



Annual Review 2008

Delivering gas to the North of England



Northern Gas Networks is the company responsible for distributing gas to 2.6 million users across most of Yorkshire, the North East and northern Cumbria.

Our network covers an area of 27,000 square miles and contains enough pipeline – 23,000 miles – to stretch from the heart of our region to Sydney Australia, and back.

Most of the time we are invisible, seamlessly delivering gas where it is needed so that homes and businesses can continue to take their gas supply for granted.

And that's the way Northern Gas Networks wants it to be.





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2008 in the Spotlight

The third full year of operations for Northern Gas Networks was very much one of consolidation.

By building on the strong foundations developed during our previous two and half years of operations the company continued to deliver substantial improvements in its financial efficiency, in health and safety and in its customer service performance to further reinforce its position as one of the leaders in the UK gas industry.

Northern Gas Networks delivers gas to 2.6 million domestic and business users across most of Yorkshire, the North East and northern Cumbria serving a population of 6.7 million people.

“Our targeted investment programmes and efficient operations ensure we deliver gas services through our network of 23,000 miles of pipeline to 2.6 million homes and businesses across an area of 27,000 square miles.”

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 we all operate and the Health and Safety Executive (HSE) oversees safety performance. Consumers' interests are represented by Consumer Direct which was established during 2008 to replace energywatch.

Northern Gas Networks holds a unique position in the gas industry in Britain as the only company to operate 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 Operations Ltd. (UUOL). This innovative model continues to deliver a commercial focus into all activities, enabling both partners to focus on their own specific element of the relationship and thus ensuring excellent performance is delivered across all business areas.

Notable achievements during 2008 include a successful implementation of the five year Price Control which came into effect on 1st April, 2008; a 50% reduction in the number of customer complaints received; further improvements in safety performance; continuing success in the mains replacement programme with more than 550km of older metallic mains being replaced with modern plastic pipeline; delivery of all key operational targets set by Ofgem; and once again a number of awards were 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, 2008.





Chief Executive Officer's Review

Our role, delivering natural gas to more than 2.6 million homes and businesses, is to be reliable, consistently delivering the fuel of choice across most of Yorkshire, the North East and northern Cumbria. Gas supply interruptions are few and far between. That is a testament to the consistency of our assets, the 23,000 miles of pipes which deliver gas across the 27,000 square miles of our area.

That consistency doesn't happen by accident; we invest millions of pounds every year to keep our assets in prime operational condition thus ensuring interruptions are minimal and delivering a reliable service upon which so many depend for their domestic and business needs.

So, Northern Gas Networks is a constant part of the everyday lives of people in our region. We are taken for granted. Gas is available at the turn of a dial, on a cooker, on a fire, on a boiler; fuelling domestic comfort and meeting the needs of businesses, large and small.

Being taken for granted is good for us. We are established, reliable, a fixture in the day to day lives of the people who live in the North of England. We are largely invisible, yet we are permanently there. Our mile upon mile of underground pipes deliver natural gas to our cities, towns and villages invisibly providing the fuel which warms our homes and offices and drives the industrial manufacturing processes.

To achieve all this takes meticulous planning, a detailed business vision and the highest standards of delivery. We at Northern Gas Networks believe we are safe, efficient and delivering high standards of customer service. Our vision is to be benchmarked by Ofgem and the HSE consistently in the top two comparable utilities on safety, efficiency and customer service.

“We invest millions of pounds every year to keep our assets in prime operational condition thus ensuring the reliability upon which so many depend for their domestic and business needs.”

Let's look at how we performed in 2008 in those three critical activities.

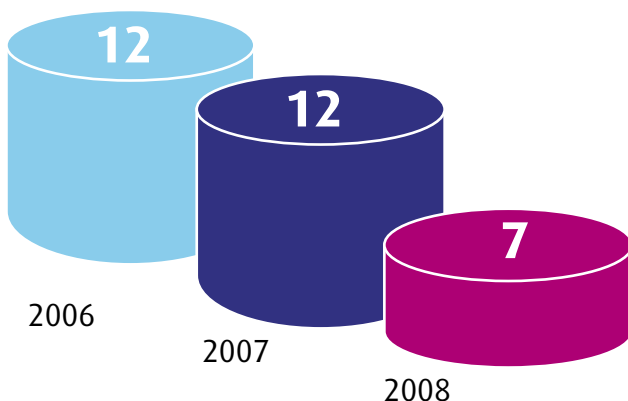
Safety

The commitment of Northern Gas Networks and our operating partners to health and safety matters remains of paramount importance and underpins all our daily operations.

Our health and safety performance has been strong in most of the measures we use to monitor it. The number of lost time incidents (LTIs) – accidents requiring time away from work – affecting our people, both direct labour and our contractors, was cut by 42% in the year, from 12 in 2007 to 7 in 2008. This is an extremely creditable statistic and our challenge now is to improve further.



Number of LTIs since 2006



“2008 was another good year for Northern Gas Networks. Our profit for the year (EBITDA) increased by 10% to £116.7m.”

A new record was achieved in the network when we went 207 days between LTI accidents. To have gone seven months with a clean accident record was an excellent performance and the rolling LTI frequency rate is now at the lowest ever in the network, demonstrating the commitment of the organisation to safety.

This was countered with an increase in the number of injuries to members of the public (MOPs). The number of incidents rose from 12 to 24 and we will have a clear focus on driving this figure down during 2009.

