of Yorkshire.

The pipeline network is one of eight within Great Britain, all of which are regulated: the Office of Gas and Electricity Markets (Ofgem) sets the economic and operational regime under which all operate and the Health & Safety Executive (HSE) oversees the safety performance. Consumers' interests are monitored by Energywatch.

Uniquely in the UK's gas industry, Northern Gas Networks operates under a strategic asset management model. This means that while Northern Gas Networks retains its legal and licence to operate obligations, it has outsourced the day to day operational activity, to United Utilities. This model delivers a commercial focus into all activities, enabling both partners to focus on their own specific element of the relationship to ensure the best possible level of performance. This innovative model has delivered excellent levels of performance across a range of activities within the network when benchmarked against our peers.

Notable achievements during 2007 include the finalisation of the five-year Price Control Review, under which Ofgem sets the company's revenue and operational targets for five years from 1st April, 2008; the continued delivery of the mains replacement programme, under which more than 570km of older metallic mains were replaced with new polyethylene equipment; the achievement of other operational targets; improved safety and customer performance; and the number of awards the company received from external organisations.

This Review covers the performance and business results for Northern Gas Networks Holdings Limited and of its subsidiaries Northern Gas Networks Limited and Northern Gas Networks Finance Plc, collectively Northern Gas Networks, for the year 1st January to 31st December, 2007.

Chief Executive Officer's Review



The year 2007 was a year of continued progress for Northern Gas Networks. We consolidated on the firm foundations we had built since the company acquired the network on 1st June, 2005, and continued to make considerable progress in establishing ourselves in the British energy industry as a reliable, efficient and customer-focused organisation.

From day one of our operation we set our corporate vision – to be measured by our economic and safety regulators as being in the top two gas distribution networks for financial efficiency, customer service and safety performance and we have made significant progress towards achieving that objective.

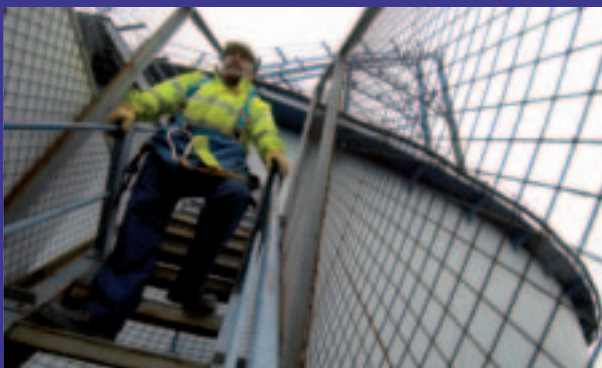
First, I would like to look at our performance in terms of efficiency. As part of the preparatory work by the regulator Ofgem we were benchmarked as being in the top two networks for efficiency for our mains replacement (repex) and operating expenditure (opex) activities.

This excellent result reflects the efficiency of our business model, where Northern Gas Networks retains the legal responsibilities and regulatory licence to operate, but has outsourced to United Utilities all day to day operational activities. This model is unique in the gas industry in the UK and our choice to separate the business in such a way is clearly demonstrating the focus both companies bring to our respective roles. We have made significant progress in our commercial relationship and this will continue to deliver benefits to our shareholders, customers and gas users as we refine the way in which our services are managed and delivered.

Whilst it was pleasing to be benchmarked at the efficiency frontier during 2007, it brings with it the challenge to retain that position during the new regulatory period, from 2008 to 2013. As we are a network singleton, only operating one of the eight gas networks, in theory the challenges we face in terms of scale efficiencies are greater than those owners of more than one network. We accept the challenge and will work hard to ensure we stay ahead of the pack.

Providing advance notice of planned mains replacement work is a key element of our customer service approach.





An awards scheme for craft apprentices was inaugurated in 2007, named after the late company director Gordon Waters. Michael Pratt was the first recipient of the Northern Gas Networks Gordon Waters Apprentice of the Year Award.

In terms of our safety performance we also recorded some pleasing results. The number of Lost Time Injuries (LTIs) during 2007 dropped to eight, compared to the 17 recorded in 2005 when we acquired the business. In an industry like ours, which is highly labour intensive and which functions around the clock in all weather conditions, there is a clear challenge for our employees and contractor partners to have safety foremost in their mind at all times. Our objective is to record zero injuries, but we will not get to that level overnight. A great deal of hard work has been delivered by the health and safety teams within Northern Gas Networks and United Utilities, and it is rewarding to see the number of injuries to our people continuing to reduce.

At the same time there was a significant decrease in the number of injuries involving members of the public (MOPs) as a result of our activities. The number of injuries dropped from 23 in 2006 to 10 in 2007. This reflects a number of initiatives which were delivered during the year under review.

Whilst it is pleasing to be able to report improvements in our safety performance, the challenge remains to deliver a workplace totally free of injuries to our workforce and members of the public.

Moving on to customer service, while we have made some real progress we need to maintain this to enable the corporate vision to be achieved.

A range of initiatives and new appointments were implemented in conjunction with our operator early in 2007 and were the catalyst for a 45% reduction in the number of complaints registered during the year. Our scores in the Ofgem quarterly surveys of customer opinion for the Repair activity have seen Northern Gas Networks consistently placed in the top two of the eight distribution networks. We have now to deliver the same level of achievement in Replacement and Connections where our performance is below our expectations.

“Northern Gas Networks recorded a strong financial performance during 2007, delivering above forecast annual profits of £106.7m...”

