Registered number: 04112320 (England and Wales)

REGULATORY ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

FOR

NORTHERN POWERGRID (YORKSHIRE) PLC

Northern Powergrid (Yorkshire) plc

Contents

Northern Powergrid (Yorkshire) plc

Company Information

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The directors present the annual reports and financial statements for the Regulatory Year ended 31 March 2021 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. The completion of the 2020/21 Regulatory Year (on 31 March 2021), represented the end of year six of the current RIIO-ED1 price control, which became effective on 1 April 2015 and is due to end on 31 March 2023 (the “ED1 period”).

The principal activity of the Company is the distribution of electricity to approximately 2.3 million customers connected to its electricity distribution 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 distribution network includes over 54,000 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.

The majority of revenue generated by the Company is controlled by a distribution price control formula which is set out in the 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 and any deferred revenues from the prior price control) has been set to remain constant and therefore provides the Company with some stability in terms of its income for each Regulatory Year from 1 April 2016 through to 31 March 2023. Nominal opening base allowed revenues will increase in line with inflation (as measured by the United Kingdom's Retail Prices Index “RPI”).

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 intrinsically linked to the commitments made in the Company’s 2015 to 2023 regulatory well-justified business plan (“the Business Plan”).

Submitted to Ofgem in March 2014, the Business Plan described the long-term strategy and commitments that the Company would achieve during the ED1 period in order to deliver sustainable growth with regard to those with whom the Company interacted and served. Developed after a period of consultation with stakeholders, the Business Plan focused on a number of priorities (described throughout the Strategic Report) including minimising costs, improving flood defences, enhancing customer service, prioritising employee safety, supporting vulnerable customers, protecting the environment and transitioning to low carbon technologies.

Following the publication of RIIO-ED2 ("ED2") Business Planning guidance by Ofgem in August 2020, the Company commenced the development of its regulatory business plan for the ED2 period (1 April 2023 to 31 March 2028) (the "ED2 Plan"), ahead of submission to Ofgem in December 2021. As part of this process, the Company continues to work with the Customer Engagement Group ("CEG"), which was established for the purpose of providing independent scrutiny and challenge to ensure that customers' interests are adequately reflected in the ED2 Plan.

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 duration of the ED1 period. The phasing 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.

FINANCIAL STRENGTH

Strategic objective: Strong finances that enable improvement and growth.

KPI	2020/21	2019/20
Operating profit	£188.0 million	£193.5 million
Cash from operating activities	£189.4 million	£192.9 million
Cash used in investing activities	£209.9 million	£215.7 million
Credit Rating (Standard & Poor's)	A	A

Business Plan commitment: To build on the efficiencies achieved to date and in doing so, reduce base costs by 3.1% in 2015 to 2023 compared to the previous price control 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. Five years through the ED1 period, the Company had implemented efficiencies equivalent to a 3% reduction in base costs relative to the prior regulatory period.

Revenue: The Company's revenue at £441.3 million was £1.9 million higher than the prior Regulatory Year (2020: £439.4 million) primarily due to higher tariffs, offset by lower distribution use of system revenues as the result of the Covid-19 Pandemic ("the Pandemic").

Operating profit and position at the Regulatory Year-end: The Company's operating profit of £188.0 million was £5.5 million lower than the previous Regulatory Year (2019/20: £193.5 million), primarily reflecting higher depreciation and higher maintenance and vegetation management costs. The statement of financial position on page 34 shows that, at 31 March 2021 the Company had total equity of £1,598.1 million (2019/20: £1,509.0 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, creates a stable base for continued strong performance during the remainder of the ED1 period.

Finance costs and investments: Finance costs net of investment income at £37.7 million was £9.9 million lower than the prior Regulatory Year (2019/20: £47.5 million) mainly reflecting the full year impact of refinancing at lower rates in the prior year.

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 £189.4 million was £3.5 million lower than the previous Regulatory Year, mainly reflecting higher taxes paid partially offset by lower finance costs paid.

- The net cash used in investing activities at £209.9 million was £5.8 million lower than the previous Regulatory Year, reflecting lower purchases of plant, property and equipment.

- The net cash outflow from financing activities at £47.4 million was £89.2 million higher than the £41.8 million cash inflow in the previous Regulatory Year mainly due to the refinancing that took place in the prior year.

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 and the associated deficit repair payments are provided in Note 24 to the financial statements. The Company also participates in the Northern Powergrid Pension Scheme, which is a defined contribution scheme.

