

Registered number: 04112320 (England and Wales)

REGULATORY ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024
FOR
NORTHERN POWERGRID (YORKSHIRE) PLC

Northern Powergrid (Yorkshire) plc

Contents

Company Information	3
Strategic Report	4
Directors' Report	31
Independent Auditor's Report	35
Statement of Profit or Loss and Other Comprehensive Income	39
Statement of Financial Position	40
Statement of Changes in Equity	41
Statement of Cash Flows	42
Notes to the Regulatory Accounts	44

Northern Powergrid (Yorkshire) plc

Company Information

Directors

T H France
A P Jones
P A Jones
A J Maclennan
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)

Auditor

Deloitte LLP
Statutory auditor
London
United Kingdom

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

The directors present the annual reports and financial statements for the Regulatory Year ended 31 March 2024 of Northern Powergrid (Yorkshire) plc (the "Company"), which have been prepared in accordance with Part A of standard condition 44 (Regulatory Accounts) of the electricity distribution licence ("Licence").

BUSINESS MODEL

The Company is as 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. 1 April 2023 denoted the start of the RIIO-ED2 price control, which will run for a period of five years to 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 15% of the electricity end user's overall electricity bill. The Company's opening base allowed revenue (excluding the effects of incentive schemes, volume or legislative driven adjustment mechanisms and any contract liabilities ("deferred revenues") from the prior price control) has been set and therefore provides the Company with some stability in terms of its income for each Regulatory Year from 1 April 2023 through to 31 March 2028. Nominal opening base allowed revenues increased in line with inflation (as measured by the average of the United Kingdom's Retail Prices Index and Consumer Prices Index "CPI-H" in the month of April 2023, and as measured by CPI-H there onwards).

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 for the ED2 period (the "Business Plan").

Submitted to Ofgem in December 2021, the Business Plan (available via the Northern Powergrid Group website) described the long-term strategy that the Company would achieve during the ED2 period in order to support decarbonisation whilst delivering sustainable growth with regard to those with whom the Company interacted and served.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

Developed after a period of consultation with stakeholders, and in conjunction with the work of the Customer Engagement Group (renamed as the Independent Stakeholder Group (“ISG”) in April 2024), which was established for the purpose of providing independent scrutiny and challenge to ensure that customers’ interests were adequately reflected, the Business Plan focused on a number of output areas. The output areas, which link to the Core Principles, are described throughout the Strategic Report and include (amongst others) reliability and availability, climate resilience, decarbonisation, safety, vulnerable customers and customer service. These areas are supported by three enablers, being workforce resilience, innovation and data and digitalisation. 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.

As the Company delivers the strategy set out in the Business Plan, it will support the evolution from DNO to Distribution System Operator (“DSO”), to facilitate decarbonisation and take steps to achieve a fully integrated and flexible energy system. See Environmental Sustainability on page 22 for more detail.

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 (“KPI”).

The Strategic Report focuses on each Core Principle and the performance of the associated KPIs throughout the Regulatory 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 Regulatory Year Ended 31 March 2024

FINANCIAL STRENGTH

Strategic objective: Strong finances that enable improvement and growth.

KPI	2023/24	Restated* 2022/23
Operating profit (million)	£193.5m	£224.8m
Cash from operating activities (million)	£333.3m	£341.1m*
Cash used in investing activities (million)	£295.3m	£291.2m*
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 during the ED2 period.

Performance during the Regulatory 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 had implemented efficiencies equivalent to a 4% reduction in base costs relative to the prior regulatory period.

Revenue: The Company's revenue at £510.3 million was £53.7 million lower than the prior year (2022/23: £564.0 million) primarily due to lower recovery of payments included in cost of sales made under the supplier of last resort process.

Operating profit and position at the Regulatory Year-end: The Company's operating profit of £193.5 million was £31.3 million lower than the previous year (2022/23: £224.8 million), primarily reflecting an increase in operating costs of £33.3 million consisting of higher vegetation management (£10.1m), higher IT and telecoms costs (£5.6m), higher rates (£4.4m), higher indirect salary costs (£4.0m) and higher depreciation and amortisation (£4.8m). The statement of financial position shows that, at 31 March 2024 the Company had total equity of £1,460.7 million (2022/23: £1,785.0 million). 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, has created a stable base for continued strong performance during the ED2 period and beyond.

Finance costs and investments: Finance costs net of investment income at £39.9 million was £5.5 million higher than the prior Regulatory Year (2022/23: £34.4 million) mainly reflecting an increase on interest payable on other loans.

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 £333.3 million was £7.8 million lower than the previous Regulatory Year, reflecting lower operating profit before depreciation and amortisation and offset by favourable movement in working capital.
- The net cash used in investing activities at £295.3 million was £4.1 million higher than the previous Regulatory Year, reflecting higher purchases of plant, property and equipment.
- The net cash outflow from financing activities at £37.5 million was £145.3 million lower than the previous Regulatory Year mainly due the EIB loan paid off in the prior year.

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

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. Further details of the Company's commitments to the DB Scheme are provided in Note 23 to the financial statements. The Company also participates in the Northern Powergrid Pension Scheme, which is a defined contribution scheme. (See Note 23)

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. The Northern Powergrid Group carries appropriate excesses on those policies and is effectively self-insured up to the level of those excesses.

CUSTOMER SERVICE

Strategic objective: Delivering exceptional customer service.

KPI	2023/2024	2022/2023
Broad Measure of Customer Satisfaction ("BMCS"),	90.5%	88.1%
BMCS Rank (out of 14)	9	13
BMCS Power Cuts	87.9%	87.8%
BMCS General Enquiries	93.4%	93.4%
BMCS Connections	90.8%	86.2%
Stakeholder Engagement and Customer Vulnerability ("SECV") rank (out of 6) (combined with Northern Powergrid (Northeast) plc)	n/a	6

Business plan commitment: To provide a best in class customer service offering by being, clear, reliable, trustworthy flexible and proactive through a range of channels to suit stakeholder needs.

Performance during the Regulatory 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 90.5% compared to the prior Regulatory Year (88.1%) and an improved overall BMCS rank of 9 was achieved.

To further enhance the service provided to customers, initiatives from the Company's customer service improvement plan were implemented. This included introducing three new methods for customers to make contact (including instant and video messaging), the introduction of an on-site customer responder to support customers impacted by long duration power cuts and the provision of out of hours delivery for certain services such as service alterations.

In respect of overall performance, significant progress was made in terms of the BMCS, across all metrics. However, it is acknowledged that as the other DNOs also continue to invest in customer service, even making incremental improvements in the BMCS ranking can be challenging. Regardless, the Company will strive 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 refinement of the on-site support offering to extend utilisation beyond long duration faults, continuing to embed connections management improvements across all teams and the development of a Priority Services Membership App to support customers before and during a power cut.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

Connections to the network

Business plan commitments: To reduce small work end-to-end connections lead times by 20% while offering more self-service options, greater support and more flexibility over delivery, including, support for smarter solutions and an expanded range of flexible connections.

Performance during the Regulatory Year: End-to-end lead time improvement continued to be challenging due to the significant increase in connections volumes as a result of low carbon technology uptake and additional applications. In response, the Company implemented a new quotation system which allowed customers to obtain a quote online and increased operational delivery capacity. This was in addition to the quote on site option, single point of contact and AutoDesign tool that were implemented recent years.

From a major connection perspective, transmission network connections continued to pose a significant issue due to long delays on the transmission network. Consequently, steps were taken to proactively mitigate the problem where possible, including via the introduction of a new queue management processes and in collaboration with the electricity system operator (“ESO”) and other network operators through the Energy Network Association’s Strategic Connections Group, revised technical delegated limits were piloted at some of the Company’s grid supply points. This allowed interim non-firm solutions to be offered to customers, thereby reducing connections lead times by approximately six years.

Communication was also prioritised with regular ‘Transmission System Congestion’ webinars having been hosted alongside National Grid Electricity Transmission and National Grid ESO, to provide stakeholders with clear and transparent updates on the Company’s approach to identifying and implementing improved solutions. In addition, the availability and timeliness of information provided to customers was improved through a Project Progression portal, an online service that allows customers to look up their project to understand the status of the project and where it is in the connections pipeline.

Aside from transmission connections issues, the Company continued to see high volumes of connection applications, particularly at the extra high voltage level. In support of the increased appetite, plans are in place to improve customer service by minimising the time to quote, facilitated by introducing a new triage process which helps to prioritise quotations.

Corporate responsibility

Business Plan commitment: To build effective relationships with stakeholders whilst maximising the value of contact with customers, especially those who are vulnerable and hard to reach.

Performance during the year: In April 2023, the Company (together with Northern Powergrid (Northeast) plc) put forward its SECV submission to Ofgem in respect of work undertaken during the 2022/23 Regulatory Year. The material provided an overview of activities and case studies in areas such as support for vulnerable customers, decarbonisation, safety, environment, customer service, reliability, and availability.

Following the review by Ofgem’s panel, the Company achieved sixth place (of six) in the context of the DNOs (2021/22: sixth place (of six)). This was the last year of the SECV incentive as the measurement of stakeholder engagement in future years will be via issue specific incentives such as DSO and Consumer Vulnerability.

During the Regulatory Year, the Company continued to develop engagement activity with a focus on supporting the implementation of the Business Plan. This included establishing new forums to facilitate decarbonisation and DSO engagement as well as enhancing existing relationships with local councils, Local Enterprise Partnerships and civic leaders. In support the Business Plan Engagement Groups delivered tailored engagement activities and respond to on-going feedback from customers and stakeholders.

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

As in recent years, the ongoing energy crisis and economic uncertainty exacerbated the challenges facing vulnerable customers. Accordingly, investment doubled, and the Company and its affiliate were able to support over 20,000 customers who were facing fuel poverty. In addition, in conjunction with partners, work began to pilot a new service to provide advisory services, particularly for vulnerable customers, to decarbonise their homes. This was supported by a refresh of the Social Issues Expert Group to the Northern Inclusive Energy Group. Comprised of a number of independent vulnerability experts from across health, housing and energy, the group aims to deliver support to vulnerable customers by shaping the Company's social responsibility and consumer vulnerability policy.

In terms of additional activity, the Company's Community Partnering Fund financed nine grassroots organisations across the region to deliver fuel poverty support to vulnerable households and the Net Zero Community Energy Fund supported eight organisations to a share of £50,000. Alongside, the Company and all funded partners routinely promoted Priority Services Membership and shared energy efficiency materials and winter preparedness information to customers.

OPERATIONAL EXCELLENCE

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

KPI	2023/2024		2022/2023	
	Actual	Target	Actual	Target
Customer minutes lost ("CML")	53.47	<39.69	52.12	<51.8
Customer interruptions ("CI")	55.20	<47.64	59.32	<60.9
Network investment (million)	£292.3	-	£292.6	-
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 Regulatory 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 behind target for CI and CML due to periods of adverse weather conditions.

From a high voltage restoration perspective, the Company averaged 75.0 minutes (2022/23: 73.4 minutes), after allowing for severe weather incidents and other exemptions.

In respect of year one of the ED2 business plan commitments, the Company (together with Northern Powergrid (Northeast) plc) underperformed against the original targets, with power cuts marginally above targets (by 3%) and the average length of power cuts being 18% above target. As outlined above, this was primarily as a result of adverse weather. However, and as detailed below and in the Climate Change Adaption section improvement programmes are underway to mitigate against both the environmental and non-environmental factors which can adversely affect performance levels.

The Company invested £292.3 million during the year through its approved Network investment strategy (2022/23: £292.6 million), which was designed to deliver improvements in Network performance and increase resilience.

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

Various major projects were undertaken to reinforce the primary Network, refurbish transformers, rebuild overhead lines, remove and 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 low-cost Network monitoring sensors which detect developing faults so that they can be proactively managed. Initiatives were also implemented as a result of the Reliability Improvement Plan including increasing the use of mobile generation to restore supplies.

In terms of storm response and winter preparedness, the Company continued to implement and develop a range of improvements to its website capabilities, call volume capacity, active network management and Major Incident Management Plan (“MIMP”) response procedures.

CLIMATE CHANGE ADAPTATION

Strategic objective: Operate a highly reliable and resilient Network

KPI (Regulatory Year)

	2023/24			2022/23		
	Annual	Cumulative	Target	Annual	Cumulative	Target
Flood Defences:						
High risk sites protected		100%	100%		100%	100%
Flood defence upgrades	-	127		1	127	
Major substation flood defences installed	2	85		3	83	
Vegetation Management:						
High voltage Network resilient to high winds (km)	29		844	23.2		135
Vegetation management clearance spans	23,041		22,917	27,710		32,073
Collaboration:						
Local Resilience Forums (LRFs)	64		28	60		28

Business Plan commitment: To adapt the Network and operations to build resilience against the effects of climate change.

Performance during the Regulatory year: The climate is changing and, despite international efforts to reduce greenhouse gas emissions, it is expected to continue to change over the course of the century. The Northern Powergrid Group has taken steps to understand the risks and opportunities presented by climate change and has established initiatives in response such as an industry leading flood mitigation programme and a robust vegetation management programme.

In respect of performance against the KPIs during the Regulatory year, the Company and its affiliate upgraded an additional high-risk site and installed three further substation defences. This resulted in all planned sites being fully protected with a combined investment on flood mitigation works of £0.52 million.