Our overall performance was recognised in the annual Institution of Gas Engineers and Managers (IGEM) Gas Industry Awards, when we were presented with the Safety Award. We were also shortlisted in the Institution of Safety and Health (IOSH) awards, won the safety category in the inaugural National Joint Utilities Group (NJUG) awards and our environmental credentials were maintained through the continued accreditation to ISO 14001.

Efficiency

We are now operating within the parameters of a new five-year Price Control period. This began in April 2008 following a review by the economic regulator, Ofgem, which ranked us as the most efficient in terms of operating expenditure (opex) and replacement costs (repex), as shown in the chart below.

Our efficiency in operating costs is evident, both in terms of costs per km of pipe in the ground and in terms of costs per customer connected to our network, both shown in real terms in the chart opposite.

We are working hard to maintain this position and continually look to deliver efficiency through our business model. Under this model we at Northern Gas Networks are the asset owner and holder of all the legal and regulatory requirements but have operations delivered via contract by UUOL. This commercial relationship allows each partner to focus on its own areas of responsibility and expertise and to bring a clear focus on key deliverables to generate benefits for our customers, shareholders and gas users.

2008 was another good year for Northern Gas Networks. Our profit for the year (EBITDA) increased by 10% to £116.7m. Dividends paid totalled £70m, which was £5m ahead of forecast.

Efficiency positioning in 2007/08		
Network	Opex	Repex
Scotland	1	7
NGN	2	1
Southern	3	8
West Midlands	4	4=
WWU	5	2
East of England	6	4=
North West	7	3
London	8	4=
Source: Ofgem 2007/08 Gas Distribution Annual report		

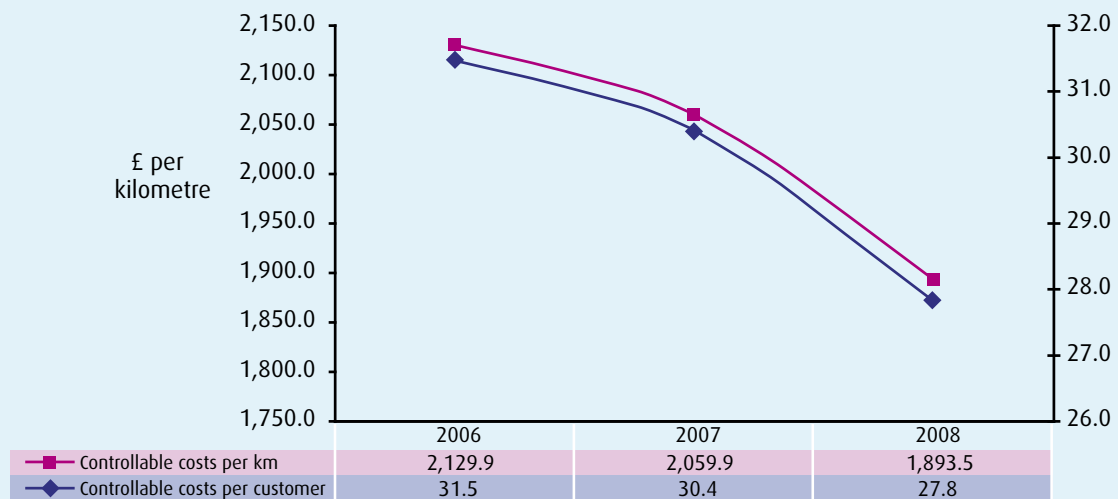




To drive further efficiencies during 2008, we established our own Commercial Operations function. This team manages and develops the contract with UUOL, the Asset Services Agreement, but also oversee the connections and metering operations and our relationships with other key players in the gas distribution industry.

We are also working with social partners across the North of England to examine ways in which the benefits of natural gas can be extended to homes that are in fuel poverty and not currently connected to a main's gas supply. This important socio-economic work is a mainstay of the Government's plans to eradicate fuel poverty across the UK.

Controllable costs trends (in real pricing)





“In customer service we continued to make good progress. The number of complaints we received against our operations continued to reduce in 2008...”