Insurance: As part of its insurance and risk strategy, the Northern Powergrid Group has in place insurance policies, which cover risks associated with employees, third party motor and public liability. 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	2020/21	2019/20
Broad Measure of Customer Satisfaction (“BMCS”),	89.7%	88.0.%
BMCS Rank (out of 14)	13	13
BMCS Power Cuts	90.1%	88.7.%
BMCS General Enquiries	92.8%	88.2%
BMCS Connections	88.2%	87.4%
Stakeholder Engagement and Customer Vulnerability (“SECV”) rank (out of 5[1]) (combined with Northern Powergrid (Northeast) plc)	5	3

Business plan commitment: To provide a reliable, better communicated and faster customer service offering through a range of channels to suit stakeholder needs.

Performance during the Regulatory Year: Under the BMCS, 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. The Company recorded an improvement in overall satisfaction scores at 89.7% compared to the prior Regulatory Year (88.0%) which had resulted in an overall BMCS rank of 13 out of 14. The BMCS rank was maintained year-on-year, as whilst the Company had shown improvement, the other DNOs had also demonstrated equivalent progress.

To further enhance the service provided to customers a number of initiatives from the Company’s customer service improvement plan were implemented during the Regulatory Year. This included the continued development of the customer relationship management (“CRM”) system, the introduction of quote-on-site

[1] One DNO was unranked.

technology for connections small works and the rollout of a 'Customer First' training programme which was introduced to improve the proactivity and effectiveness of communication with customers.

Activity scheduled to take place during the remainder of 2021 is to focus on technology enablement including extending the CRM system to include Unplanned Power Cuts, thereby enabling real-time updates to be provided to customers, investing in a new contact centre telephony platform and upgrading the Northern Powergrid Group's external website. The programme of work will be supported by the appointment of regional Customer Service Managers and extending the Customer First training to include all employees and contractors.

Connections to the network

Business plan commitments: To further implement customer service improvements in support of the commitment to reduce routine, small works end-to-end connections lead times by 30% during the ED1 period, actively facilitate the development of competition from independent connections providers ("ICPs") and deliver the major works service improvement plan as part of the Ofgem Incentive on Connections Engagement ("ICE").

Performance during the Regulatory Year: Reducing end-to-end connections lead times continued to pose a challenge and, as such, work to improve the level of customer service within the small works connections business (measured by the BMCS connections KPI) continued. In support of this, the process whereby one individual assumes responsibility throughout each connections process from creating a quotation on site (using the quote-on-site technology) to the final delivery of the connection itself was further embedded. By continuing to introduce further enhancements, the Company remains confident that whilst a 30% reduction in end-to-end lead times will be challenging, (currently at 18%) it remains achievable by the end of the ED1 period. Performance during 2020 was adversely impacted by the Pandemic due to the challenges associated with accessing customer premises, which resulted in the postponement of many jobs. In conjunction with the Company's wider response to the Pandemic, safe ways of working were developed to protect employees and customers and allow connections work to recommence.

The Company continued to comply with the processes set out in Standard Licence Condition 52 and the Competition in Connections Code of Practice. This included the provision of dual quotations, enabling ICPs to self-determine points of connection to the existing network and self-approve designs, and by facilitating the self-connection of new assets to the Company's low and high voltage networks by suitably accredited ICP operatives as a contestable activity.

In relation to the Company's ICE commitments for the 2020/21 regulatory period, the 18 actions included in the service improvement work plan were successfully delivered.

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 Regulatory Year: In May 2021, the Company (together with Northern Powergrid (Northeast) plc) put forward its SECV submission to Ofgem in respect of work undertaken during the 2020/21 Regulatory Year. The material provided an overview of activities and case studies in areas such as decarbonisation, safety, environment, customer service, reliability and availability. Following the review by Ofgem's panel, the Company achieved fifth place (of 5) in the context of the DNOs, a step down from third place in the prior Regulatory Year. In response to the drop in performance, an external assessment of the approach to engagement, fuel poverty provision and support provided to vulnerable customers was undertaken and improvement plans were subsequently established.

During the Regulatory Year, the Company continued to develop its routine engagement activity by enhancing existing relationships with elected representatives at the local council and parliamentary level as well as with civic leaders from Local Enterprise Partnerships, particularly during periods of severe weather and when providing support to vulnerable customers. In addition, virtual one-to-one and group engagement sessions were held (and attended by the CEG) for the purpose of understanding stakeholders' priorities and opinion on the level of necessary investment, in response to the various options as set out in the Company's Emerging Thinking document (published in August 2020). The feedback provided useful insight, enabling the board and senior managers to critically evaluate a range of stakeholder opinions in order to inform the development of the ED2 Plan.