From a vegetation management perspective, £1.8 million was invested by the Company and Northern Powergrid (Northeast) plc to clear spans and make the high-voltage Network more resilient. For the latter, the work entailed creating corridors between vegetation and the Network to accommodate the falling distance of trees. The target was reduced between 2022 and 2023 to provide greater capacity to focus on clearing vegetation from spans at all voltages, given any vegetation that is near the Network can have an impact during

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

periods of high wind. However, in terms of volume of activity across both KPIs, performance was below target and accordingly, a recovery programme was implemented to ensure the backlog of work was expedited.

Collaboration with LRFs was positive with the Company and its affiliate attending meetings with 60 quarterly tactical business groups for each of the seven LRFs in the operating areas.

Governance Arrangements

In respect of the management of climate-related risks and opportunities, the Northern Powergrid Group has well-established and mature governance arrangements in place, which are defined by its risk management policy and processes and are overseen by the Risk Advisory Board (“RAB”) with the support of the Internal Audit function (see ‘Risk Management’ and ‘Internal Control’ for further details). Each subsidiary, including the Company, is responsible for the assessment and management of its own risks and opportunities, with risks then being reported via the processes set out below including being tracked and monitored at a Northern Powergrid Group level via the RAB. Given tracking and monitoring is being done at a Northern Powergrid Group level, the targets and KPI’s noted above are for the Northern Powergrid Group as a whole.

As is the case for all types of risk across the Northern Powergrid Group, climate related risks and opportunities are identified, assessed and managed at a variety of levels with escalation points incorporated at various stages of the process.

Risks that are identified via the Company’s operational working groups are put forward to the Asset Serviceability Review steering group where appropriate actions and controls are monitored by senior management. Risks can then be further escalated to the Asset Risk Management Executive Review Group for further oversight by a subset of the Executive Leadership team.

When identified at a subsidiary or directorate level, risks are reviewed and monitored by the relevant Senior Management team and are escalated through the quarterly risk identification process run by the Internal Audit team. In all scenarios, where risks are identified as being above the Northern Powergrid Group’s risk appetite, they are reported to the RAB.

The Northern Powergrid Group’s risk management process (including for climate related risks) takes place on a quarterly basis and includes the Chair of the RAB reporting risks and opportunities to the board. In addition, an annual risk submission is made to the Northern Powergrid Group’s shareholder, noting that Berkshire Hathaway Energy is routinely made aware of risks via regular dialogue with members of the Executive Leadership team and the board.

Given the significance upon the Northern Powergrid Group and its stakeholders, the board considers climate related risks and opportunities via routine reporting (including scrutinising performance against KPIs) and in-focus updates on at least a quarterly basis. Whilst always being guided by the Core Principles, the board is also cognisant of the impact of risks and opportunities on the Northern Powergrid Group’s strategy and business model and, has regard to this when making decisions such as reviewing and approving business plans and monitoring performance.

Risk Management

In terms of identification, climate related risks and opportunities are typically detected via a number of channels, including at the operational and directorate level (as outlined above), as a result of detailed risk assessments based on climate projections, by investigations into exceptional events, from reviewing the macro environment for trends, or via shared learning from other Berkshire Hathaway Energy subsidiary companies or collaborative work with other DNOs. In relation to the latter, the DNOs typically work with the ENA to establish a sector wide perspective and have used this approach to implement various regulatory requirements such as those under the Climate Change Act 2008 and the National Adaptation Plan.

Regardless of the source, all risks are integrated into the Northern Powergrid Group’s overall risk management process, are recorded within a central risk register and are categorised by likelihood and impact. Supplementary

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

to this, all climate related risks are also recorded and tracked through the Northern Powergrid Group's climate risk register.

Once identified, all risks (including climate related) are allocated to an owner and are assessed to determine if they are to be tolerated, influenced or mitigated. If the risk is to be mitigated, appropriate actions are developed to reduce or eliminate the impact of the risk over an appropriate timescale. As outlined above, any risks that are above the Northern Powergrid Group's risk appetite are monitored by the RAB and are allocated to a member of the Executive Leadership team to mitigate or manage. Climate related opportunities are typically reviewed by the Science and Technology Advisory Panel in conjunction with the Executive Leadership team ahead of scoping options to maximise the benefits and progressing to implementation as relevant.

Strategy

Following the publication by the Department for Environment, Food & Rural Affairs ("Defra") of the supplementary Green Book Guidance on 'Accounting for the Effects of Climate Change' in November 2020, a thorough assessment of the impact of climate change and severe weather upon the Company was undertaken in collaboration with other gas and electricity network operators through the ENA. The results of the review and associated adaptation, recovery and transform plans were published in the Company and its affiliates 'Adapting to Climate' strategy in November 2021.

In line with Defra's recommended approach, the assessment was performed at the operational and asset base level and followed the specific guidance for projects, policies and programmes that have a lifespan that goes beyond 2035. This included using two climate scenarios (as utilised by the Climate Change Commission) to:

- Consider options which include all adaptation measures which would mitigate the known impacts of the 2°C scenario; and
- Make decisions based on the Northern Powergrid Group's risk appetite about whether to consider adaptation measures aligned with the 4°C global warming scenario.

Using outputs from the work that the ENA had commissioned from the Met Office, the Company was able to identify potential climate related hazards including high temperatures, heavy rain, droughts, storms, sea level changes, snow, ice, wildfires and lighting - or a combination of these. The hazards were then reviewed against other variables such as regional climate change considerations (known events and topography), asset configuration and interdependencies on other national infrastructure to identify a range of impact scenarios.

The risk assessment was carried out across three timescale horizons, short term: current climate, medium term: 2050's and long term: 2080's, for both the 2°C and 4°C scenario and was applied to each of the Company's and Northern Powergrid (Northeast) plc's six operating zones. The three time periods are aligned with the UK Climate Projections 2018 and the most recent guidance from Defra (ARP4) This allowed the Northern Powergrid Group to understand how each impact scenario affected the whole of the Company's and its affiliates geographic operating locations, including those where known vulnerabilities already exist such as in coastal areas, flood plains and exposed areas, and over what period, so as to establish and prioritise the key areas of risk and identify relevant opportunities.

Climate Change Adaptation

From an overall business model and strategy resilience perspective, the risk assessments (and corroborated via the findings from other DNOs through the work of the ENA) identified that there was no significant divergence in the climate projections, the impact scenarios or key risks themselves, were observed between the three timescales until beyond 2050.

Whilst this provides some comfort during the short term, adapting to climate change requires an understanding of how to better resist the challenges placed upon the Company and the Northern Powergrid Group, how to absorb the impact to minimise it as when events do occur and how to utilise the opportunities this creates.

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

Accordingly, where the risk assessments identified that risks were more likely to occur (at any point over the three timescales) and/or that the impact was potentially greater, these were categorised as the highest priority risk areas and programmes covering bespoke adaptation, recovery actions and longer-term transformations were developed accordingly. It was identified that the highest priority risk areas included:

- Flooding presented by changes in precipitation rates and sea level rise; and
- Changes in growth rates and patterns of trees due to changes in temperature and precipitation.

As referenced in 'further information' below, the impact of climate related issues upon the Northern Powergrid Group, particularly the Company and its affiliate are incorporated into the five-year regulatory Business Plan. This includes an assessment of the impact of investing in mitigation programmes and undertaking innovation projects with climate change acting as a key driver, particularly in network investment decisions. These plans are fully incorporated into the Northern Powergrid Group's financial planning process (including with consideration of the impact on areas such as the Northern Powergrid Group's supply chain) and the impact of climate related issues will continue to be included in regulatory business plans for the relevant time periods in question. Climate related risk assessment scenarios that feed into financial and strategic planning are included in the Company's and Northern Powergrid (Northeast) plc's Adapting to Climate Change report and its supporting annex (available via the Northern Powergrid Group's website).

Principal climate-related opportunities and risks arising in connection with the Northern Powergrid Group's operations

1. Physical risk (long term - acute/chronic): Precipitation (extreme prolonged rainfall) - long periods of above average precipitation or intense rainfall events resulting in flooding and erosion.

Assessment assumptions: data was used concerning the accumulation of rainfall over a month and where it exceeds the 90th and 95th percentile of today's climate, the Soil Moisture Deficit and for heavy daily rainfall events, the percentage changes in the 99th percentile of seasonal daily mean precipitation.

Findings: There was a large regional variation in how the frequency of climate related hazards were expected to change in future periods. However, in autumn and winter months, instances of prolonged rainfall, heavy daily rainfall events and heavy hourly precipitation were projected to increase across most of the UK. Assets located in coastal areas were more vulnerable to changes in sea level, notably in the Humber Estuary and Seal Sands.

Impact: Access issues, asset damage and reduced performance, predominantly as a result of Grid and Primary Substations being adversely affected.

Serious flooding in particular was likely to result in the most severe consequences, including the loss of electricity supply to thousands of people, as well as to other types of infrastructure. This in turn had the potential to lead to additional costs as a result of replacing or repairing damaged equipment, as well as increasing the number of customer interruptions, thereby having a negative effect on service and performance levels.

As set out in 'Operational Excellence', Network reliability is recorded via Ofgem's Interruptions Incentive Scheme ("IIS") through targets in relation to CML and CI. If IIS targets are exceeded, there is a reward.

Conversely, in the event targets are missed, there is a penalty. In addition, if Guaranteed Standards or service levels that are agreed by Ofgem are failed, payments must be made to those customers affected. Therefore, unless there is an exemption applied for an extreme weather event, the Company is susceptible to an increase in costs if service and performance levels reduce.

Mitigation: Flood defences programme - designed to comply with national guidance on how to improve the resilience of electricity substations to flooding.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

Mitigation activity:

- Improve and maintain flood resilience through targeted adaptations in civil defences and install additional substation defences.
- Improve flood resilience at distribution substations, either by moving them out of the line of flooding risk or by implementing mitigation measures.

2. Physical risk (long term - acute/chronic): Temperature (extreme heat) - high temperatures that may reduce the performance and efficiency of assets.

Assessment assumptions: Thresholds to understand the frequency of days which constitute 'extreme temperatures' across the UK and how these may change under future climate projections were used. This included the frequency with which the daily maximum temperature exceeded 28°C, 30°C and 35°C and the frequency with which the daily maximum temperature exceeded 28°C for 3 consecutive days.

Findings: Trends in observational records confirmed that the UK climate is warming with high temperature thresholds being exceeded each year and expected to increase in line with Representative Concentration Pathway 8.5 (being the worst-case climate change scenario). Met Office climate projections identified that the frequency of hot summer periods is becoming increasingly common.

The rate of change for extreme heat was expected to be slower for cooler regions of the UK such as the North of England. However, by the 2060s the frequency with which extreme heat occurred in the North of England would be the equivalent to that of the warmest areas of the UK at the time of the assessment.

Impact: A reduction in the performance and efficiency of assets. This in turn has the potential to increase fault volumes, leading to additional costs being incurred as a result of repairs and maintenance, reduce service levels and customer satisfaction, and could cause delays to other work planned for delivery.

Whilst the likelihood of global temperature rise is accepted, the impacts on DNOs has not yet begun to be realised. Because of this, networks do not currently see any drivers to invest ahead of the need to offset risks.

Mitigation activity:

- Network and asset performance will continue to be monitored and will be modified once climate change begins to have a direct and longer-term impact.
- Standards and specifications will be updated to include projected changes in temperatures and ground movements.

3. Physical risk (long term - acute/chronic): Precipitation (storms) - Strong winds are a significant hazard, especially when experienced in conjunction with heavy rain.

Assumptions: As for Precipitation (extreme prolonged rainfall)

Findings: There was no clear evidence within climate projections that there would be a change in the frequency or power of storms. Accordingly, the risk of strong winds was assessed in line with the climate conditions at that time. It was also recognised that research into the effects of wind had been carried out between 2011 and 2015 under the Resilient Electricity Networks for Great Britain project and learnings had been incorporated into the Company's specifications.

Impact: A number of storms have affected the Network since the initial risk assessment, notably storm Arwen. It is therefore recognised that storms can lead to operational failure of above ground assets, resulting in increased faults and loss of supply to customers, which in turn affects customer service. The potential for damage to telecommunications infrastructure, leading to the inability to communicate with staff in the field or control technology, can also impact repair efforts further.

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

Mitigation: Resilience programme - Maintain operational resilience and embed long-term resilience across the asset programmes, working with others to better understand future risks.

Mitigation activity:

- Utilise drones for storm damage assessments.
- Undertake collaborative exercises to test operational response.
- Major Incident procedures in place.
- Embed resilience across asset programme designs and specifications to deliver long-term synergistic resilience.
- Vegetation management programme (see below).

4. Physical risk (long term - chronic): Temperature / Precipitation (gradual increase in temperature and rainfall) - warmer and wetter conditions may extend vegetation growing seasons, resulting in increased or accelerated growth of vegetation.

Assumptions: The length of the growing season was calculated using mean daily temperatures beginning at the start of a period of five successive days where the daily-average temperature was greater than 5°C and ending on the day before a period of five successive days when the daily-average temperature was less than 5°C.

Findings: The average growing season length had increased by approximately 30 days per year over the course of the last 60 years and was reported as being largely due to an earlier onset of spring. As a result, the combined effect of temperature and precipitation was likely to lead to increased vegetation growth.

Impact: Interference to overhead lines could cause a variety of power supply issues ranging from transient interruptions, due to vegetation touching the line, through to severe damage from trees, or parts of trees, falling onto the lines. This may result in increased levels of investment being required in order to maintain Network resilience, additional costs associated with maintenance and cutting cycles and performance and customer service related issues.

