

**REGISTERED NUMBER: CR 75763 (Cayman Islands)**

**NON-STATUTORY REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015  
FOR  
YORKSHIRE POWER FINANCE LIMITED**

# **YORKSHIRE POWER FINANCE LIMITED**

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**YORKSHIRE POWER FINANCE LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**DIRECTORS:**

G E Abel  
T E Fielden  
P J Goodman  
P A Jones  
S J Lockwood

**COMPANY SECRETARY:**

M&C Corporate Services Limited

**REGISTERED OFFICE:**

PO Box 309  
Ugland House  
South Church Street  
George Town  
Grand Cayman

**REGISTERED NUMBER:**

CR 75763 (Cayman Islands)

**AUDITOR:**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Newcastle upon Tyne  
United Kingdom

## **YORKSHIRE POWER FINANCE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors present the non-statutory annual report and financial statements of Yorkshire Power Finance Limited (the "Company") for the year ended 31 December 2015, which includes the Report of the Directors and the audited, non-statutory financial statements for that year. Pages 2 to 7 inclusive of this annual report comprise a Report of the Directors that has been drawn up and presented in line with the relevant provisions of the United Kingdom Companies Act 2006 ("the Act").

The Company is registered in the Cayman Islands and is a subsidiary of Northern Powergrid Holdings Company, which is incorporated in the United Kingdom. The directors have prepared these non-statutory financial statements to enable the Company to comply with its obligations under an agreement known as the "Trust Deed" pertaining to the issue, management and amortisation of the bond issue of £200 million 7.25% notes due in 2028 and for no other purpose. The directors have elected to prepare these non-statutory financial statements for the Company in accordance with International Financial Reporting Standards ("IFRS") and the provisions of the Act, being the national law of the Member State of the European Union in which Northern Powergrid Holdings Company is incorporated and which would have been applied if the financial statements were United Kingdom statutory financial statements.

#### **Cautionary statement regarding forward-looking statements**

This annual report has been prepared for the reason noted above only. The Company, its directors, employees or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. This annual report contains certain forward-looking statements, which can be identified by the fact that they do not relate only to historical or current facts. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, business prospects, the availability of financing to the Company and anticipated cost savings are forward-looking statements.

By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances, which may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this annual report and will not be updated during the year. Nothing in this annual report should be construed as a profit forecast.

#### **REVIEW OF BUSINESS**

The Company acts as the issuer of long-term debt securities in order to raise finance for Yorkshire Power Group Limited, its immediate parent company, and other companies in the Northern Powergrid Holdings Company group (the "Northern Powergrid Group"), including Northern Powergrid (Yorkshire) plc. The Company's financial instruments include borrowings and loans. In that respect, the Company met its obligation to make the annual interest payment on its debt securities on 4 August 2015.

Given that the sole purpose of the Company is to raise finance on behalf of companies in the Northern Powergrid Group, the business of the Company is not sufficiently large or complex for analysis of key performance indicators to be appropriate as part of gaining an understanding of the operation of the Company. Details of key performance indicators used in the Northern Powergrid Group can be found in the Strategic Report in the Northern Powergrid Holdings Company reports and financial statements for the year to 31 December 2015.

Details of the key risks faced by the Company in respect of its borrowings can be found on pages 3 and 4 of this Report of the Directors and in Note 11 to the accounts.

#### **Financial review**

##### **Results and dividends**

The Company made a profit after tax for the year of £410,000 (2014: £399,000). No dividend was paid during the year (2014: £Nil) and the directors recommend that no final dividend be paid in respect of the year.

##### **Statement of profit or loss commentary**

The profit before tax at £514,000 (2014: £508,000) was broadly in line with the prior year.

## **YORKSHIRE POWER FINANCE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **Financial review - continued**

##### **Cash flow statement commentary**

The net cash inflow from operating activities at £538,000 was £23,000 higher than 2014, mainly reflecting lower tax payments in the year.

##### **Share capital and debt structure**

There were no changes to the Company's share capital or debt structure during the year.

##### **Dividend policy**

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.

##### **Taxation**

Details of the Company's taxation charge are provided in Note 6 to the accounts.

#### **RESEARCH AND DEVELOPMENT**

Given that the sole purpose of the Company is to raise finance on behalf of companies in the Northern Powergrid Group, the Company does not undertake research and development.