The Pandemic challenged the way in which the Company and its partners had traditionally provided support to vulnerable customers at a time when the effects of the Pandemic itself meant that the demand for assistance increased dramatically, particularly for those customers experiencing financial difficulties. In response, community partners such as Citizens Advice and Green Doctors moved to online models to allow them to continue supporting the most vulnerable in the community and provide advice on issues including energy saving measures, tariff switching, debt and benefits advice and offer emotional support. The Company's Community Partnering Fund (in conjunction with Northern Gas Networks) deployed an additional £50,000 to the resilience funds in Bradford and Newcastle as part of a £1 million wider regional campaign which supported the immediate needs of community groups and small charitable organisations. Funding was also provided to local initiatives concerning fuel and food poverty, promoting education in the science, technology, engineering, and mathematics subjects, public safety campaigns and the services utilised by Priority Services Register customers.

OPERATIONAL EXCELLENCE

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

	2020/2021		**2019/2020**	
KPI	**Actual**	**Target**	**Actual**	**Target**
Customer minutes lost ("CML")	38.8	<54.8	42.1	<56.4
Customer interruptions ("CI")	51.7	<63.0	50.8	<64.1
Network investment (million)	£251.1	-	£252.2	-
High voltage restoration time (minutes)	51.4	-	55.2	-

Business Plan commitment: To enhance the reliability of the network in support of the commitment to achieve 8% fewer unplanned power cuts and reduce the average length of unplanned power cuts by 20% during the ED1 period.

Performance during the Regulatory Year: CML and CI are the KPIs set by Ofgem and used by the Company to measure the quality of supply and system performance. Both CML and CI are measured on a regulatory year basis. 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 during the Regulatory Year was better than Ofgem's target for both CML and CI.

In respect of the Business Plan commitments, the Company together with its affiliate (Northern Powergrid (Northeast) plc) had achieved 28% fewer unplanned power cuts and a reduction of the average length of unplanned power cuts by 37% (relative to the prior regulatory period). Progress remains on track to achieve the continuous improvement target of 30% for the number of unplanned power cuts and 20% to 40% for the average duration.

The Company invested £251.1 million during the Regulatory Year through its approved Network investment strategy (2019/20: £252.2 million), which has been designed to deliver improvements in Network performance and increase resilience. 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. Whilst certain aspects of routine Network maintenance were rescheduled due to the Pandemic (to ensure operational integrity and uninterrupted Network performance to critical locations such as hospitals), all required maintenance work was completed during the Regulatory Year. This was facilitated by the utilisation of a supply of essential assets, held in stock specifically for such an eventuality.

Further Network enhancements included the continued roll-out of the automatic power restoration system on the high voltage Network. This enabled the restoration of supply in under three minutes following an interruption available to a further 314,903 customers during the Regulatory Year, taking the total to 1,127,339. At low voltage, in addition to the previous deployment of smart fuses to restore supplies in under three minutes to customers affected by intermittent faults, the implementation of next generation innovative low voltage technology devices continued with the addition of low-cost Network monitoring sensors. The devices enable the detection of developing faults so that they can be proactively managed whilst enabling the gathering of Network condition information.

In relation to high voltage restoration, the Company's high-voltage restoration performance during the Regulatory Year averaged 51.4 minutes (2019/20: 55.2 minutes), after allowing for severe weather incidents and other exemptions.

EMPLOYEE COMMITMENT

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

	2020		**2019**	
KPI (all calendar year)	**Actual**	**Target**	**Actual**	**Target**
Northern Powergrid Group Occupational Safety and Health Administration ("OSHA") rate	0.13	0.13	0.18	0.22
Preventable vehicle accidents	15	15	15	16
Lost time accidents	-	2	-	2
Restricted duty accidents	1	-	-	1
Medical treatment accidents	-	-	1	-
Operational incidents	5	5	7	5
Northern Powergrid Group absence rate	2.7%		3.5%	

Health and safety

Business Plan commitment: To deliver world class safety performance and half the accident rate during the ED1 period.

Strategic Report for the Regulatory Year Ended 31 March 2021 (continued)

Performance during the Regulatory Year: In common with the Berkshire Hathaway Energy group, the Northern Powergrid Group measures its safety performance in terms of the OSHA rate, which is a metric used in the United States ("US") to capture safety incidents down to minor levels of medical treatment. The Northern Powergrid Group met its target of 0.13 in 2020 by achieving an OSHA rate of 0.13 (2019: 0.18), which equated to three recordable incidents against the goal of three or fewer. The Company achieved its best ever safety performance, hitting both its lost time accident and preventable vehicle accident targets. In respect of the Business Plan commitment, at 31 March 2021, the Company's accident rate had been reduced by 60%, which was ahead of the target to achieve a 50% reduction by 31 March 2023. The Company successfully retained its ISO 45001 accreditation scheme for its health and safety management system.