Under abnormal weather conditions there is also the potential for large scale power outages with some supply restorations taking many days.

Mitigation: Vegetation management programme - improving the resilience of the overhead Network under abnormal weather conditions using a risk-based methodology.

Mitigation activity:

- Undertake enhanced resilience cuts in line industry standards on the overhead network to comply with enhanced resilience requirements.
- Establish and maintain clearance corridors.
- Assess and tackle the issues anticipated from ash tree dieback through the management of affected spans.
- Undertake a vegetation clearance programme for substations and tower bases.
- Utilise Light Detection and Ratings (“LiDAR”) technology to ensure efficient targeting for vegetation management.

5. Transition risk: Transmission Related Connections Delays - see Principal Risks and Uncertainties

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

6. Opportunity: Innovation - participating in and leading innovation projects as a way of developing creative solutions to mitigate the risks of climate change and enhance responsiveness in the event an incident does occur.

A number of projects are planned for the ED2 period including:

- Optimising the use of LiDAR data in order to carry out more effective and efficient clearance and vegetation management by prioritising cutting responses;
- Reviewing the link between rainfall and underground cable faults to understand and quantify the risk;
- Research into substation design specifications and innovative materials to mitigate risks associated with high-temperatures and assets;
- Investigations to understand the performance limitations of outdoor control equipment during periods of extreme heat; and
- Estimate the extent of Ash tree dieback and its impacts on the Network.

Further detail of innovation supporting decarbonisation can be found in the 'Environmental Sustainability' section of the Strategic Report.

7. Opportunity: Decarbonisation - adapting and evolving the Network to facilitate the UK's net zero strategy.

There are many benefits associated with decarbonisation, not just for the Company and Northern Powergrid Group, but for the areas the Company and its affiliate serve and the people who live and work there. This includes developing the Network to accommodate additional connections to enable more electric vehicle chargers to be installed, to allow greener heating solutions, to provide a mechanism for local electricity production and to facilitate the growth of renewable energy sources by offering greater flexibility.

Further detail of the initiatives underway to facilitate decarbonisation can be found in the 'Environmental Sustainability' section of the Strategic Report.

8. Opportunity: Collaboration - working with stakeholders including industry partners and energy networks to find solutions to mitigate the risk of climate change and improve resilience through collaborative work on interdependencies to reduce the risk of cascade failures across systems.

The Northern Powergrid Group works closely with its stakeholders and partners to share best practice, evolve new protocols, develop industry guidance and adopt measures to prevent or manage the impact of climate change. This includes working with Local Authorities and regional bodies to evolve their climate resilience and decarbonisation plans and collaborating on specific issues to generate practical solutions - such as with the ENA as outline above.

Initiatives planned in this area include collaboration with:

- Other regional infrastructure operators to identify and mitigate interdependencies.
- The Environment Agency and local authorities on the implementation of their regional flood risk management plans and establish support for these where appropriate.

Further information

Given the likely impact of climate related opportunities and risks on the Company and its Network, the Northern Powergrid Group's various mitigation programmes (including KPIs and the methodology for determining these) were fully scoped and costed as part of the Business Plan submission to Ofgem for the ED2 Period, details of which can be found via the Northern Powergrid Group's website.

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

In addition to the information contained above, the Northern Powergrid Group has published a 'Climate Resilience Strategy' and an 'Adapting to Climate Change Report', the latter having been submitted to Defra in line with the requirements of the Climate Change Act (2008). The Northern Powergrid Group's most recent report was published as part of the third round in 2021 and included full details of the risk assessment in a supporting annex. A further update (which will coincide with a review of the Northern Powergrid Group's climate risks and opportunities) is due to be published in 2024. Copies of both reports can be found on the Northern Powergrid Group's website.

EMPLOYEE COMMITMENT

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

KPI (all calendar year)	2023		2022	
	Actual	Target	Actual	Target
Northern Powergrid Group Occupational Safety and Health Administration ("OSHA")	0.43	<0.09	0.26	0.09
Preventable vehicle accidents	15	<14	18	<14
Lost time accidents	5	0	3	0
Restricted duty accidents	1	0	2	0
Medical treatment accidents	2	<1	1	<1
Operational incidents	7	<4	7	<4
Northern Powergrid Group absence rate	3.4%		3.3%	

Health and safety

Business Plan commitment: To maintain industry leading safety performance and reduce the accident rate by 50% over the ED2 period.

Performance during the Regulatory 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 0.43 (2022: 0.26), which equated to 11 recordable incidents against a goal of two or fewer.

Whilst the majority were relatively minor in nature (dog bites), three incidents involved minor burn injuries, and as such, an intervention plan was implemented. The Company also had a disappointing year in terms of PVAs, with 15 recorded against a target of 14 or fewer. This total was the lowest annual total recorded by the Company to date and therefore does demonstrate continuous progress, albeit not at the desired level. In terms of the five lost time accidents recorded, these predominantly comprised several trips, slips and lifting injuries. Mitigating actions were initiated accordingly.

In respect of the Business Plan commitment, improving safety performance remains a key priority and the way in which this is achieved is set out in the Company's health and safety performance improvement plan ("HSPiP"). During the Regulatory Year, the HSPiP focused on 58 initiatives in the areas of colleague safety, contractor safety, health and well-being and public safety. This included the continuation of driver training, the introduction of local safety improvement groups, the mobilisation of an assurance programme on high-risk activities and leveraging data from the vehicle telematics system to prioritise driver training. The mental health and wellbeing of staff continues to form an integral part of the HSPiP. Existing support includes 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.

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

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

Employees

Business Plan commitment: To emphasise the importance of leadership and high standards of performance by engaging, collaborating and working with employees and their trade union representatives.

Performance during the Regulatory Year: Agile working continued to be successfully utilised, allowing eligible colleagues to adopt flexible ways of working with a renewed focus on collaboration and teamwork, whilst supporting retention and recruitment. Health, safety and wellbeing remained a key commitment with initiatives run in conjunction with services provided by an occupational health provider being further developed to cultivate a healthy workplace.

In relation to development, training sessions on topics which formed part of the Diversity, Equity and Inclusion plan were provided to further promote a more inclusive culture. Routine training also continued in key areas such as customer service, cyber security and management development. In addition, the Company's leadership offering was refreshed in line with the Berkshire Hathaway Energy Performance Management Framework which included a management development programme, leadership apprenticeships and an approach to identifying and developing individual contributors.

During the Regulatory Year, 80 new recruits (2022/23: 45) joined the Company and Northern Powergrid (Northeast) plc's workforce renewal programme. At 31 March 2024, the Company had 1,206 employees (2022/23: 1,141). There has been an increase in the total numbers since the same prior year period, specifically within Energy Systems, reflecting the strengthening of the DSO and data and digitalisation teams to deliver Business Plan initiatives.

Further information concerning how the Northern Powergrid group is supporting gender diversity in the energy industry can be found in the Northern Powergrid Group's gender pay gap report via the Northern Powergrid Group's corporate website.

	2023/24			2022/23		
	Male	Female	All	Male	Female	All
Directors	5	1	6	5	1	6
Senior Managers*	13	3	16	8	4	12
Total Number of Employees	995	211	1,206	950	191	1,141

*Includes the Senior Managers employed by the Company only and not those employed elsewhere in the Northern Powergrid Group who provide services to the Company.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

Employee Engagement

The board and senior management team keep employees and trade union representatives informed of and involved as appropriate in developments that may impact them now or in the future. This approach has been chosen as the most effective way of interacting with employees due to the combination of collectively bargained and personal contract holders. 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.

Consultation for collectively bargained employees is agreed with trade union representatives in the form of a constitutional framework. In addition, all employees are consulted to establish their views and identify key priorities using employee engagement surveys.

During the Regulatory Year, the President and Chief Executive Officer, members of the board and senior management team provided regular updates on financial, organisational, safety and customer service performance. The executive directors continued to engage directly with employees during operational and office-based site visits and induction events. Communication with employees was delivered via various channels including via group wide text messages and virtual meetings to quickly disseminate key information concerning safety and MIMPs, 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, the Company will make reasonable adjustments, wherever possible.

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

ENVIRONMENTAL RESPECT

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

KPI	2023/24		2022/23	
	Actual	Target	Actual	Target
Total oil/fluid lost (litres)	12,508	<18,550	10,754	<18,550
SF6 gas discharges (kg)	95.0	<34.6	107.20	<34.6
Environmental incidents	1	<4	6	<4
KWh energy consumed	23,026,430		22,792,136	

Business carbon footprint	2023/24		2022/23	
	Tonnes	Per km ²	Tonnes	Per km ²
Fleet fuel use	1,987	0.18	1,935	0.18
Other (including fugitive emissions)	2,216	0.20	2,624	0.24
Total scope 1	4,203	0.38	4,559*	0.42
Building electricity use	780	0.07	767	0.07
Substation electricity use	2,437	0.22	2,322	0.21
Total scope 2	3,217	0.29	3,089	0.28
Business fuel use	997	0.09	991	0.09
Contractor emissions	10,802	0.99	10,802	0.99
Total scope 3	11,799	1.08	11,793*	1.08
Total carbon footprint (tonnes)	19,219	1.76	19,442	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 14,394 km.

The methodology adopted to calculate energy and business carbon footprint data is aligned with international standards, those required by Defra and BEIS, is compliant with ISO 14064-1:2006 and are all externally validated.

*Restated

Business Plan commitment: To reduce our business carbon footprint by 20% and reduce oil loss by 15% during the ED2 Period.

Performance during the Regulatory Year: The reduction in the volume of SF6 gas loss during the Regulatory Year combined with a decrease in fugitive emissions, resulted in the Company's overall carbon footprint decreasing to 19,219 tonnes (2022/23: 19,442 tonnes). Progress has been made over the first year of the ED2 period, with the Company's and its affiliates' carbon footprint having reduced, thereby, being on track to achieve the 20% commitment during the ED2 period. Disappointingly, oil loss increased for the Company and its affiliates during the first year of the ED2 period. However, the Company's target of a 15% reduction in oil loss by the end of the ED2 period, remains achievable. In terms of scope 3 emissions, the Company has committed to collect data for all applicable scope 3 emissions categories in order to enhance a more robust, multiyear baseline. This will inform the actions taken to implement meaningful and actionable steps to further reduce emissions resulting from the Company's operations.

In support of the target to further reduce oil and fluid loss, the 2023 annual environmental improvement plan included a transition to a blended strategy of both asset replacement of fluid-filled cables and enhanced tracer applications to facilitate earlier interventions. Nonetheless, the 2023/24 loss of fluid did increase year-on-year

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

with a loss of 12,508 litres (2022/23: 10,754). The increase was primarily a result of a single failure on one of the Company's largest oil filled cable assets.

The remuneration of a number of the Group's employees, including certain members of the Executive Leadership team and Executive directors are directly linked to performance against KPIs including those concerning climate change adaptation. The Group has not set any internal carbon prices or any climate-related opportunity metrics.

To maintain the policy of environmental protection and legal compliance, the Company continues to assess environmental risks and mitigate threats through programmes of work such as fluid-filled cable replacement, undergrounding overhead lines in areas of outstanding natural beauty, installing flood defences, implementing secondary containment in high-risk substations and removing equipment containing polychlorinated biphenyl from the network. Whilst prevention is paramount, in the event the Company's activity does result in a leak or spill, the services of an appointed 24-hour a day environmental response consultancy is used to minimise the effects of any incident.

The Company takes its environmental responsibilities seriously and has a proven track record of lowering emissions and minimising the wider environmental impact of Network activity. Reducing the level of internal carbon footprint is a key priority and consequently, plans have been developed to achieve the ambition to become carbon net neutral by 2040 across the Company's controllable emissions. Controllable internal sources of emission are captured through Ofgem's Regulatory Reporting Process and include operational fleet, company car miles, other business travel and office, depot and substation energy use. The Company's supply chain also contributes to the overall carbon footprint as contractors are used to undertake work on the Network and deploy generators to support customers during power cuts.

Initiatives in place to reduce internal sources of emission include increasing the number of ultra-low emission or zero emission vehicles to 40% of the Company's fleet of vehicles by 2028 and the adoption of science-based targets. The fleet vehicle target was aligned to stakeholder ambition levels and was therefore designed to balance costs, technology readiness and charging infrastructure availability.

In respect of the Company's wider environmental impact, plans have been developed to achieve zero waste to landfill by 2035 and to divert (by re-using or recycling) 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 99% of all of the waste produced. 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. This target incorporates the increased volume of waste that will be produced as a result of delivering the Company's 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 waste arising from excavations to combat these issues.

From a supply chain perspective, the Company will continue to work closely with suppliers to reduce packaging and ensure environmentally friendly alternatives are used where possible. In support, an embodied carbon model will be used to support 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.

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

In addition to the measures outlined above, to safeguard the environment from its direct activity, the Company also operates a habitats programme which is aimed at protecting natural habitats and increasing the variety and variability of species and ecosystems at 200 of the Company's and its affiliates' major sites.

At this time, the Company has no plans to use carbon offsetting to achieve its targets in the ED2 Period. Instead, 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 than incremental spend on carbon off-setting the Company's emissions. However, at an initiative level, where ad-hoc opportunities exist, the Company may pursue these accordingly.

From an environmental compliance perspective, the Company operates a United Kingdom Accreditation Service scheme for environmental management and is certified to the environmental management systems 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. A full recertification assessment was carried out in October 2023 with two environmental certification standards - the ISO 14001 Environmental Management System and the Energy and Utility Skills Competence Management Scheme (CMS) for waste management (including the transition to an updated version of the CMS standard).

