

Registered number: 04112320 (England and Wales)

Northern Powergrid (Yorkshire) plc

Annual Report and Financial Statements

for the Year Ended 31 December 2024

Northern Powergrid (Yorkshire) plc

Contents

Company Information	1
Strategic Report	2 to 18
Directors' Report	19 to 22
Independent Auditor's Report	23 to 28
Income Statement	29
Statement of Financial Position	30 to 31
Statement of Changes in Equity	32
Statement of Cash Flows	33
Notes to the Financial Statements	34 to 76

Northern Powergrid (Yorkshire) plc Company Information

Directors	T H France A P Jones P A Jones A J Maclellan A R Marshall P C Taylor
Company Secretary	J C Riley
Registered office	Lloyds Court 78 Grey Street Newcastle upon Tyne NE1 6AF
Registered number	04112320 (England and Wales)
Statutory Auditor	KPMG LLP 110 Quayside House Newcastle upon Tyne NE1 3DX

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024

The directors present the annual report and financial statements for the year ended 31 December 2024 of Northern Powergrid (Yorkshire) plc (the "Company"), which have been drawn up and presented in accordance with the Companies Act 2006.

BUSINESS MODEL

The Company is an authorised distributor under the Electricity Act 1989 and holds a licence granted by the Secretary of State. As a distribution network operator ("DNO"), the Company is regulated by the Office of Gas and Electricity Markets ("Ofgem"), which in turn, is governed by the Gas and Electricity Markets Authority ("GEMA"). Ofgem requires the DNOs to operate within a regulatory framework known as a price control, the purpose of which is to protect the interests of end consumers by setting an upper limit on the amount the DNOs can charge for the use of their networks. On 31 March 2024, the Company completed the first year of the RIIO-ED2 price control, which became effective on 1 April 2023, and will conclude on 31 March 2028 (the "ED2 period").

The principal activity of the Company is the distribution of electricity to approximately 2.3 million customers connected to its electricity distribution network (the "Network") throughout the areas of West Yorkshire, East Yorkshire, almost all of South Yorkshire, together with parts of North Yorkshire, Derbyshire, Nottinghamshire, Lincolnshire and Lancashire. The Company's Network includes over 55,000 kilometres of overhead and underground cables and over 36,000 substations. Electricity is received from National Grid's transmission system and from generators connected directly to the Network, and then distributed at voltages of up to 132 kilovolts.

Revenue generated by the Company is primarily controlled by a distribution price control formula which is set out in the electricity distribution licence. The price control formula does not directly constrain profits from year-to-year but is a control on revenue that operates independently of a significant portion of the Company's costs. Allowed revenue is recovered from electricity suppliers via the application of Distribution use of System charges. These charges account for approximately 8% of the electricity end users' overall electricity bill. The Company's opening base allowed revenue (excluding the effects of incentive schemes, volume or legislative driven adjustment mechanisms, any contract liabilities ("deferred revenues") from the prior price control, and real price effects) has been set and therefore provides the Company with some stability in terms of its income during the ED2 period. Opening base allowed revenues increased in line with inflation (as measured by CPI-H).

STRATEGY

In common with Northern Powergrid Holdings Company and its subsidiaries (the "Northern Powergrid Group"), the Company operates a strategy based on six core principles (the "Core Principles"), which comprise Financial Strength, Customer Service, Operational Excellence, Employee Commitment, Environmental Respect and Regulatory Integrity. The Core Principles (which are applied by the Northern Powergrid Group's parent company, Berkshire Hathaway Energy Company ("Berkshire Hathaway Energy")), set out the basis on which the Company generates shareholder value over the longer-term and defines the standards by which the Northern Powergrid Group holds itself accountable. Each Core Principle is defined by a strategic objective which is linked to the commitments made in the Company's business plan (available via the Northern Powergrid Group website) for the ED2 period (the "Business Plan"). The directors refer to the values established by the Core Principles and the commitments contained within the Business Plan when considering the consequence of decisions they make.

The delivery of the Business Plan is supported by an annual business plan (the "Annual Plan") which is submitted to the Northern Powergrid Group's shareholder each financial year and is designed to phase progress towards the achievement of each commitment over the ED2 period. This ensures that the deliverables in both plans can be measured effectively by using a mix of financial and non-financial Key Performance Indicators ("KPIs").

The Strategic Report focuses on each Core Principle and the performance of the associated KPIs throughout the year in order to provide a summary of the success in achieving each strategic objective, progress made against certain Business Plan commitments and performance in relation to the Annual Plan.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

FINANCIAL STRENGTH

Strategic objective: Strong finances that enable improvement and growth.

KPI	2024	Restated 2023
Operating profit (million)	£332.8	£200.0
Net cash from operating activities (million)	£803.1	£652.6
Net cash used in investing activities (million)	(£753.3)	(£591.2)
Credit Rating (Standard & Poor's)	A	A

Business Plan commitment: To build on the strong financial base by delivering embedded efficiencies equivalent to 11% of forecast total expenditure.

Performance during the year: The Company continued to maintain good control in respect of both its capital and operating costs by effectively managing the financial risks that could have had an adverse impact on its business. At the end of year-one of the ED2 period, the Company's and Northern Powergrid (Northeast) plc's (its "affiliate") expenditure was 9% higher than the prior Regulatory year, but 20% (£100.6 million) below phased total expenditure (totex) allowances. Consequently, a number of work programmes were re-phased in support of achieving the 11% efficiency savings.

Revenue: The Company's revenue at £657.1 million was £133.3 million higher than the prior year (2023: £523.8 million) primarily due to an increase in tariffs with the average tariff increasing by circa 50% when compared with 2023 tariffs, driven by increased revenue allowances because of high inflation forecasts.

Operating profit and position at the year-end: The Company's operating profit of £332.8 million was £132.8 million more than the previous year (2023: £200.0 million), primarily reflecting higher revenue detailed above and lower Supplier of Last Resort ("SoLR") payments amounting to £30 million.

The statement of financial position shows that, at 31 December 2024 the Company had total equity of £1,644.4 million (2023: £1,832.4 million). The decrease in assets was reflective of the dividends paid during the year offset by profits earned. The directors consider the Company to have a strong financial position which, when coupled with the preference of its parent company, Berkshire Hathaway Energy for operating with lower levels of debt than equivalent companies in the sector, creates a stable base for continued strong performance during the ED2 period.

Finance costs and investments: Finance costs net of finance income at £52.3 million was £16.0 million higher than the prior year (2023: £36.3 million) mainly reflecting higher interest paid to group undertakings and increased debt due to bond issuance.

Cash flow: The Company aims to collect from customers and pay suppliers within contracted terms. Any surplus cash held is remitted to Yorkshire Electricity Group plc ("YEG"), a company in the Northern Powergrid Group, and invested accordingly, generating a market rate of return for the Company. Movements in cash flows were as follows:

- Cash flow from operating activities at £803.1 million was £150.5 million higher revenue.
- The net cash used in investing activities at £753.3 million was £162.1 million higher than the previous year (2023: £591.2m), reflecting higher transfers to intercompany accounts.
- The net cash outflow from financing activities at £49.8 million was £13.4 million lower than the previous year (2023: £63.2m) mainly due to lower borrowings offset by higher interest paid.

Pensions: The Company is a participating employer in the Northern Powergrid Group of the Electricity Supply Pension Scheme (the "DB Scheme"), a defined benefit scheme. The Company also participates in the Northern Powergrid Pension Scheme, which is a defined contribution scheme.

Insurance: As part of its insurance and risk strategy, the Northern Powergrid Group has in place insurance policies, which cover risks associated with employees, third party motor and public liability.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

CUSTOMER SERVICE

Strategic objective: Delivering exceptional customer service.

KPI	2024	2023
Broad Measure of Customer Satisfaction ("BMCS")	90.8%	89.8%
BMCS Rank (out of 14)	10	10
BMCS Power Cuts	88.2%	87.3%
BMCS General Enquiries	92.6%	93.1%
BMCS Connections	1	1

Business plan commitment: To provide a best-in-class customer service offering.

Performance during the year: In respect of BMCS performance, an independent market research company carried out telephone surveys with the Company's customers to find out how satisfied they were with services related to unplanned or planned power cuts, quotations and subsequent connections, and general enquiries. An increase was recorded in overall satisfaction scores at 90.8% compared to the prior year (89.8%). However, the overall BMCS rank remained static at 10 out of 14.

To further enhance the service provided to customers, initiatives from the Company's customer service improvement plan were implemented, including enhancing management routines for connections processes and reviewing the consistency of customer communications across all channels. In addition, the proactive on-site support offered to customers impacted by power cuts lasting more than four hours was refined.

Whilst overall performance has continued to improve, albeit with a slight reduction year-on-year for General Enquiries, it is acknowledged that as the other DNOs also continue to invest in customer service, even making incremental improvements in the BMCS ranking is challenging. Regardless, the Company will strive to continue to achieve its Business Plan commitments during the ED2 period by continuing to focus on the ways it can improve the service it provides to its customers.

Activity scheduled in support of this includes the development of guidance to highlight expectations when it comes to managing key scenarios and customer interactions, increased focus on areas of poor Network performance, and a review of the extra care support provided to the most vulnerable customers.

Connections to the network

Business plan commitments: To deliver a cost-effective, efficient and personalised service for all connections customers, with smarter, more flexible solutions that support the connection of low carbon technologies onto the Network in support of the transition to net zero.

Performance during the year: End-to-end lead time improvement continued to be challenging due to the increase in connections volumes arising from low carbon technology uptake and additional applications. However, improvements in small works, such as the new quotation system (reducing time to quote by 54%) and increased operational delivery capacity (reducing time to deliver by 24%) allowed the Company to manage volumes whilst maintaining customer satisfaction (91.7%).

For major connections, transmission network connection delays continued to pose a significant issue. Consequently, much of the focus has been on industry reform to align with the Government's Clean Power 2030 (CP30) Action Plan. The Company held customer webinars in collaboration with National Grid Electricity Transmission and National Grid ESO, to provide updates on the changes and the implementation improvements. In support, the availability and timeliness of information for customers was improved through a Project Progression portal, an online self-service tool that allows customers to view the progress of their project.

In terms of accelerating connections, 85 eligible customers were issued accelerated offers as part of the technical limits initiative, reducing the average connection date by six years.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

Corporate responsibility

Business Plan commitment: To build effective relationships with stakeholders, especially those customers who are vulnerable and hard to reach.

Performance during the year: The Company continued to undertake engagement activity on the development and delivery of the Distribution System Operator (“DSO”) plan, as well as supporting multiple stakeholders with their own decarbonisation planning. Alongside, the four Business Plan Engagement Groups continued to oversee engagement in the areas of resilience, meeting consumer needs, energy futures and our people, our communities. The ongoing energy crisis and economic uncertainty continued to exacerbate the challenges facing vulnerable customers. As a result, the Company and its affiliate grew the provision of their energy advice services to support 20,000 customers in fuel poverty and a further 5,000 with support to increase the energy efficiency of their homes.

Additional support activity from the Company and its affiliate included a donation to Community Action Northumberland to sponsor their Warm Hubs programme, the Net Zero Community Energy Fund provided grant funding to nine organisations totalling £50,000, and the Company established the Community Energy Team to support community energy groups. Alongside, the Company and all funded partners routinely promoted Priority Services Membership and shared energy efficiency materials and winter preparedness information to customers.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

OPERATIONAL EXCELLENCE

Strategic objective: High-quality, efficient operators running a smart reliable energy system.

KPI	2023/24		2022/23	
	Actual	Target	Actual	Target
Customer minutes lost ("CML")	53.5	<48.6	52.1	<51.8
Customer interruptions ("CI")	55.2	<47.6	59.3	<60.9
	2024		2023	
Network investment (millions)	£322.5		£288.6	
High voltage restoration time (minutes)	75.0		73.4	

Business Plan commitment: To achieve 12% fewer unplanned power cuts and reduce the average length of unplanned power cuts by 25%.

Performance during the year: CML and CI are the KPIs set by Ofgem to measure (on a regulatory year basis) the quality of supply and system performance. CML measures the average number of supply minutes lost for every connected customer due to both planned and unplanned power cuts that last for three minutes or longer. CI measures the average number of supply interruptions per every 100 connected customers due to planned and unplanned power cuts that last for three minutes or longer. Performance was below target for CI and CML due to adverse weather conditions. Consequently, the duration of the Company's (together with its affiliate) power cuts increased by 6.4%.

From a high voltage restoration perspective, the Company averaged 75.0 minutes (2023: 73.4 minutes), after allowing for severe weather incidents and other exemptions, which represented a decline from the prior year.

The Company invested £322.5 million during the year through its approved Network investment strategy (2023: £288.6 million), which was designed to improve Network performance and increase resilience. Various major projects were undertaken to reinforce the primary Network, refurbish transformers, rebuild overhead lines, replace oil-filled cables, change deteriorated poles, replace switchgear and install and commission new remote-control points.

Further network enhancements included the continued roll-out of the automatic power restoration system on the high voltage network. At low voltage, the implementation of next generation technology devices continued with the addition of sensors and monitoring which detect developing faults so that they can be proactively managed. Alongside, proposals were submitted to Ofgem as part of the Storm Arwen re-opener to fund the upgrading the Network to enhance its resilience. The Company and its affiliate achieved a successful outcome for 12 projects.

Looking ahead to 2025, initiatives will be implemented as part of the Network Performance Improvement Plan, including the continuation of the risk-based vegetation management programme, the installation of fault management devices on the low voltage Network and further developing the operational incident response model.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

EMPLOYEE COMMITMENT

Strategic objective: High-performing people doing rewarding jobs in a safe and secure workplace.