The challenges posed by the Pandemic in respect of safe working practices and procedures were, and remain, constantly under review by members of the safety team, senior management team, Health and Safety Committee and the Board, in conjunction with trade union representatives. Robust business continuity plans and risk management procedures meant that the Company was adequately prepared for such an event (including purchasing stocks of personal protective equipment) and quickly adapted to new ways of working.

All Company facilities were risk assessed and tailored procedures were implemented to ensure the safety of all staff in accordance with the latest government guidance.

Improving safety performance remains a priority and the way in which this is achieved is set out in the Company's safety and health improvement plan ("SHIP"). During the Regulatory Year, the SHIP focused on more than 50 initiatives in the areas of enhanced engagement, operational performance, risk management, road risk, occupational health and public safety and included the launch of the Institute of Advanced Motorists programme and the upgrade of fleet vehicles with new technology and driver assistance packages as standard.

The mental health and wellbeing of staff also forms an integral part of the SHIP. Existing support available to employees 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. In response to the effects of the Pandemic on the mental and physical wellbeing of employees, the Company proactively provided guidance and promoted the support available via a targeted 'Wellbeing Wednesday' campaign.

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: The Pandemic required the Company to quickly accommodate considerable adjustments to its usual employee working arrangements such as introducing home working, flexibly supporting working parents and ensuring the safety and wellbeing of all employees, particularly those key-workers operating in the field environment. Any required changes or updates were communicated regularly via multiple channels to ensure that all colleagues were able to continue to perform their duties safely and effectively. As outlined above, the Company remains committed to the wellbeing of its staff and is aware that as the Pandemic continues, factors including isolation can have a significant effect. Consequently, regular wellbeing advice covering topics such as mental health, exercise and home working continue to be promoted in addition to the standard support services which are available.

Alongside the new measures introduced in the Regulatory Year, the Company continued to ensure that all colleagues had regular meaningful conversations with their line managers and that leadership engagement continued. To accommodate remote working and social distancing requirements, a number of routine training programmes were also made available via e-learning such as Customer First training and the 'Best Welcome' corporate induction.

The Company has adopted the Berkshire Hathaway Energy code of business conduct ("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.

During the Regulatory Year, 40 new recruits (2019/20: 92) joined the Company and Northern Powergrid (Northeast) plc's workforce renewal programme. At 31 March 2021, the Company had 1,159 employees (2019/20: 1,118). 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.

	2020/21			2019/20		
	Male	**Female**	**All**	**Male**	**Female**	**All**
Directors	4	1	5	5	1	6
Senior Managers*	7	0	7	8	0	8
Total Number of Employees	974	185	1,159	961	157	1,118

*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.

ENVIRONMENTAL RESPECT

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

	2020/21		2019/20	
KPI	**Actual**	**Target**	**Actual**	**Target**
Total oil/fluid lost (litres)	20,224	<20,790	24,267	<18,063
SF_6 gas discharges (kg)	49.01	<37.8	48.37	<42.19
Environmental incidents	6	<6	7	<5
Carbon footprint (tonnes)	16,492	17,931	17,624	20,415
kWh Energy Consumed	25,623,015		26,199,570	

Note: kWh energy consumed relates to depot energy and fleet fuel usage.

Business Plan commitment: Deliver Environmental "RESPECT" (Responsibility, Efficiency, Stewardship, Performance, Evaluation, Communication and Training) and in doing so reduce oil and fluid loss by 15% and our business carbon footprint by 10% during the ED1 period.

Performance during the Regulatory Year: The Company operates a United Kingdom Accreditation Service scheme for environmental management and is certified to the environmental management systems standard ISO 14001:2015. The ISO 14001 standard 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 March 2020 and surveillance audits are carried out twice per calendar year, the last one being conducted in October 2020. Continued certification was confirmed following each audit.

The Company's carbon footprint reporting framework is certified under the Certified Emissions Measurement and Reduction Scheme for compliance with ISO 14064-1:2006. The last full audit was undertaken in August 2020, where continued certification was confirmed. Initiatives including the introduction of electric vehicles and the deployment of a forward looking infra-red camera and an SF6 spectrum imager (which both aid the identification of leaking gas-filled equipment), led to a further improvement in reducing the Company's carbon footprint during the Regulatory Year to 16,492 tonnes (2019/20: 17,624 tonnes). This improvement (combined with Northern Powergrid (Northeast) plc) demonstrated a carbon footprint reduction of 48% at 31 March 2021, well ahead of the original 10% commitment and ahead of the 40% stretch target applied for the 2019/20 Regulatory Year.

In support of the target to further reduce oil and fluid loss, the 2020 annual environmental improvement plan included replacing fluid-filled cables and locating cable fluid leaks more quickly. However, due to a number of cable leaks, the Company reported a total fluid loss of 20,224 litres (2019/20: 24,267). The relevant cables have now been replaced. In relation to the Business Plan commitment, at 31 March 2021, the Company and its affiliate (Northern Powergrid (Northeast) plc) had achieved a 47% reduction in oil and fluid loss (relative to 1 April 2015) and in line with achieving a 47% reduction by the end of the ED1 period.