Moving on to other matters, the main focus of the year was the completion of the Ofgem Price Control Review (PCR) which sets the company's income levels from 1st April, 2008, for the following five years. A great many people from Northern Gas Networks and United Utilities were involved in preparing, auditing and delivering vast amounts of data to Ofgem, and then reviewing and analysing the regulator's draft proposals.

We believe we have a very constructive relationship with Ofgem – as we have with the safety regulator, the HSE – and while Ofgem has set us a challenging series of targets to improve efficiency and operational performance between 2008 and 2013 we are confident that we can outperform the targets we have been set for the benefit of our customers, the gas users of northern England and our shareholders. This will be achieved while meeting or exceeding the higher level of customer service standards set by the regulator.

It is extremely encouraging that our performance has been recognised externally. Northern Gas Networks won several awards during 2007. Three were for our Communications team, which was recognised in the region by the Chartered Institute of Public Relations (CIPR); the successful delivery of our £20.0m suite of computer systems, the Gas Distribution Network Solution (GDNS), which drive our daily operations, won an international award in New York and was, more importantly, a winner in the prestigious annual UK Utility Awards. The investment which Northern Gas Networks and United Utilities have made in recycling spoil from roadworks, converting it into an acceptable reinstatement material, won two categories at the inaugural Rushlight Awards for environmental management. Additionally we were a finalist in two categories in the regional programme of the National Business Awards.

Northern Gas Networks recorded a strong financial performance during 2007, delivering above forecast annual profits of £106.7m*. Profits after tax totalled £12.3m, again well above forecast predictions enabling a total dividend of £65.0m to be paid in the year. This strong profit performance was primarily due to lower than anticipated shrinkage gas costs, with income and other expenditure lines being broadly in line with forecast.

* EBITDA – Earnings before interest, tax, depreciation and amortisation



An initiative to warn young people of the dangers of playing around roadworks.

The replacement of laptop computers for operational staff enabled the old equipment to be donated to a range of charities.



The company has received PAS55 accreditation for its asset management procedures.

Northern Gas Networks has continued to make significant progress in the short period since we took ownership of the distribution network and we have a clear strategy following our recent price review determination for 2008 to 2013, which provides us with confidence to deliver incremental improvements and sustainable performance.

Last, but not least, I would like to place on the record my thanks to the Board of Directors for their support and guidance during 2007, and to colleagues at Northern Gas Networks and our operator United Utilities, for enabling us to move closer towards achieving our corporate objectives.

Basil Scarsella

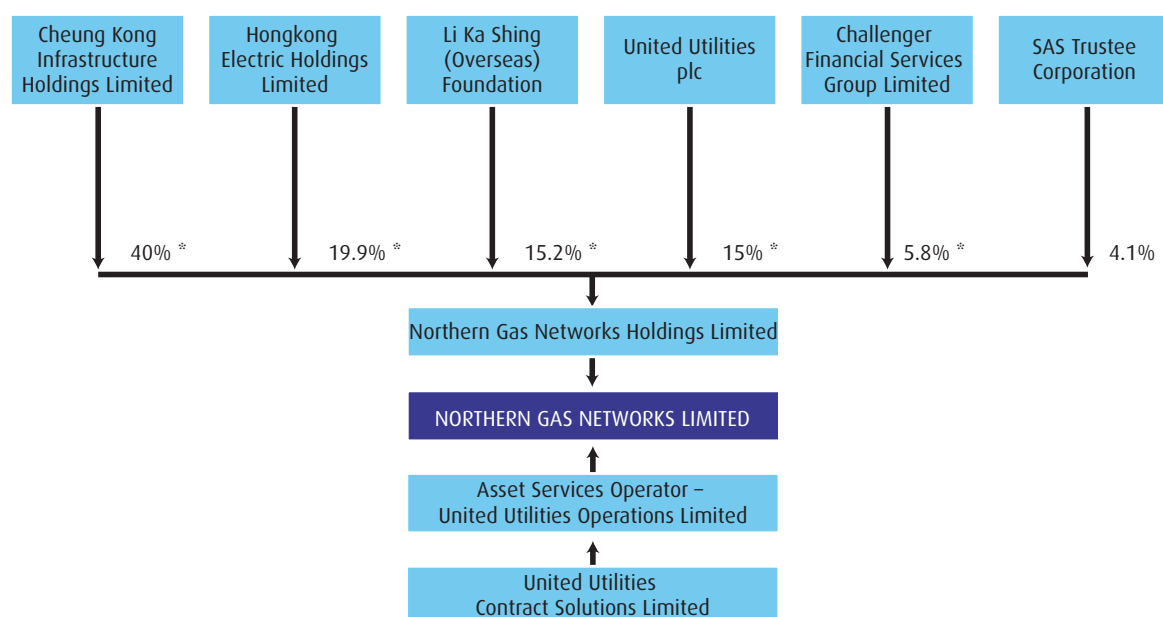
**Chief Executive Officer
Northern Gas Networks**

Ownership Structure



A consortium of six partners owns Northern Gas Networks. These partners provide a high level of strategic guidance and experience to enable Northern Gas Networks to operate at the optimum level. They are each and together committed to enabling the network to safely and effectively deliver gas through its pipelines to the gas users of northern England.

The role of the consortium is to provide support and management to Northern Gas Networks, ensuring it operates to the highest possible standards of corporate governance, acts as a socially responsible corporate citizen and meets all its legal and social requirements.



* Shareholdings are held through wholly-owned subsidiaries.

Business Strategy



Northern Gas Networks' purpose is to provide safe and secure gas supplies to the people and businesses of the region, covering northern Cumbria, the North East and most of Yorkshire.