KPI	2024		2023	
	Actual	Target	Actual	Target
Northern Powergrid Group occupational safety and health administration ("OSHA") rate	0.41	0.09	0.43	0.09
Preventable vehicle accidents (PVAs)	17	11	15	14
Lost time accidents	4	-	5	-
Contractor OSHA incidents	3	3	1	4
Medical treatment accidents	4	1	2	1
Operational incidents	12	4	7	4
Northern Powergrid Group absence rate	3.5%		3.4%	

Health and safety

Business Plan commitment: To maintain industry leading safety performance and achieve a 50% reduction in contractor accident rates.

Performance during the year: In common with the Berkshire Hathaway Energy group, the Northern Powergrid Group measures its safety performance using the OSHA rate, which is a measure used to capture safety incidents down to minor levels of medical treatment. The Northern Powergrid Group failed to meet its target of 0.09 having achieved an OSHA rate of 0.41 (2023: 0.43), which equated to 11 recordable incidents against a goal of two or fewer. PVA performance was also disappointing with 17 recorded against a target of 11 or fewer. In terms of the Business Plan commitment, the number of contractor OSHA incidents increased year-on-year, leading to a number of improvement actions being initiated.

Whilst the majority of incidents were minor in nature (insect bites and slow reversing accidents), the year-on-year decline reinforced the importance of the Company's health and safety performance improvement plan which covered colleague safety, contractor safety, health and well-being and public safety. Accordingly, initiatives undertaken and planned for 2025 included the continuation of driver training, commissioning a safety climate survey, the mobilisation of an assurance programme on high risk activities, leveraging data from the vehicle telematics system and providing an independent employee assistance service, which is a confidential, self-referral counselling and information service to assist with personal or work-related problems and access to services including counselling and physiotherapy referrals.

During the year, the Company successfully completed two external surveillance visits on its ISO 45001 accreditation for its occupational health and safety management system.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

Employees

Business Plan commitment: High-performing people doing rewarding jobs in a safe and secure workplace.

Performance during the year: Focus remained on building capacity by increasing the intake of apprentices and engineers, as well as enhancing working arrangements to ensure seamless customer support. This included adapting agile working, focusing on the retention and attraction of talent, improving wellbeing and cultivating a healthy workplace, and establishing working groups with the trade unions to foster stronger relationships.

Employee development continued via the CORE programme, designed to develop leadership and management skills, in addition to leadership apprenticeships and an approach to identifying and developing individual contributors. Routine training also continued in key areas such as customer service, cyber security and management development. The Company also introduced a Core Leadership Expectations 360 programme for senior leaders to identify their specific areas of improvement.

During the year, 89 new recruits (2023: 77) joined the Company and Northern Powergrid (Northeast) plc's workforce renewal programme. At 31 December 2024, Northern Powergrid (Yorkshire) plc had 1,276 employees (2023: 1,179).

Northern Powergrid Group's gender pay gap report can be found via the Northern Powergrid Group's corporate website.

Employee Engagement

The board and senior management team continue to keep employees and trade union representatives informed of and involved as appropriate in developments that may impact them now or in the future. Consultation for collectively bargained employees is agreed with trade union representatives in the form of a constitutional framework. In addition, the Company utilises focus groups and colleague panels to consult on improvements and changes.

In support of this process, the Director of People and Change routinely reports to the board and the Health and Safety Committee to ensure that the views of employees are considered and to facilitate the discussion of and any subsequent decision making in respect of employee related concerns or issues.

During the year, the President and Chief Executive Officer, members of the board and members of the senior management team provided regular updates on financial, organisational, safety and customer service performance. The executive directors engaged directly with employees during operational and office-based site visits and induction events. Communication with employees was delivered via various channels including text messages and virtual meetings, alongside regular briefings, line manager conversations, meetings with trade union representatives and utilising the Northern Powergrid Group's intranet.

The Berkshire Hathaway Energy code of business conduct ("Code of Conduct")

The Northern Powergrid Group has adopted the Code of Conduct, which details the commitment to ethics and compliance with the law, provides reporting mechanisms for known or suspected ethical or legal violations, and establishes minimum standards of behaviour expected of all employees. In support of this, a "speaking up" process is in place enabling all employees to raise concerns of unethical acts, malpractice or impropriety (including bribery or corruption), and an anonymous help line operated by an independent company is also available. All colleagues complete an annual online training programme covering the requirements of the Code of Conduct. This also requires all employees to declare any conflicts of interest and unspent criminal convictions.

Employment of disabled persons

The Company's policy is to provide all protected groups, including disabled people, with equality at work in respect of employment, training, career development and promotion, having regard to their aptitudes and abilities. Should any member of staff become disabled during their employment, reasonable adjustments will be made, wherever possible.

Northern Powergrid (Yorkshire) plc
Strategic Report for the Year Ended 31 December 2024 (continued)

ENVIRONMENTAL RESPECT

Strategic objective: Leaders in environmental respect and low carbon technologies.

KPI	2024		2023	
	Actual	Target	Actual	Target
Total oil/fluid lost (litres)	13,047	<15,627	14,004	<16113
SF6 gas discharges (kg)	125.05	<35.4	99.74	<36.75
Environmental incidents	5	<3	2	<3
KWh Energy Consumed	22,749,136		23,188,013	
Business carbon footprint	Tonnes	Per km²	Tonnes	Per km²
Fleet fuel use	1,993	0.18	2,003	0.18
Other (including fugitive emissions)	2,939	0.27	2,337	0.21
<i>Total scope 1</i>	<i>4,932</i>	<i>0.45</i>	<i>4,340</i>	<i>0.39</i>
Building electricity use	765	0.07	810	0.07
Substation electricity use	2,479	0.22	2,437	0.22
<i>Total scope 2</i>	<i>3,244</i>	<i>0.29</i>	<i>3,247</i>	<i>0.29</i>
Business fuel use	1,101	0.1	981	0.09
Contractor emissions	314	0.99	260	0.99
<i>Total scope 3</i>	<i>1,415</i>	<i>1.0</i>	<i>1,241</i>	<i>1.08</i>
Total carbon footprint (tonnes)	9,591	1.74	8,828	1.78

Notes:

KWh energy consumed relates to depot energy and fleet fuel usage.

The chosen business carbon footprint intensity ratio is based on the Company's licence area which equals 10,902km².

The methodology adopted to calculate energy and business carbon footprint data is aligned with international standards, those required by Defra and BEIS and is audited annually and certified through the Certified Emissions Measurement and Reduction Scheme for compliance with ISO 14064-1:2006.

* Contractor emissions are based on fuel usage and is the best available information at the time of publishing.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

Business Plan commitment: To minimise carbon emissions, pollution and waste and, where possible, seek to enhance the local environments in which we operate.

Performance during the year: The Company remains committed to using natural resources wisely and protecting the environment for the benefit of future generations. This commitment is set out in the Environmental RESPECT (Responsibility, Efficiency, Stewardship, Performance, Evaluation, Communication and Training) Policy, which is delivered via the Environmental Action Plan and its twelve impact areas (including scope 1, 2 and 3 emissions, SF6 losses, visual amenity, biodiversity and waste).

The Company's overall business carbon footprint, scope 1 and 2 emissions (excluding losses) increased to 8,176 tonnes during the year as a result of increased SF6 losses and other emissions. Whilst the Company and its affiliate reduced their scope 1 and 2 emissions during ED1 and into the ED2 period, the current rate is slightly above the science-based target set to achieve net zero, indicating that further action is required to reduce emissions.

Improvement initiatives include reducing emissions from the operational fleet by replacing diesel vehicles with Ultra Low and Zero Emission Vehicles, exploring new technologies such as hydrogen fuel cells, using alternative, renewable fuels, and enhancing energy efficiency by upgrading facilities at operational sites.

In relation to scope 3 emissions, the Company is working in partnership with the Supply Chain Sustainability School and has adopted their carbon calculator to measure supply chain scope 3 emissions, thereby providing the basis to develop a reduction strategy during 2025. In addition, the Company continues to work with other DNOs to ensure expertise and learnings and a consistent methodology are shared.

The volume of SF6 losses (125.05kg) increased year-on-year due to a number of significant leaks. In response, the Company continues its operational routines, responses to leaks and due to the work with the DNOs via the Energy Networks Association ("ENA"), to share best practice and trial innovative new SF6-free technologies.

During the year, the total amount of fluid loss from the Network was 13,047 litres, which was significantly favourable to the target of 15,627 litres. To continue to minimise losses, the Company is committed to replacing 3,400km of cable during the ED2 period, and will pursue the use of perfluorocarbon tracer (to locate leaks) and self-healing technology.

To adhere to the requirement to identify and remove or remediate non-compliant equipment which may contain Polychlorinated biphenyls ("PCBs") by 31 December 2025, the Company and its affiliate have worked in collaboration with the Environment Agency and ENA to develop a statistical model to determine which pole mounted transformers are non-compliant. The process will be a priority throughout 2025, as approximately 5,900 transformers may be replaced during the year.

In respect of the Company's wider environmental impact, plans have been developed to achieve zero waste to landfill by 2035 and to divert 90% of waste from all of the Company's operations by 2028. The Company's Network operations are the largest source of waste generation, with waste arising from excavations and other operations representing 97% of all of the waste generated in 2024. Steps taken to enhance performance in this area include the recycling of materials, with the Company planning to recycle and reuse 85% of total materials by 2028 including the increased volume produced as a result of delivering Network investment plans and decarbonisation objectives.

Issues relating to the assessment and classification (as hazardous or non-hazardous) of material arising from unplanned utility excavations, prior to transport from site and disposal, pose a significant challenge to the Company's objective to reduce waste to landfill. The utilities industry is currently working with Streetworks UK and the Environment Agency to develop and implement a new industry-wide risk-based approach to managing such waste to combat these issues.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

From a supply chain perspective, the Company will continue to work with suppliers to reduce packaging and ensure environmentally friendly alternatives are used where possible. In support, an embodied carbon model will be used to aid investment decisions including the sourcing of raw materials. At office locations, the use of waste segregation facilities will be increased, and office supplies will wherever possible be low carbon, plastic free and fully recyclable or reusable.

The impact of the Company's operations is mitigated where possible through a range of biodiversity, natural capital and visual amenity programmes. This includes fulfilling the duty to seek to enhance designated areas such as National Parks, as well as improving biodiversity at 200 sites throughout the ED2 period.

At this time, the Company has no plans to use carbon offsetting to achieve its targets in the ED2 period. The focus remains on reducing physical carbon emissions, on the basis that additional investment in the Network to enable decarbonisation offers much better value to customers. However, at an initiative level, where ad-hoc opportunities exist, the Company may pursue these.

From an environmental compliance perspective, the Company operates a United Kingdom Accreditation Service scheme for environmental management and is certified to standard ISO 14001:2015 which is designed to enhance environmental performance, fulfil compliance obligations and achieve environmental objectives, all of which contribute to the achievement of the Company's KPIs. The Company's carbon footprint reporting framework is certified under the Certified Emissions Measurement and Reduction Scheme for compliance with ISO 14064-1:2006.

To date, the Company's performance against a number of stretching KPIs to reduce carbon usage and minimise the effects of the Company on stakeholders and the environment has been largely positive. However, it is acknowledged that becoming carbon neutral by 2040, and working with suppliers and partners to accomplish this, is not without its challenges and risks. Accordingly, the Company will continue to evolve its ambitions and enhance the implementation of environmental plans throughout the ED2 Period. The phased targets associated with waste to landfill, recycling, noise pollution and biodiversity and additional descriptions of all key measures can be found in annex 1.4 of the Business Plan, a copy of which can be found via the Northern Powergrid Group's website (our business plan).

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

Environmental Sustainability

Strategic focus: Enable growth in customers connecting low carbon technologies and support pathways to net zero.

Performance during the year: As the country takes action to reduce carbon emissions in line with the net zero target by 2050, the way in which electricity is produced and used is expected to have a substantial impact on the Network over time. Accordingly, the Company continues to implement its DSO strategy, and act as a key facilitator in the country's net zero transition by placing decarbonisation at the heart of its investment and actions.

As the volume and total capacity of decentralised energy generation grows and given the greater range of load and generation technologies now connected to the Network, the Company continued to develop and action innovative solutions that will reduce the need for traditional and potentially expensive reinforcement.

In the past year, the Company engaged with the market for flexibility by tendering for flexibility services on the low voltage and high voltage Network. Under these contracts, customers change their energy consumption and generation patterns as an alternative to the Company carrying out Network reinforcements, thereby facilitating a more efficient and greener Network. And to better understand how to prepare the Network for the future needs of its customers and the potential pathways to net zero, the Company published its updated Distribution Future Energy Scenarios (available via the Northern Powergrid Group's corporate website).

From an innovation perspective, the Company runs a portfolio of projects in the priority areas of customer vulnerability, resilience, and decarbonisation. Following the establishment of the Community DSO project in 2023, which was designed to deliver trials of smart local energy systems to explore how consumer energy resources and flexibility can be utilised in communities, a £3.2 million trial was awarded to a consortium of companies testing approaches to local balancing in an Energy Community in Barnsley, South Yorkshire over an 18-month period.

Decarbonisation continues to be more central to the Company's strategy, and the way in which the Company contributes more broadly to the evolution of the energy industry and the stakeholders with whom it interacts. The Company has been progressive in its ambition to reduce its own business carbon footprint. However, there is a greater opportunity to contribute to decarbonisation by facilitating regional decarbonisation and investing in people, processes and systems in order to actively manage the Network and to optimise the use of assets and generated energy in the region.

In delivering its Business Plan commitments, the Company continually engages stakeholders on its DSO Strategy to achieve a number of outcomes and benefits including enabling open energy data sharing, transforming the way decisions and plans are made, supporting the development of new flexible energy markets, increasing customer and Network flexibility and facilitating a whole system energy system. The Company's Energy Systems directorate centralises responsibility for delivering DSO plans including major connections to the Network.

In conjunction with this activity, and with the support of the Independent Stakeholder Group ("ISG"), the Company has operated its DSO Review Panel ("DRP") for the purpose of making its decisions transparent and to allow the independent members to comment on and challenge the Company's major investment decisions.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

REGULATORY INTEGRITY

Strategic objective: Trustworthy, fair and balanced.