To maintain its strict 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. In addition to safeguarding the environment from its direct activity, the Company also operates a habitats programme which is aimed at protecting flora and fauna.

Sustainability

Strategic focus: To help facilitate the United Kingdom's transition to a low-carbon economy in the Company's capacity as a major participant in the United Kingdom energy industry and in terms of its own carbon footprint.

Performance during the Regulatory Year: As the country takes action to make significant reductions in its carbon emissions following the establishment of a net zero carbon emissions target by 2050, the way in which electricity is produced and used is expected to have a substantial impact on the Network over time. The Company laid out its intention to act as a key facilitator in the country's net zero transition by placing decarbonisation at the heart of its plans for the ED2 period (as set out in the Emerging Thinking document). The Company is actively exploring how best to contribute to the achievement of this target through the decarbonisation of its own operations, including electrifying the fleet and enabling the uptake of low-carbon technology installations for its customers, such as photovoltaic solar panels, electric vehicles and heat pumps. The volume and total capacity of decentralised energy generation has also been growing steadily and, given the greater range of load and generation technologies now connected to the Network, the Company is taking action to develop innovative solutions that will reduce the need for traditional and potentially expensive reinforcement of the Network. In the past Regulatory Year, the Company has continued to market test flexible solutions, whereby customers are invited to support the Network by changing their energy consumption and generation patterns, facilitating a more efficient and greener Network. To understand how to most efficiently prepare the Network for the future needs of its customers, the Company has continued to build on its views of potential pathways to net zero in its region through its publication of Distribution Future Energy Scenarios in December 2020.

From an innovation perspective, the Company continues to run and develop a portfolio of projects in the priority areas of decarbonisation, digital-enabled customer service and affordability. During the Regulatory Year the Company successfully launched its Silent Power vans following a successful innovation project which enable the dispatch of mobile battery technology vehicles to provide restoration of the electricity supply following a power cut in place of traditional diesel generators. In addition, the collaboration with Northern Gas Networks at the Integral demonstrator site continued to assess the potential future benefits of integrating both gas and electricity energy systems.

The Company's climate change adaptation strategy recognises the impact that climate change is anticipated to have on operations, the risks this poses and the proposed actions to mitigate these risks including vegetation management, Network specifications for changing temperatures and improved weather prediction. The installation of flood defences is one such key activity that is already underway and the delivery of the committed programme in the ED1 period remains on track.

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 its Licence and other regulatory obligations, the Company operates a regulatory compliance affirmation process, under which ownership of approximately 2,000 regulatory obligations are assigned to around 80 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 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 February 2021, which included risk assessments of the regulatory returns to be submitted for the Regulatory Year ahead (April 2021 - March 2022), together with a report detailing the assurance work actually carried out in the year ended 28 February 2021 and the findings of that work.

During the Regulatory Year, activity continued in respect of the ED2 period review process, which was initiated by Ofgem in August 2019. That process is expected to conclude in December 2022, with GEMA determining the charges that DNOs are able to levy over the ED2 period. In December 2020, Ofgem published its decision on the sector-specific methodology that will be applied to the ED2 period, which focussed mainly on implementing new arrangements to support net zero targets, the operation of a smart and flexible energy system, delivering value for money services and keeping bills low. A decision on the finance aspects of the methodology was subsequently published in March 2021. The Company is currently preparing its ED2 Plan, the final version of which is due to be submitted to Ofgem in December 2021.

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 robust system is in place to facilitate the identification of new opportunities and risks, including those associated with the achievement of the Northern Powergrid Group’s strategic objectives and Core Principles. 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 RAB routinely reports its findings to the board to ensure the directors are sufficiently appraised of the risk exposure associated with the pursuit of the Company’s long-term strategy.

Supported by the internal audit function, 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 activities across its business units and shares significant lessons learned. In an unprecedented Regulatory Year as a result of the Pandemic, the business continuity and disaster recovery plans were fully tested, and whilst adaptation and flexibility were required, operational performance remained resilient and employees continued to perform their duties safely.

Principal Risks

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; and
- Monitored by the Information Security Executive Committee and the board.

Regulatory and policy positioning

Decisions taken resulting in negative impacts to our business model.

Mitigation

- The Company's policy position supporting the expanded role of DSO is being set out;
- 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 CEG; and
- The Company is actively involved in consultations on the ED2 price controls.

Network resilience

Loss of 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;
- Network investment ensures grid resilience; and
- Grid resilience programme and audits.