Our vision of success is to be measured by our regulators, Ofgem and the HSE, as being in the top two comparable utilities for the delivery of customer service, safety management and efficiency.

Northern Gas Networks has now entered the normal operations phase. The organisational and governance structures are now in business as usual, steady-state. The business is fully focussed on accelerating the implementation of the company's key strategies to maximise our position throughout the next price control period, which runs from 1st April, 2008, to 31st March, 2013.

The key milestones detailed below have been met.

- Organisational structure firmly established with a strong corporate governance framework.
- Refinement of the Asset Services Agreement (ASA) with United Utilities to support our commercial arrangements with our operator.
- Operational independence from National Grid and successful front office IT transition.
- Performance monitoring and reporting arrangements in place.
- Refinancing of approximately 60% (£505.0m) of the acquisition debt.
- Established strong relationships with key stakeholders.
- Robust financial management - exceeding forecast distributions to shareholders to date.

Northern Gas Networks



Our most significant achievements during 2007 were:

- Benchmarked by Ofgem at the efficiency frontier;
- Acceptable price control outcomes from Ofgem including the one-year roll over to 31st March, 2008, as well as the final proposals for the 2008 to 2013 period;
- Continuing to improve our health and safety performance;
- Establishing our gas connections business; and
- Reducing customer complaints.

Our shareholder expectations are to:

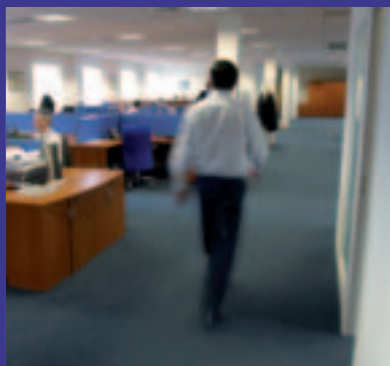
- Achieve customer satisfaction;
- Be an employer of choice;
- Be a respected corporate citizen; and
- Earn an acceptable return.

Our business values remain unchanged and are as detailed below.

- Quality, integrity and honesty in everything we do.
- A safe and reliable gas distribution network.
- A workplace free of accidents and injuries.
- Recognising and rewarding employees for their contribution to the business.
- Being a respected part of the community.
- Treating customers as we would wish to be treated.
- Aligning with partners to continuously improve performance.
- High standards of corporate governance.
- Meeting the expectations of our owners.



Business Review



Communications and Customer Service

It is the role of the Communications and Customer Service team to develop and maintain relationships with key stakeholders in the region, including the media, politicians, customers and their representatives.

During 2007 the team's work was recognised by three regional awards from the Chartered Institute of Public Relations (CIPR). There were gold awards for implementing a new customer information leaflet for homes and businesses affected by planned roadworks and another for the work carried out at in Crook, County Durham, after gas supplies to more than 6,000 users were interrupted for a week in February. A silver award was received for an initiative to warn schoolchildren of the dangers of playing near roadworks.

In the customer service field we recorded significant improvements in all the major measured activities. Complaints were managed centrally for the first time ever within the network from April, and from then until the end of the year a reduction of 45% was achieved. This was a result of initiatives implemented in late 2006, such as the appointment of customer liaison officers to support frontline mains replacement works, and the introduction of customer feedback forms for mains replacement, repair and connections works.

The leading measure of customer service is through quarterly customer opinion surveys undertaken for Ofgem on repair and mains replacement. At the end of 2007 Northern Gas Networks was ranked second for repair and fifth for replacement.

Separately Northern Gas Networks has been undertaking quarterly surveys of its customers undertaking connections works, which has provided valuable feedback to make this business activity more customer friendly. From April, 2008, Ofgem will introduce connections surveys as a new regulatory requirement.

Corporate Services

It is the role of Corporate Services to manage compliance with the company's governance and performance principles. This ensures that all business activities are subject to internal audit as part of a planned programme, ensuring a strong control framework is maintained across all activities.

Additionally, Corporate Services provide tax advice and compliance services to Northern Gas Networks.

Human Resources (HR) is managed within Corporate Services. HR identifies and assists in meeting the development needs of NGN employees; is responsible for maintaining systems for remuneration and processing the payroll; and ensures succession planning is regularly reviewed.

Corporate Services is also responsible for operating the performance management system. This includes managing the framework for setting and reviewing employee performance against individual and corporate goals and objectives.

The Communications team won two Gold awards from the Chartered Institute of Public Relations.



Within its Corporate Governance brief, Corporate Services is involved in developing and maintaining IT policies and procedures in conjunction with its IT business partners. IT is a service partnership with the relevant business units, with IT and line management sharing the responsibility for the definition of service levels and the management of associated costs. IT outsources detailed technology support to gain access to the necessary skills and to control costs whilst retaining control over the business use and configuration of those systems.

Finance

During 2007 the primary areas of focus of the Finance team have been to:

- Manage the financial results of the company as well as many commercial aspects of the ASA with our Operator;
- Prepare, audit and analyse large amounts of financial and operational data and respond to Ofgem's draft proposals during the 2008 to 2013 Price Review and support colleagues in the regulation team;
- Prepare a 2008-2012 Strategic Plan for the organisation and an accompanying detailed Business Plan for the next five years, incorporating the final outcomes of the Price Review;
- Minimise the financing charges incurred by the business through strong cash management and forecasting;
- Maintain a robust internal controls framework with comprehensive clear policies and procedures;
- Reaffirm our existing strong investment grade credit ratings of BBB+/Baa1 (both with stable outlook); and

- Work closely with Corporate Services to ensure compliance with all financial and operational covenants, as well as ensuring full compliance with all financially related statutory and regulatory obligations and reporting requirements.