KPI: Completion of a quarterly regulatory compliance affirmation process.

Business Plan commitment: To manage the Company's business to the highest behavioural standards and adhere to a policy of strict compliance with all relevant standards, legislation and regulatory conditions.

Performance during the year: In order to assure compliance with distribution licence and other regulatory obligations, the Company operates a regulatory compliance affirmation process. Responsible managers are required to review compliance with approximately 3,300 obligations on a quarterly basis and report on any identified non-compliances or perceived risks which are then addressed by members of the senior management team. To minimise the risk of the Company breaching its licence conditions and other statutory requirements (which could lead to financial penalties), the board reviews the outcomes of each exercise. Each quarterly regulatory compliance affirmation process was completed satisfactorily during the year.

The Company submitted its annual Data Assurance Report to Ofgem in March 2025, which included risk assessments of the regulatory returns to be submitted during the Regulatory Year ahead (April 2025 to March 2026), together with a report detailing the assurance work carried out in the Regulatory Year ended 31 March 2025.

On 6 November 2024, Ofgem initiated the process for determining the arrangements for the next electricity distribution price control period, which will begin on 1 April 2028, by issuing a consultation on the framework for ED3. Ofgem envisages that ED3 will have a critical role in the path to achieving net zero by 2050, which could involve a significant change in the level of network investment. In that respect, Ofgem has stated that it will aim to keep the costs of the infrastructure needed for net zero as low as possible through maintaining a low cost of capital and driving further efficiency. The Company submitted its response to the consultation on 15 January 2025 and the process will culminate with Ofgem expected to issue its Draft Determinations in June 2027 and its Final Determinations in December 2027.

PRINCIPAL RISKS AND UNCERTAINTIES

The Northern Powergrid Group operates a structured and disciplined approach to the management of risk as part of its overall risk management policy and in support of its financial reporting practices. A system is in place to facilitate the identification of new and emerging opportunities and risks, including those associated with the achievement of the Northern Powergrid Group's strategic objectives and Core Principles. This includes regular reviews of the macro environment as well as risks that arise from within functional business areas.

Once identified, key risks and their respective controls and mitigation plans are continually assessed and formally reviewed on a quarterly basis by the Risk Advisory Board ("RAB") in order that they are managed to an acceptable level in accordance with the Northern Powergrid Group's risk appetite. The Northern Powergrid Group's risk appetite is determined by a process based on risks, issues and consequences. The level of tolerance varies in accordance with the pursuit of objectives and with caution or acceptance adopted depending on whether risks can be influenced or mitigated fully, partly or not at all. The RAB routinely reports its findings to the board to ensure the directors are sufficiently appraised of the risk exposure associated with the pursuit of the Company's long-term strategy.

The risk management programme includes regular reviews of the crisis management, disaster recovery and major incident plans. To determine the level of disaster preparedness and responsiveness against threats to business continuity, risk management plans and processes are periodically tested. This self-evaluation approach is reinforced by Berkshire Hathaway Energy, which benchmarks risk management activities across its business units and shares significant lessons learned. The business continuity and disaster recovery plans are tested regularly to ensure that as required, operational performance can remain resilient and employees are able to perform their duties safely.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

Principal Risks

During the year, 'Customer Service' was added as a risk and two risks were renamed to 'enabling the energy transition' (from transmission connection delays) and 'regulatory framework' (from the outcome of the regulatory price control). No other notable changes have taken place. The Northern Powergrid Group's principal risks are not ranked or prioritised in any particular order. Given their sensitivity and ever-changing nature, the board has elected not to disclose the risk appetite associated with each risk.

Cyber Security

Unauthorised access or compromise of the Information Technology or Operational Technology networks, resulting in loss of network control and availability. Unauthorised access or loss of large volumes of data or sensitive data.

Mitigation

- Robust cyber security risk mitigation programme is in place.
- Accreditation under the ISO 27001 Information Security standard for operational, customer, employee and financial information.
- Compliant to the Network Information Security Directive and the Basic Cyber Assessment Frameworks.
- Compliance with the Centre for Internet Security Critical Security Controls.

Regulatory and policy positioning

Decisions taken resulting in negative impacts to our business model.

Mitigation

- Continued dialogue and engagement with Ofgem.
- Active involvement in consultations on price controls.
- Robust budgetary and financial position.
- Optimising price control reopener mechanisms.

Network resilience

Loss of the Network due to significant weather events, targeted physical attack or catastrophic asset failure resulting in sustained or widespread loss of essential supply.

Mitigation

- Major incident and crisis management policies, plans and governance arrangements are in place.
- An industry mutual aid agreement exists.
- Grid resilience programme and audits.
- Vulnerable site protocols.

Safety

Fatality or serious harm caused to an employee or a third party.

Mitigation

- Overseen by the Health and Safety Committee.
- Safety Health and Improvement Plan and associated policies and procedures.
- Health and safety training, enhanced audit programme and inspection regimes are in place.
- ISO45001 safety management system in place.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

Environment and climate protection

Failure to prevent network assets from having a significant negative impact on the environment.

Mitigation

- Programme to reduce fluid loss, business carbon footprint and remove assets containing PCBs.
- Environment improvement plan, Environment Action Plan and science-based targets.
- Path to carbon neutrality by 2040.
- Incident response, waste management and habitat protection programmes.
- ISO14001 environmental management system in place.

Resource availability

Access to and availability of skilled resource resulting in an inability to deliver work programmes.

Mitigation

- Mix of direct labour and contracted resource is used.
- Workforce renewal programmes in place to recruit and retain employees.
- Ongoing training and development builds internal capability.
- Employee engagement and health and well-being initiatives.
- Good relationships with trade unions representatives.

Enabling the energy transition

The Network either becomes, or is perceived to have become, an obstacle to decarbonisation and energy transition.

Mitigation

- Overseen by a steering group.
- Change programme in place to improve customer connection lead times and customer communication.
- Part of an industry work programme through the ENA.
- Policy team engages and with Government and Ofgem.
- Stakeholder engagement programme scrutinised by the ISG and DRP.

Efficiency and output performance

Failure to maintain cost and output performance competitiveness in the industry.

Mitigation

- Robust business planning process.
- Robust financial controls in place.
- Monthly executive business performance review.
- Comprehensive “Efficient Output Delivery” programme.

Financial risks

The exposure to interest rate, tax, liquidity and treasury risks.

Mitigation

- The Company is financed by long-term borrowings at fixed rates and has access to short-term borrowing facilities at floating rates of interest.
- As at 31 December 2024, 100% of the Company's long-term borrowings were at fixed rates and the average maturity for these borrowings was 13 years.
- Financial covenant monitoring is in place.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

Customer Service

Loss of reputation, financial penalties.

Mitigation

- Customer service improvement plan
- Engagement with the ISG and DRP
- Industry collaboration
- Relationship with customer support partners and organisations
- Power of 10 (out of 10) initiative
- Employee training and development

Internal control

The Company's internal control environment exists to support the financial reporting process, including regular reporting, a series of operational and financial policies, investigations undertaken by internal audit and a stringent process for ensuring the implementation of internal audit recommendations. In addition, the Company utilises comprehensive business planning procedures, regularly reviews KPIs to assess progress towards its goals, and the internal audit function provides independent scrutiny. Financial controls include centralised treasury operations and established procedures for the planning, approving and monitoring of major capital expenditure.

The RAB monitors the effectiveness of internal controls and reports on its findings to the board and Berkshire Hathaway Energy. As part of the statutory reporting process, the Company's external auditor reviews and tests a sample of internal controls and reports their findings and recommendations for improvements to the board.

Controls which are applicable to financial decisions are governed via a schedule of delegations of authority which are approved by the board (and applies to the Northern Powergrid Group) for the purpose of enabling the senior management team to make decisions up to certain financial limits, above which point the decision making reverts to the directors. These limits reflect the board's level of risk appetite and are reviewed regularly.

In accordance with Berkshire Hathaway Energy's requirements to comply with the Sarbanes-Oxley Act, the Company undertakes a quarterly risk control assessment confirming that the effectiveness of the system of internal controls have been reviewed during the year. A self-certification process is in place, in support of this review, requiring certain senior managers to confirm that the system of internal control in their area of the business is operating effectively. Consequently, the directors believe that a robust system of risk assessment and management is in place.

The Northern Powergrid Group does not have a specific human rights policy. However, in accordance with the Core Principles, it remains fully committed to operating ethically and responsibly and with fairness and integrity. This is implemented through its policies and procedures, which are applicable to all stakeholder groups and encompasses employees' health, safety and welfare, dealings with customers (particularly those who are vulnerable), the impact of the Northern Powergrid Group on the environment and the contribution to sustainability.

To ensure that the Northern Powergrid Group maintains the highest level of ethical standards in the conduct of its business, Berkshire Hathaway Energy's Code of Conduct has been adopted (See 'Employees'). The Northern Powergrid Group has robust procedures in place to meet the requirements of the Bribery Act 2010 for which every employee must undertake annual training.

Section 172(1) statement

Decision-making at the Board

All matters which under the Company's governance arrangements are reserved for decision by the directors are presented at board meetings. Directors are briefed on any potential impacts and risks for customers, and other stakeholders and how they are to be managed. The directors take these factors into account before making decisions, which together they believe are in the best interests of the Company and its member.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Year Ended 31 December 2024 (continued)

Long-term sustainability

As referenced throughout the Strategic Report, the Company's business model is to make sufficient profit in order to invest in the Network thereby, ensuring the integrity of the electricity supply for its customers. To achieve this objective, the Company delivers its service to fulfil the needs of the stakeholders with whom it interacts and in doing so, ensures all business relationships are conducted in an open and transparent manner. Consequently, fostering business relationships is a prerequisite of the activity performed by the Company in the pursuit of its goals and the long-term sustainability of the Company is at the forefront of decision-making.

The Company's policy in respect of engaging with stakeholders is governed by the Core Principles and the Code of Conduct. The Core Principle of 'Regulatory Integrity' defines the Northern Powergrid Group's commitment to comply with all laws wherever it does business and the expectation that all employees (including directors) manage their activities in a manner that is compliant with all standards, regulations and corporate policies. In addition, the Code of Conduct requires adherence to the highest level of ethical conduct and fair dealings with all customers, suppliers and competitors.

Employees

As detailed in 'Employee Commitment', the Company works hard to ensure the health and safety of employees and to provide them with opportunities for advancement alongside fair terms whilst remunerating appropriately. Activities undertaken by the board in the year included reviewing health and safety performance, monitoring key appointment changes and reviewing the Company's gender pay gap report.

Customers

Customers, whether they are domestic or commercial, are the primary stakeholder group served by the Company and therefore the services offered are all tailored to provide a benefit or enhance an experience. During the year, the board regularly reviewed performance levels, closely monitored the response in respect of major storms and associated Network resilience and engaged with the Chair of the ISG. Further detail of the Company's relationship with customers and the support programmes provided is discussed in 'Customer Service'.

Producers and suppliers

The Company works closely with its supply chain and has measures in place to ensure the treatment of all supplies is fair and equitable. Relations with suppliers is managed using a supplier registration system which supports a robust and transparent procurement process and ensures strict compliance with the prevention of slavery and human trafficking. As a consequence, the system allows the Company to make informed decisions which align with its values when awarding contracts. When considering suppliers, the board advocates prompt payment practices, which are reviewed regularly by the internal audit function, and the implementation of procedures to reduce the risk of modern slavery in supply chains - as set out in the Company's annual modern slavery statement (available via the Northern Powergrid Group website).

Financial stakeholders

Financial information is routinely made available to financial stakeholders, including relationship banks and bondholders. Directors engage with stakeholders when entering into new financial arrangements. During the year, the board approved an interim dividend, the annual, interim and Regulatory accounts and the tax strategy and met representatives from the Company's external auditor.

Community and environment

Each director is required to take all reasonable steps to minimise any detrimental impact the Company's operations may have on the environment (see 'Environmental Respect'). The Company provides a range of charitable and community activities to support customers with fuel poverty and safety around electricity ('Corporate Responsibility'). During the year, the directors routinely reviewed environmental performance and made decisions pursuant to Environmental Respect.

Regulator

The Company is in regular dialogue with Ofgem concerning new policy development and emerging risks or opportunities within the sector. As outlined in 'Regulatory Integrity', to meet its licence conditions, the Company and the directors provide regular reporting to Ofgem (including the annual regulatory certificates and Regulatory Accounts), contribute to various regulatory consultations and monitor regulatory compliance. Given the implications on the Company's long-term strategy, the relationship with Ofgem and the evolving ED3 framework were regular items on the board agenda throughout the year.

Acting fairly as between the Company's owners

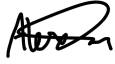
The Company has one class of ordinary shares which are all held by YEG, a company in the Northern Powergrid Group. During the year the directors declared an interim dividend and approved the Business Plan. As outlined in 'Strategy', the Northern Powergrid Group is owned by Berkshire Hathaway Energy. Further details of the shareholder relationship is set out in the 'Corporate Governance Statement'.

Northern Powergrid (Yorkshire) plc
Strategic Report for the Year Ended 31 December 2024 (continued)

Non-financial and sustainability information statement

In accordance with Section 414CA(7) of the Companies Act 2006, the directors have elected to set out the information required by Section 414CB (1) to (6) in the group annual report and audited consolidated financial statements of Northern Powergrid Holdings Company, a copy of which, will be published on the Northern Powergrid Group's corporate website.

Approved by the Board on 11 June 2025 and signed on its behalf by:



A P Jones
Director

Northern Powergrid (Yorkshire) plc

Directors' Report for the Year Ended 31 December 2024

The directors present their report together with the auditor's report and the financial statements financial statements for the year ended 31 December 2024.

Dividends

During the year, an interim dividend of £400.0 million was paid (2023: £42.5 million). This was paid via intercompany short-term loans. The directors recommend that no final dividend be paid in respect of the year (2023: £nil).

An interim dividend of £300.0 million was paid in February 2025.