Safety

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

Mitigation

- Overseen by the Health and Safety Committee;
- Clear policies and procedures exist that comply with legislation to ensure the safety of the employees and customers;
- Health and safety training is provided to employees on a continuous basis;
- Audit programme and inspection regimes are in place; and
- ISO18001 safety management system in place.

Environment

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

Mitigation

- Incident response process and robust policies and procedures in place;
- Programme to reduce fluid loss and the Company's business carbon footprint and remove assets containing polychlorinated biphenyl from the network;
- Investment in technology to minimise environmental incidents and 'self-heal' the network;
- Asset inspection programme; and
- 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; and
- Employee engagement and health and well-being initiatives are in place.

Efficiency and output performance

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

Mitigation

- Robust business planning process;
- Financial controls in place including detailed review of actuals against budget, competitive tendering process, and capital expenditure approvals process;
- Monthly executive business performance review; and
- Comprehensive "Efficient Output Delivery" programme.

Financial risks

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

Mitigation

- Monitored by the treasury department;
- 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 2021, 100% of the Company's long-term borrowings were at fixed rates and the average maturity for these borrowings was 16 years; and
- Financial covenant monitoring is in place.

Brexit

Britain's departure from the European Union.

Mitigation

- Brexit is not considered to be a principle risk to the Company.

Pandemic

Infection rate leads to high staff absence.

Mitigation

- Pandemic mitigation plan in place;
- Geographical distribution of facilities and staff;
- Briefings and advice provided on safety, health and well-being; and
- Independent external support and resources available.

At the time of writing this report, the Company's response to the Pandemic remains fully operational. As a provider of a key national infrastructure, the Northern Powergrid Group has robust policies and processes in place to minimise the effect of disruptions to service and has considerable experience of invoking its major incident procedures. The pandemic management plan was developed to provide a dynamic approach to the way in which the Company is run so as to ensure essential operations are maintained to normal standards whilst supporting the health and well-being of staff. Staff absence has not risen above normal levels. The Company response to the Pandemic is aligned to UK Government advice and formulated with the oversight of the Department for Business, Energy & Industrial Strategy.

The Company's revenue derives principally from regulated electricity distribution and this was not materiality affected by the Pandemic. The regulatory regime allows for the recovery of allowed costs in full over the long term. In addition, the Company has reviewed its liquidity levels and has concluded that these remain sufficient. The Company has access to long-term financing from a range of sources, principally the sterling bond market, which has offered funding at rates commensurate with the Companies' strong credit ratings. The Company continues to monitor cash flows and liquidity.

Internal control

A rigorous internal control environment exists within the Company to support the financial reporting process, the key features of which include 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.

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

In accordance with Berkshire Hathaway Energy's requirements to comply with the US 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 the policies and procedures it has in place 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, further details of which can be found on page 10. 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.

Viability Statement

The directors have chosen an eight-year period from 1 April 2015 for the purposes of making this statement as it equates to the ED1 period for which the Company's income has been set. 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 and the Northern Powergrid Group, the Company's business model and strategy, the effect of the Pandemic upon the Company, the forecasts developed as part of the Annual Plan and the commitments made in the Business Plan. 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. 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 will be able to continue in operation and meet its liabilities as they fall due over the ED1 Period.

Section 172(1) statement

The information pursuant to Section 414CZA of the Companies Act 2006 has been reported throughout the Strategic Report, Principal Risks and Uncertainties, Directors Report and Corporate Governance Statement. Consequently, the detail which describes how the directors have had regard to the matters set out in Section 172(1) (a) to (f) when performing their duty under Section 172 can be found on the pages referenced below:

(a) the likely consequences of any decision in the long term; (Page 4)
(b) the interests of the Company's employees; (Pages 9 to 11)
(c) the need to foster the Company's business relationships with suppliers, customers and others; (Pages 6 to 8)
(d) the impact of the Company's operations on the community and the environment; (Pages 11 and 12)
(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and (Page 10)
(f) the need to act fairly as between members of the Company. The Company has one class of ordinary shares which are all held by YEG, a company owned by the Northern Powergrid Group.

Non-financial 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. Detail in respect of the relevant policies, risks and associated mitigations and non-financial KPIs can be found on the pages referenced below:

- Business model: page 4;
- Environmental: page 11;
- Employees: pages 9;
- Social Matters: pages 9 and 10;
- Respect for Human rights: page 17; and
- Anti-Corruption and Anti-bribery matters: pages 10 and 17.

Approved by the Board on 30 July 2021 and signed on its behalf by:

T H France
Director

The directors present their report together with the auditor's report and the financial statements for the Regulatory Year ended 31 March 2021.