Health, Safety & Environment

The Health, Safety & Environment (HS&E) team at Northern Gas Networks worked closely with its counterparts within United Utilities during 2007, resulting in a continuous improvement in HS&E performance. This close working relationship is reinforced by the longstanding excellent professional relationship between Northern Gas Networks and the HSE.

By working closely with both the Operator and the safety regulator Northern Gas Networks is embedding within its daily business activities the highest possible adherence to relevant legislation. This is ensuring that a safety first approach is always adopted by employees and contractors working in the streets and highways within the network and by support staff who are office-based.

The highlights of the year are as detailed below.

- Reduced LTIs from 9 in 2006 to 8 in 2007.
- Reduced days lost due to injuries from 255 in 2006 to 177 in 2007.
- Decreased the rolling 12 month LTI frequency rate to its lowest ever (0.67 pre June, 2005 to 0.18 at December, 2007).
- Implemented a range of safety related initiatives that significantly safeguarded the safety of members of the public.

An environmental awards programme, Northern Green Networks was launched in 2007. A total of £50,000 was shared by 15 successful applicants.



Many parts of the business were involved with restoring gas to Crook, Co. Durham, after a supply interruption in February.



- Successfully maintained our environmental credentials through ISO 14001 in 2007 in partnership with United Utilities.
- Successfully attained the occupational health and safety standard OHSAS 18001 in partnership with United Utilities.
- Became the first gas distribution network to hold both ISO 14001 and OHSAS 18001.
- Maintenance of an excellent professional working relationship with the HSE.

Legal

The role of the Legal Directorate is to provide a full range of legal services to Northern Gas Networks. This encompasses all legal aspects of the Company's operation, company secretariat functions, insurance, claims handling and the management of the network's real property assets. It also operates a Legal Compliance Management System to ensure adherence to all applicable legislation and regulations.

Network

The Network team is responsible for managing the assets owned by Northern Gas Networks and for ensuring they are operated, developed and maintained efficiently and effectively. The Directorate is split into different sections, each with a particular area of focus.

The main task of the Capacity Management section is to meet our licence obligation: to ensure that the pipeline network is able to meet peak winter demands and it can deliver to our 2.6 million customers across the region.

During 2007, the section was heavily involved in a collaboration project with other distribution networks to replace the existing gas transportation management system and to establish a new Northern Gas Networks' system control centre at Sunderland. This is due to become operational in May, 2009.

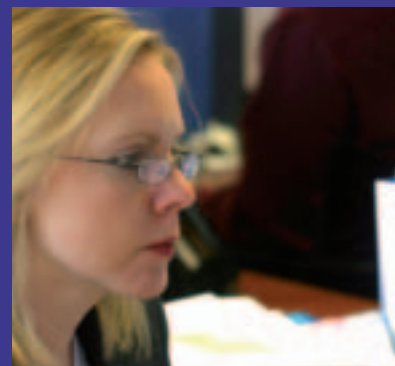
The Commercial team has three main objectives: removing Northern Gas Networks' reliance on services and infrastructures supplied by National Grid; managing and developing the Asset Services Agreement – the contractual relationship between Northern Gas Networks and United Utilities; and developing relationships related to Northern Gas Networks' contracts. Progress has been made against all three during 2007.

A critical responsibility for the Integrity, Compliance and Standards section is the management of the network's assets, to ensure compliance with all regulations, policies and procedures associated with operational equipment. As part of this, a new technical library website was created during 2007, with access provided to all parties who need it. This ensures that the latest documentation is always readily available. A document review process is now in place to ensure that all changes and updates are carried out expeditiously.

Northern Gas Networks has aligned its asset management procedures within the Institute of Asset Managers PAS55 specification for the optimal management of physical infrastructure assets. This will see the establishment of a single asset management recording system, currently held in assorted software applications. Northern Gas Networks achieved PAS55 accreditation in December, 2007.

Northern Gas Networks

Two awards were received for the pioneering work to re-use spoil from street excavations



The main role of the Planning Section is to ensure that the physical assets of the network are able to transport the required gas flow safely, securely and economically, and under all conditions – including those that could be expected to occur, on average, in not more than one winter in any 20 year period.

Northern Gas Networks has a programme to replace all iron mains within 30m of properties over the next 25 years. During 2007 we replaced more than 570km of iron gas mains, many over 50 years old, with new plastic pipes. This is a major investment to ensure the continuing safety and reliability of the gas network.

We continually monitor information relating to the demand for gas, both current and projected, to ensure that our system has adequate capacity to supply peak loads and reinforcements are carried out at the right time.

Regulation

Regulation worked closely with Ofgem during 2007 as part of the development of the regulator's proposals for the Price Control Review covering the period 1st April, 2008, to 31st March, 2013. The review was successfully completed, in December, 2007, with Ofgem setting challenging efficiency and operational targets for the five year period which we believe we can achieve.

The key headlines from the review are detailed below.

- An average real increase in allowed prices of 2% per year from 2008 to 2013. The allowed revenue does not now vary if demand changes which means that predicted revenue is stable and revenue risk is reduced.

- An asset value allowed by the regulator growing by £400.0m over the next five years to £1.9bn in March, 2013.
- Being benchmarked by Ofgem as one of the most efficient gas distribution networks.
- A number of incentives which enable Northern Gas Networks to earn additional revenue, for example possible rewards for schemes that benefit customers, such as extending the network or reducing carbon monoxide, and funding for qualifying research and development.
- Improvements in cost recovery mechanisms for shrinkage gas and pensions, which reduce business risk.