The Company's dividend policy is that dividends will be paid only after having due regard to available distributable reserves, available liquid funds and the financial resources and facilities needed to enable the Company to carry on its business for at least the next year, with the Company's long-term prospects and viability in mind. In addition, the level of dividends is set to maintain sufficient equity in the Northern Powergrid Group so as not to jeopardise any investment grade credit ratings. These strict parameters align with the conditions set out in the distribution licence and are considered carefully by the board so as to ensure that the payment of any dividend does not cause the Company to breach any licence obligations in the future.

Directors of the Company

The directors, who held office during the year and up to the date of signing, were as follows:

T H France
A J Maclellan
A R Marshall
A P Jones
P A Jones
P C Taylor

During the year none of the directors had an interest in any contract which was material to the business of the Company; and up to the date of approval of the Report of the Directors, an indemnity contained in the Company's Articles of Association was in force for the benefit of the directors of the Company and as directors of associated companies, which was a qualifying indemnity provision for the purposes of the Companies Act 2006.

Future developments

The financial position of the Company, as at 31 December 2024, is shown in the statement of financial position. With the exception of the aforementioned £400.00 million dividend, there have been no significant events since the year end. The directors intend that the Company will continue to implement the Business Plan during the remainder of the ED2 period, and by delivering the strategic objectives linked to the Core Principles, the Company will continue to develop its business by efficiently investing in the Network and improving the quality of supply and service provided to customers. The Company intends to continue to expand its energy systems operations to allow its Network to form a key part of a whole energy system, which fosters flexibility and facilitates decarbonisation.

Research and development

The Company supports a programme of research that is expected to contribute to higher standards of performance and a more cost-effective operation of its business. During the year, the Company invested £1.4 million (2023: £2.3 million) (Note 5 to the financial statements) in its research and development activities.

Financial instruments

Details of financial risks are included in the Principal Risks and Uncertainties (Strategic Report) and Note 28 to the financial statements.

As at 31 December 2024 and during the year it was the Company's policy not to hold any derivative financial instruments.

Stakeholder engagement and environmental disclosures

In accordance with Paragraphs 10, 11 and 20 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, details concerning the employment of disabled persons, the relationship and engagement with employees and those with whom the Company does business, in addition to information concerning greenhouse gas emissions can be found in the Section 172 Statement and the Strategic Report (Environmental Respect and Employee Commitment).

Northern Powergrid (Yorkshire) plc

Directors' Report for the Year Ended 31 December 2024 (continued)

CORPORATE GOVERNANCE STATEMENT

The directors have elected to apply the exemption set out in Section 1B.1.6R of the Disclosure and Transparency Rules (“DTR”). See ‘Principal risks and uncertainty’ and ‘Internal control’ in the Strategic Report for details of internal control and risk management systems.

Additional information concerning the Corporate Governance arrangements applicable to the Company, are set out in the Annual Report and Accounts of Northern Electric plc.

In respect of the Company’s diversity policy, all appointments are based on merit with due regard for diversity, inclusion and equal opportunity. The Northern Powergrid Group does not set diversity targets.

Audit Committee

The board of Northern Powergrid Holdings Company has established an audit committee for the Northern Powergrid Group under delegated terms of reference which carries out the functions required by DTR 7.1.3 R.

Committee members:

- J Reynolds - Non-executive Director (Chair)
- AP Jones - Finance Director
- M Knowles - Independent member

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss for that period. In preparing each of the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors’ Report, and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule (“DTR”) 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor’s report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Northern Powergrid (Yorkshire) plc

Directors' Report for the Year Ended 31 December 2024 (continued)

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Going Concern

A review of the Company's business activities during the year, together with details regarding its future development, performance and position, its objectives, policies and processes for managing its capital, its financial risk management objectives and details of its exposures to trading risk, credit risk and liquidity risk are set out in the Strategic Report, the Directors' Report and the appropriate notes to the financial statements.

The directors have responsibility over performing a going concern assessment and when considering continuing to adopt the going concern basis in preparing the annual reports and financial statements, they have considered a number of factors, including:

- The Company is a stable electricity distribution business operating an essential public service and is regulated by GEMA. In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000;
- The Company is profitable with strong underlying cash flows;
- The cash flow forecasts indicate that, in both the base and reasonably possible downside scenario, the Company will require funding through the intercompany current account mechanism to meet its liabilities as they fall due for at least 12 months from the approval of the financial statements, the going concern assessment period;
- Northern Powergrid Holdings Company, being the ultimate UK parent company, has indicated its intention to continue to make available such funds as are needed by the Company through the intercompany current account mechanism;
- Northern Powergrid Holdings Company does not intend to seek repayment of the amounts due to the Northern Powergrid Group, which at December 31, 2024 amounted to £161.2 million, during the going concern assessment period and will continue to make funds available. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so;
- The Company is financed by long-term borrowings with an average maturity of 13 years and has access to short-term committed borrowing facilities of £119 million (undrawn at December 31, 2024) provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada;
- The Company benefits from strong investment-grade credit ratings and has access to a range of financing options including the capital markets. A successful bond issued by the Company in April 2025, demonstrates that the Company's bonds remain attractive to investors and there is an active market with strong appetite to invest.
- Consideration was also given to the obligations contained in the Company's and Northern Powergrid (Northeast) plc's distribution licences to provide Ofgem with annual certificates, confirming that the directors have a reasonable expectation that the Company and Northern Powergrid (Northeast) plc will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months. The board determined any material variations to the assumptions used when providing those certificates were unlikely within the eight-year period or beyond.

Consequently, after making their assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Northern Powergrid (Yorkshire) plc
Directors' Report for the Year Ended 31 December 2024 (continued)

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of auditor

KPMG will continue in office in accordance with the provisions in Section 487 of the Companies Act 2006 and has indicated its willingness to do so.

Approved by the Board on 11 June 2025 and signed on its behalf by:



.....
A P Jones
Director

Northern Powergrid (Yorkshire) plc

Independent Auditor's Report to the Members of Northern Powergrid (Yorkshire) plc

1 Our opinion is unmodified

We have audited the financial statements of Northern Powergrid (Yorkshire) Plc ("the Company") for the year ended 31 December 2024 which comprise the Statement of Profit and Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 18th September 2024. The period of total uninterrupted engagement is for the one financial year ended 31 December 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Allocation of total costs between operating and capital expenditure and the assessment of what is directly attributable to Property, Plant and Equipment

Expenditure allocated to property, plant and equipment: £69.4m

Refer to pages 35-37 (critical accounting estimates and judgements) and pages 34-78 (accounting policies and financial disclosures).

The Risk - Accounting Treatment

The Company undertakes major capital projects, including enhancements to the distribution network.

The determination of costs as capital or operating expenditure, in line with IAS 16 Property, Plant and Equipment, depends on the ability to distinguish between enhancement and maintenance works. Under IAS 16, expenditure is capitalised when it is probable that the future economic benefits associated with the item will flow to the entity where such expenditure enhances or increases capacity of the network.

We determined that there is an elevated level of judgement involved in determining the costs to be capitalised or expensed, and an elevated level of estimation uncertainty involved, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Northern Powergrid (Yorkshire) plc

Independent Auditor's Report to the Members of Northern Powergrid (Yorkshire) plc

(continued)

Our response

We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures included:

Accounting analysis: assessed the Company's capitalisation policy for compliance with IAS 16.

Test of details: critically assessed the capital nature of a sample of additions against the capitalisation policy;

Methodology implementation: assessed the mathematical accuracy of the model used to calculate the level of expenditure capitalised, for a sample of costs capitalised;

Test of details: challenged the Company on the selection and application of methods and performed sensitivity analysis on the percentage of expenditure that is capitalised, based on our understanding of the business and the nature of the costs; and

Assess transparency: assessed the adequacy of the Company's disclosures with respect to its capitalisation policy, including the judgement involved in determining whether expenditure is capital in nature and the estimation involved in setting the capitalisation rate of 45.8%.

Our Results:

We found the Company's capitalisation of expenditure to be acceptable.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Company financial statements as a whole was set at £8.5m, determined with reference to a benchmark of Company profit before tax, normalised by averaging over the last three years due to fluctuations in the business cycle, of £216.2m, of which it represents 3.9%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% of materiality for the financial statements as a whole, which equates to £5.5m. We applied this percentage in our determination of performance materiality based on our understanding of the control environment obtained as part of our first year audit, and our understanding of the level of identified misstatements during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality and performance materiality levels specified above and was performed by a single audit team.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Company's internal control over financial reporting.

Northern Powergrid (Yorkshire) plc
Independent Auditor's Report to the Members of Northern Powergrid (Yorkshire) plc
(continued)

4 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period are refinancing risks, uncertainties around inflationary rises in operating costs and regulatory price control outcomes.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants thresholds indicated by the Company's financial forecasts.

Given the purpose of the Company, and since the entity is reliant on financial support from its intermediate parent Company, Northern Powergrid Holdings Company, we assessed the risk that this support would not be available. Our procedures on going concern also included:

- Inspecting letters received by the directors indicating the intermediate parent Company's intention to provide this support;
- Inspecting and critically assessing the internally provided cash flow projections over the going concern assessment period for the wider group, and the level of available financial resources indicated by those financial projections to assess the ability of the intermediate parent Company to make scheduled repayments to the Company, including repayments in line with the Company's external debt obligations; and
- Assessing the business reasons why the intermediate parent Company may or may not choose to provide this support.

We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;
- We found the going concern disclosure in Note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Northern Powergrid (Yorkshire) plc
Independent Auditor's Report to the Members of Northern Powergrid (Yorkshire) plc
(continued)

5 Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, and internal audit, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes and attending Company audit committee meetings.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the overhead capitalisation assumption. On this audit we do not believe there is a fraud risk related to revenue recognition because the lack of material judgement or estimation and, due to the nature of the industry, the Company operates in a stable, regulated market where the energy volumes are monitored and supplied by an independent third party. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test at the based on risk criteria and comparing the identified entries to supporting documentation. These included unusual postings to revenue, cash, loans and borrowings, property plant and equipment, and legal expenses.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and others management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, taxation legislation, and regulatory requirements governing distribution revenue and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Northern Powergrid (Yorkshire) plc

Independent Auditor's Report to the Members of Northern Powergrid (Yorkshire) plc

(continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, environmental, Ofgem regulations and certain aspects of company legislation recognising the nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Northern Powergrid (Yorkshire) plc
Independent Auditor's Report to the Members of Northern Powergrid (Yorkshire) plc
(continued)

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 20, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

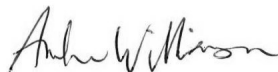
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Williamson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
110 Quayside House
Newcastle upon Tyne
NE1 3DX

12 June 2025

Northern Powergrid (Yorkshire) plc
Income Statement for the Year Ended 31 December 2024

		(As restated)	
	Note	2024 £ 000	2023 £ 000
Revenue	4	657,083	523,789
Cost of sales		<u>(25,755)</u>	<u>(53,763)</u>
Gross profit		631,328	470,026
Distribution costs		(211,922)	(192,495)
Administrative expenses		<u>(86,574)</u>	<u>(77,560)</u>
Operating profit	5	332,832	199,971
(Loss)/ profit on disposal of PPE		(4)	154
Finance costs	6	(54,392)	(36,984)
Finance income	6	<u>2,081</u>	<u>665</u>
Profit before tax		280,517	163,806
Income tax expense	10	<u>(68,544)</u>	<u>(36,352)</u>
Profit for the year		<u>211,973</u>	<u>127,454</u>

Further detail of prior year adjustments affecting the Income Statement can be found in Note 3.

Statement of Comprehensive Income for the Year Ended 31 December 2024

	2024 £ 000	2023 £ 000
Profit for the year from continuing operations	<u>211,973</u>	<u>127,454</u>
Total comprehensive income for the year	<u>211,973</u>	<u>127,454</u>

Northern Powergrid (Yorkshire) plc
(Registration number: 04112320)
Statement of Financial Position as at 31 December 2024

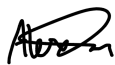
		(As restated)	
	Note	31 December 2024 £ 000	31 December 2023 £ 000
Assets			
Non-current assets			
Property, plant and equipment	11	4,255,149	4,065,963
Right of use assets	12	7,561	7,424
Intangible assets	13	65	30
		<u>4,262,775</u>	<u>4,073,417</u>
Current assets			
Inventories	14	-	1,384
Trade and other receivables	15	103,943	229,819
Income tax asset		-	1,130
Cash and cash equivalents	16	212	244
		<u>104,155</u>	<u>232,577</u>
Total assets		<u>4,366,930</u>	<u>4,305,994</u>
Equity and liabilities			
Equity			
Share capital	17	(290,000)	(290,000)
Retained earnings	18	(1,354,404)	(1,542,431)
Total equity		<u>(1,644,404)</u>	<u>(1,832,431)</u>
Non-current liabilities			
Long-term lease liabilities	20	(5,732)	(5,302)
Loans and borrowings	19	(1,018,028)	(1,216,999)
Provisions	21	-	(555)
Deferred revenue from customer contracts	23	(902,331)	(874,878)
Deferred tax liabilities	10	(195,070)	(182,409)
		<u>(2,121,161)</u>	<u>(2,280,143)</u>
Current liabilities			
Current portion of long-term lease liabilities	20	(2,296)	(2,400)
Trade and other payables	22	(156,396)	(129,834)
Loans and borrowings	19	(381,943)	(19,769)
Income tax liability		(14,494)	-
Deferred revenue from customer contracts	23	(43,285)	(39,212)
Provisions	21	(2,951)	(2,205)
		<u>(601,365)</u>	<u>(193,420)</u>
Total liabilities		<u>(2,722,526)</u>	<u>(2,473,563)</u>
Total equity and liabilities		<u>(4,366,930)</u>	<u>(4,305,994)</u>

Further detail of prior year adjustments affecting the Statement of Financial Position can be found in Note 3.