Dividends
During the Regulatory Year, an interim dividend of £33.6 million was paid (2019/20: £32.5 million). The directors recommend that no final dividend be paid in respect of the Regulatory Year (2019/20: £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 Regulatory Year. 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 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 E Fielden (resigned 15 February 2021)
T H France
A J Maclennan
A R Marshall
P A Jones
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.

During the Regulatory Year 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 2021, is shown in the statement of financial position on page 34. There have been no significant events since the Regulatory Year end. The directors intend that the Company will continue to implement the Business Plan during the remainder of the ED1 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. There are no plans to change the existing business model.

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 £2.5 million (2019/20: £2.1 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 on page 15 of the Strategic Report and Note 29 to the financial statements.

As at 31 March 2021 and during the Regulatory Year it was the Company's policy not to hold any derivative financial instruments.

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.

Engagement with employees

A constitutional framework agreed with trade union representatives exists in respect of employee consultation. 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 senior management team routinely report 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.

Employee engagement continues to show improvement with local action plans augmented by routine communication channels including regular colleague briefings, meaningful conversations between colleagues and their line manager, council meetings with trade union representatives, and utilising the Northern Powergrid Group's intranet.

During the Regulatory Year, the President and Chief Executive Officer and members of the senior management team of the Northern Powergrid Group continued to provide colleagues with updates on the Northern Powergrid Group's response to the Pandemic and financial, organisational, safety and customer service performance through weekly recorded electronic briefings. In addition, Northern Powergrid Group wide text messages were used to quickly disseminate key information concerning the Pandemic or the invoking of major incident responses. Where appropriate, the executive directors and senior leaders engaged with employees during operational and office-based site visits ensuring safety measures were maintained throughout.

In accordance with Section 414C of the Companies Act 2006 further disclosures details concerning the Company's relationship with employees (including the principal decisions taken during the Regulatory Year) and information concerning greenhouse gas emissions can be found on pages 9, 10, 11 and 12 of the Strategic Report.

Business Relationships

As referenced throughout the Strategic Report, the Company's business model is to provide and maintain a reliable, safe and cost-effective Network. To achieve this objective, the Company delivers its service to fulfil the needs of the stakeholders with whom it interacts, a concept which underpinned the formulation of the Business Plan and will be repeated as the ED2 Plan develops. Consequently, fostering business relationships is a prerequisite of the activity performed by the Company in the pursuit of its goals.

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.

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 Northern Powergrid Group's annual Modern Slavery Act statement.

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. Further detail of the Company's relationship with customers, the support programmes and the decisions made during the Regulatory Year is discussed on page 6. The independent scrutiny and challenge provided by the CEG during the Regulatory Year has helped determine those areas most important to customers and what they expect to be achieved during the ED2 period.
As outlined on page 13, activity in respect of Regulatory Integrity and engagement with Ofgem was prevalent during the Regulatory Year and included participation in various consultations concerning the ED2 period. Given the implications on the Company's long-term strategy, the relationship with Ofgem, the evolving ED2 framework, the transition to DSO as well as the effects

CORPORATE GOVERNANCE STATEMENT

The Company has sought to apply the UK Corporate Governance Code 2018 (the "Code") and report on the application of the Principles and supporting Provisions in the context of the Northern Powergrid Group's private ownership structure

.

The directors confirm that the governance framework in place is appropriate to the circumstances of the Company andThe Northern Powergrid Group. The framework is agreed with the Northern Powergrid Group's shareholder, Berkshire Hathaway Energy. The Company and the Northern Powergrid Group has not complied with main Principle L or Provisions 17, 18 21, 22, 23, 26, 32, 33 and 41. In addition, Provisions 4, 9, 19, 20 and 35 are deemed not to be relevant to the Company's or the Northern Powergrid Group's circumstances for the reasons explained in the pages that follow. A copy of the Code can be found at https://frc.org.uk/.

BOARD LEADERSHIP AND COMPANY PURPOSE

Strategic Ownership

The board is collectively responsible for generating value for the Northern Powergrid Group's shareholder and wider society which is achieved through the delivery of a strategy which corresponds to Berkshire Hathaway Energy's six Core Principles. As discussed on pages 4 and 5 of the Strategic Report, the strategy is set out in two forms of business plan (the Business Plan and Annual Plan), both of which are approved and monitored by the board and are designed to promote the long-term sustainable success of the Company and the Northern Powergrid Group whilst achieving the commitments developed to address stakeholder requirements.

For the purpose of scrutinising performance in respect of both business plans, the board review a range of financial and non-financial KPIs which correspond to the Core Principles and have been established to operate within a framework of internal controls. The deliverables set out in the business plans shape the allocation of both financial and operational resource for which the board delegates the responsibility to a single senior management team who have specific functional responsibilities in respect of operations, safety, health and environment, asset management, customer service, business development, policy and markets, regulation, human resources, organisation development, legal and finance.