#### **FUTURE DEVELOPMENTS**

The financial position of the Company, as at the year end, is shown in the statement of financial position on page 12. There have been no significant events since the year end and it is the intention of the directors that the Company will continue to raise finance, as required, in the future.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

G E Abel	Chairman
T E Fielden	Finance Director, Northern Powergrid
P J Goodman	Executive Vice President & Chief Financial Officer, Berkshire Hathaway Energy Company
P A Jones	President & Chief Executive Officer, Northern Powergrid
S J Lockwood	Group Financial Controller, Northern Powergrid

#### **POLITICAL DONATIONS**

During the year, no contributions were made to political organisations (2014: £nil).

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

##### **Liquidity risk**

The principal risk facing the Company is not having sufficient liquidity to enable the Company to meet its liabilities as they fall due and to provide adequately for contingencies. In this respect, borrowing facilities are made available to the Company by other companies in the Northern Powergrid Group, if required. The Company continues to maintain its investment grade issuer credit rating.

##### **Interest rate risk**

The Company is financed by long-term borrowings at fixed rates and has access to short-term borrowing facilities at floating rates of interest. As at 31 December 2015, 100% of the Company's borrowings were at fixed rates and the average maturity for these borrowings was 13 years.

## **YORKSHIRE POWER FINANCE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **PRINCIPAL RISKS AND UNCERTAINTIES - continued**

##### **Currency risk**

No material currency risks are faced by the Company.

##### **Trading risk**

Throughout the year under review, the Company's policy was that no trading in financial instruments should be undertaken.

##### **Financial derivatives**

As at 31 December 2015 and during the year it was the Company's policy not to hold any derivative financial instruments.

#### **CORPORATE GOVERNANCE STATEMENT**

##### **Main features of the internal control and risk management systems**

The Governance and Risk Management Group ("GRMG") is the principal management forum in the Northern Powergrid Group, and monitors and manages performance in risk-related and compliance areas. The GRMG monitors and reviews the strategic risk environment, ensuring the continued suitability, adequacy and effectiveness of risk management arrangements and reports to the Northern Powergrid Group's Audit Committee.

The GRMG implemented a new process during Quarter 1 of 2015, which is designed to improve the effectiveness of the risk management and control activities, better define the risk environment within the Northern Powergrid Group, rationalise the reporting procedures to focus attention on key risk movements and to identify accountabilities for each risk sector.

The GRMG met on three occasions during the year in order to monitor the risk management framework and to ensure that all strategic risks were being addressed. Risk management policies and procedures were reviewed and updated to ensure a robust and clear approach was maintained. Mr R Dixon, an independent non-executive director of Northern Powergrid Holdings Company, attended meetings of the GRMG to provide an independent view in respect of the matters discussed.

The Northern Powergrid Group operates a structured and disciplined approach to the management of risk, as part of its overall risk management policy. Risks are divided into a number of risk sectors which, in turn, align to the Northern Powergrid Group's Core Principles. A report regarding the effectiveness of each risk sector in terms of risk management, control activity, key success factors, and supporting measures is presented at meetings of the GRMG. The risk environment is reviewed continually in order that new or emerging potential risks are identified.

A rigorous internal control environment exists within the Northern Powergrid Group based on regular reporting, a series of operational and financial policy statements, investigations undertaken by internal audit and a stringent process for ensuring the implementation of any recommendations. The directors consider that the governance framework in place is appropriate to the circumstances of the Company, given that the framework is agreed with its parent company, Berkshire Hathaway Energy Company ("Berkshire Hathaway Energy"), and includes regular reporting to and meetings with the Chairman and senior management of Berkshire Hathaway Energy. In addition, the internal control environment is designed to meet the standards required by the United States Sarbanes-Oxley Act.

Berkshire Hathaway Energy requires a quarterly risk control assessment to be undertaken by certain senior managers as part of its programme for compliance with the requirements of the United States Sarbanes-Oxley Act and, while no significant areas of weakness have been identified, any recommended improvements are implemented. In addition, the Northern Powergrid Group employs comprehensive business planning and financial reporting procedures, regularly reviews key performance indicators to assess progress towards its goals and has a strong internal audit function to provide independent scrutiny of its internal control systems. The Northern Powergrid Group has risk management procedures in place, including the standards required by the United States Sarbanes-Oxley Act, and has centralised treasury operations and established procedures for the planning, approving and monitoring of major capital expenditure.

## **YORKSHIRE POWER FINANCE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **CORPORATE GOVERNANCE STATEMENT - continued**

##### **Main features of the internal control and risk management systems - continued**

Details of the financial risks faced by the Company can be found on pages 3 and 4 of the Report of the Directors.