The notes on pages 34 to 76 form an integral part of these financial statements.

Northern Powergrid (Yorkshire) plc
(Registration number: 04112320)
Statement of Financial Position as at 31 December 2024 (continued)

Approved by the Board of Directors on 11 June 2025 and signed on its behalf by:



A P Jones
Director

Northern Powergrid (Yorkshire) plc
Statement of Changes in Equity for the Year Ended 31 December 2024

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2024		290,000	1,542,431	1,832,431
Profit for the year		-	211,973	211,973
Total comprehensive income		-	211,973	211,973
Dividends	24	-	(400,000)	(400,000)
At 31 December 2024		<u>290,000</u>	<u>1,354,404</u>	<u>1,644,404</u>
		Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2023		290,000	1,457,477	1,747,477
Profit for the year		-	127,454	127,454
Total comprehensive income		-	127,454	127,454
Dividends	24	-	(42,500)	(42,500)
At 31 December 2023		<u>290,000</u>	<u>1,542,431</u>	<u>1,832,431</u>

Northern Powergrid (Yorkshire) plc
Statement of Cash Flows for the Year Ended 31 December 2024

	2024 £ 000	(As restated*) 2023 £ 000
Cash flows from operating activities		
Cash receipts from customers	803,093	652,589
Net cash from operating activities	<u>803,093</u>	<u>652,589</u>
Cash flows from investing activities		
Transfers to intercompany accounts	(753,289)	(838,668)
Net cash from investing activities	<u>(753,289)</u>	<u>(838,668)</u>
Cash flows from financing activities		
Proceeds from issuance of bonds	-	248,428
Transaction costs relating to loans and borrowings	-	(1,431)
Interest paid	(46,335)	(32,377)
Repayment of short-term borrowings	(3,500)	(30,340)
Net cash flows from financing activities	<u>(49,835)</u>	<u>184,280</u>
Net decrease in cash and cash equivalents	<u>(32)</u>	<u>(1,799)</u>
Opening cash and cash equivalents	<u>244</u>	<u>2,043</u>
Closing cash and cash equivalents	<u>212</u>	<u>244</u>

*Further detail can be found under 'Restatement of Cash Flow Statement' in Note 3.

Northern Powergrid (Yorkshire) plc

Notes to the Financial Statements for the Year Ended 31 December 2024

1 General Information

The company is a public company limited by share capital, incorporated under the Companies Act and domiciled in England and Wales.

The address of its registered office is Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.

2 Accounting policies

Statement of compliance

The financial statements have been prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Summary of material accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Accounting policies related to immaterial transactions, other events or conditions themselves are immaterial and as such need not be disclosed.

The accounting estimates are defined as the monetary amounts in the financial statements that are subject to measurement uncertainty.

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Climate change

The impact of climate change, including risks identified in the Strategic Report on page 14, on the Company's financial statements has been considered. No material impact on the judgements and estimates made in the preparation of the Company's financial statements has been identified

Going Concern

A review of the Company's business activities during the year, together with details regarding its future development, performance and position, its objectives, policies and processes for managing its capital, its financial risk management objectives and details of its exposures to trading risk, credit risk and liquidity risk are set out in the Strategic Report, the Directors' Report and the appropriate notes to the financial statements.

The directors have responsibility over performing a going concern assessment and when considering continuing to adopt the going concern basis in preparing the annual reports and financial statements, they have considered a number of factors, including:

- The Company is a stable electricity distribution business operating an essential public service and is regulated by GEMA. In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000;
- The Company is profitable with strong underlying cash flows;
- The cash flow forecasts indicate that, in both the base and reasonably possible downside scenario, the Company will require funding through the intercompany current account mechanism to meet its liabilities as they fall due for at least 12 months from the approval of the financial statements, the going concern assessment period;
- Northern Powergrid Holdings Company, being the ultimate UK parent company, has indicated its intention to continue to make available such funds as are needed by the Company through the intercompany current account mechanism;

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

- Northern Powergrid Holdings Company does not intend to seek repayment of the amounts due to the Northern Powergrid Group, which at December 31, 2024 amounted to £161.2 million, during the going concern assessment period and will continue to make funds available. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so;
- The Company is financed by long-term borrowings with an average maturity of 13 years and has access to short-term committed borrowing facilities of £119 million (undrawn at December 31, 2024) provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada;
- The Company benefits from strong investment-grade credit ratings and has access to a range of financing options including the capital markets. A successful bond issued by the Company in April 2025, demonstrates that the Company's bonds remain attractive to investors and there is an active market with strong appetite to invest.
- Consideration was also given to the obligations contained in the Company's and Northern Powergrid (Northeast) plc's distribution licences to provide Ofgem with annual certificates, confirming that the directors have a reasonable expectation that the Company and Northern Powergrid (Northeast) plc will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months. The board determined any material variations to the assumptions used when providing those certificates were unlikely within the eight-year period or beyond.

Consequently, after making their assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Northern Powergrid (Yorkshire) plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Judgements, estimation and uncertainties

Management may be required to make a number of judgements and assumptions regarding the future and about other sources of estimation uncertainty at the end of the reporting period that may have a significant risk of resulting in a material adjustment to the reported amounts of assets and liabilities within the next financial year.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

The useful economic lives of distribution system assets and other network related facilities, which principally comprise distribution equipment and other technical installations, are estimated based on management experience. When management identifies that actual useful economic lives differ materially from the estimates used, they are adjusted prospectively. This estimation uncertainty creates a risk of a material adjustment to the asset lives, and therefore the depreciation charge in the next financial year. The depreciation charge on these distribution system assets for the year is £134.9m. Income for connections is recognised over the useful life of the associated distribution system asset, the amount recognised in the financial year was £39.3m.

Additionally, consideration has been given to any estimates over the longer-term which should be disclosed to allow for an understanding of the financial statements. The Company has no estimates of this nature to disclose.

The following are the critical judgements that the directors have made in the process of applying the Northern Powergrid Group's accounting policies and that have the most significant effect on amounts recognised in the consolidated financial statements:

The split of total costs between operating and capital expenditure and the assessment of what is directly attributable to Property, Plant and Equipment

The allocation of expenditure to property, plant and equipment which results in higher capital expenditure and a reduction in operating costs. Costs are capitalised where it is probable that future economic benefits associated with the asset will flow to the enterprise; and the cost of the item can be reliably measured.

The allocation of expenditure to capital is derived from a detailed analysis of the costs and their relevant cost drivers, which is reviewed on an annual basis. This portion of costs that are capitalised is an estimation, however there has been no change in the methodology since the prior year.

The amount of expenditure capitalised in the year was £69.4 million out of a total cost of £151.4 million (2023: £59.8 million out of a total cost of £132.6 million). The capitalisation rate was 45.8% (2023: 45.1%).

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

Effective for periods beginning on 1 January 2024

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

The Directors have considered new accounting standards issued that are not yet applicable and have noted no material changes are likely to arise.

Northern Powergrid (Yorkshire) plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Revenue recognition

Recognition

The Company earns revenue from the provision of services relating to distribution which is recognised by the following means:

- Distribution use of system income is recognised on a per unit (volumetric i.e. kWh and capacity (kVA)) and fixed (per 'customer' per day) basis;
- Customer contributions income for connections is recognised over the life of the corresponding distribution system asset;
- Intercompany recharges for services provided are based on costs incurred; and
- Other revenue includes assessment and design fees and disconnections from the network, these are recognised by reference to the proportion of total costs of providing the service.

Revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

Any under/over-recovery in the regulatory year is trued up in subsequent years' revenue allowances in line with the regulatory framework. Hence, no accounting adjustments are made for under/over-recoveries in the year that they arise as they are contingent on future events. Due to the nature of the national electricity settlements processes billed revenue includes the reconciliations of data for prior periods. Invoices are raised one month in arrears and typically settles within the month.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for revenue from the provision of services:

- For regulated fees the revenue for the service is recognised on the basis of agreed charging methodologies on a per GWh basis.
- For fixed fee for connection the revenue is recognised over the life of the corresponding asset.
- For fixed fee arrangements from services revenue is recognised based on the stage of completion and performance obligations met for actual services provided as a proportion of the total fixed fee agreed in the contract.
- For fee for service (time) revenue is recognised by time performed on the contract to the year end date using contractual rates specified in the contract.

The main performance obligations in contracts consist of the provision of a distribution network to electricity suppliers. For these contracts, through the distribution and connection use of system agreement (DCUSA) the delivery of performance obligations are measured at the balance sheet date, primarily recognised on a per unit (volumetric i.e. kWh and capacity (kVA)) and fixed (per 'customer' per day) basis.

Research and development

Expenditure on research and development activities are recognised in the income statement as an expense is incurred.

Northern Powergrid (Yorkshire) plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Leases

The Company applies IFRS 16 to all leases which include buildings, land and fleet vehicles. The right-of-use assets are initially measured at the amount of the lease liability plus any initial direct costs incurred by the company, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the company shall use their incremental borrowing rate.

The Company has taken practical expedients as per below:

- For short-term leases (lease term of 12 months or less) and leases of low-value assets below £5k (which includes personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in the Statement of Profit or Loss.
- Applies the implicit rate in the lease, and uses the Incremental Borrowing Rate (IBR) when this isn't readily available;

The weighted average lessee's incremental borrowing rate applied to determine the present value of the lease liabilities added during the current period was 5.5% (2023: 2.33%).

The Company recognises depreciation of right-of-use assets (within administration expenses) and interest on lease liabilities (within finance costs) in the Statement of Profit and Loss. Within the Statement of cash flow, the Company separates the total amount of cash paid between the principal portion and the interest, both of which are presented within financing activities.

Right-of-use assets are depreciated on a straight line basis, over the shorter of the useful life of the asset or the lease term. For information regarding the depreciation charge per class of asset and carrying value, please refer to Note 12 Right of use assets.

Finance income and costs

Interest income or expense is recognised using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realised. Any such reduction is reversed when the probability of future taxable profits improve.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation along with costs from transfer of inventories used in capital projects. Overheads are allocated to property, plant and equipment which are derived from a detailed analysis of operating costs.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Costs include professional fees, and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation on these assets, on the same basis as other assets, commences when the assets are commissioned and ready for use.

Adopted assets and associated contributions are recorded upon completion where such assets are adopted by the Company under a Deed of Gift adoption agreement.

Assets are derecognised when they are disposed of or replaced using the cost of replacement as an estimate of the cost of the original asset at the time it was acquired or constructed; the difference between cost and net book value is charged in the statement of profit or loss. For other assets disposed of where sales proceeds are received, the profit or loss on disposal is recognised in other gains in the statement of profit or loss.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Depreciation is recognised on a straight-line basis as follows:

Asset Class	Depreciation rate
Distribution system;	
- Generation assets	15 years
- Metering equipment	up to 5 years
- Information technology	up to 10 years
- Land	not depreciated
- Other system assets	45 years
Buildings;	
- Freehold	up to 60 years
- Leasehold	lower of lease period or 60 years
Non-operational land	not depreciated
Furniture, fittings and equipment	up to 10 years

Intangible assets

An internally generated intangible asset arising from development is recognised if the conditions set out in IAS 38 relating to the recognition of intangible assets are met. The amount initially recognised for internally-generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

<i>Asset class</i>	<i>Amortisation method and rate</i>
Software development costs	up to 10 years

Derecognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the profit or loss when the asset is derecognised.

Northern Powergrid (Yorkshire) plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Intercompany Short-term loans (Current Accounts)

The Northern Powergrid group operates a central treasury function operated through its subsidiary Yorkshire Electricity Group plc. As a result, every company within the Northern Powergrid group has a relationship with Yorkshire Electricity Group plc as either an intercompany debtor or creditor.

Interest periods are for a duration of one month, and the interest is applied to an intercompany debtor balance on the last day of the preceding month at the compounded reference rate (currently SONIA) applicable under the most recent revolving facility agreement to which Northern Powergrid Holdings Company is a party.

Monthly interest is applied to an intercompany creditor balance on the last day of the preceding month at the aggregate of the compounded reference rate (currently SONIA) and the margin (currently 0.2%) applicable under the most recent revolving facility agreement to which Northern Powergrid Holdings Company is a party.

The Intercompany debtor or creditor balance will be repaid at the end of each month, or if still required will be rolled over monthly.

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at transaction price, less provision for impairment. The Company applies the simplified model for the calculation of expected credit losses which may result in a provision for impairment.

Inventories

Inventory is not held for sale, consists primarily of spare parts and expected to be consumed in the normal course of operating and maintaining the network assets. Cost is determined using an average cost basis.

Cost includes all directly attributable costs incurred in bringing the inventories to their present location and condition.

Northern Powergrid (Yorkshire) plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the right to defer settlement must have substance and exist at the reporting date. The terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification as current or non-current.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Impairment of non-financial assets

At the balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Northern Powergrid (Yorkshire) plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Pensions

The Company contributes to the Northern Powergrid Group of the Electricity Supply Pension Scheme (the "DB Scheme"), a defined benefit scheme that shares risk between various entities under common control. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual group entities and accordingly the Company financial statements account for the Northern Powergrid Group of the ESPS as if it were a defined contribution scheme. Full disclosure of the DB Scheme can be found in the accounts of Northern Electric plc.

Contributions to the Northern Powergrid Group of the ESPS are charged to the statement of profit or loss or capitalised as part of property, plant and equipment. Contributions are agreed through agreement between the Trustees of the DB Scheme and the Northern Powergrid Group. The capital costs of ex-gratia and supplementary pensions are normally charged to the statement of profit or loss in the period in which they are granted.

The Company also participates in a defined contribution scheme. Contributions payable to the defined contribution scheme are charged to the statement of profit or loss in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Subsequent to initial measurement, financial assets and financial liabilities are measured at amortised cost.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities at amortised cost

All financial liabilities are measured at amortised cost using the effective interest rate method.