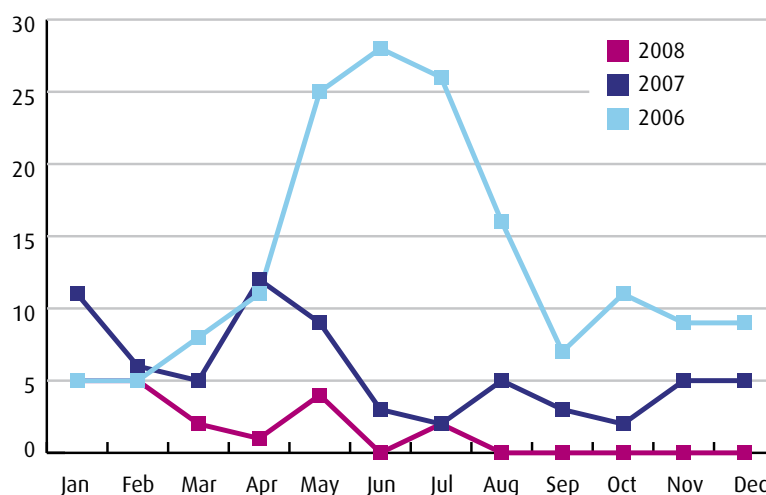
Customer Service

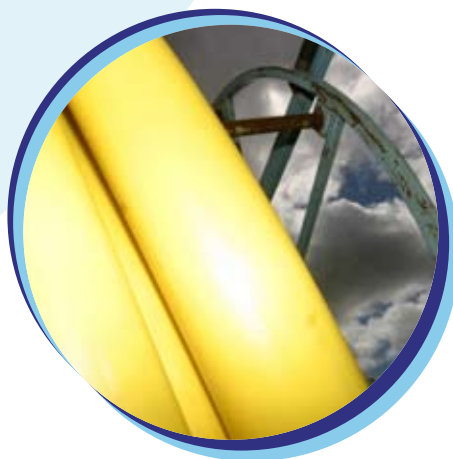
In customer service we continued to make good progress. The number of complaints we received against our operations continued to fall during 2008 reflecting greater levels of customer satisfaction.

Our scores in the quarterly customer satisfaction surveys undertaken by Ofgem have also improved. In the Repair/Emergency survey we are consistently judged to be in the top handful of performers. We were placed in third position for the regulatory year 2007/8, one of only four of the eight networks to average greater than 80%. We have also recently been ranked as second for our mains Replacement works, a big improvement on previous scores. We were also ranked as seventh of eight for our Connections business, which is clearly unacceptable and requires hard work in the coming year to improve performance.

We continue to receive meaningful feedback through the Customer Impression Cards, which are either left following Repair/Emergency work or delivered after Replacement and Connections works. These give customers a speedy route to register their views and give us an opportunity to act responsively and quickly.

energywatch/Ombudsman Complaints





“Another significant achievement was the replacement of 550km of iron mains.”

As far as managing our physical assets, the gas mains and associated equipment, there were several notable achievements.

During 2007 the network was successful in achieving the Institute of Managers' PAS55 accreditation for the optimal management of our assets. This was retained following an audit in 2008 demonstrating our compliance with best practice in the management of our assets.

We have now completed the first five years of a 30-year programme of replacing all metal gas mains within 30-metres of property, the so-called 30-30 programme, which ends in March 2032. This work is agreed with the HSE on a national basis. Additionally, we also replace and enhance our other underground equipment as required.

During 2008 we replaced 550 km of iron mains with new polyethylene pipeline. This is a significant achievement and keeps us on target with the plans we have agreed with the HSE. This expenditure is the largest single investment we make in ensuring the continued safety and reliability of our assets.

We will continue to invest in our distribution network to maintain high levels of safety, efficiency and customer service.

Now, looking forward at what we plan to achieve in 2009: we have a clear plan to reduce the numbers of MOP injuries; to further improve our customer service; to challenge further our cost efficiency; and to refinance our outstanding acquisition debt. Those are significant challenges, but we have in place clear strategic objectives to achieve these challenges during 2009.

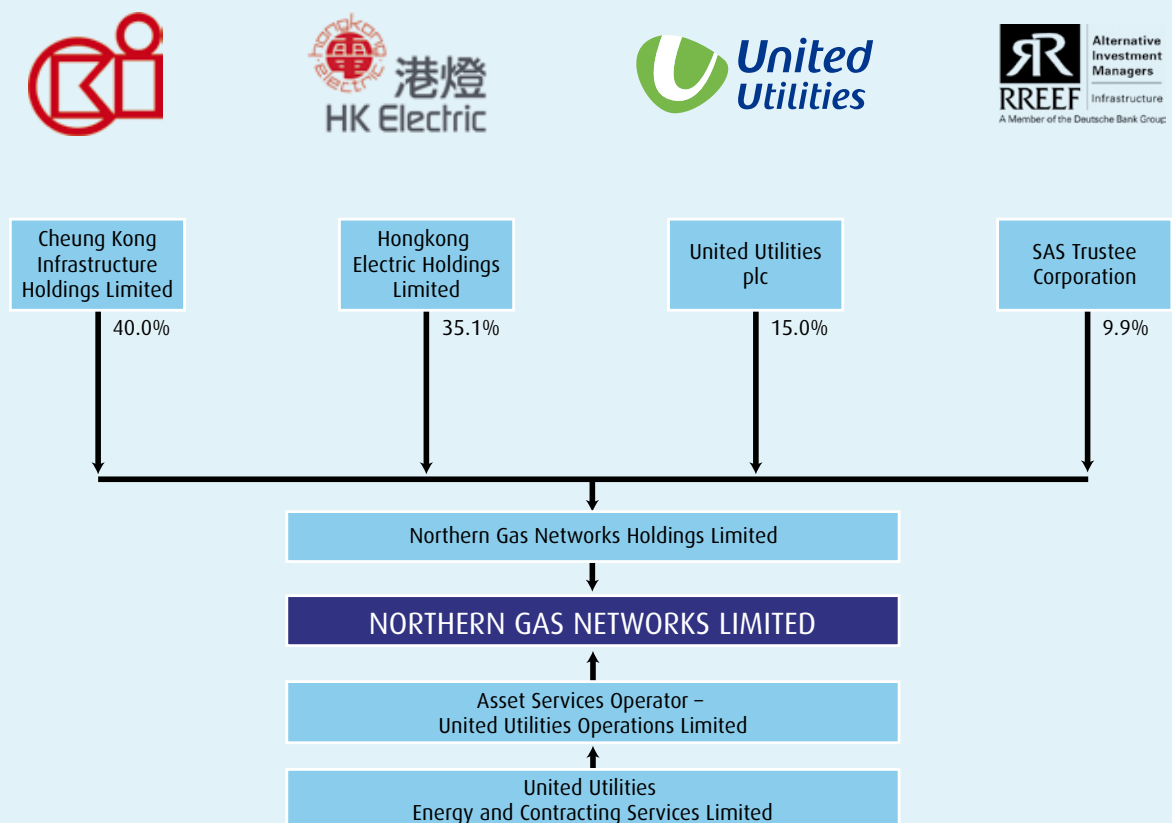
In closing, I would like to say thank-you to the Board of Directors of Northern Gas Networks for their counsel and advice during 2008, and to thank colleagues in both Northern Gas Networks and UUOL for their support and endeavours during the year.