Other key features of the Northern Powergrid Group's internal control system are:

- Comprehensive business planning and financial reporting procedures, including the annual preparation of detailed operational budgets for the year ahead and projections for subsequent years;
- Regular review of key performance indicators to assess progress towards objectives;
- A range of policies, codes of practice and more detailed instructions that define the processes to be followed;
- Centralised treasury operations that operate within defined limits and are subject to regular reporting requirements and audit reviews; and
- Established procedures for planning, approving and monitoring major capital expenditure, major projects and the development of new business which includes short and long-term budgets, risk evaluation, detailed appraisal and review procedures, defined authority levels and post-investment performance reviews.

The Northern Powergrid Group is committed to maintaining the highest ethical standards in the conduct of its business and, in that respect, implements Berkshire Hathaway Energy's code of business conduct for employees. The code of conduct sets out and emphasises the required standards and commitment to ethical behaviour, provides reporting mechanisms for known or suspected ethical issues, helps prevent wrongdoing and creates and sustains an ethical work environment across the Northern Powergrid Group. All employees are required to complete annual training on the code of business conduct and then confirm that they understand the requirements outlined in the code. The training is available online and employees who do not have access to the online system attend a briefing with their line manager.

The Northern Powergrid Group is also committed to preventing corruption in all its forms and continues to have a zero-tolerance approach to corruption in its business or by those with whom it does business. The board of Northern Powergrid Holdings Company has addressed the risks introduced by the Bribery Act 2010 through a compliance policy, changes to contractual terms, training and other staff awareness measures. The introduction of annual risk assessments and enhanced due diligence in respect of new business transactions has further assisted in ensuring compliance. The Northern Powergrid Group requires staff, suppliers of services and business partners to comply with the Bribery Act. Its policies encourage an employee who has any suspicion of bribery or other form of corruption within or related to the Northern Powergrid Group to report the suspicion to a manager or via the international, anonymous help line, which is provided for the use of employees of the Northern Powergrid Group.

##### **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 include monitoring of the financial reporting process, the effectiveness of the internal control, internal audit and risk management systems, the statutory audit of the accounts, and the independence of and the provision of additional services by the auditor. The Audit Committee, which comprises one member who is independent and one member who has competence in accounting, receives annual reports from the GRMG and from the Northern Powergrid Group's Head of Internal Audit on the work of the Internal Audit Section during the year and the audit plan for the following year.

Given that Mr Dixon is an independent non-executive director of Northern Powergrid Holdings Company, the Audit Committee comprises:

R Dixon	Non-Executive Director
T E Fielden	Finance Director

## **YORKSHIRE POWER FINANCE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the non-statutory Annual Report and the financial statements and have elected to prepare the financial statements for the Company in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and the provisions of the United Kingdom Companies Act 2006, being the national law of the Member State of the European Union in which Northern Powergrid Holdings Company, the Company's parent company in the United Kingdom, is incorporated and which would have been applied if the financial statements were United Kingdom financial statements.

International Accounting Standard 1 requires that financial statements present fairly, for each financial year, the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all IFRS.

In accordance with the Yorkshire Power Finance Limited - 7.25% £200m Bonds 2028 Trust Deed, the directors are also required to prepare accounts in such a form as will comply with all relevant legal and accounting requirements. Therefore, the directors are required to:

- 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 IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company'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, 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 any corporate and financial information relating to the Company, which is included on the Northern Powergrid Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **YORKSHIRE POWER FINANCE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **GOING CONCERN**

The Company's business activities, together with details regarding its future development, performance and position are set out in the Report of the Directors. In addition, the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk are included in the Report of the Directors and the appropriate notes to the accounts.

When considering continuing to adopt the going concern basis in preparing the annual report and accounts, the directors have taken account of a number of factors that arise due to the Company being part of the Northern Powergrid Group and raising finance on behalf of Northern Powergrid (Yorkshire) plc, including the following:

- a) The Company is profitable with net current assets and access to cash as detailed in note 8 to the accounts; and
- b) Northern Powergrid (Yorkshire) plc has considerable financial resources, in the form of short-term borrowings made available by Yorkshire Electricity Group plc, a fellow company in the Northern Powergrid Group, and committed revolving credit facilities from Lloyds Bank plc, Royal Bank of Scotland plc and Abbey National Treasury Services plc.