Northern Powergrid (Yorkshire) plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Derecognition

Financial assets

The company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Financial liabilities

If the terms of a financial liabilities are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Impairment of financial assets

Measurement of Expected Credit Losses

For trade receivables, the company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Accrued income relates to unbilled income recognised as a receivable for units transferred over the network but not yet invoiced at the end of the year. Invoices are raised one month in arrears and are typically settled within one month. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2024 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified GDP growth in the UK to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes to this.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are not recoverable:

- when there is a breach of financial covenants by the debtor; and
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

3 Prior period adjustments

Adopted assets

The Financial Statements have been restated to incorporate the impact of under reporting of the value of distributions network assets adopted from other parties.

Distribution network assets are on occasions constructed by other parties who then transfer them to the company. At the date of transfer the value of property, plant and equipment is increased with an equal increase in the value of deferred revenue. The assets are depreciated in line with the depreciation policy for those assets with a similar release of the deferred revenue. It was discovered during the year that not all adopted assets had been captured in the Financial Statements.

This had no impact on prior years' profits or net assets, however impacts the constituent parts of the previously reported figures in the Income Statement and the Statement of Financial Position. The impact on the Income Statement and the Statement of Financial Position is shown below:

Income Statement:

	2023 (As restated) £ 000	2023 (Previous) £ 000	Difference £ 000
Revenue	(523,789)	(523,625)	(164)
Distribution costs	<u>192,495</u>	<u>192,331</u>	<u>164</u>
Profit for the year	<u><u>(331,294)</u></u>	<u><u>(331,294)</u></u>	<u><u>-</u></u>

Statement of Financial Position:

	Note	31 Dec 2023 (As restated) £ 000	31 Dec 2023 (Previous) £ 000	Difference £ 000
Property, plant and equipment	11	4,065,963	4,054,015	11,948
Deferred revenue non-current	23	(874,878)	(863,214)	(11,664)
Deferred revenue current	23	<u>(39,212)</u>	<u>(38,928)</u>	<u>(284)</u>
Total		<u><u>3,151,873</u></u>	<u><u>3,151,873</u></u>	<u><u>-</u></u>

	Note	1 Jan 2023 (As restated) £ 000	1 Jan 2023 (Previous) £ 000	Difference £ 000
Property, plant and equipment	11	3,903,056	3,895,728	7,328
Deferred revenue non-current	23	(859,169)	(852,005)	(7,164)
Deferred revenue current	23	<u>(37,523)</u>	<u>(37,359)</u>	<u>(164)</u>
Total		<u><u>3,006,364</u></u>	<u><u>3,006,364</u></u>	<u><u>-</u></u>

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

3 Prior period adjustments (continued)

Restatement of Cash Flow Statement:

During the current year, the Company reflected on the presentation of cash inflows and outflows in the cash flow statement. In the prior year the cash flow statement showed cash flows flowing through the Company's bank account together with transactions made by other entities within the Northern Powergrid Group on the company's behalf and recorded in the inter-company current account. The Company's cash flow statement should have only shown the cash flows flowing through the Company's bank account. The comparatives have been restated accordingly.

The prior year cash flow statement was presented using the indirect method, which reconciled profit before tax to net cash flows from operating activities by adjusting for non-cash items and changes in working capital. The restatement involves presenting cash flows from operating activities using the direct method, which shows major classes of gross cash receipts and gross cash payments.

The restatement has no impact on the net cash flows of the Company, but the impact on the operating, investing and financing cash flows is as follows

	2023 (As restated) £000	2023 (Previous) £000	Difference £000
Operating	652,589	327,713	324,876
Investing	(838,668)	(295,122)	(543,546)
Financing	<u>184,280</u>	<u>(34,390)</u>	<u>218,670</u>
Net cash flow	<u>(1,799)</u>	<u>(1,799)</u>	<u>-</u>

The reason for all changes relates to amounts paid for or received by other entities within the Northern Powergrid Group on the Company's behalf. These are settled through the intercompany current account mechanism which was previously included as cash flows. Non cash investing and financing activities were previously disclosed in the Statement of Cash Flows, these are now disclosed in Note 29. This also impacts the Reconciliation of liabilities arising of financing activities in Note 25.

Related Parties:

During the preparation of the current year's financial statements, it was identified that certain related party balances were either inaccurate or omitted from the prior year's related party note. These have been corrected in the current year's Statutory Accounts. This restatement has no impact on the primary financial statements. More details can be found in the Note 28.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

4 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	(As restated)	
	2024	2023
	£ 000	£ 000
Distribution use of system revenue	594,249	458,643
Services provided to related parties	13,490	15,367
Connections revenue	39,269	37,272
Other revenue	10,075	12,507
	<u>657,083</u>	<u>523,789</u>

Other revenue includes assessment and design fees and disconnections from the network.

Connections revenue is recognised over the life of the corresponding item of PPE against which the contribution was received.

Further detail of prior year adjustments affecting Revenue in the Income Statement can be found in Note 3.

Segmental analysis

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the President and Chief Executive Officer, who is the Chief Operating Decision Maker, of the Northern Powergrid Group in order to allocate resources to these segments and to assess their performance.

In practice, the President and Chief Executive Officer allocates resources and assesses performance based upon the aggregate results of the Company and Northern Powergrid (Northeast) plc, another distribution network operator in the Northern Powergrid Group. As there is only one operating segment, this constructs the segmental reporting note in full.

Revenue, profit before tax and net assets are attributable to electricity distribution. Revenue is all in respect of sales to United Kingdom customers and all non-current assets are held in the United Kingdom.

5 Operating profit

Arrived at after charging/(crediting)

	As restated	
	2024	2023
	£ 000	£ 000
Depreciation expense	139,758	133,631
Depreciation on right of use assets	2,595	2,634
Amortisation expense	13	9
Connections revenue	(39,269)	(37,272)
Research and development cost	1,411	2,273
Trade and other receivables loss allowance	<u>1,116</u>	<u>1,237</u>

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

5 Operating profit (continued)

Amortisation expense is included in administration costs in the statement of profit or loss on page 33.

Further detail of prior year adjustments affecting Operating Profit in the Income Statement can be found in Note 3.

6 Finance income and costs

	2024 £ 000	2023 £ 000
Finance income		
Other finance income measured at amortised cost	2,081	665
Finance costs		
Interest on bank overdrafts and borrowings	(48,524)	(36,588)
Interest paid to group undertakings	(8,242)	(2,200)
Borrowing costs included in cost of qualifying asset	2,629	2,020
Interest expense on leases	<u>(255)</u>	<u>(216)</u>
Total finance costs	<u>(54,392)</u>	<u>(36,984)</u>
Net finance costs	<u><u>(52,311)</u></u>	<u><u>(36,319)</u></u>

Borrowing costs included in the costs of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.76% (2023: 3.35%) to expenditure on such assets.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

7 Staff Costs

	2024	2023
	£ 000	£ 000
Salaries	75,036	65,891
Social security costs	8,591	7,451
Defined benefit pension costs	3,222	3,836
Defined contribution pension costs	6,957	5,453
	<u>93,806</u>	<u>82,631</u>
Less capitalised to plant, property and equipment	<u>(65,143)</u>	<u>(55,400)</u>
	<u><u>28,663</u></u>	<u><u>27,231</u></u>

A proportion of the Company's employees are members of the DB Scheme, most of the remaining employees are members of the Northern Powergrid Pension Scheme.

The monthly average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2024	2023
	No.	No.
Technical	432	408
Industrial	526	510
Administration and support	135	126
Other departments	136	119
	<u>1,229</u>	<u>1,163</u>

8 Directors and other key management personnel remuneration

The directors' remuneration for the year was paid by a related party company (Northern Electric plc) and recharged as follows:

	2024	2023
	£ 000	£ 000
Short-term employee benefits	625	589
Post-retirement benefits - defined contribution	10	9
Other long-term benefits	-	283
	<u>635</u>	<u>881</u>

During the year the number of directors who were receiving retirement benefits was as follows:

	2024	2023
	No.	No.
Accruing benefits under money purchase pension scheme	<u>6</u>	<u>4</u>

In respect of the highest paid director:

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

8 Directors and other key management personnel remuneration (continued)

	2024	2023
	£ 000	£ 000
Short-term employee benefits	322	287
Long-term benefits	-	195
	<u>322</u>	<u>482</u>

In respect of other key management personnel:

	2024	2023
	£ 000	£ 000
Short-term employee benefits	695	580
Post-retirement benefits - defined benefit	36	23
Post-retirement benefits - defined contribution	99	108
Long-term benefits	60	131
	<u>890</u>	<u>842</u>

Total directors and key personnel:

	2024	2023
	£ 000	£ 000
Short-term employee benefits	1,320	1,169
Post-retirement benefits - defined benefit	36	23
Post-retirement benefits - defined contribution	109	117
Long-term benefits	60	414
	<u>1,525</u>	<u>1,723</u>

Other key management personnel includes a number of senior functional managers who, whilst not board directors, have authority and responsibility for planning, directing and controlling the activities of the Company.

The directors and key management personnel are remunerated for their services to the Northern Powergrid Group, of which the Company is a subsidiary. The figures above represent the share of the costs borne by the Company.

Long-term benefits relate to deferred bonus plan vested over the period of the plan.

9 Auditor's remuneration

	2024	2023
	£ 000	£ 000
Fees payable to the auditor for the audit of the Company's annual accounts	211	198
Audit related assurance services	-	149
Total fees payable to the Company's auditor	<u>211</u>	<u>347</u>

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

10 Income tax

Tax charged/(credited) in the income statement

	2024 £ 000	2023 £ 000
Current taxation		
UK corporation tax	61,925	35,346
UK corporation tax adjustment to prior periods	<u>(6,042)</u>	<u>(528)</u>
	<u>55,883</u>	<u>34,818</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	7,001	2,475
Deferred tax adjustment to prior periods	5,660	(1,302)
Effect of changes in legislation	<u>-</u>	<u>361</u>
Total deferred taxation	<u>12,661</u>	<u>1,534</u>
Tax expense in the income statement	<u><u>68,544</u></u>	<u><u>36,352</u></u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2023 -lower than the standard rate of corporation tax in the UK) of 25% (2023 - 23.5%).

The differences are reconciled below:

	2024 £ 000	2023 £ 000
Profit before tax	<u>280,517</u>	<u>163,806</u>
Corporation tax at standard rate	70,129	38,528
Decrease in current tax from adjustment for prior periods	(6,042)	(528)
Increase/(decrease) in deferred tax from adjustment for prior periods	5,660	(1,302)
Effect of income and expenses not deductible in determining taxable profit	(1,450)	(1,079)
Arising from changes in tax rates or laws	-	361
Other tax effects for reconciliation between accounting profit and tax expense	<u>247</u>	<u>372</u>
Total tax charge	<u><u>68,544</u></u>	<u><u>36,352</u></u>

Finance Act 2024 confirmed that the corporation tax rate will remain at 25% from 1 April 2024 as previously enacted. Deferred tax balances are therefore measured at 25% at 31 December 2024.

There is no uncertainty over the acceptable income tax treatment. Should any uncertainties arise the Company will apply adopted amendments to IFRIC 23

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

10 Income tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2024 £ 000	Recognised in income £ 000	At 31 December 2024 £ 000
Accelerated tax depreciation	184,272	12,218	196,490
Other items	(1,863)	443	(1,420)
Net tax liabilities	<u>182,409</u>	<u>12,661</u>	<u>195,070</u>

Deferred tax movement during the prior year:

	At 1 January 2023 £ 000	Recognised in income £ 000	At 31 December 2023 £ 000
Accelerated tax depreciation	182,528	1,744	184,272
Other items	(1,653)	(210)	(1,863)
Net tax liabilities	<u>180,875</u>	<u>1,534</u>	<u>182,409</u>

Other items comprises provisions and employee expenses deductible for tax on a paid basis and claims for hold over relief.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

11 Property, plant and equipment

	Land and buildings	(As restated) Distribution system	Furniture, fittings and equipment	(As restated) Total
	£000	£000	£000	£000
Cost or valuation				
At 1 January 2023	4,680	5,306,960	53,065	5,364,705
Prior period adjustment	-	7,387	-	7,387
At 1 January 2023 (restated)	4,680	5,314,347	53,065	5,372,092
Additions (restated)	-	288,598	7,940	296,538
Disposals	-	(13,075)	(47)	(13,122)
At 31 December 2023 (restated)	4,680	5,589,871	60,958	5,655,508
At 1 January 2024	4,680	5,589,871	60,958	5,655,508
Additions	-	323,524	5,420	328,944
Disposals	-	(27,716)	(33)	(27,749)
At 31 December 2024	4,680	5,885,679	66,345	5,956,703
Depreciation				
At 1 January 2023	3,409	1,421,829	43,739	1,468,977
Prior year adjustment	-	59	-	59
At 1 January 2023 (restated)	3,409	1,421,888	43,739	1,469,036
Charge for year (restated)	69	129,425	4,137	133,631
Eliminated on disposal	-	(13,075)	(47)	(13,122)
At 31 December 2023 (restated)	3,478	1,538,239	47,829	1,589,546
At 1 January 2024	3,478	1,538,239	47,829	1,589,546
Charge for the year	69	134,876	4,814	139,757
Eliminated on disposal	-	(27,716)	(33)	(27,749)
At 31 December 2024	3,547	1,645,399	52,610	1,701,554
Carrying amount				
At 31 December 2023	1,202	4,051,632	13,129	4,065,963
At 31 December 2024	1,133	4,240,280	13,735	4,255,149

Accelerated depreciation on asset disposals is included within the depreciation charge within the year.