The Company's carbon footprint reporting framework is certified under the Certified Emissions Measurement and Reduction Scheme for compliance with ISO 14064-1:2006. A full re-certification audit commenced in November 2023, with final re-certification to follow in early 2024 once a re-baseline and incorporation of system losses into our reporting is complete and verified.

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 positive. However, it is acknowledged that becoming carbon neutral by 2040 and working with suppliers and partners in order 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).

Environmental Sustainability

Strategic focus: Enable significant growth in customers connecting low carbon technologies, support all pathways to net zero emissions and significantly reduce our own carbon footprint.

Performance during the Regulatory 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, in the year, the Company began implementing its DSO strategy in order to 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 Network, successfully placing two contracts for services. At these sites, customers change their energy consumption and generation patterns as an alternative to the Company carrying out Network reinforcement,

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

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. In 2023 the Company initiated the Community DSO project, funded through £12.5 million of Network Innovation Competition funding awarded by Ofgem. The project will deliver trials of smart local energy systems to explore how consumer energy resources and flexibility can be utilised in communities, thereby providing more efficient solutions to decarbonisation, resilience for rural communities and opportunities for consumers and vulnerable customers to participate in and benefit from flexibility markets.

Decarbonisation continues to become 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 greater opportunity to contribute to decarbonisation through the Company's key role in facilitating regional decarbonisation by fulfilling the functions of DSO. This means 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.

As part of the Company's Business Plan, several strategic objectives shaped the development of the accompanying DSO strategy. This included 'flexibility first', involving deploying flexible solutions as an alternative to Network reinforcement, 'whole system collaboration' in order to engage with the wider market on whole system energy solutions, 'data and digitalisation', to facilitate solutions in areas such as open data, 'openness and transparency' to collaborate in joint planning with our stakeholders and, finally, fostering a 'workplace and workforce fit for the future', to build regional and national skills.

Collectively, these objectives have been developed to achieve a number of outcomes and benefits. The Company is delivering its plans for DSO to enable open energy data sharing, transform the way decisions and plans are made, support the development of new flexible energy markets, increase customer and Network flexibility and facilitate a whole system energy system. The Company's Energy Systems directorate centralises responsibility for delivering DSO plans and has progressed, growing a team responsible for these functions throughout 2023.

In conjunction with this activity, with the support of the ISG, the Company established the 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.

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 Regulatory Year: In order to assure compliance with distribution licence and other regulatory obligations, the Company operates a regulatory compliance affirmation process, under which ownership of approximately 2,000 regulatory obligations is assigned to 76 responsible managers. Those responsible managers are required to review compliance with the relevant 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

Northern Powergrid (Yorkshire) plc Strategic Report for the Regulatory Year Ended 31 March 2024

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 Regulatory Year.

The Company submitted its annual Data Assurance Report to Ofgem in March 2024, which included risk assessments of the regulatory returns to be submitted for the Regulatory Year ahead (April 2024 to March 2024), together with a report detailing the assurance work actually carried out in the Regulatory Year ended 31 March 2024 and the findings of that work.

In March 2023, the Company and its affiliate were granted permission by the Competition and Markets Authority (the "CMA") to appeal against the licence modifications that gave effect to Ofgem's Final Determination in respect of the ED2 price control. The appeal related to two specific grounds:

1. the misallocation of allowances that is inconsistent with efficient costs; and
2. the approach to determining rewards for the Business Plan Incentive.

The CMA upheld the Company's appeal on the first ground and sent that part of Ofgem's decision back to Ofgem for reconsideration and redetermination. The CMA dismissed the Company's second ground of appeal. Ofgem reconsidered its analysis of the allocation of allowances and, on 2 November 2023, issued the statutory consultation proposing the changes to be made to the special conditions of the Company's electricity distribution licence in order to, in Ofgem's view, give effect to the CMA's decision.

The Company submitted its response to the statutory consultation on 29 November 2023 and, having considered that response, Ofgem issued the statutory notice formally modifying the special conditions of the Company's electricity distribution licence on 13 February 2024. The Company confirmed to the CMA that it would not appeal Ofgem's redetermination.

Further information concerning the outcome of the appeal process can be found via the CMA website.

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 (see the non-financial and sustainability information statement for further detail).

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 apprised 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 that of the Berkshire Hathaway Energy group, which benchmarks risk management

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

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.

Principal Risks

During the Regulatory Year, two additional risks were added to the risk register, being transmission connection delays and customer service. The outcome of the regulatory price control was removed as a risk. No other notable changes have taken place. The Northern Powergrid Group's principal risks are not ranked or prioritised in any particular order. Given the sensitivity and ever-changing nature of risks, 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.
- Innovation projects in place to develop and demonstrate future technologies and commercial practices.
- The Company engages in a robust regulatory and stakeholder engagement programme, the latter of which is scrutinised by the ISG.
- The Company has been actively involved in the consultations on price controls.
- Policy team established.

Network resilience

Loss of or impact to the operational 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.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

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.

Environment and climate protection (see also 'Climate Change Adaptation')

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

Mitigation

- Programme to reduce fluid loss and the Company's business carbon footprint and remove assets containing polychlorinated biphenyl from the network.
- 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 and a diversity, equality and inclusion plan are in place.
- Good relationships with trade unions representatives.

Transmission Related Connections Delays

Significantly delayed connection delivery timescales due to transmission constraints.

Mitigation

- Overseen by a steering group.
- Connection lead times are routinely monitored.
- Change programme in place to improve customer connection lead times and customer communication.
- Part of an industry work programme through the Energy Networks Association.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

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 March 2024, 100% of the Company's long-term borrowings were at fixed rates and the average maturity for these borrowings was 14 years.
- Financial covenant monitoring is in place.
- Regulatory adjustments control the effect of taxation changes.

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

A strong 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 has a strong internal audit function to provide 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 number 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

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

making reverts to the directors. These limits reflect the board's level of risk appetite and are reviewed on an annual basis.

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 Regulatory Year. A self-certification process is in place, in support of this review, whereby certain senior managers are required 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. Every employee must undertake training in respect of the Northern Powergrid Group's anti-corruption and anti-bribery policy each Regulatory Year.

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.

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.

Northern Powergrid (Yorkshire) plc

Strategic Report for the Regulatory Year Ended 31 March 2024

Employees

As detailed in the 'Employee Commitment' section, 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 Regulatory Year included reviewing health and safety performance, monitoring key appointment changes, receiving regular updates on the Company's Diversity, Equity and Inclusion plan, reviewing the Company's gender pay gap report and approving the delegations of authority.

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 Regulatory Year, the board regularly reviewed performance levels, closely monitored the response in respect of major storms and associated network resilience and engaged with the Chairs of the ISG and DRP. 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.

Financial stakeholders

Financial information is routinely made available to financial stakeholders, including relationship banks and bondholders. Directors participate directly with stakeholders when entering into new financial arrangements. During the Regulatory 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 also supports a range of charitable and community activities to help customers with fuel poverty and safety around electricity ('Community' section). During the Regulatory 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, the evolving ED2 framework and the transition to DSO 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 Regulatory 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 Regulatory Year Ended 31 March 2024

Non-financial and sustainability information statement

The non-financial reporting information pursuant to Section 414CA of the Companies Act 2006 has been reported throughout the Strategic Report and principal risks and uncertainties. The climate-related financial disclosures pursuant to Section 414CB (2A) can be found in the 'Adapting to Climate Change' and 'Environmental Respect' sections of the Strategic Report.

Statement pursuant to Listing Rule 14.3.27R Task Force on Climate-related Financial Disclosures ("TCFD")

The Company has complied with all of the requirements of LR 14.3.27R by including climate related financial disclosures consistent with the TCFD recommendations and recommended disclosures, with the exception of the scope 3 greenhouse emissions disclosures relating Metrics and Targets (b). The Company has reported scope 3 emissions in relation to certain categories (being those required by Ofgem's reporting framework). However, it is accepted that further work is required to develop the disclosures.

The steps the Company plans to take in order to be able to make the relevant disclosures in the future, and the timeframe within which it expects to be able to make those disclosures, is set out in Ofgem's 'Environmental Reporting Guidance', sections 3.8 to 3.13, a copy of which can be found via Ofgem's website. This includes a recommendation for the energy industry to work collaboratively to develop an appropriate methodology for reporting scope 3 emissions during the remainder of the ED2 period.

Approved by the Board on 30th July 2024 and signed on its behalf by:



A P Jones

Director

Northern Powergrid (Yorkshire) plc

Directors Report for the Regulatory Year Ended 31 March 2024

The directors present their report together with the auditor's report and the financial statements for the Regulatory Year ended 31 March 2024.

Dividends

During the Regulatory Year, interim dividends of £42.5 million and £400.0 million were paid (2022/23: £36.8 million). The directors recommend that no final dividend be paid in respect of the Regulatory Year (2022/23: £nil).

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 (see the 'viability statement' for further details). In addition, the level of dividends is set to maintain sufficient equity in the Company so as not to jeopardise its investment grade issuer credit rating. 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 Regulatory Year and up to the date of signing, were as follows:

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

During the Regulatory 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 March 2024, is shown in the statement of financial position. There have been no significant events since the Regulatory Year end. The directors intend that the Company will continue to implement the Business Plan for 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. This is to include embracing the role of DSO in order to allow the 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 Regulatory year, the Company invested £2.3 million (2022/23: £1.6 million) (Note 6 to the financial statements) in its research and development activities.

Financial instruments

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

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

Northern Powergrid (Yorkshire) plc

Directors Report for the Regulatory Year Ended 31 March 2023 (continued)

Stakeholder engagement, employment of disabled persons and environmental disclosures

In accordance with Paragraphs 10, 11 and 15 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, details concerning the disclosure concerning 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 (Employee Commitment, Environmental Respect and Employee Commitment).

CORPORATE GOVERNANCE STATEMENT

The directors have elected to set the information required by the Disclosure and Transparency Rules 7.2.1 R to 7.2.8AR in the Northern Powergrid Holdings Company and its subsidiaries Group Corporate Governance statement, a copy of which is available on the Northern Powergrid Group's corporate website.

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 the directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. 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 the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Northern Powergrid (Yorkshire) plc

Directors Report for the Regulatory Year Ended 31 March 2023 (continued)

Viability statement

The directors have chosen a period of not less than ten years from 31 December 2024 for the purposes of making this statement. The timeframe corresponds with the ten-year plan that is submitted to the Northern Powergrid Group's shareholder each financial year alongside the Annual Plan and which sets out the Northern Powergrid Group's long term strategy. Given the Company's business model, which operates in a stable sector, the directors believe that the Company is very likely to be viable for longer than the period chosen for the purpose of this statement.

In addition, various factors were contemplated when making an assessment of the Company's prospects including the general stability associated with the regulatory environment, the principal risks and uncertainties facing the Company (including the ability to mitigate those risks), the Company's business model and strategy, the forecasts developed as part of the Annual Plan, the commitments made in the Business Plan, and the fact that the notice period that GEMA must provide to the Company in the event it wishes to revoke its Licence is twenty five years. The Directors have also taken account of the Northern Powergrid Group's current cash position, its strong operating performance, its operating cash flows, the availability of banking facilities and its strong relationship with its parent company, Berkshire Hathaway Energy.

Stress-testing of the Annual Plan and the Company's and Northern Powergrid Group's forecasts is undertaken on an ongoing basis. The stress-testing considers the potential impact of a combination of a wide spectrum of risks and uncertainties driven by external factors for the 3 years proceeding 31 December 2023. The risks and uncertainties are considered both in isolation and in the scenario that they materialise together. Stress-testing scenarios are submitted to the shareholder alongside the Annual Plan and more regularly as part of the preparation of the Northern Powergrid Group's forecasts.

Consideration was also given to the obligations contained in the Company's Licence to provide Ofgem with annual certificates, confirming that the directors have a reasonable expectation that the Company will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months from the date of signing the Regulatory Accounts. The board determined any material variations to the assumptions used when providing those certificates were unlikely. Based on the results of their review, the directors have a reasonable expectation that the Company and the Northern Powergrid Group will be able to continue in operation and meet its liabilities as they fall due over the next ten-year period.

Going Concern

A review of the Company's business activities during the Regulatory 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 Northern Powergrid Group is financed both in its operating companies and in other entities within the Northern Powergrid Group, and companies may lend within the Northern Powergrid Group. For that reason, financial health is considered with reference to the Northern Powergrid Group. Those entities with net current liabilities position obtain a letter of support from Northern Powergrid Holdings Company.

When considering continuing to adopt the going concern basis in preparing the annual reports and financial statements, the directors have taken into account a number of factors, including the following:

- The Northern Powergrid Group's main subsidiaries, the Company and Northern Powergrid (Northeast) plc, are stable electricity distribution businesses operating an essential public service and are 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 distribution 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 and holds investment grade credit ratings;
- The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 17 years and has access to borrowing facilities provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada;

Northern Powergrid (Yorkshire) plc Directors Report for the Regulatory Year Ended 31 March 2023 (continued)

- The Northern Powergrid Group 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 November 2023, demonstrates that the Northern Powergrid Group'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.