Ownership Structure

A consortium of four 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 support management and to guide 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, regulatory and social requirements.



Business Strategy

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

During 2008, our vision of success remained unchanged: to be benchmarked consistently by Ofgem and the HSE as being in the top two comparable utilities for safety, efficiency and customer service.

The vision reflects our role as a regional monopoly utility service provider. Sustainable systems, operational safety and reliability are of fundamental importance to our employees, contractors and the public we serve.

The vision and strategy of our Operator, UUOL, is directly aligned with that of Northern Gas Networks.

Throughout the year, the company has continued to make significant progress towards the achievement of this vision as is outlined in this review.

The main challenges for Northern Gas Networks within our current regulatory review period are to maintain our position as the most efficient network in the gas industry in Britain and to continue to set the efficiency frontier; coupled with delivering ongoing improvements with our operating partner, UUOL, and achieving our visionary goals for safety and customer service.





To ensure we meet these, we have agreed the following strategic objectives which reflect the needs of our stakeholder groups, namely customers, employees, our owners, Ofgem and the HSE. These are:

- Maintaining and developing a safe and reliable network and also delivering a step-change in safety performance;
- Complying with the regulatory Licence requirements and other regulatory and legal obligations;
- Meeting all our regulated service standards;
- Maximising high standards of corporate governance;
- Operating the business as a responsible corporate citizen in our region;
- Sustaining a corporate culture of performance and continuous improvement;
- Implementing productivity improvement and strategies to maximise incentives that will still support regulatory out-performance;
- Maintaining strong relationships with key stakeholders;
- Maintaining a strong investment grade credit rating of BBB+ from Standard and Poor's and Baa1 from Moody's (both with stable outlook); and
- Maintaining acceptable financial returns to our owners.

Our business values are as detailed below.

- Quality, integrity and honesty in everything we do.
- Maintaining a safe and reliable gas distribution network.
- Believing in a workplace free of accidents and injuries.
- Valuing, recognising and rewarding our employees for their contribution to the business.
- Working with our partners to continuously improve performance for mutual benefit.
- Treating customers as we would wish to be treated.
- Maintaining high standards of corporate governance.
- Taking pride in being a respected part of the community.
- Managing our impact on the environment.

Our shareholder expectations are to:

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

“The strategy of our Operator is directly aligned with that of Northern Gas Networks.”

Business Review

Commercial Operations

A dedicated Commercial Operations department was established during 2008 to provide a focus on the management of Northern Gas Networks' commercial contracts and co-ordinate a number of other commercial activities.

The department's main objectives are: managing and developing the Asset Services Agreement (ASA) – the contractual relationship between Northern Gas Networks and UUOL; obtaining best value for money in Northern Gas Networks' procurement and contracting activities and identifying and maximising commercial opportunities in relation to Northern Gas Networks business activities. The development of the stand-alone department has been key in ensuring that significant progress has been made against all these objectives during 2008.

The department is responsible for managing the connections and metering businesses and setting the strategy for these functions. In addition, the team manages the relationship with suppliers, independent gas transporters and other utility infrastructure providers.

In the latter half of 2008, a project was launched to focus on how the gas network can be extended to areas within our region that have a high incidence of fuel poverty and do not currently have access to a mains gas supply. The team are putting in place arrangements with appropriate partners to deliver a number of network extension projects during the next 12-months. This work forms part of a broad Government initiative which is being facilitated through new incentive mechanisms within Northern Gas Networks' regulatory framework.



Communications and Customer Service

Developing and maintaining relationships with key company stakeholders is the central responsibility of the Communications and Customer Service team. This includes the media, politicians, regulators, customers and their representative organisations.

During 2008 significant steps were made in the delivery of high standards of customer service. Complaints were reduced, feedback from customers on their level of approval for our works improved and initiatives were developed to continue this into the future.

The team received awards from the Chartered Institute of Public Relations for crisis management during a loss of gas supply incident in Batley, West Yorkshire, and for community relations work in a major mains replacement project in Durham. Further recognition came from the annual Gas Industry Awards and from the inaugural National Joint Utilities Group (NJUG) for a safety campaign undertaken with schoolchildren.

In customer service, the overall number of complaints received in the network was cut by more than half over the year, which reflected the efforts made to improve the delivery of works in the connections and mains replacement activities. At the same time the number of customers raising issues with the Energy Ombudsman service reached an all-time low.