Further detail of prior year adjustments affecting the Statement of Financial Position can be found in Note 3.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

11 Property, plant and equipment (continued)

Assets in the Course of Construction

	Distribution system £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Assets in the course of construction included above:			
At 1 January 2023	264,485	-	264,485
Additions	281,486	7,940	289,426
Commissioned	(250,410)	(7,940)	(258,350)
At 31 December 2023	295,561	-	295,561
At 1 January 2024	295,561	-	295,561
Additions	325,713	5,420	331,134
Commissioned	(303,930)	(5,420)	(309,351)
Written-off	(2,407)	-	(2,407)
At 31 December 2024	314,937	-	314,937

Contractual commitments for the acquisition of property, plant and equipment:

	31 December 2024 £ 000	31 December 2023 £ 000
Distribution system	71,043	50,639

12 Right of use assets

	Property £ 000	Fleet £ 000	Total £ 000
Cost or valuation			
At 1 January 2023	1,264	15,174	16,438
Additions	-	762	762
Disposals	-	(1,188)	(1,188)
At 31 December 2023	1,264	14,748	16,012
At 1 January 2024	1,264	14,748	16,012
Additions	-	2,732	2,732
Disposals	(345)	(2,091)	(2,436)
At 31 December 2024	919	15,389	16,308
Depreciation			

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

12 Right of use assets (continued)

	Property £ 000	Fleet £ 000	Total £ 000
At 1 January 2023	410	6,732	7,142
Charge for year	117	2,517	2,634
Eliminated on disposal	-	(1,188)	(1,188)
At 31 December 2023	527	8,061	8,588
At 1 January 2024	527	8,061	8,588
Charge for the year	107	2,488	2,595
Eliminated on disposal	(345)	(2,091)	(2,436)
At 31 December 2024	289	8,458	8,747
Carrying amount			
At 31 December 2024	630	6,931	7,561
At 31 December 2023	737	6,687	7,424

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

13 Intangible assets

	Internally generated software development costs £ 000
Cost or valuation	
At 1 January 2023	34,924
Additions	18
At 31 December 2023	34,942
At 1 January 2024	34,942
Additions	48
At 31 December 2024	34,990
Amortisation	
At 1 January 2023	34,903
Amortisation charge	9
At 31 December 2023	34,912
At 1 January 2024	34,912
Amortisation charge	13
At 31 December 2024	34,925
Carrying amount	
At 1 January 2023	21
At 31 December 2023	30
At 31 December 2024	65

14 Inventories

	31 December 2024 £ 000	31 December 2023 £ 000
Inventory	-	43
Work in progress	-	1,341
	-	1,384

Work in progress that was included within inventories in 2023 is now included in trade receivables 2024. This relates to recoverable amounts from third parties from damages to our network that have not yet been billed. See note 15.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

15 Trade and other receivables

	31 December 2024 £ 000	31 December 2023 £ 000
Distribution use of system receivables and accrued income*	94,780	72,605
Trade receivables	5,154	13,961
Loss allowance	<u>(4,472)</u>	<u>(8,221)</u>
Net trade receivables	95,462	78,345
Receivables from related parties	-	143,796
Prepayments	<u>8,481</u>	<u>7,678</u>
	<u><u>103,943</u></u>	<u><u>229,819</u></u>

**Accrued income in 2024 was £56.2m (2023: £39.5m)*

Accrued income relates to unbilled income recognised as a receivable for units transferred over the network but not yet invoiced at the end of the year. Invoices are raised one month in arrears and are typically settled within one month.

Trade receivables now includes work in progress that was previously included with inventories. This relates to recoverable amounts from third parties from damages to our network that have not yet been billed.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Movement in the loss allowance

	31 December 2024 £ 000	31 December 2023 £ 000
At 1 January	8,221	7,522
Amounts utilised/written off in the year	(4,865)	(538)
Amounts recognised in the statement of profit or loss	<u>1,116</u>	<u>1,237</u>
At 31 December	<u><u>4,472</u></u>	<u><u>8,221</u></u>

The loss allowance is made on amount due net of VAT which would be recoverable from His Majesty's Revenue and Customs when the debt is written off. Subject to certain conditions mentioned below, losses arising in relation to distribution use of system debts will be recovered through an increase in future allowed income.

Included in the allowance for doubtful debts are specific trade receivables, with a balance of £1.6 million (2023: £5.5 million), which have been placed in administration. The impairment represents the difference between the carrying amount of the specific trade receivable and the present value of the expected liquidation dividend.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

15 Trade and other receivables (continued)

Distribution use of system receivables

The customers served by the Company's distribution network are supplied predominantly by a number of electricity supply businesses (circa 110) with the E.ON Group accounting for approximately 18.% of distribution revenues in 2024 (2023: 20.1%) and British Gas plc accounting for approximately 15.0% of distribution revenues in 2024 (2023: 15.5%). Ofgem, under Code Governance arrangements set-out a framework known as Credit Cover within the Distribution Connection and Use of System Agreement (DCUSA), which set credit limits for each supply business based on its credit rating (taken from a credit rating agency). If no credit score is available then they can build up their credit limit through good payment history. In addition, suppliers can provide other forms of collateral to cover their value at risk (measured as being equivalent to 45 days usage) or if their credit rating alone is not sufficient to cover their value at risk. Acceptable collateral typically is provided in the form of a parent company guarantee, letter of credit, cash or an escrow account. Included within other payables are customer cash deposits of which there was £3.4 million as at 31 December 2024 (2023: £8.2m).

Provided the Company has implemented credit control, billing and collection processes in line with Ofgem's best practice guidelines and can demonstrate compliance with the guidelines or is able to satisfactorily explain departure from the guidelines, any bad debt losses arising from supplier default will be recovered through an increase in future years allowed income. Losses incurred to date have been material due to the unprecedented number of suppliers falling into liquidation over the course of the year.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

15 Trade and other receivables (continued)

Other trade receivables

In determining the recoverability of other trade receivables, the Company considers any change in the credit quality of the other trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk, other than in relation to DUoS receivables, is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on a financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment the Company considers historical experience as well as forward-looking information that is available without undue cost or effort. Forward-looking information includes the future prospects of the industries in which the Company's debtors operate obtained from economic expert reports, financial analysts, government bodies, relevant think-tanks and other similar organisations. In particular the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Sales of goods and services comprise all income streams which are not classified as DUoS income. Examples of non-DUoS income streams would be service alterations/disconnections, assessment and design fees, and recovery of amounts for damage caused by third parties to the distribution system. The average credit period on sales of goods and services is 30 days. Interest is not generally charged on the trade receivables paid after the due date.

16 Cash and cash equivalents

	31 December 2024 £ 000	31 December 2023 £ 000
Cash at bank	<u>212</u>	<u>244</u>

17 Share capital

Allotted, called up and fully paid shares

	31 December 2024		31 December 2023	
	No.	£	No.	£
Ordinary Share Capital of £1 each	<u>290,000,000</u>	<u>290,000,000</u>	<u>290,000,000</u>	<u>290,000,000</u>

The Company has 400 million shares authorised for use. The Company has one class of ordinary shares which carries no right to fixed income.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

18 Reserves

	Retained earnings £ 000
At 1 January 2024	1,542,431
Profit for the year	<u>211,973</u>
Total comprehensive income	211,973
Dividends	<u>(400,000)</u>
At 31 December 2024	<u><u>1,354,404</u></u>
	Retained earnings £ 000
At 1 January 2023	1,457,477
Profit for the year	<u>127,454</u>
Total comprehensive income	127,454
Dividends	<u>(42,500)</u>
At 31 December 2023	<u><u>1,542,431</u></u>

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

19 Loans and borrowings

	31 December 2024 £ 000	31 December 2023 £ 000
Non-current loans and borrowings	1,018,028	1,216,999
Current loans and borrowings	<u>381,943</u>	<u>19,769</u>
	<u>1,399,971</u>	<u>1,236,768</u>

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

19 Loans and borrowings (continued)

	Book value		Fair value	
	31 December 2024 £ 000	31 December 2023 £ 000	31 December 2024 £ 000	31 December 2023 £ 000
Short-term loan	2	3,507	2	3,507
Intercompany loan	165,755	-	165,755	-
2033 - 5.265% bonds	249,029	248,791	255,459	269,739
2025 - European Investment Bank - 2.073%	50,086	50,086	50,086	47,135
2025 - 2.5% bonds	152,749	152,445	152,825	147,688
2027 - European Investment Bank 2.564%	130,139	130,139	120,818	120,983
2032 - 4.375% bonds	151,696	151,526	143,486	150,007
2035 - 5.125% bonds	204,855	204,725	200,123	211,117
2059 - 2.25% bonds	295,660	295,549	143,889	173,238
	<u>1,399,971</u>	<u>1,236,768</u>	<u>1,232,443</u>	<u>1,123,414</u>

The fair value of liabilities held at amortised cost, is set out above and based on Level 1 inputs.

The fair value of the bonds is determined with reference to quoted market prices. The directors' estimates of the fair value of bank loans and internal borrowings are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions or dealer quotes for similar instruments. The fair value of short-term borrowings is equal to their book value. All loans are non-secured and are denominated in sterling.

The Company's exposure to market and liquidity risk in respect of loans and borrowings is disclosed in financial risk review Note 27.

Information on the new bond issuance during the year can be found in the financial strength section of the strategic report.

The arrangements for the intercompany loan with Yorkshire Electricity Group plc ("YEG") are that YEG fulfils the role of the Group's central treasurer and the arrangements are:

- All inter-company liabilities are settled in full when they arise
- At any point in time, therefore, each company in the Group has settled its liabilities with all the other companies and only has a receivable/payable position with YEG; and
- YEG calculates interest on a monthly basis which is calculated on each company's net receivable/payable balance with YEG as it stands at the end of the previous month; and
- Amounts received from customers are swept on a daily basis ultimately to the Company's inter-company account with YEG; and
- All inter-company liabilities are settled in full by YEG when they arise; and
- Therefore each Company in the Group has settled its liabilities with all other Companies and only has a receivable/payable position with YEG at the end of the each day.

Monthly interest is applied to an intercompany creditor balance on the last day of the preceding month at the aggregate of the compounded reference rate (currently SONIA) and the margin (currently 0.2%) applicable under the most recent revolving facility agreement to which Northern Powergrid Holdings Company is a party.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

20 Lease Liabilities

Lease Commitments

Leases primarily relate to the hire of fleet vehicles from Vehicle Lease and Service Ltd and the rental of operational and non operational land and buildings. The vehicle leases have terms between 2 and 7 years. The Company does not have the option to purchase the vehicles at the end of the lease term.

Maturity analysis - contractual undiscounted cash flows:

	31 December 2024 £ 000	31 December 2023 £ 000
Within one year	2,586	2,471
In two to five years	5,382	4,947
In over five years	1,083	795
Total lease payment	<u>9,051</u>	<u>8,213</u>
Discount factor	<u>(1,023)</u>	<u>(512)</u>
Total lease liabilities	<u><u>8,027</u></u>	<u><u>7,702</u></u>

The discounted amount due within one year totalled £2.6 million (2023: £2.4 million).

The total cash outflow for leases during the year was £2.7 million (2023: £2.8 million), of which £0.3 million (2023: £0.2 million) relates to interest and £2.4 million (2023: £2.6 million) relates to repayment of principal.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

21 Provisions

	Claims £ 000	Other provisions £ 000	Total £ 000
At 1 January 2024	2,050	710	2,760
Additional provisions	1,852	337	2,189
Provisions used	<u>(1,610)</u>	<u>(388)</u>	<u>(1,998)</u>
At 31 December 2024	<u>2,292</u>	<u>659</u>	<u>2,951</u>

The provisions are not discounted on the grounds of materiality. The impact of discounting is immaterial to the financial statements, as the effect on the present value of the provision is not significant enough to influence the economic decisions of users of the financial statements. Therefore, the provisions are presented at its nominal value.

Claims: Legal proceedings provision has been made to cover costs arising from utility damages, public liability, and motoring third party claims. Settlement is expected substantially within 12 months.

Other: Primarily consists of a provision for future safe disposal of transformers which contain oil contaminated with Polychlorinated Biphenyls (PCBs) and for an amount to cover claims made under Section 74 of the New Road and Street Works Act 1991.

22 Trade and other payables

	31 December 2024 £ 000	31 December 2023 £ 000
Payments on Account	82,030	78,502
Trade payables	13,029	2,249
Accrued expenses	35,165	33,297
Social security and other taxes	21,667	12,248
Other payables	<u>4,505</u>	<u>3,538</u>
	<u>156,396</u>	<u>129,834</u>

Payments on Account are primarily advanced customer contributions for which no associated distribution asset has been constructed or yet to be completed.

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 27 "Financial risk review".

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

23 Contract Liabilities (Deferred Revenue)

	(As restated)	
	31 December 2024 £ 000	31 December 2023 £ 000
Opening balance	914,090	889,364
Prior year restatement	-	7,328
Revised opening balance	914,090	896,692
Additions (prior year restate)	70,795	54,670
Amortisation	(39,269)	(37,272)
Closing balance	<u>945,616</u>	<u>914,090</u>

	(As restated)	
	31 December 2024 £ 000	31 December 2023 £ 000
Current	43,285	39,212
Non-current	<u>902,331</u>	<u>874,878</u>
	<u>945,616</u>	<u>914,090</u>

Further detail of prior year adjustments affecting the Statement of Financial Position can be found in Note 3.

Contract liabilities are deferred customer contribution payments for distribution system assets where work has commenced or is completed. The Company's policy is to release the customer contribution to revenue on a straight-line basis, in line with the useful life of the associated distribution system asset.

24 Dividends

	31 December 2024 £ 000	31 December 2023 £ 000
Interim dividend of 137.93p (2023 - 14.66p) per ordinary share	<u>400,000</u>	<u>42,500</u>

An interim dividend of £300.0m was paid in February 2025 via intercompany transfer.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

25 Reconciliation of liabilities arising from financing activities

	At 1 January 2024 £ 000	Financing cash flows £ 000	Other changes £ 000	At 31 December 2024 £ 000
Borrowings	(1,236,768)	(49,835)	(113,368)	(1,399,971)
Lease liabilities	<u>(7,702)</u>	<u>-</u>	<u>(325)</u>	<u>(8,027)</u>
	<u><u>(1,244,470)</u></u>	<u><u>(49,835)</u></u>	<u><u>(113,693)</u></u>	<u><u>(1,407,998)</u></u>
	At 1 January 2023 £ 000	(As restated) Financing cash flows £ 000	(As restated) Other changes £ 000	At 31 December 2023 £ 000
Borrowings	(1,043,353)	184,280	(377,695)	(1,236,768)
Lease liabilities	<u>(9,546)</u>	<u>-</u>	<u>1,844</u>	<u>(7,702)</u>
	<u><u>(1,052,899)</u></u>	<u><u>184,280</u></u>	<u><u>(375,851)</u></u>	<u><u>(1,244,470)</u></u>

Other changes relate to amortisation of financing fees, discounts and new leases entered into which are non cash.