Consequently, after making their assessment, the directors have a reasonable expectation that the Company and the Northern Powergrid Group has adequate resources to continue in operational existence and meet its liabilities as they fall due. In addition, as the Company is in a net liability position driven by the payment of dividends during the year, a letter of support was received from Northern Powergrid holdings Company. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' responsibility statement pursuant to DTR 4

Each of the directors as at the date of the annual reports and financial statements, whose names and functions are set out in the Directors Report confirms that, to the best of their knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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.

Resignation and appointment of auditor

In accordance with the auditor rotation requirements of the Statutory Auditors and Third Country Auditors Regulations 2016, Deloitte LLP will resign from office and the directors will put a resolution to the Company's shareholder recommending the appointment of KPMG at the Company's annual general meeting.

Approved by the Board on 30th July 2024 and signed on its behalf by:



A P Jones

Director

Northern Powergrid (Yorkshire) plc

Directors Report for the Regulatory Year Ended 31 March 2023 (continued)

Report on the audit of the Regulatory Accounts

Opinion

In our opinion the regulatory accounts of Northern Powergrid (Yorkshire) Plc (the 'Company') for the year ended 31 March 2024 are prepared, in all material aspects, in accordance with the accounting policies stated in note 2 and Standard Condition 44 of the Regulatory Licence.

We have audited the regulatory accounts which comprise:

- the statement of profit and loss and other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the notes to the Regulatory Accounts 1 to 29.

The financial reporting framework that has been applied in their preparation is the accounting policies stated in note 2 to the regulatory accounts.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the regulatory accounts section of our report. We also conducted our report in accordance with applicable law, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England and Wales.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to Note 2 to the regulatory accounts, which describes the basis of accounting. The regulatory accounts are separate from the statutory financial statements of the Company and are to meet the requirements of Standard Condition 44 of the Regulatory Licence. As a result, the Regulatory Accounts may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the

Other information

The other information comprises the information included in the annual report, other than the regulatory accounts and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the regulatory accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Northern Powergrid (Yorkshire) plc Independent auditor's report to the Gas and Electricity Markets authority (the "Regulator") and to Northern Powergrid (Yorkshire) plc (the "Company")

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the regulatory accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the regulatory accounts in accordance with the Standard Condition 44 of the Regulatory Licence and for such internal control as the directors determine is necessary to enable the preparation of the regulatory accounts that are free from material misstatement, whether due to fraud or error.

In preparing the regulatory accounts, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the regulatory accounts

Our objectives are to obtain reasonable assurance about whether the regulatory accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these regulatory accounts.

A further description of our responsibilities for the audit of the Regulatory Accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the regulatory accounts. These included the UK Companies Act, listing rules, pensions, legislation and tax legislation and the Standard Condition 44 of the Regulatory Licence; and
- do not have a direct effect on the regulatory accounts but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the company's operating licence and environmental regulations.

We discussed among the audit engagement team including relevant internal specialists such as pensions, IT, and ESG specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the regulatory accounts.

Northern Powergrid (Yorkshire) plc Independent auditor's report to the Gas and Electricity Markets authority (the "Regulator") and to Northern Powergrid (Yorkshire) plc (the "Company")

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

Accounting for capital spend - overhead model

The calculation of capitalised overheads poses a potential bias and fraud risk due to subjectivity in the percentage of overheads capitalised, which could lead to material misstatement of property, plant and equipment.

We have performed the following procedures in response to the risk identified:

- Tested a sample of cost centres for which we have assessed the capitalisation percentages applied;
- Tested a sample costs by obtaining documentary evidence to assess the consistency of those costs with our understanding of the activities performed by the cost centre and the capitalisation rates applied along with assessing their classification; and
- Tested the integrity and mechanics of the cost allocation model to assess its mathematical accuracy.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing disclosures in the regulatory accounts by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the regulatory accounts;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Use of our report

This report is made solely to the company's directors and the Regulator in order to meet the requirements of Standard Condition 44 of the Regulatory Licence. Our audit work has been undertaken so that we might state to the Company's directors and the Regulator 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 Regulator, for our audit work, for this report, or for the opinions we have formed.

**Northern Powergrid (Yorkshire) plc
Independent auditor's report to the Gas and Electricity Markets authority (the
"Regulator") and to Northern Powergrid (Yorkshire) plc (the "Company")**

Our opinion on the regulatory accounts within the annual report is separate from our opinion on the statutory financial statements of the Company for the year ended 31 December 2021 which are prepared for a different purpose. Our audit in relation to the statutory financial statements of the Company was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Anthony Matthews FCA (Senior Statutory Auditor)
Deloitte LLP



London
United Kingdom

Date 30th July 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 £m	2023 £m
Revenue	3	510.3	564.0
Cost of sales		<u>(39.8)</u>	<u>(95.5)</u>
Gross profit		470.5	468.5
Distribution costs		(201.9)	(183.0)
Administrative costs		<u>(75.1)</u>	<u>(60.7)</u>
Operating profit	6	193.5	224.8
Profit on disposal of property, plant and equipment		0.2	0.1
Investment income	7	1.4	0.3
Finance costs	7	<u>(41.3)</u>	<u>(34.7)</u>
Profit on ordinary activities before taxation		153.7	190.5
Income tax	8	<u>(35.5)</u>	<u>(38.4)</u>
Profit on ordinary activities after taxation		<u>118.2</u>	<u>152.1</u>

All activities relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

There has been no other income or expense for the Company. Therefore, total comprehensive income for the year is £118.2 million (2023: £152.1 million).

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	Notes	2024 £m	2023 £m
Assets			
Non-current assets			
Property, plant and equipment	10	4,097.1	3,933.1
Intangible assets	12	-	-
Right of use asset	11	6.9	8.6
Investments	13	-	-
		<u>4,104.0</u>	<u>3,941.7</u>
Current assets			
Inventories	14	1.5	1.2
Trade and other receivables	16	78.6	80.8
Income tax asset	8	5.0	3.4
Cash and cash equivalents	15	0.5	0.1
		<u>85.6</u>	<u>85.5</u>
Total assets		<u>4,189.6</u>	<u>4,027.2</u>
Equity			
Share Capital	21	290.0	290.0
Retained earnings	22	1,170.7	1,495.0
Total equity		<u>1,460.7</u>	<u>1,785.0</u>
Liabilities			
Current liabilities			
Trade and other payables	17	138.3	119.6
Current portion of long-term leases	24	2.3	2.5
Deferred revenue	19	40.2	37.6
Borrowings	18	273.6	70.5
Provisions	20	2.1	1.6
		<u>456.5</u>	<u>231.8</u>
Non-current liabilities			
Borrowings	18	1,217.2	969.5
Long-term lease liability	24	5.0	6.3
Deferred tax	8	182.6	181.7
Deferred revenue	19	866.9	852.3
Provisions	20	0.6	0.6
		<u>2,272.3</u>	<u>2,010.4</u>
Total liabilities		<u>2,728.8</u>	<u>2,242.2</u>
Total equity and liabilities		<u>4,189.6</u>	<u>4,027.2</u>

The financial statements were approved by the board of directors and authorised for issue on 30th July 2024 and were signed on its behalf by:

A P Jones



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2024

	Share Capital (Note 21)	Retained Earnings (Note 22)	Total Equity
	£m	£m	£m
At 1 April 2022	290.0	1,379.7	1,669.7
Total profit and comprehensive income for the year	-	152.1	152.1
Dividends paid – Note 9	-	(36.8)	(36.8)
	<hr/>	<hr/>	<hr/>
At 31 March 2023	290.0	1,495.0	1,785.0
Total profit and comprehensive income for the year	-	118.2	118.2
Dividends paid – Note 9	-	(442.5)	(442.5)
	<hr/>	<hr/>	<hr/>
At 31 March 2024	290.0	1,170.7	1,460.7
	<hr/>	<hr/>	<hr/>

Northern Powergrid (Yorkshire) plc
Registered number 04112320

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024 £m	(Restated) 2023 £m
Cash flows from operating activities			
Profit for the year		118.3	152.1
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	10,12	135.1	130.0
Depreciation on right of use assets	11	2.6	2.8
Amortisation of deferred revenue	19	(37.5)	(35.9)
Profit on disposal of property plant and equipment		(0.2)	(0.1)
Finance income	7	(1.4)	(0.3)
Finance costs	7	41.3	34.7
Income tax expense	8	35.5	38.4
		<u>293.7</u>	<u>321.7</u>
Increase in inventories	14	(0.3)	(0.4)
Decrease/(Increase) in trade and other receivables	16	0.3	(15.9)
(Decrease)/Increase in trade and other payables	17	(2.2)	9.3
Increase in provisions	20	0.6	0.5
Cash generated from operations		292.1	315.2
Receipt of customer contributions*		77.3	62.0
Income taxes paid		(36.1)	(36.1)
Net cash flow from operating activities		<u>333.3</u>	<u>341.1</u>
Cash flows used in investing activities			
Acquisitions of property plant and equipment		(296.9)	(291.5)
Proceeds from sale of property plant and equipment		0.2	0.1
Interest received	7	1.4	0.2
Net cash flows used in investing activities		<u>(295.3)</u>	<u>(291.2)</u>
Cash flows used in financing activities			
EIB loan repaid in the year		-	(151.0)
Interest expense on leases	7	(0.2)	(0.2)
Payments to finance lease creditors		(2.4)	(2.7)
Movement in intercompany loans		208.5	37.2
Movement in short term borrowings		(10.8)	10.9
Issue of long term borrowings		248.5	-
Transaction costs relating to borrowings		(1.5)	-
Interest paid		(37.1)	(40.2)
Dividends paid	9	(442.5)	(36.8)
Net cash flows used in financing activities		<u>(37.5)</u>	<u>(182.8)</u>
Net movement in cash and cash equivalents		0.4	(132.9)
Cash and cash equivalents at 1 April	15	0.1	133.0
Cash and cash equivalents at 31 March	15	<u>0.5</u>	<u>0.1</u>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

* Following a review of sector general practice and to align with the accounting treatment of customer contributions within revenue these amounts have been presented within operating activities rather than investing activities with the comparatives restated. Accordingly, this has resulted in an increase in cash from operating activities and increase in cash used in investing activities in the comparative period by £62.0 million. There has been no other impact on the financial statements from this change.

Company Statement of Cash Flows

Yorkshire Electricity Group plc, a Northern Powergrid Group company, acting on behalf of the other group companies was authorised to settle various liabilities against the relevant intercompany accounts. The Company has disclosed the underlying cash flows as operating, investing or financing according to their nature on the basis that, as a principal, the entity has the right to the cash inflows and/or the obligation to settle the liability including dividends, and ensure clarity of disclosure of the has costs of the business. In addition it acts as a treasury company to the Group and accordingly the movements in the intercompany treasury account are included in financing activities.

Northern Powergrid (Yorkshire) plc

Registered number 04112320

1 GENERAL INFORMATION

Northern Powergrid (Yorkshire) plc is a public company limited by shares incorporated in England and Wales and is part of the Northern Powergrid Holdings Company group of companies (the "Northern Powergrid Group"). The company is registered in England and Wales and the address of the registered office is Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.

The nature of the Company's business model, strategic objectives operations and its activities are set out in the Strategic Report and in the Directors' Report.

The individual financial statements of each entity are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the company's financial statements, the results and financial position of each company are expressed in pounds sterling, which is the functional currency of the parents company, and the presentation currency for the financial statements.

2 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in with the United Kingdom adopted International Accounting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) in conformity with the requirements of the Companies Act 2006.

Summary of significant 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

No material impact from climate change within the accounts.

Principal activity

The nature of the Company's business model, strategic objectives, operations and activities are set out in the Strategic Report.

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 Report of the Directors and the appropriate notes to the financial statements.

The Northern Powergrid Group is financed both in its operating companies and in other entities within the Northern Powergrid Group, and companies may lend within the Northern Powergrid Group. For that reason, financial health is considered with reference to the Northern Powergrid Group. Those entities with net current liabilities position obtaining a letter of support from Northern Powergrid Holdings Company.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

2 ACCOUNTING POLICIES (CONTINUED)

When considering continuing to adopt the going concern basis in preparing the annual reports and financial statements, the directors have taken into account a number of factors, including the following:

- The Company's revenue derives principally from regulated electricity distribution. The regulatory regime allows for the recovery of allowed costs in full over the long term;
- 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 and holds investment grade credit ratings.
- The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 17 years and has access to short-term committed borrowing facilities of £242 million provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada;
- The Northern Powergrid Group benefits from strong investment-grade credit ratings which allow access to a range of financing options. A successful bond issue by the Northern Powergrid Group in November 2023, demonstrates that the Northern Powergrid Group's bonds remain attractive to investors and there is an active market with strong appetite to invest.
- The Northern Powergrid Group has prepared forecasts which taking into account reasonable possible changes in trading performance, show that the Northern Powergrid Group has sufficient resources to settle its liabilities as they fall due for at least the 12 months from the date of these accounts. The directors have had discussions with the bank who have indicated that they would continue to provide the short-term facilities to the Northern Powergrid Group for the foreseeable future on acceptable terms; and
- 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 enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As the Company was in a net liability position driven by the dividend payment, a letter of support was received from Northern Powergrid Holdings Company. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Critical Judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, 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:

Split of operating and capital expenditure and the allocation of overheads to property, plant and equipment

The allocation of overheads 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 overheads to capital is derived from a detailed analysis of the costs and their relevant cost drivers, which is reviewed on an annual basis. There has been no change in the methodology since the prior year.

The amounts of overheads capitalised in the year was £61.2 million (2022/23: £54.1 million). The capitalisation rate was 62.2% (2022/23: 63.0%).