Feedback from the Customer Impression Cards, which are now delivered to every job in the network, is especially pleasing, particularly in the Repair/Emergency activity. However, there are further incremental improvements we will continue to make as we drive for excellent customer service. We rely on our customers' feedback, through the range of survey work we undertake, to deliver the management information which is required to shape our service delivery into the future.



Corporate Services

It is the role of Corporate Services to manage compliance with the company's governance and performance principles.

An in-house Internal Audit function has recently been established. Its responsibilities include ensuring that all business activities are subject to internal audit as part of a planned audit programme, ensuring a strong control framework is maintained across all the network's activities.

Additionally, Corporate Services provide tax compliance, reporting and advisory services to Northern Gas Networks. The department also maintains the risk management framework, ensuring risks are mitigated by appropriate action plans throughout the business.

Human Resources (HR) is also managed as part of Corporate Services. HR identifies and assists in meeting the development needs of NGN employees; providing advice to Northern Gas Networks and its employees. It is also responsible for recruitment for the company, maintaining systems for remuneration, training requirements and the employee performance management system (which includes managing the framework for setting and reviewing employee performance against individual and corporate goals and objectives) and additionally ensuring that the succession planning is regularly reviewed. HR also manages and monitors the outsourced payroll provider.

Corporate Services has overall responsibility for IT, and as such is involved in developing and maintaining IT policies and procedures in conjunction with the Head of IT and other 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 out-sources detailed technology support to gain access to the necessary skills and to control costs whilst retaining control over the business use and configuration of its IT assets.



Finance

During 2008 the primary areas of focus of the Finance team have continued to be:

- Managing the financial results of the company as well as many commercial aspects of the ASA with UUOL in conjunction with colleagues in Commercial Operations;
- Preparing, auditing and analysing financial and operational data in relation to Ofgem's new annual cost reporting requirements;
- Preparation of a Strategic Plan for the organisation for the next five years with an accompanying Business Plan;
- Minimising the financing charges incurred by the business through strong cash management and forecasting;
- Maintaining a robust internal controls framework with comprehensive clear policies and procedures;
- Reaffirming our existing strong investment grade credit ratings of BBB+/Baa1 (both with stable outlook); and
- Working 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.



“In April 2008 following a review by the economic regulator, Ofgem, we were ranked as the most efficient in terms of operating expenditure (opex) and replacement costs (repex).”



Health, Safety & Environment

The Health, Safety & Environment (HS&E) team at Northern Gas Networks continued to work closely with its counterparts within UUOL during 2008, 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 Health and Safety Executive (HSE).

By working closely with both our operator and the HSE, 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 office-based support staff.

The main points of interest of the year are as detailed below.

- 42% reduction in Lost Time Injuries (LTIs) from 12 in 2007 to 7 in 2008.
- A Network record in 2008 of 207 days (7 months) between LTIs.
- 56% reduction in days lost due to injuries from 212 in 2007 to 93 in 2008.
- Decreased the rolling 12 month LTI frequency rate to its lowest ever level (0.67 pre June 2005 to 0.14 at December 2008).
- 50% reduction in damages to electric cables from 197 in 2007 to 98 in 2008.
- Successfully retaining our environmental credentials through ISO 14001 during 2008 in partnership with UUOL.
- Successfully maintained the occupational health and safety standard OHSAS 18001 during 2008 in partnership with UUOL.
- IGEM/ Society of British Gas Industries (SBGI) Safety Award Winner 2008.
- IOSH Safety Award Short-listed 2008.
- Maintenance of an excellent professional working relationship with the HSE.

The performance in prevention of injuries to members of the public as a result of our ongoing works was disappointing in 2008 and is an area of focus during 2009.





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 operations, 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 team is split into different sections, each with a particular area of focus.

The main task of the System Control Capacity Management section is to meet our Licence obligation: to ensure that the pipeline network has sufficient capacity to be able to meet peak winter demands and can deliver gas to our 2.6 million customers across the region.

During 2008, whilst supporting a collaboration project with other distribution networks to replace the existing gas transportation managements system, much work was undertaken to facilitate the System Control capabilities for NGN. Primary and emergency control rooms have been developed and an infrastructure to support system control is in place. Recruitment, development and training is well advanced with a new control room planned to open in summer 2009.

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. Our Technical Library website continues to ensure that the latest documentation is readily available to those that require access to detailed technical policies and procedures.