While Northern Gas Networks accepted Ofgem's proposals for the five year price control period, elements of them are a significant challenge. However, the overall package is an acceptable balance of risk and reward for all stakeholders.

Another important milestone came in October, 2007, with an increase in gas transportation charges by 27%, broadly in line with most other gas distribution networks, to ensure that the collected revenue is consistent with Northern Gas Networks' regulatory allowance.

Northern Gas Networks continues to have a robust and meaningful relationship with Ofgem and will work to maintain this professional standing into the future.

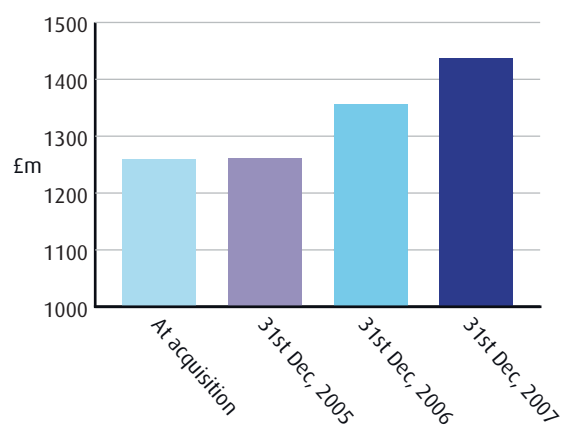
Performance Review

Financial

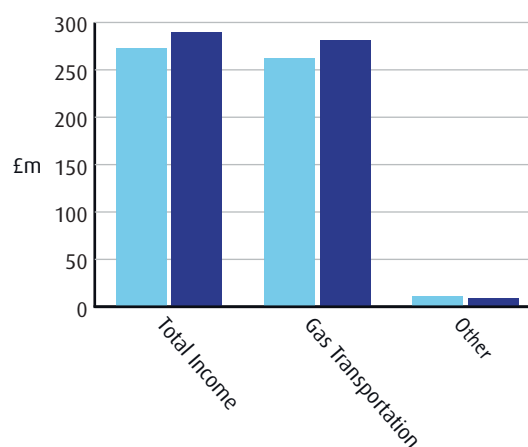
2006

2007

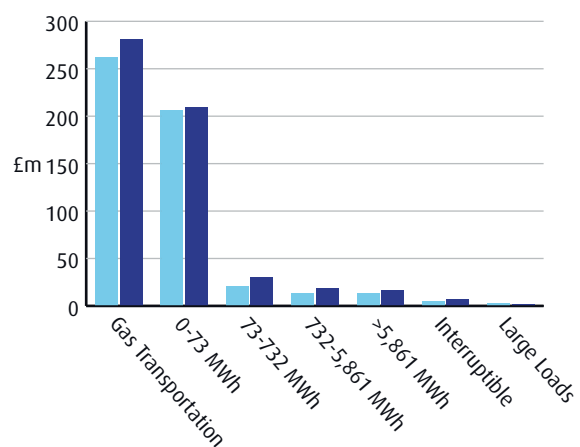
Regulated Asset Value (RAV)



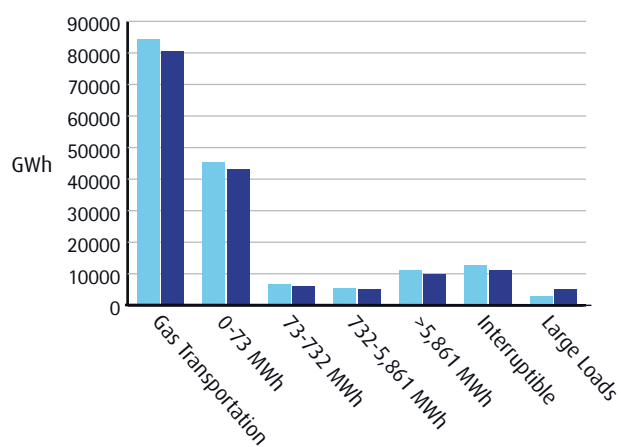
Gas transportation and other revenue (£m)



Load band analysis (£m)



Load band analysis (GWh)