2 ACCOUNTING POLICIES (CONTINUED)

Key sources of estimation uncertainty

In the preparation of financial statements in conformity with IFRS the Directors did not identify any key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Changes in accounting policy

New standards, interpretations and amendments effective

Effective for periods beginning on or after 1 January 2023

- Amendments to IFRS 17: Insurance Contracts
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates
- Amendments to IAS 12: Income Taxes

The accounting policies have been updated to reflect the Amendments to IAS 1 and IAS 8. The other amendments have had no material impact on the financial statements including the comparatives.

New standards issued that are not yet applicable

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.

Revenue recognition

Recognition

The Company earns revenue from the provision of services relating to Revenue from a contract to provide services is recognised by the following means:

- Distribution use of system income is primarily recognised on a per unit (volumetric i.e. kWh and capacity (kVA)) and fixed (per 'customer' per day) basis;
- Customer contributions for connections are amortised over the life of the corresponding asset;
- Meter asset provision are recognised over time;
- 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.

This 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.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

2 ACCOUNTING POLICIES (CONTINUED)

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.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

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 lessee, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. These values can be found in the Statement of Financial Position.

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 IBR when this isn't readily available;
- Uses hindsight to determine the lease term when contract contains options to extend or terminate the lease; and
- Adjusts right of use asset by provision for onerous leases as an alternative to performing an impairment review.

The weighted average lessee's incremental borrowing rate applied to determine the present value of the lease liabilities 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 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 policy

Finance income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in profit or loss in the period which they are incurred.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

2 ACCOUNTING POLICIES (CONTINUED)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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.

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. Assets are derecognised when they are disposed of profit or loss on disposal is recognised in other gains on the statement of profit or loss.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

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 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 of 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 is recognised on a straight-line basis over their estimated useful lives. Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss.

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:

Asset class	Amortisation method and rate
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
Registered number 04112320

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 for a further period of one month.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or 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. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using an average price basis.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

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

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

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.

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.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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
Registered number 04112320

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.

Defined benefit pension obligation

The Company contributes to 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 Electricity Supply Pension Scheme ("ESPS") as if it were a defined contribution scheme.

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/ intangibles. 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.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

2 ACCOUNTING POLICIES (CONTINUED)

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-

- 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.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVPTL:-

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investments that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial assets at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method

2 ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at fair value through the profit or loss

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

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.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability.

The company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the company derecognises transferred financial assets in their entirety, but has continuing involvement in them then the entity should disclose for each type of continuing involvement at the reporting date:

- (a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised;
- (b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;
- (c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined; and
- (d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets.

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

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVPTL, namely:

- Financial assets that are debt instruments;
- Accounts and other receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

The company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

2 ACCOUNTING POLICIES (CONTINUED)

The company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

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. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. 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 2023 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 the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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.

2 ACCOUNTING POLICIES (CONTINUED)

Accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The use of estimates and assumptions is principally limited to the determination of provisions for impairment and the valuation of financial instruments as explained in more detail below:-

Provisions for impairment

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset

has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

3 SEGMENTAL REPORTING

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, suggesting that no segmental reporting is required. Therefore, the adoption of IFRS 8 does not impact these financial statements. However, in accordance with the Company's distribution licence, the Company must publish certain segmental information in the Regulatory Accounts, as follows:

	Distribution 2024 £m	Distributed Generation 2024 £m	Excluded Services 2024 £m	Metering 2024 £m	De Minimis 2024 £m	Total 2024 £m
STATEMENT OF PROFIT OR LOSS						
Revenue	468.1	5.7	14.9	3.4	18.2	510.3
Cost of sales	(34.3)	-	(4.5)	-	(1.0)	(39.8)
Gross profit	433.8	5.7	10.4	3.4	17.2	470.5
Distribution costs	(184.6)	(10.1)	(6.9)	(0.3)	-	(201.9)
Administration costs	(57.8)	-	-	(1.1)	(16.2)	(75.1)
Operating profit/(loss)	191.4	(4.4)	3.5	2.0	1.0	193.5
Profit on disposal of property, plant, and equipment						0.2
Investment income						1.4
Finance costs						(41.3)
Profit Before Tax						153.7
OTHER INFORMATION						
Capital PPE additions	243.8	19.3	36.0	-	-	299.1
Depreciation	121.0	10.1	6.6	-	-	137.7
Amortisation of deferred revenue	(20.7)	(9.6)	(7.2)	-	-	(37.5)

Revenue is all in respect of contracts with customers in the United Kingdom.

3 SEGMENTAL REPORTING (CONTINUED)

	Distribution	Distributed Generation	Excluded Services	Metering	De Minimis	Total
	2023 £m	2023 £m	2023 £m	2023 £m	2023 £m	2023 £m
STATEMENT OF PROFIT OR LOSS						
Revenue	530.8	5.1	12.5	3.6	12.0	564.0
Cost of sales	(90.2)	-	(4.6)	-	(0.7)	(95.5)
Gross profit	440.6	5.1	7.9	3.6	11.3	468.5
Distribution costs	(173.5)	(9.2)	-	(0.3)	-	(183.0)
Administration costs	(48.3)	-	-	(0.5)	(11.9)	(60.7)
Operating profit/(loss)	<u>218.8</u>	<u>(4.1)</u>	<u>7.9</u>	<u>2.8</u>	<u>(0.6)</u>	<u>224.8</u>
Profit on disposal of property, plant and equipment						0.1
Investment income						0.3
Finance costs						<u>(34.7)</u>
Profit before tax						<u>190.5</u>
OTHER INFORMATION						
Capital PPE additions	240.0	16.6	41.3	-	-	297.9
Depreciation	124.0	9.2	(0.4)	-	-	132.8
Amortisation of deferred revenue	<u>(22.7)</u>	<u>(8.6)</u>	<u>(4.6)</u>	<u>-</u>	<u>-</u>	<u>(35.9)</u>

Revenue is all in respect of contracts with customers in the United Kingdom.

4 STAFF COSTS

	2024 £m	2023 £m
Salaries	68.6	60.8
Social security costs	7.9	7.2
Defined benefit pension costs	3.6	4.5
Defined contribution pension costs	5.9	5.0
	86.0	77.5
Less charged to property, plant and equipment	<u>(57.6)</u>	<u>(53.1)</u>
	28.4	24.4

Northern Powergrid (Yorkshire) plc
Registered number 04112320

4 STAFF COSTS (CONTINUED)

A large proportion of the Company's employees are members of the Northern Powergrid Group of the ESPS, details of which are given in Note 23.

The average monthly number of employees during the year was:

	2024	2023
	No.	No.
Technical	414	387
Industrial	508	513
Administration	130	118
Other	122	111
	<u>1,174</u>	<u>1,129</u>

5 DIRECTORS' & KEY MANAGEMENT PERSONNEL REMUNERATION

DIRECTORS' REMUNERATION	2024	2023
	£'000	£'000
<u>Highest Paid</u>		
Short-term employee benefits	287	297
Post-employment benefits	-	-
Other long-term benefits	195	304
	<u>482</u>	<u>601</u>
	2024	2023
	£'000	£'000
<u>Total</u>		
Short-term employee benefits	590	591
Post-employment benefits	11	6
Other long-term benefits	283	404
	<u>884</u>	<u>1,001</u>
Accruing benefits under money purchase pension scheme	4	6

Total number of directors during the year was 6 (2023: 6).

OTHER KEY MANAGEMENT PERSONNEL REMUNERATION

	2024	2023
	£'000	£'000
<u>Total</u>		
Short-term employee benefits	555	553
Post-employment benefits	110	102
Other long-term benefits	122	140
	<u>787</u>	<u>795</u>

Northern Powergrid (Yorkshire) plc
Registered number 04112320

5 DIRECTORS' & KEY PERSONNEL REMUNERATION (CONTINUED)

Other key 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 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.

6 OPERATING PROFIT

	2024	2023
	£m	£m
This is stated after charging/(crediting):		
Staff costs (Note 4)	28.4	24.4
Research costs	2.3	1.6
Depreciation of property, plant and equipment (Note 10)	135.1	130.0
Amortisation of deferred revenue (Note 19)	(37.5)	(35.9)
Right of use asset depreciation (Note 11)	2.6	2.8
Impairment loss on trade and other receivables	1.1	0.4
	<hr/>	<hr/>
Analysis of auditor's remuneration is as follows:	2024	2023
	£000	£000
Fees payable to the Company's auditor for the statutory audit of the Company's annual accounts	181	181
Other services supplied pursuant to legislation in respect of regulatory accounts	59	6
Other services supplied pursuant to legislation	-	-
	<hr/> 240 <hr/>	<hr/> 187 <hr/>

Other services supplied pursuant to legislation relate to regulatory reporting in line with Ofgem's requirements.

7 FINANCE INCOME AND COSTS

	2024	2023
	£m	£m
Finance income		
Interest Receivable from Group Undertakings	1.4	0.3
	<hr/> 1.4 <hr/>	<hr/> 0.3 <hr/>
Finance costs		
Interest payable on loans and bonds	(39.2)	(35.3)
Interest payable on leases	(0.2)	(0.2)
Interest payable on group loans	(4.0)	(1.3)
Amounts included in the cost of qualifying assets	2.1	2.1
	<hr/> (41.3) <hr/>	<hr/> (34.7) <hr/>
Net finance costs	<hr/> (39.9) <hr/>	<hr/> (34.4) <hr/>

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 3.41% (2023: 3.34%).

Northern Powergrid (Yorkshire) plc
Registered number 04112320

8 INCOME TAX

Tax charged in the income statement

	2024	2023
	£m	£m
Current taxation		
UK <i>corporation</i> tax	35.0	35.4
UK corporation tax adjustment to prior periods	<u>(0.5)</u>	<u>(0.8)</u>
	34.5	34.6
Deferred taxation		
Arising from origination and reversal of temporary differences	2.6	2.3
Deferred tax adjustment to prior periods	<u>(1.6)</u>	<u>1.5</u>
Total deferred taxation	<u>1.0</u>	<u>3.8</u>
Tax charge in the income statement	<u>35.5</u>	<u>38.4</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 - 19%).

The differences are reconciled below:

	2024	2023
	£m	£m
Profit before tax	<u>153.7</u>	<u>190.5</u>
Corporation tax at standard rate	38.4	36.2
(Decrease) in current tax from adjustment for prior periods	(0.5)	(0.8)
(Decrease)/Increase in deferred tax from adjustment for prior periods	(1.6)	1.5
Increase in deferred tax due to changes to legislation	-	1.9
Effect of income and expenses not taxable/deductible in determining taxable profit	<u>(0.8)</u>	<u>(0.4)</u>
Total tax charge	<u>35.5</u>	<u>38.4</u>

Finance Act 2024 confirmed that the rate of corporation tax will remain at 25% from 1 April 2023 as previously enacted. Deferred tax balances are therefore measured at the 25% rate at 31 March 2024.

Should any uncertainties arise the Company will apply adopted amendments to IFRIC 23.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

8 INCOME TAX (CONTINUED)

Deferred tax

Deferred tax movement during the year:

	At 1 April 2023 £m	Recognised in income £m	At 31 March 2024 £m
Accelerated tax depreciation	183.4	1.2	184.6
Other	(1.7)	(0.2)	(1.9)
	<u>181.7</u>	<u>(1.0)</u>	<u>182.6</u>

Deferred tax movement during the prior year:

	At 1 April 2022 £m	Recognised in income £m	At 31 March 2023 £m
Accelerated tax depreciation	179.6	3.8	183.4
Other	(1.7)	-	(1.7)
	<u>177.9</u>	<u>3.8</u>	<u>181.7</u>

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

The Company included a group relief claim from a Berkshire Hathaway group company for losses of £90.6m within its corporation tax return for the year ended 31 December 2015, the parties agreed a discounted payment for these losses. This would give rise to a potential tax asset to recognise in the Company of £6.8m. However, this tax asset has not been recognised to date on the basis the surrendering company was dissolved prior to the formal group relief surrender being made and as a result the surrenderers previous shareholder is currently in ongoing discussions with HM Revenue & Customs to establish and agree a mechanism which will permit a valid group relief surrender of the losses which meets the requirements of the tax legislation. There has been no significant progress on these discussions in the past 12 months but this is continually monitored by the Company on a regular basis.

Current income tax asset

	2024 £m	2023 £m
Corporation tax asset	<u>5.0</u>	<u>3.4</u>

The corporation tax assets represent amounts owed by HMRC for corporation tax overpayments.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

9 DIVIDENDS

	2024 Pence per share	2023 Pence per share	2024 £m	2023 £m
Dividend paid	152.59	12.69	442.5	36.8

10 PROPERTY, PLANT AND EQUIPMENT

	Distribution system £m	Non- operational land & buildings £m	Fixtures and equipment £m	Total £m
COST				
At 1 April 2022	5,090.7	4.6	48.8	5,144.1
Additions	292.6	-	5.4	298.0
Disposals	(22.8)	-	-	(22.8)
At 31 March 2023	5,360.5	4.6	54.2	5,419.3
Additions	292.3	-	6.8	299.1
Disposals	(23.3)	-	-	(23.3)
At 31 March 2024	5,629.5	4.6	61.0	5,695.1
ACCUMULATED DEPRECIATION				
At 1 April 2022	1,335.8	3.4	39.7	1,378.9
Charge for the year	126.6	-	3.5	130.1
Disposals	(22.8)	-	-	(22.8)
At 31 March 2023	1,439.6	3.4	43.2	1,486.2
Charge for the year	130.6	-	4.4	135.1
Disposals	(23.3)	-	-	(23.3)
At 31 March 2024	1,546.9	3.4	47.6	1,598.0
Net book value at 31 March 2024	4,082.6	1.2	13.4	4,097.1
Net book value at 31 March 2023	3,920.9	1.2	11.0	3,933.1

The value of Assets in the course of construction included in the table above stand at £300.9 million (2023: £273.4 million).