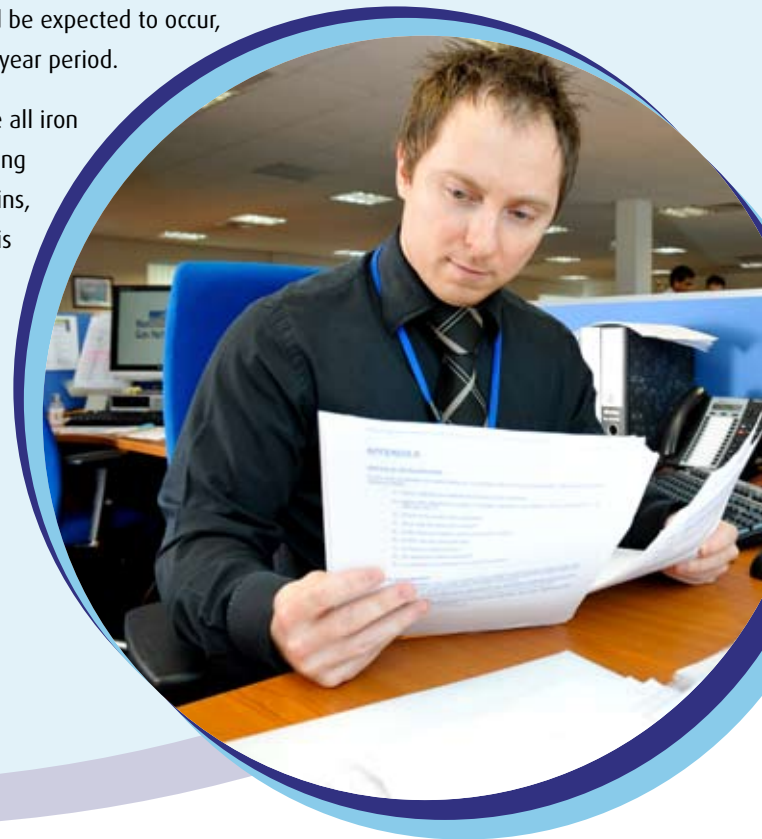
A document review process is now in place to ensure that all changes and updates are carried out promptly. This process ensures that all changes and updates to documents are quickly rolled out to those affected by the changes.

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. Northern Gas Networks achieved PAS55 accreditation in December 2007 and this was renewed in December 2008 following a surveillance audit, demonstrating the company complies with recognised best practice in optimally managing its assets.

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 30 metres of properties by 2032. During 2008 we replaced more than 550km 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

The Regulation department continued to work closely with Ofgem during 2008. Activity focused on a number of key areas, including the implementation of the five year Price Control, which came into effect in April 2008, and revising the arrangements for interruptible contracts.

The department successfully negotiated new interruptible contracts with Shipper companies – these are in areas with low capacity and will ensure that we can maintain supplies without expensive network reinforcement.

Following the introduction of substantive changes to our Licence, our compliance procedures have been updated to ensure they are in-line with the new requirements. There was also an increased focus on Licence compliance to ensure the accuracy of all regulatory reported data.

“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

2006



2007

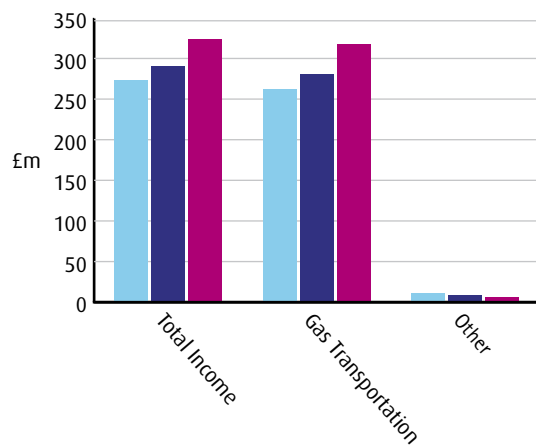


2008

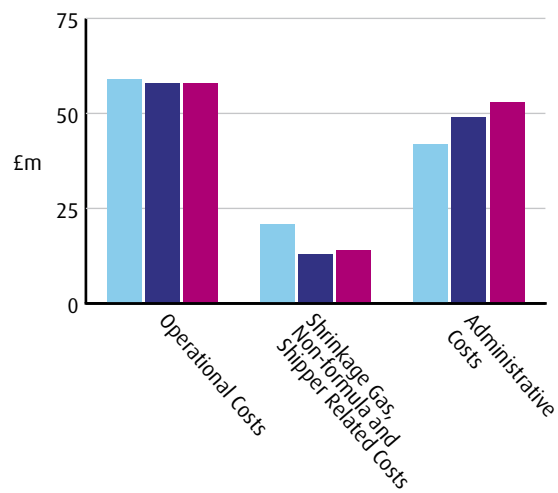


Financial

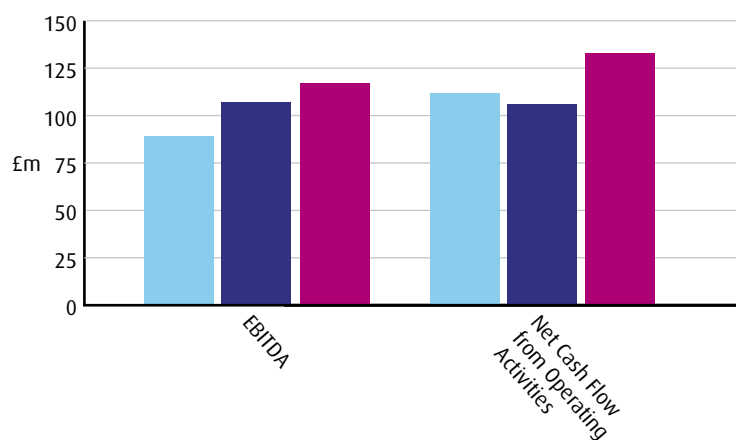
Gas transportation and other revenue (£m)



Operational costs (£m)



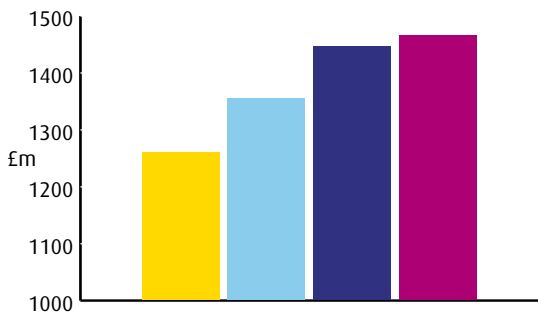
Operating profit (EBITDA) and operating cash flow summary (£m)