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. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the directors, who is a director of the Company as at the date of this report, confirms that:

- a) so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b) he has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

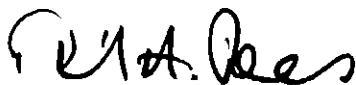
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

#### **AUDITOR**

Deloitte LLP has indicated its willingness to continue in office.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

#### **ON BEHALF OF THE BOARD:**



P A Jones  
Director

22 April 2016

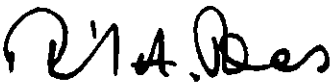
**YORKSHIRE POWER FINANCE LIMITED**

**RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS**

Each of the directors, as at the date of the Annual Report and Accounts, whose names and functions are set out on page 3 of the Report of the Directors confirms that, to the best of their knowledge:

- a) The Company's financial statements, prepared in accordance with applicable law and in conformity with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- b) The Management Report (which is comprised of the Report of the Directors) includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

This responsibility statement was approved by the Board of Directors on 22 April 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P A Jones', is positioned above the printed name and title.

P A Jones  
Director and President and Chief Executive Officer

22 April 2016

## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF YORKSHIRE POWER FINANCE LIMITED**

We have audited the non-statutory financial statements of Yorkshire Power Finance Limited ("the Company") for the year ended 31 December 2015, which comprise the Statement of Profit or Loss, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely for the exclusive use of the directors and solely for the purposes of compliance with the Yorkshire Power Finance - 7.25% £200 million bonds 2028 Trust Deed (the "Trust Deed"). Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or
- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Report of the Directors.



Deloitte LLP, Chartered Accountants and Statutory Auditor  
Newcastle upon Tyne, United Kingdom

Date: 26 April 2016

**YORKSHIRE POWER FINANCE LIMITED**

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £'000	2014 £'000
<b>CONTINUING OPERATIONS</b>			
Administrative expenses		<u>(5)</u>	<u>(5)</u>
<b>OPERATING LOSS</b>		<b>(5)</b>	<b>(5)</b>
Finance costs	5	(13,566)	(13,566)
Finance income	5	<u>14,085</u>	<u>14,079</u>
<b>PROFIT BEFORE INCOME TAX</b>		<b>514</b>	<b>508</b>
Income tax	6	<u>(104)</u>	<u>(109)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>410</u></b>	<b><u>399</u></b>

**YORKSHIRE POWER FINANCE LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>PROFIT FOR THE YEAR</b>	<b>410</b>	<b>399</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>—</b>	<b>—</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>410</u></b>	<b><u>399</u></b>

The notes on pages 15 to 21 form part of these financial statements

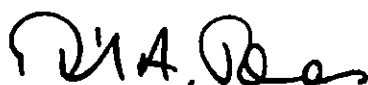
**YORKSHIRE POWER FINANCE LIMITED**

**STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2015**

	Notes	2015 £'000	2014 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	7	<u>181,730</u>	<u>181,730</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	7	5,684	5,684
Cash and cash equivalents	8	<u>32,899</u>	<u>32,361</u>
		<u>38,583</u>	<u>38,045</u>
<b>TOTAL ASSETS</b>		<u><b>220,313</b></u>	<u><b>219,775</b></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	9	1	1
Share premium	10	19,999	19,999
Retained earnings	10	<u>10,746</u>	<u>10,336</u>
<b>TOTAL EQUITY</b>		<u><b>30,746</b></u>	<u><b>30,336</b></u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Borrowings			
Interest bearing loans and borrowings	11	<u>184,026</u>	<u>183,909</u>
<b>CURRENT LIABILITIES</b>			
Borrowings			
Interest bearing loans and borrowings	11	5,492	5,492
Tax payable		<u>49</u>	<u>38</u>
		<u>5,541</u>	<u>5,530</u>
<b>TOTAL LIABILITIES</b>		<u><b>189,567</b></u>	<u><b>189,439</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>220,313</b></u>	<u><b>219,775</b></u>

These financial statements have been prepared in accordance with the special provisions relating to small companies under Section 415a of the Companies Act 2006.

The financial statements were approved by the Board of Directors on 22 April 2016 and were signed on its behalf by:



P A Jones  
Director

**YORKSHIRE POWER FINANCE LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Share premium £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2014</b>	1	9,937	19,999	29,937
<b>Changes in equity</b>				
Total comprehensive income	-	399	-	399
<b>Balance at 31 December 2014</b>	1	10,336	19,999	30,336
<b>Changes in equity</b>				
Total comprehensive income	-	410	-	410
<b>Balance at 31 December 2015</b>	1	10,746	19,999	30,746