Further detail of prior year adjustments affecting financing cash flows and other changes can be found in Note 3.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

26 Classification of financial assets and financial liabilities

The classification of financial assets and financial liabilities by accounting categorisation for the period ending 31 December 2024 was as follows:

	Financial assets at amortised cost £ 000	Financial liabilities at amortised cost £ 000
Assets		
Current assets		
Trade and other receivables	103,943	-
Cash and cash equivalents	212	-
	<u>104,155</u>	<u>-</u>
Total assets	<u>-</u>	<u>-</u>
Liabilities		
Non-current liabilities		
Long term lease liabilities	-	(5,732)
Loans and borrowings	-	(1,018,028)
	<u>-</u>	<u>(1,023,760)</u>
Current liabilities		
Current portion of long term lease liabilities	-	(2,296)
Trade and other payables	-	(132,874)
Loans and borrowings	-	(381,943)
	<u>-</u>	<u>(517,113)</u>
Total liabilities	<u>-</u>	<u>(1,293,693)</u>

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

26 Classification of financial assets and financial liabilities (continued)

The classification of financial assets and financial liabilities by accounting categorisation for the period ending 31 December 2023 was as follows:

	Financial assets at amortised cost £ 000	Financial liabilities at amortised cost £ 000
Assets		
Current assets		
Trade and other receivables	229,819	-
Cash and cash equivalents	<u>244</u>	<u>-</u>
Total Assets	<u>230,063</u>	<u>-</u>
Liabilities		
Non-current liabilities		
Long term lease liabilities	-	(5,302)
Loans and borrowings	<u>-</u>	<u>(1,216,999)</u>
	<u>-</u>	<u>(1,222,301)</u>
Current liabilities		
Current portion of long term lease liabilities	-	(2,400)
Trade and other payables	-	(117,586)
Loans and borrowings	<u>-</u>	<u>(19,769)</u>
	<u>-</u>	<u>(139,755)</u>
Total liabilities	<u>-</u>	<u>(1,362,056)</u>

Fair values are derived from level 1 inputs.

Northern Powergrid (Yorkshire) plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

27 Financial risk review

This note presents information about the Company's exposure to financial risks and the company's management of capital.

Capital management

The covenants associated with the 2035 bonds issued by the Company include restrictions on the issuance of new indebtedness and the making of distributions dependent on the scale of the ratio of Senior Total Net Debt to Regulatory Asset Value ("RAV"). The Senior Total Net Debt to RAV restriction is 65% and 75% respectively. The definition of Senior Total Net Debt excludes any subordinated debt and any debt incurred on a non-recourse basis. In addition, it excludes interest payable, any fair value adjustments and unamortised issue costs.

The Company's Senior Total Net Debt as of 31 December 2024 totalled £1,395.5m. Using the RAV value as at March 2025, as outlined by Ofgem in its electricity distribution price control financial model published in January 2025 and adjusting for the effects of movements in the value of the CPIH Index gives an approximation for the RAV value as of 31 March 2025 of £2,898.1m. The Senior Total Net Debt to RAV ratio for the Company is therefore estimated at 48.2% (2023:46.1%).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The Company's income is primarily generated from use of system revenue from electricity suppliers; suppliers are credit checked by independent ratings agencies. Impaired income from DUoS will be recovered in future periods through system charges and is therefore of no material risk to the Company.

		Gross carrying amount £ 000	Loss allowance £ 000	Net carrying amount £ 000
2024	Notes			
Trade and other receivables	15	<u>108,415</u>	<u>(4,472)</u>	<u>103,943</u>
2023				
Trade and other receivables	15	<u>238,040</u>	<u>(8,221)</u>	<u>229,819</u>

For DUoS trade receivables the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The carrying amount of the Company's financial assets are disclosed in note 26 best represents their respective maximum exposure to credit risk. The Company holds no collateral over any of these balances.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

27 Financial risk review (continued)

Liquidity risk

Ultimate responsibility of liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium, and long-term funding and liquidity management requirements. The Company manages liquidity by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company has access to a £100 million revolving credit facility provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada. The Company entered into a new Facility Agreement in December 2021 for a period of three years, with two 1 year extension options. The Company exercised both extension options which extended the termination date to December 2026. In addition, the Company has access to further short-term borrowing facilities provided by YEG and to a £19 million overdraft facility provided by Lloyds Bank plc, which is reviewed annually, these borrowings are repayable on demand.

At 31 December 2024, the Company had available £119.0 million (2023: £85.5 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Maturity analysis for financial liabilities

The following tables set out the remaining undiscounted contractual cash flows of the company's financial liabilities by type.

2024	Less than 3 month £ 000	3 months - 1 year £ 000	1-5 years £ 000	More than 5 years £ 000	Total £ 000
Non-derivative liabilities					
Non-interest bearing	95,059	-	-	-	95,059
Variable interest rate liabilities	165,757	-	-	-	165,757
Fixed interest rate liabilities	-	245,745	287,166	1,239,938	1,772,849
Total	260,816	245,745	287,166	1,239,938	2,033,665

2023	Less than 3 month £ 000	3 months - 1 year £ 000	1-5 years £ 000	More than 5 years £ 000	Total £ 000
Non-derivative liabilities					
Non-interest bearing	-	-	-	-	-
Variable interest rate liabilities	3,507	-	-	-	3,507
Fixed interest rate liabilities	-	45,745	495,286	1,277,563	1,818,594
Total	3,507	45,745	495,286	1,277,563	1,822,101

Market risk

Short-term loans and inter-company short term loans are charged at a floating rate of interest based on Sonia plus a margin of 0.20% plus a credit adjustment spread, thus exposing the Company to cash flow interest rate risk. A 1% movement in interest rates would subject the Company to an approximate change in interest costs of £1.6m per year. This is considered an acceptable level of risk. All other loans are at fixed interest rates and expose the Company to fair value interest rate risk.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

28 Related party transactions

Summary of transactions with joint ventures

Vehicle Lease and Service Limited is a joint venture of Northern Electric plc and provides vehicle fleet and servicing for the Northern Powergrid Group. Income constitutes recharges for use of management personnel and purchases are lease and servicing payments for fleet vehicles.

Summary of transactions with other related parties

Other subsidiaries of the Northern Powergrid Group. Included within these amounts are:

- Integrated Utility Services and Integrated Utility Services (Eire) that provide engineering contracting resource;
- Northern Powergrid (Northeast) plc that provides and receives mutual support through use of staff and resources which are then recharged;
- Northern Powergrid Metering that is recharged for the use of staff;
- Northern Powergrid Holdings Company that provides loan financing; and
- Yorkshire Electricity Group plc that operates the group intercompany treasury account.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

28 Related party transactions (continued)

Expenditure and payables from related parties

	Sales to £ 000	Purchases from £ 000	Amounts owed (to)/from £ 000	Finance costs/(interest received) £ 000	Dividends paid to £ 000
2024					
Northern Powergrid (Northeast) plc	12,387	29,861	55	809	-
Northern Powergrid Metering Limited	903	-	-	-	-
Integrated Utility Services (Eire)		521	105	-	-
Integrated Utility Services Limited	86	7,710	2,539	-	-
Northern Electric plc	-	2,457	(4)	-	-
Vehicle Lease and Service Limited	73	4,832	(316)	-	-
Yorkshire Electricity Group	-	150	-	6,328	400,000
Northern Powergrid Holdings Company	114	-	-	-	-
	<u>13,563</u>	<u>45,531</u>	<u>2,379</u>	<u>7,047</u>	<u>400,000</u>
2023 (As restated)					
Northern Powergrid (Northeast) plc	14,415	31,151	55	786	-
Northern Powergrid Metering Limited	864	-	-	-	-
Integrated Utility Services (Eire)		377	231	-	-
Integrated Utility Services Limited	88	6,181	2,656	-	-
Northern Electric plc	-	2,311	(4)	-	-
Vehicle Lease and Service Limited	78	5,093	(316)	-	-
Yorkshire Electricity Group	-	-	-	2,839	42,500
Northern Powergrid Holdings Company	-	-	-	-	-
	<u>15,445</u>	<u>45,113</u>	<u>2,622</u>	<u>3,625</u>	<u>42,500</u>

Further detail of prior year adjustments affecting related party transactions can be found in Note 3. The main changes relate to the inclusion of the dividend payment (£42.5m) to Yorkshire Electricity Group.

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

28 Related party transactions (continued)

Loans (to)/from related parties

	Parent £ 000
2024	
At start of period	(143,796)
Net movement	<u>309,551</u>
At end of period	<u><u>165,755</u></u>
2023	Parent £ 000
At start of period	23,990
Net movement	<u>(167,786)</u>
At end of period	<u><u>(143,796)</u></u>

Northern Powergrid (Yorkshire) plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

29 Non-cash investing and financing activities

The following items were settled by other entities within the Northern Powergrid Group through intercompany current account mechanism.

	2024	2023
	£000	£000
Non-cash investing activities		
Acquisitions of property plant and equipment	(317,958)	(295,923)
Proceeds from sale of property plant and equipment	(4)	154
Acquisition of intangible assets	(48)	(18)
Interest received	2,153	665
Dividend income	(72)	-
Advance of intercompany loan / repayments received on intercompany loan	143,796	(167,786)
Total non-cash in investing activities	<u>(172,133)</u>	<u>(462,908)</u>
Non-cash financing activities		
Movement in short-term borrowings	165,702	(1,736)
Interest expense on leases	(255)	(216)
Interest paid	(9,209)	(3,740)
Transaction costs relating to loans and borrowings	-	(87)
Payments to lease creditors	(2,406)	(2,606)
Dividends paid	(400,000)	(42,500)
Total non-cash in financing activities	<u>(246,168)</u>	<u>(50,885)</u>

30 Parent and ultimate parent undertaking

The Company's immediate parent is Yorkshire Electricity Group plc.

The ultimate parent and controlling party is Berkshire Hathaway, Inc. These financial statements are available upon request from 3555 Farnam Street, Omaha, Nebraska 68131.

The ultimate controlling party is Berkshire Hathaway, Inc.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated and the ultimate controlling party is Berkshire Hathaway, Inc, incorporated in United States.

The address of Berkshire Hathaway, Inc is:
3555 Farnam Street, Omaha, Nebraska 68131.

The parent of the smallest group in which these financial statements are consolidated is Northern Powergrid Holdings Company, incorporated in United Kingdom.

The address of Northern Powergrid Holdings Company is:
Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.

31 Subsequent events

An interim dividend of £300.0 million was paid in February 2025.

Northern Powergrid (Yorkshire) plc
Unaudited Pro Forma Supplementary Cash Flow

	2024 £ 000	2023 £ 000
Cash flows from operating activities		
Profit for the year	211,973	127,454
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	139,772	133,640
Depreciation on right of use assets	2,595	2,634
Amortisation of deferred revenue	(39,269)	(37,272)
Loss/(profit) on disposal of property plant and equipment	4	(154)
Finance income	(2,081)	(665)
Finance costs	54,392	36,984
Income tax expense	68,544	36,352
	<u>435,930</u>	<u>298,973</u>
Decrease/(increase) in inventories	43	(491)
Increase in trade and other receivables	(14,019)	(7,585)
Increase in trade and other payables	10,949	4,260
Increase in provisions	191	656
	<u>433,094</u>	<u>295,813</u>
Cash generated from operations	433,094	295,813
Receipt of customer contributions	75,269	66,447
Income taxes paid	(40,259)	(34,547)
Net cash flow from operating activities	<u>468,104</u>	<u>327,713</u>
Cash flows used in investing activities		
Acquisitions of property plant and equipment	(317,958)	(295,923)
(Loss)/profit from sale of property plant and equipment	(4)	154
Acquisition of intangible assets	(48)	(18)
Interest received	2,153	665
Dividend income	(72)	-
	<u>(315,929)</u>	<u>(295,122)</u>
Net cash flows from used in investing activities	<u>(315,929)</u>	<u>(295,122)</u>
Cash flows used in financing activities		
Movement in intercompany loans	-	(23,990)
Movement in intercompany debtors	143,796	(143,796)
Movement of short-term borrowings	162,202	(32,076)
Interest expense on leases	(255)	(216)
Interest paid	(55,544)	(36,117)
Proceeds from issuance of bonds	-	248,428
Transaction costs relating to loans and borrowings	-	(1,517)
Payments to lease creditors	(2,406)	(2,606)
Dividends paid	(400,000)	(42,500)
	<u>(152,207)</u>	<u>(34,390)</u>
Net cash flows used in financing activities	<u>(152,207)</u>	<u>(34,390)</u>
Net decrease in cash and cash equivalents	(32)	(1,799)
Cash and cash equivalents at 1 January	<u>244</u>	<u>2,043</u>

Northern Powergrid (Yorkshire) plc
Unaudited Pro Forma Supplementary Cash Flow

	2024 £ 000	2023 £ 000
Cash and cash equivalents at 31 December	<u>212</u>	<u>244</u>

Yorkshire Electricity Group plc, a Northern Powergrid Group company, acting on behalf of other group companies was authorised to settle various liabilities against the relevant intercompany accounts.

The proforma supplementary statement of cash flows above shows the amounts settled by Yorkshire Electricity Group plc on behalf of the Company as if they were cash inflows and outflows of the Company.