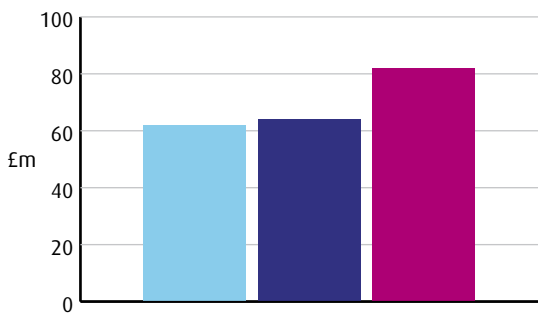


Investment programmes

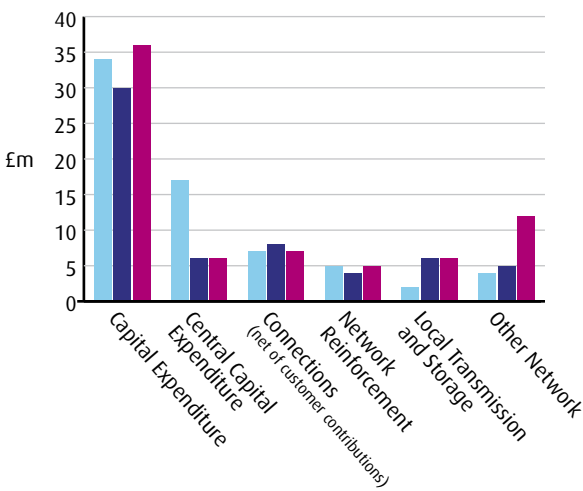
Regulatory asset value (RAV, £m)



Replacement expenditure (Repex, £m)



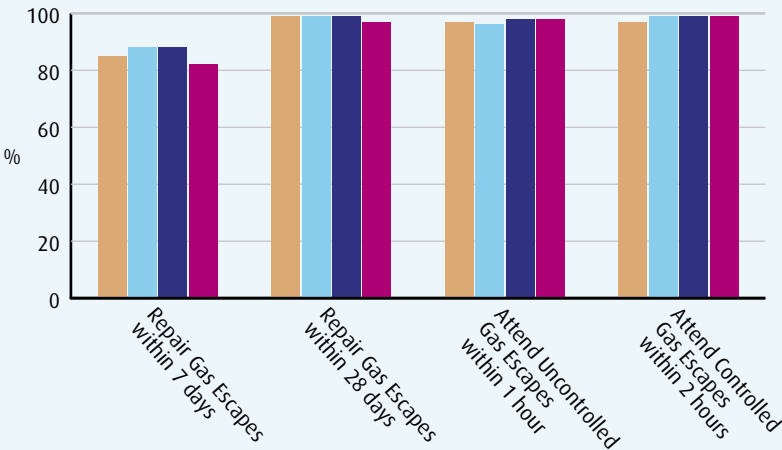
Capital expenditure (£m)