The notes on pages 15 to 21 form part of these financial statements

**YORKSHIRE POWER FINANCE LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

		<b>2015</b>	<b>2014</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>			
Cash used in operations	13	(5)	(5)
Interest paid		(13,449)	(13,449)
Interest received		14,085	14,079
Tax paid		<u>(93)</u>	<u>(110)</u>
Net cash from operating activities		<u>538</u>	<u>515</u>
 Increase in cash and cash equivalents		 538	 515
 Cash and cash equivalents at beginning of year		 <u>32,361</u>	 <u>31,846</u>
Cash and cash equivalents at end of year		<u>32,899</u>	<u>32,361</u>

The notes on pages 15 to 21 form part of these financial statements



## **YORKSHIRE POWER FINANCE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **1. GENERAL INFORMATION**

Yorkshire Power Finance Limited (the "Company") is a company incorporated in the Cayman Islands and is part of the Northern Powergrid Holdings Company group of companies (the "Northern Powergrid Group"). The address of the registered office is PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman.

The nature of the Company's operations and activities are set out in the Report of the Directors.

#### **2. ACCOUNTING POLICIES**

##### **Accounting convention and basis of preparation**

These non-statutory financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have also been prepared in accordance with IFRS as adopted by the European Union and with those parts of the Companies Act 2006 (the "Act") that are applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions which are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

##### **Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further detail is contained within the Going Concern Statement in the Report of the Directors.

##### **Critical accounting policies**

The critical accounting policy adopted by the directors relates to borrowing costs and is described below. The accounting policies have been applied consistently throughout the year and the preceding year.

## **YORKSHIRE POWER FINANCE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **2. ACCOUNTING POLICIES- continued**

##### **Adoption of new or revised standards**

Amendments to IFRS made by the International Accounting Standards Board ("IASB") that are effective mandatorily for an accounting period that begins on or after 1 January 2015 have not impacted these financial statements.

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective for the year ending 31 December 2015:

- Annual Improvements to IFRS 2012-2014 Cycle.

The Annual Improvements to IFRS 2012-2014 Cycle include a number of amendments to various IFRS. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

##### **Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions on the instrument.

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

##### **Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### **Cash equivalents**

Loans advanced to the parent company are included within cash equivalents, having a maturity of less than three months on the basis that they are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

##### **Revenue**

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

##### **Taxation**

The income tax expense represents the sum of the tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### **Borrowings**

Borrowings are classified as other financial liabilities at amortised cost. They are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement for redemption and direct issue costs, are accounted for on an accruals basis in the statement of profit or loss using the effective interest rate method. They are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

# YORKSHIRE POWER FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

### 3. REVENUE

The following is an analysis of the Company's revenue for the year from continuing operations:

	2015 £'000	2014 £'000
Investment revenue (note 5)	<u>14,085</u>	<u>14,079</u>

### 4. EMPLOYEES AND DIRECTORS

No directors' or key personnel remuneration was charged for the year (2014: £nil). There are no directors' emoluments that are required to be disclosed under the Act (2014: £nil). There were no employees of the Company during the year (2014: nil).

Auditor's remuneration of £5,000 was charged to the Company for the year (2014: £5,000) in relation to the audit of the Company. There were no fees payable in relation to non-audit services in 2015 or 2014.

### 5. NET FINANCE INCOME

	2015 £'000	2014 £'000
Finance income:		
Interest receivable on amounts owed by Group undertakings	<u>14,085</u>	<u>14,079</u>
Finance costs:		
Interest payable on other loans	<u>13,566</u>	<u>13,566</u>
Net finance income	<u>519</u>	<u>513</u>

### 6. INCOME TAX

#### Analysis of tax expense

	2015 £'000	2014 £'000
Current tax	<u>104</u>	<u>109</u>
Total tax expense in statement of profit or loss at 20.25% (2014: 21.5%)	<u>104</u>	<u>109</u>

	2015 £'000	2014 £'000
Tax expense comprises:		
Payment for use of group losses	<u>104</u>	<u>109</u>

The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the main rate of corporation tax in the United Kingdom from 23% to 21% effective from 1 April 2014 and to 20% with effect from 1 April 2015.

# YORKSHIRE POWER FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

### 7. TRADE AND OTHER RECEIVABLES

	Book Value		Fair Value	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Non-current:				
Amounts owed by Group undertakings	<u>181,730</u>	<u>181,730</u>	<u>256,381</u>	<u>258,400</u>
Current:				
Amounts owed by Group undertakings	<u>5,684</u>	<u>5,684</u>	<u>5,684</u>	<u>5,684</u>
Aggregate amounts	<u>187,414</u>	<u>187,414</u>	<u>262,065</u>	<u>264,084</u>

The directors' estimate of the fair value is calculated by discounting the future cash flows at the market rate at the statement of financial position date. The valuation of assets set out above is based on Level 1 inputs. None of these debts are past due or impaired at the statement of financial position date as the directors do not consider there to be any doubt over their recoverability.