Northern Powergrid (Yorkshire) plc
Registered number 04112320

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of non-operational land and buildings comprises:

	2024	2023
	£m	£m
Land	0.3	0.3
Freehold	0.4	0.4
Long-leasehold	0.5	0.5
Short-leasehold	-	-
	1.2	1.2

The Company has entered into contractual commitments in relation to the future acquisition of property, plant and equipment of £67.0m (2022/23: £43.5m).

11 RIGHT OF USE ASSETS

	Property	Fleet	Total
	£m	£m	£m
Cost or Valuation			
At 1 April 2022	1.2	13.5	14.7
Additions	-	2.8	2.8
Disposals	-	(1.8)	(1.8)
	1.2	14.5	15.7
At 31 March 2023	-	0.9	0.9
Additions	-	(1.6)	(1.6)
Disposals			
At 31 March 2024	1.2	13.8	15.0
Depreciation			
At 1 April 2022	0.3	5.9	6.2
Charge for year	0.1	2.7	2.8
Disposals	-	(1.9)	(1.9)
	0.4	6.7	7.1
At 31 March 2023	0.1	2.5	2.6
Charge for year	-	(1.6)	(1.6)
Disposals			
At 31 March 2024	0.5	7.6	8.1
Carrying Value at 31 March 2024	0.7	6.2	6.9
Carrying Value at 31 March 2023	0.8	7.8	8.6

12 INTANGIBLES

	Software Development Costs £m
COST	
At 1 April 2022	<u>35.2</u>
Additions At 31 March 2023	<u>-</u> <u>35.2</u>
Additions At 31 March 2024	<u>-</u> <u>35.2</u>
AMORTISATION	
At 1 April 2022	<u>35.2</u>
Charge for the year At 31 March 2023	<u>-</u> <u>35.2</u>
Charge for the year At 31 March 2024	<u>-</u> <u>35.2</u>
Net book value at 31 March 2024	<u>-</u>
Net book value at 31 March 2023	<u>-</u>

During the year the amount of contractual commitments for the acquisition of intangible assets amounted to £0.2 million (2023: £0.2 million)

Northern Powergrid (Yorkshire) plc
Registered number 04112320

13 INVESTMENTS

Details of the investments held by the Company as at 31 March 2024 are listed below:

Name of associate	Principal activity	Registered office	Ownership interest and voting rights held	
			2024	2023
Electralink Limited +	Data transfer network operator	Northumberland House, 303-306 Holborn, WC1V 7JZ, England and Wales	7.2%	7.2%
MRA Service Company Limited +	Governance of the electricity industry's Master Registration Agreement	8 Fenchurch Place, London, EC3M 4AJ, England and Wales	0%	0.36%
DCUSA Limited +	Governance of Distribution Connection and Use of System Agreement	Northumberland House, 303-306 Holborn, WC1V 7JZ, England and Wales	1.69%	1.69%
Smart Energy Code Company Limited +	Governance of smart metering energy agreement	8 Fenchurch Place London, EC3M 4AJ	0.32%	0.32%

The above investments are all held as Ordinary shares and are unlisted. The cost and net book value of the investments are Electralink Limited £62 (2022/23: £62), MRA Service Company Limited £1 (2022/23: £1), DCUSA Limited £1 (2022/23: £1) and Smart Energy Code Company Limited £1 (2022/23: £1). + indicated accounted for using cost method.

14 INVENTORIES

	2024 £m	2023 £m
Work in progress	<u>1.5</u>	<u>1.2</u>

15 CASH AND CASH EQUIVALENTS

	2024 £m	2023 £m
Cash and cash equivalents	<u>0.5</u>	<u>0.1</u>

Cash and cash equivalents have a maturity of less than three months, are readily convertible to cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

16 TRADE AND OTHER RECEIVABLES

	2024	2023
	£m	£m
Distribution use of system receivables and accrued income*	68.7	70.4
Trade receivables	10.2	9.0
Loss allowance	(7.1)	(7.7)
Net trade receivables	71.8	71.7
Interest and financing receivables	0.3	0.4
Prepayments	6.5	8.7
	78.6	80.8

*Accrued income in 2023/24 was £37.8m (2022/23: £44.1m)

The average credit period on receivables is 30 days. No interest is charged on outstanding trade receivables.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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. None of the trade receivables that have been written off is subject to enforcement activities.

As the Company's historical credit loss experience does shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is distinguished between DUoS receivables, non-damages receivables, and damages receivables.

Movement in the loss allowance

	2024	2023
	£m	£m
At 1 April 2023	7.7	7.5
Amounts utilised/written off in the year	(1.7)	(0.2)
Amounts recognised in the statement of profit or loss	1.1	0.4
At 31 March 2024	7.1	7.7

Northern Powergrid (Yorkshire) plc
Registered number 04112320

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

Included in the allowance for doubtful debts are specific trade receivables, with a balance of £4.3m (2022/23: £4.6m), 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.

Distribution use of system receivables

The customers served by the Company's distribution network are supplied predominantly by a small number of electricity supply businesses with Eon Group plc accounting for approximately 20.1% of distribution revenues in the regulatory year to 31 March 2024 (2022/23: 22.4%); and British Gas accounting for approximately 15.5% of distribution revenues in the regulatory year to 31 March 2024 (2022/23: 15.3%). Ofgem has determined a framework which sets credit limits for each supply business based on its credit rating or payment history and requires them to provide credit cover if their value at risk (measured as being equivalent to 45 days usage) exceeds the credit limit. Acceptable credit typically is provided in the form of a parent company guarantee, letter of credit or an escrow account. Included within other payables are customer deposits of £3.4m as at 31 March 2024 (2022/23: £4.0m).

Provided the Company has implemented credit control, billing and collection processes in line with best practice guidelines and can demonstrate compliance with the guidelines or is able to satisfactorily explain departure from the guidelines, any losses arising from supplier default will be recovered through an increase in future allowed income.

The following table details the age of DUoS receivables:

	Not due £m	Current £m	1-3 months £m	Over 3 months £m
2024				
Total balance	37.8	27.5	0.0	2.9
Less specific provisions	-	(0.1)	(0.0)	(2.9)
Balance on which ECL made	37.8	27.4	-	-
Lifetime ECL	0%	2%	10%	50%
Expected credit loss	-	0.6	-	-
2023				
Total balance	44.2	32.0	0.0	4.0
Less specific provisions	-	(0.1)	(0.0)	(4.0)
Balance on which ECL made	44.2	31.9	-	-
Lifetime ECL	0%	0%	10%	50%
Expected credit loss	-	-	-	-

Other trade receivables

Sales of goods and services comprise all income streams which are not classified as UoS income. Examples of non-UoS 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.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

Non-damages

2024	Not due £m	Current £m	1-6 months £m	6-12 months £m	Over 1 year £m
Total balance	0.8	0.3	1.0	0.5	1.2
Less Specific Provisions	-	-	-	-	-
Balance on which ECL made	<u>0.8</u>	<u>0.3</u>	<u>1.0</u>	<u>0.5</u>	<u>1.2</u>
Lifetime ECL	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>50%</u>	<u>88%</u>
Expected credit loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.3</u>	<u>1.0</u>
2023	Not due £m	Current £m	1-6 months £m	6-12 months £m	Over 1 year £m
Total balance	0.4	0.4	0.8	0.4	0.6
Less Specific Provisions	-	-	-	-	-
Balance on which ECL made	<u>0.4</u>	<u>0.4</u>	<u>0.8</u>	<u>0.4</u>	<u>0.6</u>
Lifetime ECL	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>50%</u>	<u>87%</u>
Expected credit loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.2</u>	<u>0.5</u>

Damages

2024	1-6 months £m	6-12 months £m	1-2 years £m	2-3 years £m	Over 3 years £m
Total balance	1.3	1.2	1.8	0.2	0.1
Less specific provisions	(0.0)	(0.2)	(0.9)	(0.0)	-
Balance on which ECL made	<u>1.3</u>	<u>1.0</u>	<u>0.9</u>	<u>0.2</u>	<u>0.1</u>
Lifetime ECL	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>40%</u>	<u>80%</u>
Expected credit loss	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.1</u>	<u>0.1</u>
2023	1-6 months £m	6-12 months £m	1-2 years £m	2-3 years £m	Over 3 years £m
Total balance	1.8	1.7	0.7	0.3	-
Less specific provisions	(0.0)	(0.0)	(0.2)	(0.1)	-
Balance on which ECL made	<u>1.8</u>	<u>1.7</u>	<u>0.5</u>	<u>0.2</u>	<u>-</u>
Lifetime ECL	<u>20%</u>	<u>25%</u>	<u>30%</u>	<u>40%</u>	<u>80%</u>
Expected credit loss	<u>0.4</u>	<u>0.4</u>	<u>0.2</u>	<u>0.1</u>	<u>-</u>

There has been no significant change in the gross amounts of trade receivables that has affected the estimation of loss allowance.

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.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

17 OTHER FINANCIAL LIABILITIES

Trade and other payables

	2024	2023
	£m	£m
Payments received on account	82.0	61.2
Trade payables	5.4	7.8
Other taxes and social security costs	12.7	12.6
Other payables	7.8	8.7
Accruals	30.4	29.3
	138.3	119.6

Payments received on account are primarily advanced customer contributions

The directors consider that the carrying amount of other financial liabilities approximates their fair value, calculated by discounting future cash flows at market rate at the statement of financial position date. Trade creditors and accruals principally comprise amounts outstanding for trade purchases and on-going costs. Invoices are paid at the end of the month following the date of the invoice. The average credit period on payables is 30 days. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

18 BORROWINGS

The Directors' consideration of liquidity and interest rate is described within the Strategic Report.

	Book value		Fair value	
	2024 £m	2023 £m	2024 £m	2023 £m
Loans	1,490.8	1,040.0	1,353.8	885.0
The borrowings are repayable as follows:				
On demand or within one year	273.6	70.5	273.6	70.5
After one year	1,217.2	969.5	1,080.2	814.5
	1,490.8	1,040.0	1,353.8	885.0
Analysis of borrowings:				
Short-term loan	-	10.9	-	10.9
Inter-company short-term loan	245.9	37.2	245.9	37.2
Eurobond due 2032 (4.375%)	153.2	153.0	149.0	148.2
Eurobond due 2033 (5.265%)	252.3	-	267.3	-
Eurobond due 2035 (5.125%)	207.4	207.3	209.9	209.4
Eurobond due 2025 (2.5%)	153.5	153.2	149.2	144.8
Eurobond due 2059 (2.25%)	297.2	297.1	164.1	172.2
European Investment Bank Loan due 2027 (2.564%)	131.0	131.0	120.9	116.2
European Investment Bank Loan due 2025 (2.073%)	50.3	50.3	47.5	46.1
	1,490.8	1,040.0	1,353.8	885.0

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 valuation of liabilities set out above is based on Level 1 inputs.

The Company's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in financial risk review Note 28.

19 DEFERRED REVENUE

	2024	2023
	£m	£m
At 1 April	889.9	876.1
Additions	54.8	49.7
Amortisation	(37.5)	(35.9)
	<hr/>	<hr/>
At 31 March	907.2	889.9
	<hr/>	<hr/>
	2024	2023
	£m	£m
Included in current liabilities	40.2	37.6
Included in non-current liabilities	866.9	852.3
	<hr/>	<hr/>
	907.2	889.9
	<hr/>	<hr/>

Deferred revenue represents contributions from customers made in advance towards distribution system assets. This income is released to the statement of profit or loss up to 45 years on a straight-line basis in line with the useful economic life of the distribution system assets.

20 PROVISIONS

	Claims	Other	Total
	£m	£m	£m
At 1 April 2022	0.6	0.9	1.5
Utilised in the year	(0.7)	(0.3)	(1.0)
Charged to the statement of profit or loss	1.5	0.2	1.7
	<hr/>	<hr/>	<hr/>
At 31 March 2023	1.4	0.8	2.2
Utilised in the year	(3.1)	(0.3)	(3.4)
Charged to the statement of profit or loss	3.7	0.2	3.9
	<hr/>	<hr/>	<hr/>
At 31 March 2024	2.0	0.7	2.7
	<hr/>	<hr/>	<hr/>
		2024	2023
		£m	£m
Included in current liabilities		2.1	1.6
Included in non-current liabilities		0.6	0.6
		<hr/>	<hr/>
		2.7	2.2
		<hr/>	<hr/>

Claims: Provision has been made to cover costs arising from actual claims, which are not externally insured. 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. Costs are expected to be incurred over the next 15 years.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

21 SHARE CAPITAL

	2024	2023
	No./£	No./£
Ordinary shares of £1 each	290.0	290.0
Allotted, called up and fully paid	<u>290,000,000</u>	<u>290,000,000</u>

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

22 RETAINED EARNINGS

	£m
At 1 April 2022	1,379.7
Total comprehensive income for the year	152.1
Dividends paid	<u>(36.8)</u>
At 31 March 2023	1,495.0
Total comprehensive income for the year	119.6
Dividends paid	<u>(442.5)</u>
At 31 March 2024	<u>1,172.1</u>

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £5.9m (2023 - £5.0m). The pension cost for 2024 is expected to be £5.5m.