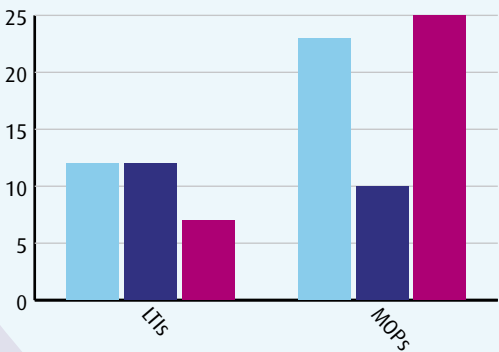


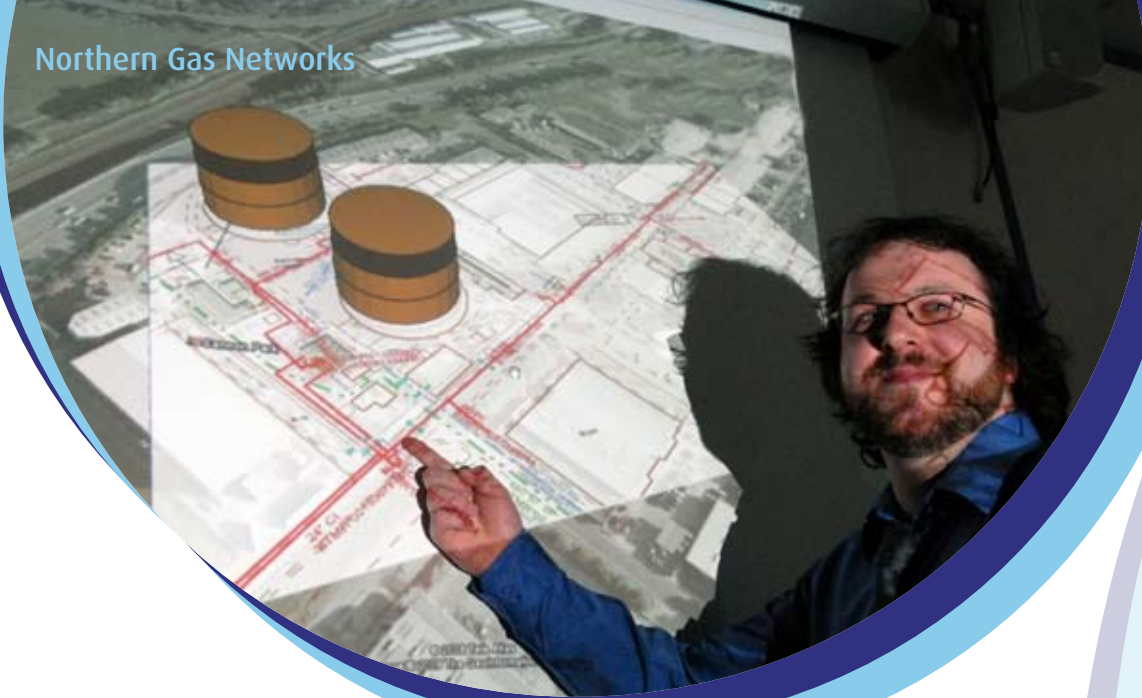
Operational

Gas Escapes



Lost time injuries (LTIs) and injuries to the public (MOPs)





Corporate Governance

Corporate Governance at Northern Gas Network is in line with industry best practice. Each shareholder is represented on the Board. To help it discharge 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 that 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

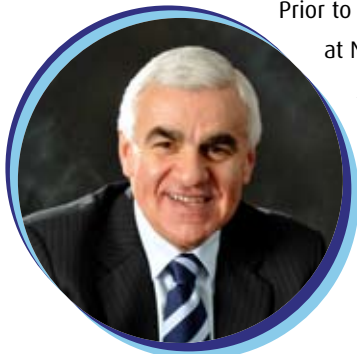
Northern Gas Networks has a significant number of internal control policies which outline management responsibilities and help safeguard the group's assets. The framework is designed to manage rather than eliminate risks which may be material to the achievement of Northern Gas Networks' business objectives.

Internal Audit

Northern Gas Networks' internal audit function was previously operated by KPMG LLP as an outsourced arrangement but was brought in-house during 2008. 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 Transco, 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.





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.



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.



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 area regional 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.



Stephen Parker
Commercial Operations Director

Stephen Parker has worked in the energy industry for 29-years covering a number of commercial roles in both supply and distribution companies. His early career was in procurement for Yorkshire Electricity before moving into regulatory roles for Yorkshire Electricity, npower and United Utilities. He joined Northern Gas Networks when the company was established in 2005 and led the company's negotiations with Ofgem for the 2008-2013 price control prior to taking up his current role. He is a member of the Chartered Institute of Purchasing and Supply.



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.



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 UK.



Neil McGee

Neil McGee is Group Finance Director of Hongkong Electric Holdings Limited. 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's Group; and 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 Master of Arts and Bachelor of Law degrees.



Steven Fraser

Steven Fraser is Managing Director of United Utilities Energy and Contracting Services Limited. 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 and holds a Masters Degree in Engineering Project Management and a BA in Management.



John Dorrian (to 25 April, 2008)

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.



Michael Robinson (from 25 April, 2008)

Michael Robinson is a Director in the RREEF Infrastructure Group based in Sydney, responsible for infrastructure management and portfolio strategy, fund raising and client relationships. Prior to joining RREEF Infrastructure in 2007, he worked with Societe Generale (previously Hambros) in Sydney, Hong Kong and London. He holds a Bachelors of Laws and Bachelors of Commerce from the University of New South Wales.



Results Summary



Results Summary 2008

Financial performance for the twelve months of operations ended 31st December, 2008

The financial information set out below does not constitute the company's statutory accounts for the year ended 31st December, 2008, but is derived from those accounts. Statutory accounts for 2008 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 highlights			
	2006	2007	2008
	£m	£m	£m
Total revenue	273.3	289.5	323.7
Operating profit EBITDA*	89.2	106.4	116.7
EBIT**	47.3	63.7	73.5
Profit after tax	(3.0)	12.4	6.9
Net cash inflow from operating activities (before borrowing costs, capital expenditure and dividends)	111.6	106.2	132.7
Capital expenditure and financial investment (net of customer contributions)	41.3	38.5	43.1
Total Fixed Assets	1,597.0	1,592.5	1,594.0
Total Assets	1,646.9	1,640.7	1,627.5
Net Assets	467.4	422.1	350.9
Regulated Asset Value (RAV)***	1,356.0	1,437.0	1,464.2
* 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	33%	37%	36%
EBITDA Interest coverage ratio	2.0	2.2	2.1
Senior Debt/Total Assets	55%	58%	61%
Senior Debt/Equity	61%:39%	63%:37%	63%:37%
Net Senior Debt/RAV	67%	66%	68%

Operational measures			
Number of customers to whom Northern Gas Networks transports gas (millions)	2.6	2.6	2.6
Sales volume (tWh)	84.5	80.6	81.9
Length of pipe (000s km)	36.7	36.7	37.0
Customer density (customers/km of pipe)	70.8	70.8	70.2

Employee measures			
Number of full-time equivalent employees ^a	1,295	1,296	1,259
Number of lost time injuries	12	12	7

^a Northern Gas Networks and UUOL (Operator)



Corporate Directory

Northern Gas Networks Limited
1100 Century Way
Thorpe 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*.**

*All calls are recorded and may be monitored