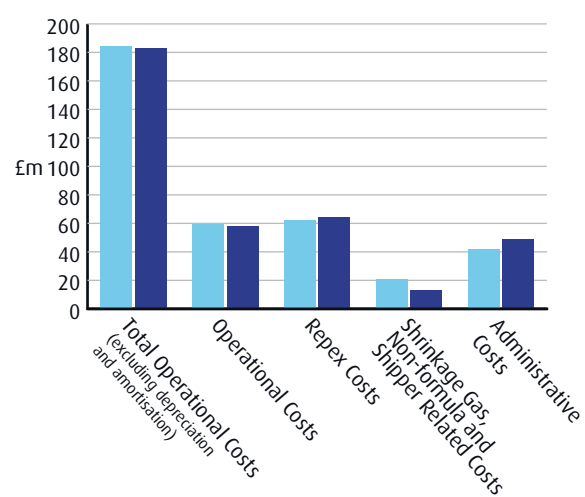


Northern Gas Networks

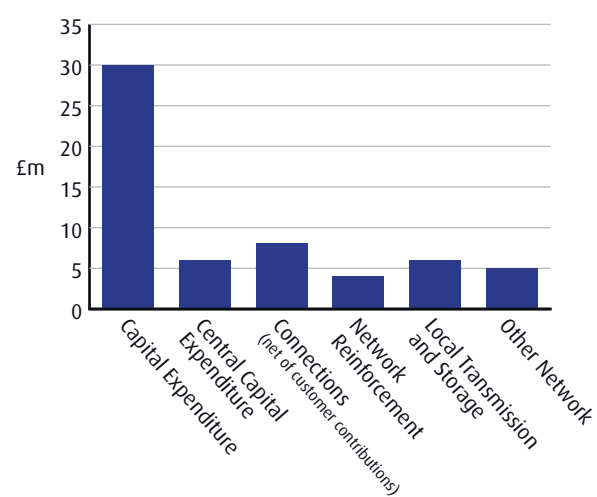
2006

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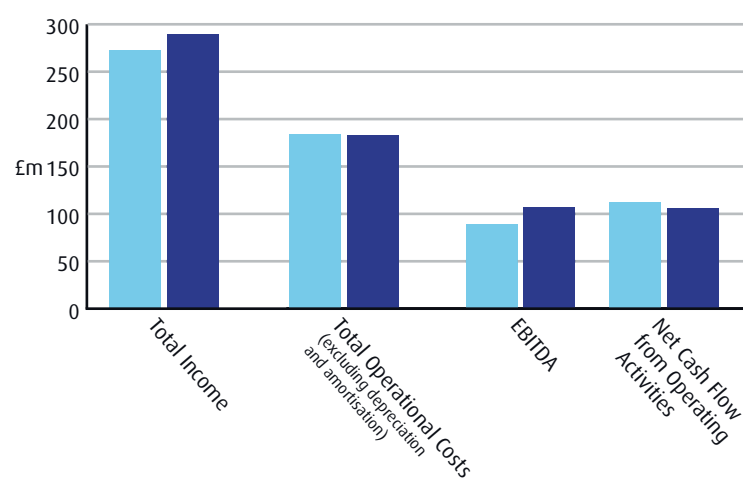
Operational costs (£m)



Capital expenditure (£m)



UK GAAP EBITDA and net cash flow from operating activities (£m)



* EBITDA – Earnings before interest, tax, depreciation and amortisation

Non-Financial

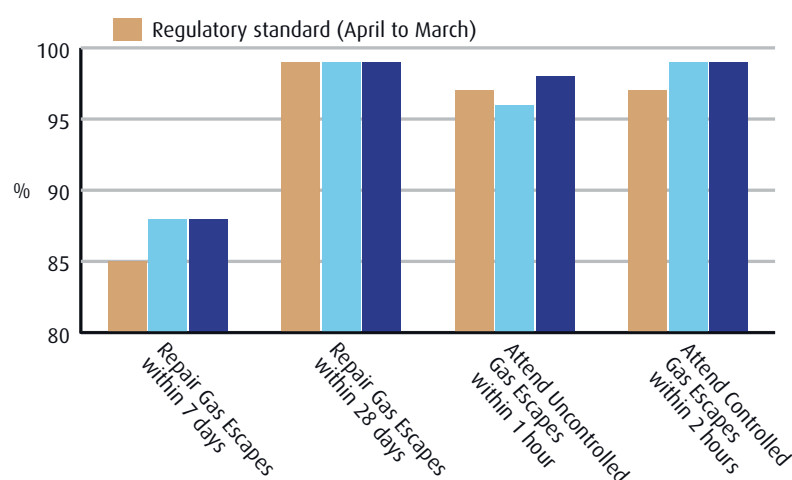
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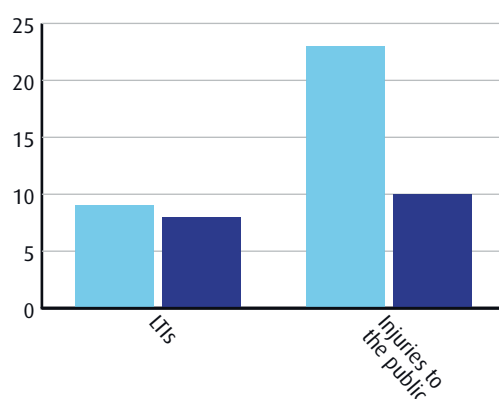
Non-Financial

Operational performance for the year ending 31st December, 2007.

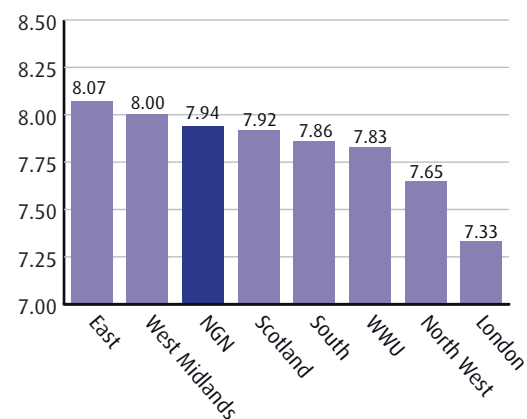
Gas Escapes



Lost Time Injuries (LTIs) and injuries to the public



Combined Repair and Replacement scores in Ofgem quarterly surveys



NGN has improved from 6th in 2005/06 to 3rd in 2006/07

Corporate Governance



Corporate Governance at Northern Gas Networks is clearly defined. Each shareholder is represented on the Board. To help it in the discharge of its duties, the Board has established five committees and publishes an Annual Review of performance.

Audit Committee

The Audit Committee is responsible for overseeing financial reporting, maintaining an efficient system of internal control and for the internal and external audit processes. It also provides an avenue for communication between internal audit, external auditors and the Board.