Defined benefit pension scheme

The Company operates a defined benefit pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £3.6m (2023 - £4.5m). The pension cost for 2024 is expected to be £3.0m.

During the year ended 31 March 2024, the Company participated in a scheme which is part of the Northern Powergrid Group of the Electricity Supply Pension scheme (the "DB Scheme"). The DB Scheme provides benefits based on a member's final permissible salary. The assets of the DB Scheme are held in a separate trustee-administered fund. Contributions to the DB Scheme are assessed in accordance with the advice of an independent qualified actuary. The DB Scheme has been closed to new entrants from 1997. The DB Scheme is a plan for related companies within the Northern Powergrid Group where risks are shared. The overall costs of the DB Scheme have been recognised in the Northern Powergrid Holdings Group financial statements according to IAS 19 (revised). Each of the participating companies accounts on the basis of contributions paid by that company. The Company accounts for the difference between the aggregate IAS 19 (revised) cost of the scheme and the aggregate contributions paid. The DB Scheme is governed by a Board of Trustees in accordance with a Trust Deed and Rules. It is also subject to regulation from the Pensions Regulator and relevant UK legislation. This regulatory framework requires the Trustees of the DB Scheme and the Northern Powergrid Group to agree upon the assumptions underlying the funding target, and the necessary contributions as part of each triennial valuation. The last actuarial valuation of the scheme had an effective date of 31 March 2022. The investment strategy of the scheme, which aims to meet liabilities as they fall due, is to invest plan assets in a mix of equities, other return seeking assets and liability driven investments to maximise the return on plan assets and minimise risks associated with lower than expected returns on plan assets. The Trustees are required to regularly review investment strategy. As it is not possible to identify the Company's share of the net assets and liabilities of the DB Scheme on a consistent and reasonable basis due to the high volume of members/pensioners and the historic interaction between Northern Powergrid Group companies, and there is no contractual agreement or stated policy for charging to individual Northern Powergrid Group entities, the assets and liabilities are fully accounted for within the financial statements of Northern Powergrid Holdings Company.

Further details of the Northern Powergrid Group's defined benefit scheme as at 31 December 2023 are disclosed in the financial statements of the Company accounts.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

24 LEASE LIABILITIES

	2024	2023
	£m	£m
Minimum lease payments recognised in the year	<u>2.6</u>	<u>2.9</u>

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.

The operational land lease are between 10 and 999 years, but in the majority are between 20 and 60 years. As the leases are regarded as a business tenancy, the Company has the option to renew the lease under the 1954 Landlord and Tenant Act unless a landlord is to redevelop or has grounds to recover land as prescribed under the Act, and may acquire the freehold at any time by agreement. The Company also has the ability to compulsory purchase the freehold.

The total future value of minimum lease payments is as follows:

	2024	2023
	£m	£m
Within one year	2.5	2.7
In the second to fifth year inclusive	4.5	5.9
After five years	<u>0.8</u>	<u>0.9</u>
Total lease payment	7.7	9.5
Unearned interest	<u>(0.4)</u>	<u>(0.7)</u>
Total lease liability	<u>7.3</u>	<u>8.8</u>

	2024	2023
	£m	£m
Included in current liabilities	2.3	2.5
Included in non-current liabilities	<u>5.0</u>	<u>6.3</u>
	<u>7.3</u>	<u>8.8</u>

The discounted amount due within one year totalled £5.0 million (2022: £2.5 million)

Unearned interest is future interest not yet earned at the balance sheet date.

The total cash outflow for leases during the year was £2.6 million (2022/23: £2.9 million), of which £0.2 million (2022/23: £0.2 million) relates to interest and £2.4 million (2022/23: £2.7 million) relates to the repayment of principal.

Northern Powergrid (Yorkshire) plc
Registered number 04112320

25. RELATED PARTY TRANSACTIONS

The Company has advanced loans to companies in the Northern Powergrid Group. The total interest included in investment income in the statement of profit or loss for the year ended 31 March 2024 was £2.0m (2022/23: £0.3m). Included within cash and cash equivalents is £nil as at 31 March 2024 (2022/23: £nil) in respect of these loans.

The Company has received loans from companies in the Northern Powergrid Group. The total interest included in finance costs in the statement of profit or loss for the year ended 31 March 2024 was £4.0m (2022/23: £1.3m). Included within borrowings is £245.9m as at 31 March 2024 (2022/23: £37.2m) in respect of these loans.

Interest on loans to/from Northern Powergrid Group companies is charged at a commercial rate.

The Company entered into transactions, in the ordinary course of business, with affiliated companies. Transactions entered into and trading balances outstanding at the regulatory year-end were as follows:

Related Party	Sales to Related Party	Purchases from Related Party
	£m	£m
2024:		
Northern Powergrid Metering Limited	0.9	-
Integrated Utility Services Limited	0.1	4.4
Integrated Utility Services Limited (registered in Eire)	-	0.5
Northern Electric plc	-	2.5
Northern Powergrid (Northeast) plc	15.2	32.0
Vehicle Lease and Service Limited	0.1	5.0
	0.1	5.0
2023:		
Northern Powergrid Metering Limited	0.8	-
Integrated Utility Services Limited	0.1	8.9
Integrated Utility Services Limited (registered in Eire)	-	0.5
Northern Electric plc	-	2.1
Northern Powergrid (Northeast) plc	9.9	26.7
Vehicle Lease and Service Limited	-	5.5
	-	5.5

Sales and purchases from related parties were made at commercial prices.

There are no amounts outstanding at 31st March 2024. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

Terms and Conditions for intercompany loans are disclosed in Accounting Policies.

There was also an intercompany dividend paid of £442.5 million during the regulatory year. (2022/23: £36.8 million)

Northern Powergrid (Yorkshire) plc
Registered number 04112320

26 CLASSIFICATION OF FINANCIAL AND NON-FINANCIAL ASSETS AND FINANCIAL AND NON-FINANCIAL LIABILITIES

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

	Financial assets at amortised cost £m	Financial liabilities at amortised cost £m	Non-financial assets & liabilities £m
Assets			
Non-current assets			
Property, plant and equipment	-	-	4,097.1
Intangible Assets	-	-	-
Investments	-	-	-
Right of use asset	-	-	6.9
	<u>-</u>	<u>-</u>	<u>4,104.0</u>
Current assets			
Inventories	-	-	1.5
Trade and other receivables	72.1	-	6.5
Income tax asset	-	-	5.0
Cash and cash equivalents	0.5	-	-
	<u>72.6</u>	<u>-</u>	<u>13.0</u>
Total assets	<u>72.6</u>	<u>-</u>	<u>4,117.0</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	-	(1,217.2)	-
Long term lease liabilities	-	(5.0)	-
Provisions	-	-	(0.6)
Deferred revenue	-	(866.9)	-
Deferred tax liabilities	-	-	(182.6)
	<u>-</u>	<u>(2,089.1)</u>	<u>(183.2)</u>
Current liabilities			
Trade and other payables	-	(138.3)	-
Loans and borrowings	-	(273.6)	-
Current portion of long-term leases	-	(2.3)	-
Deferred revenue	-	(40.2)	-
Provisions	-	-	(2.1)
	<u>-</u>	<u>(454.4)</u>	<u>(2.1)</u>
Total liabilities	<u>-</u>	<u>(2,543.5)</u>	<u>(185.3)</u>

Northern Powergrid (Yorkshire) plc
Registered number 04112320

26 CLASSIFICATION OF FINANCIAL AND NON-FINANCIAL ASSETS AND FINANCIAL AND NON-FINANCIAL LIABILITIES (CONTINUED)

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

	Financial assets at amortised cost £m	Financial liabilities at amortised cost £m	Non-financial assets & liabilities £m
Assets			
Non-current assets			
Property, plant and equipment	-	-	3,933.1
Intangible Assets	-	-	-
Investments	-	-	-
Right of use asset	-	-	8.6
	<hr/>	<hr/>	<hr/>
	-	-	3,941.7
Current assets			
Inventories	-	-	1.2
Trade and other receivables	72.2	-	8.6
Income tax asset	-	-	3.4
Cash and cash equivalents	0.1	-	-
	<hr/>	<hr/>	<hr/>
	72.3	-	13.2
	<hr/>	<hr/>	<hr/>
Total assets	72.3	-	3,954.9
Liabilities			
Non-current liabilities			
Loans and borrowings	-	(969.5)	-
Long term lease liabilities	-	(6.3)	-
Provisions	-	-	(0.6)
Deferred revenue	-	(852.3)	-
Deferred tax liabilities	-	-	(181.7)
	<hr/>	<hr/>	<hr/>
	-	(1,828.1)	(182.3)
Current liabilities			
Trade and other payables	-	(119.6)	-
Loans and borrowings	-	(70.5)	-
Current portion of long term leases	-	(2.5)	-
Deferred revenue	-	(37.6)	-
Provisions	-	-	(1.6)
	<hr/>	<hr/>	<hr/>
	-	(230.2)	(1.6)
	<hr/>	<hr/>	<hr/>
Total liabilities	-	(2,058.3)	(183.9)

27 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Net debt reconciliation

	At 31 March 2023 £m	Financing cash flows £m	New finance leases £m	Other changes £m	At 31 March 2024 £m
Cash and cash equivalents	0.1	0.4	-	-	0.5
Borrowings	(1,040.0)	(444.7)	-	(6.1)	(1,490.8)
Lease liabilities	(8.8)	2.6	(1.1)	-	(7.3)
	(1,048.7)	(441.7)	(1.1)	(6.1)	(1,497.6)

	At 1 April 2022 £m	Financing cash flows £m	New finance leases £m	Other changes £m	At 31 March 2022 £m
Cash and cash equivalents	133.0	(132.9)	-	-	0.1
Borrowings	(1,146.0)	102.9	-	3.7	(1,040.0)
Lease liabilities	(8.8)	2.9	(2.9)	-	(8.8)
	(1,022.4)	(27.1)	(2.9)	3.7	(1,048.7)

Other changes relate to accrued interest, amortisation of financing fees and discounts.

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

The capital structure of the Company consists of net debt (borrowings as detailed in Note 18 offset by equity of the Company (comprising issued capital, reserves and retained earnings as detailed in Notes 21 and 22).

Capital management

The Northern Powergrid Group manages its capital centrally to ensure that entities in the Northern Powergrid Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Northern Powergrid Group's overall strategy remains unchanged from 2023.

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 at 31 March 2024 totalled £1,475.2m. Using the RAV value as at March 2024, as outlined by Ofgem in its ED2 price control financial model published in January 2024 and adjusting for the effects of movements in the value of the CPIH Index gives a RAV value as at March 2024 of £2,676.8m. The Senior Total Net Debt to RAV ratio for the Company is therefore estimated at 55.1% (2022/23: 42.3%).

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. The Company's receivables are subject to expected credit loss calculations disclosed further within the trade receivables (note 16).

		Gross carrying amount	Loss allowance	Net carrying amount
		£m	£m	£m
2024	Notes			
Trade and other receivables	16	<u>85.7</u>	<u>(7.1)</u>	<u>78.6</u>
2023				
Trade and other receivables	16	<u>88.5</u>	<u>(7.7)</u>	<u>80.8</u>

28 FINANCIAL RISK REVIEW (CONTINUED)

For 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. Note 16 includes further details on the loss allowance for these assets.

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

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. During the year the Company exercised the second extension option 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 March 2024, the Company had available £119.0m (2022/23: £108.3m) 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 contractual maturities of the company's financial liabilities by type.

2024	Less than 3 month £m	3 months to 1 year £m	1-5 years £m	5+ Years £m	Total £ m
Non-derivative liabilities					
Non-interest bearing	56.3	-	-	-	56.3
Variable interest rate	245.9	-	-	-	245.9
Fixed interest rate liabilities	14.0	31.7	495.3	1,277.6	1,818.6
Total	316.2	31.7	495.3	1,277.6	2,120.8
2023	Less than 3 month £m	3 months to 1 year £m	1-5 years £m	5+ Years £m	Total £ m
Non-derivative liabilities					
Non-interest bearing	77.7	-	-	-	77.7
Variable interest rate	48.1	-	-	-	48.1
Fixed interest rate liabilities	14.0	17.7	447.2	980.8	1,459.7
Total	139.8	17.7	447.2	980.8	1,585.5

28 FINANCIAL RISK REVIEW (CONTINUED)

Market risk

Interest on short-term loans and inter-company short term loans is 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 £0.5m for the year. This is considered to be an acceptable level of risk and a reasonable possible movement. All other loans are at fixed interest rates and expose the Company to fair value interest rate risk.

29 IMMEDIATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking of Northern Powergrid (Yorkshire) Plc is Yorkshire Electricity Group plc. The ultimate controlling party and ultimate parent undertaking of Yorkshire Electricity Group Plc is Berkshire Hathaway, Inc., a company incorporated in the United States of America.

Copies of the group accounts to 31 December 2023 of Berkshire Hathaway, Inc. (the parent undertaking of the largest group preparing group accounts) which include Northern Powergrid (Yorkshire) Plc and the group accounts of Northern Powergrid Holdings Company, the smallest parent undertaking to prepare group accounts in the United Kingdom, can both be obtained from the Company Secretary, Northern Powergrid Holdings Company, Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.

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 then registered office 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.