Loans to Group undertakings are made to Yorkshire Power Group Limited, a company within the Northern Powergrid Group, and are at fixed rates of interest. The maximum exposure to risk to the Company is the book value of these loans.

### 8. CASH AND CASH EQUIVALENTS

	2015	2014
	£'000	£'000
Short-term deposits	<u>32,899</u>	<u>32,361</u>

Cash and cash equivalents represent net amounts owed by companies within the Northern Powergrid Group (see related party disclosures note), which have a maturity date of less than three months and which are subject to an insignificant risk of changes in value. The fair value of cash and cash equivalents is equal to their book value.

### 9. CALLED UP SHARE CAPITAL

	2015	2014
	£'000	£'000
Ordinary shares of \$1 each		
Authorised (50,000)	35	35
Allotted, called up and fully paid (2,000)	<u>1</u>	<u>1</u>

The Company has one class of ordinary shares which carries no right to fixed income.

# YORKSHIRE POWER FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

### 10. RESERVES

	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 January 2015	10,336	19,999	30,335
Profit for the year	<u>410</u>	<u>-</u>	<u>410</u>
At 31 December 2015	<u>10,746</u>	<u>19,999</u>	<u>30,745</u>
	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 January 2014	9,937	19,999	29,936
Profit for the year	<u>399</u>	<u>-</u>	<u>399</u>
At 31 December 2014	<u>10,336</u>	<u>19,999</u>	<u>30,335</u>

### 11. BORROWINGS

The directors' consideration of liquidity, interest rate and foreign currency risk are described in the Report of the Directors.

	Book Value		Fair Value	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Loans	<u>189,518</u>	<u>189,401</u>	<u>253,895</u>	<u>261,187</u>
The borrowings are repayable as follows:				
On demand or within one year	5,492	5,492	5,492	5,492
After five years	<u>184,026</u>	<u>183,909</u>	<u>248,403</u>	<u>255,695</u>
	<u>189,518</u>	<u>189,401</u>	<u>253,895</u>	<u>261,187</u>
Analysis of borrowings:				
Sterling denominated Eurobond due 2028 - 7.25%	<u>189,518</u>	<u>189,401</u>	<u>253,895</u>	<u>261,187</u>

The fair value of the sterling denominated Eurobond due 2028 is determined by reference to market prices.

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

Interest on the fixed interest rate loans exposes the Company to fair value interest rate risk.

The loans are non-secured.

The Company has no undrawn committed borrowing facilities.

# YORKSHIRE POWER FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

### 11. BORROWINGS - continued

The following table details the remaining contractual maturities for the non-derivative financial liabilities included in the table above. The table has been drawn up based on the discounted cash flows of financial liabilities based on the earliest possible date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Less than 3 months £'000	3 months to 1 year £'000	1 to 5 years £'000	5+ years £'000	Total £'000
2015:					
Fixed interest rate liability	-	13,449	53,795	293,090	360,334
2014:					
Fixed interest rate liability	-	13,448	53,795	306,540	373,783

### 12. RELATED PARTY DISCLOSURES

Transactions entered into and balances outstanding at the year-end were as follows:

Related Party	Finance income from related parties £'000	Amounts owed by related parties £'000
2015:		
Yorkshire Power Group Limited	13,921	187,414
Yorkshire Electricity Group plc	164	32,899
	<u>14,085</u>	<u>220,313</u>
2014:		
Yorkshire Power Group limited	13,921	187,414
Yorkshire Electricity Group plc	158	32,361
	<u>14,079</u>	<u>219,775</u>

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

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

### 13. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH USED IN OPERATIONS

	2015 £'000	2014 £'000
Profit before income tax	514	508
Finance costs	13,566	13,566
Finance income	(14,085)	(14,079)
Cash used in operations	<u>(5)</u>	<u>(5)</u>

## **YORKSHIRE POWER FINANCE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **14. ULTIMATE CONTROLLING PARTY**

The immediate parent undertaking of Yorkshire Power Finance Limited is Yorkshire Power Group Limited. The ultimate controlling party and ultimate parent undertaking of Yorkshire Power Group Limited is Berkshire Hathaway, Inc., a company incorporated in the United States of America.

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