Compliance Committee

This Committee oversees compliance with the obligations determined by statute, legislation, regulation, contract or agreement. It facilitates communication between management, any external reviewers and the Board.

Remuneration Committee

The Remuneration Committee reviews and recommends to the Board overall remuneration policy for the company and remuneration arrangements for senior managers reporting to the Chief Executive Officer.

Risk Management Committee

The business has a formal risk management policy. There is an integrated framework in place which includes a regular review of the potential risks to which the company is exposed. Regular reports summarising these risks are presented to the Risk Management Committee.

Treasury Committee

The Treasury Committee ensures compliance with treasury policy, strategy and procedural development. It ensures that management undertakes to manage treasury risks according to corporate strategy and objectives and its Treasury Policy.

Internal Control Framework

Northern Gas Networks has a significant number of internal control policies which outline management responsibilities and help safeguard the group's assets. The framework is designed to manage rather than eliminate risks which may be material to the achievement of Northern Gas Networks' business objectives.

Internal Audit

Northern Gas Networks has an internal audit function operated by KPMG LLP as an outsourced arrangement. Internal audit undertakes independent appraisals and provides assurance on the adequacy and effectiveness of business controls. All internal audit work is carried out according to the relevant best practice standards.

The Management Team

Basil Scarsella, Chief Executive Officer

Prior to taking his appointment at Northern Gas Networks in 2005, Basil Scarsella was Chief Executive Officer of ETSA Utilities, a privatised electricity distribution business in South Australia owned by the Cheung Kong Group. He held this position for six years, and was previously the General Manager of ETSA Power Corporation, responsible for electricity distribution, retailing, field services and customer services. Prior to that he was Group Planning and Finance Director at the South Australia Gas Company (SAGASCO). He is an economist and an accountant.



Mike Ashworth, Legal Director and Company Secretary

Mike Ashworth has worked at the forefront of the development of the legal and regulatory regime associated with the liberalisation of the gas industry in the UK over the last 15 years. He joined Northern Gas Networks from National Grid, where he was UK Deputy General Counsel. Before this, he was Deputy General Counsel for Lattice plc, owner of the Transco gas transportation business.



Chris Gorman, Network Director

Chris Gorman has worked in the gas industry for almost 40 years, working firstly at the British Gas engineering research station in the North East before moving to British Gas Northern. Here, and later in Transco and National Grid Transco, he held a number of senior managerial positions including Asset Manager and Asset Safety and Environment Manager. He is a chartered engineer and a Member of the Institution of Gas Engineers and Managers.



Dave Hutchison, Head of Health, Safety & Environment

Dave Hutchison is a Chartered Engineer and a Chartered Safety and Health Practitioner. He has worked for almost 32 years in the gas industry, joining as an apprentice. He has worked in a variety of roles, including customer service, audit, transmission and system control, leading to his appointment as Health, Safety & Environment Manager with National Grid Transco's North of England network.



Northern Gas Networks

Chris Johns, Finance Director

A chartered accountant, Chris Johns worked in the financial services sector before joining Northern Gas Networks, holding senior financial management positions in both Yorkshire and London. His previous positions include being Head of Finance and Accounting within the UK lending operations of Provident Financial Plc in Bradford, and a senior management role in the Financial Reporting and Control Group of Morgan Stanley in London.



John O'Grady, Communications Director

John O'Grady's career in journalism and public relations began when he worked in regional newspapers in West Yorkshire before joining the pre-privatised British Gas in Leeds in 1985. He held a variety of roles in Leeds, London and the West Midlands for British Gas and then National Grid Transco before being appointed to a management role in Communications.



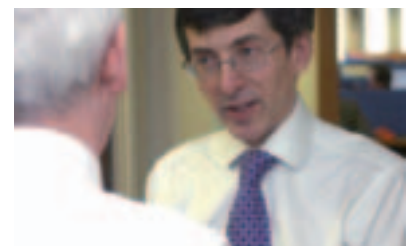
David Waite, Head of Taxation & Corporate Services

David Waite is a chartered accountant who has worked for several multinational infrastructure companies, including National Grid, where he was Group Tax Manager – Corporate. He was previously a Director with Deloitte and Touche, and Head of Taxation at Yorkshire Electricity.



Alex Wiseman, Regulation Director

Alex Wiseman was previously Head of Strategic Planning within United Utilities, responsible for business planning and providing strategic Board input. This followed two years as a Project Finance Manager in the international division of United Utilities, before which he was a consultant with Coopers & Lybrand, providing advice to a wide range of businesses and Government departments.



Board of Directors

William Shurniak, Chairman

Mr Shurniak has a distinguished career in banking and has been a director of several companies in Hong Kong and Australia. Latterly he was Chairman of ETSA Utilities in South Australia and has been a Director of Hutchison Whampoa Limited in Hong Kong since 1984. He has Honorary Doctor of Law degrees from both the University of Saskatchewan and the University of Western Ontario in Canada.



Basil Scarsella, Chief Executive Officer

Mr Scarsella took up his appointment upon the creation of the company on 1st June, 2005. Prior to that he was Chief Executive Officer of ETSA Utilities in Adelaide, South Australia, a post he held for more than six years. Mr Scarsella holds a degree in Economics and is a Fellow of the Australian Certified Practicing Accountants (FCPA). He is a Member of the Order of Australia (AM) for services to football.



Kam Hing Lam

Mr Kam is the Group Managing Director of Cheung Kong Infrastructure Holdings Limited. He is also the Deputy Managing Director of Cheung Kong (Holdings) Limited, President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc., an Executive Director of Hutchison Whampoa Limited and Hongkong Electric Holdings Limited, and a Non-Executive Director of Spark Infrastructure Group. Mr Kam holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration.



Andrew Hunter

Mr Hunter is an Executive Director and Chief Operating Officer of Cheung Kong Infrastructure Holdings Limited, and the Chief Financial Officer of Cheung Kong (Holdings) Limited. Mr Hunter is also an Executive Director of Hongkong Electric Holdings Limited and a Non-executive Director of Spark Infrastructure Group. He holds a Master of Arts degree and a Master's degree in Business Administration. He is a member of the Institute of Chartered Accountants of Scotland and of the Hong Kong Institute of Certified Public Accountants.



Northern Gas Networks

Tso Kai Sum

Mr Tso is an Executive Director of Cheung Kong Infrastructure Holdings Limited and Group Managing Director of Hongkong Electric Holdings Limited. Mr Tso has extensive experience in the power industry and property development. He holds a Bachelor of Science degree in Civil Engineering and is a Chartered Engineer. He is a member of the Institute of Civil Engineers and the Institute of Structural Engineers in the United Kingdom.



Neil McGee

Neil McGee is Group Finance Director of Hongkong Electric Holdings. He has worked with the Hongkong Electric Group and the Hutchison Whampoa Group since 1978 holding legal, corporate finance and corporate secretarial positions. He has a Bachelor of Arts degree and a Bachelor of Law degree.



Frank Frame

Frank Frame has served as Deputy chairman of The Hongkong and Shanghai Banking Corporation; as Chairman of South China Morning Post Ltd and of Wallem Group Ltd; as as a Director of The Weir Group plc, Swire Pacific Ltd, The British Bank of the Middle East, Baxter International Inc and Consolidated Press International Ltd. He has a Master of Arts and Bachelor of Law degrees.



Danny Latham

(From 1st January to 8th October)

Danny Latham is a Director of Deutsche Bank and Head of Investments Asia Pacific, RREEF Infrastructure. He has held directorships of several companies in Australia, and is a former Director and Executive Committee member of the Australian Council for Infrastructure Development. Danny Latham has Bachelor of Economics and Master of Applied Science degrees and is a Fellow of the Australian Institute of Company Directors.



John Dorrian

(From 9 October)

John Dorrian is a Managing Director of Deutsche Bank AG, Head of RREEF Australia and Co-Head of Infrastructure Investments for RREEF Asia Pacific, the alternative investment management division of Deutsche Asset Management. He is an Executive Director of Deutsche Asset Management (Australia) Limited and a non executive director of a number of Australian companies. A Fellow of The Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors, he holds a BA in financial management from Macquarie University in Sydney.



Chris Brook

(From 2nd January to 12th April)

Chris Brook is the Finance Director of United Utilities Utility Solutions, the business responsible for United Utilities' UK operations, and the Finance Director of United Utilities Water PLC. He is a chartered accountant, having qualified with Touche Ross, and has a history degree from the University of Wales.



Charlie Cornish

(From 12th April to 2nd December)

Mr Cornish is Managing Director of United Utilities Utility Solutions, responsible for the delivery of all utility contracts in the business. Previously, he has worked for RWE-Thames Water, initially in an international role and then in a chief operating officer's role in the UK. He has a BA in Economics from Strathclyde University.



Steven Fraser

(From 2nd December)

Steven Fraser is Managing Director of United Utilities Energy and Contracting Services. This business is responsible for utility connections, electricity services, gas operations and metering and runs all of United Utilities non regulated network contracts. He was previously a Director of Bethell Power Services. He holds a Masters Degree in Engineering Project Management and a BA in Management.



Results Summary 2007

Financial performance for the twelve months of operations ended 31st December, 2007

The financial information set out below does not constitute the company's statutory accounts for the year ended 31 December, 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s237 (2) or (3) of the Companies Act 1985.

Consolidated financial outcomes		
	2007	2006
	£m	£m
Total income	289.5	273.3
EBITDA*	106.7	89.2
EBIT**	63.7	47.3
Profit after tax	12.4	(3.0)
Net cash inflow from operating activities (before borrowing costs, capital expenditure and dividends)	106.2	111.6
Capital expenditure and financial investment (net of customer contributions)	38.5	41.3
Total Fixed Assets	1,592.5	1,597.0
Total Assets	1,640.7	1,646.9
Net Assets	422.1	467.4
Regulated Asset Value (RAV)***	1,437.0	1,356.0
* EBITDA – Earnings before interest, tax, depreciation and amortisation		
** EBIT – Earnings before interest and tax		
*** RAV – The value of RAV as at 31st December has been based on the Ofgem opening RAV in nominal prices, inflated, and adjusted for actual capital expenditure additions, replacement and depreciation.		

Financial ratios		
EBITDA/Total income	37%	33%
EBITDA Interest coverage ratio	2.2	2.0
Senior Debt/Total Assets	58%	55%
Senior Debt/Equity	63:37	61:39
Net Senior Debt/RAV	66%	67%

Operational measures		
Number of customers to whom Northern Gas Networks transports gas (millions)	2.6	2.6
Sales volume (tWh)	80.6	84.5
Length of pipe (000s km)	36.7	36.7
Customer density (customers/km of pipe)	70.8	70.8

Employee measures		
Number of full-time equivalent employees ^a	1,296	1,295
Number of lost time injuries	8	9

^a Northern Gas Networks and UUOL (Operator)