Engagement and Values

The Northern Powergrid Group has an established relationship with its shareholder, reflected by the leadership structure, whereby the President and Chief Executive Officer of the Group reports directly to the President and Chief Executive Officer of Berkshire Hathaway Energy. Frequent interaction and dialogue with Berkshire Hathaway Energy (which is maintained through regular reporting and meetings with the Northern Powergrid Group's President and Chief Executive Officer and senior management team) ensures that strategic views are understood and aligned, and that appropriate values and standards are set. Demonstrated by the adoption of Berkshire Hathaway Energy's 'Core Leadership Expectations', required behaviour and standards include the delivery of quality and improvement (for which all employees are responsible) to developing individuals and teams, building stakeholder relationships and establishing strategic direction (predominantly responsibilities of the senior management team and the board).

As described on page 20, employee engagement (and the investment therein) is implemented through consistent messaging which commences with the induction programme, during which colleagues are introduced to the Northern Powergrid Group, its business model, strategy and the Core Leadership Expectations, regular meetings with line management and communications from the President and Chief Executive Officer. A number of policies such as the Code of Conduct and Code of Practice and Business Ethics support the employee engagement programme and underpin the onward dissemination of the values and expected standards of behaviour to the wider employee population. As outlined on page 10, in the event employees have concerns regarding behaviour, ethics or compliance related matters, they are able to raise these confidentially via either internal or externally facilitated independent channels.

Composition

The board of the Company comprises three executive directors and two non-executive directors. The Northern Powergrid Group's non-executive directors and Mr Knowles (a member of the Northern Powergrid Group's audit committee) are considered to be independent. The President and Chief Executive Officer combines the executive responsibility of running the Northern Powergrid Group's business with the responsibility for the leadership of the Company's board of directors, which includes directing the Company and the Northern Powergrid Group and ensuring its effectiveness. The Northern Powergrid Group's shareholder supports the role undertaken by the President and Chief Executive Officer and, through the shareholder's regular interaction with the President and Chief Executive Officer and input into the principles governing to whom the board of the Company delegates its authority, ensures no one person has unfettered powers of decision. Chairmen and senior independent non-executive directors are not routinely appointed to the Northern Powergrid Group's boards.

Although the board does not include a balanced number of executive and non-executive directors, the board believes that the combination is appropriate, and it possesses the requisite skills and experience necessary to provide effective leadership, stewardship and control of the Company and the Northern Powergrid Group. The non-executive directors of the Company and the Northern Powergrid Group constructively challenge the executive board and senior management team on the delivery of the Company's and the Northern Powergrid Group's strategic objectives. In accordance with their individual areas of specialism, the non-executive directors chair a number of the Northern Powergrid Group's board sub-groups, which combined with the guidance and challenge they provide during routine board meetings, gives them additional opportunity to hold the senior management team to account.

Time Commitment and Resources

To facilitate the delivery of their duties, the directors continually update their knowledge of and familiarity with the operations of the Company and the Northern Powergrid Group. This is supported by robust reporting arrangements, access to the Northern Powergrid Group's operations and interaction with its staff. Under the direction of the President and Chief Executive Officer, information is provided to the board in a timely manner to enable directors to commit sufficient time to the preparation for and attendance at board meetings. In addition, updates and briefings are circulated during the course of the regular board meeting cycle. The directors are able to utilise the advice and services of the Company Secretary and her team. Upon request, the directors have access to independent professional advice. A register of situational conflicts is held centrally to ensure independent judgment is maintained and time commitment is not jeopardised. Conflicts of interests are declared as a matter of routine pursuant to individual director's duties.

The board meet on a quarterly basis to review business performance, strategic initiatives and operational and risk-related issues. Additional board meetings are held as required. Meetings of the board are chaired by the President and Chief Executive.

Board committees and sub-groups

During the Regulatory Year, there were a number of committees and board sub-groups in operation, acting under delegated terms of reference which oversee the Northern Powergrid Group and report regularly on their activities. Attendance at meetings by the Company's board members and the senior management team during the Regulatory Year was as follows:

Name	Position	Board meeting	Audit Committee	Health and Safety Committee	Risk Advisory Board	Innovation Advisory Board
P A Jones	President and Chief Executive Officer	5/5 (Chair)		3/3 (Chair)		4/4
T E Fielden (resigned 15 February 2021)	Finance Director	4/4	2/2	2/2	3/3	
T H France	General Counsel	5/5		2/3	1/4	
A J Maclennan	Commercial Director	5/5		3/3	2/4	4/4
A R Marshall	Independent non-executive Director	5/5		3/3	4/4 (Chair)	
P C Taylor	Independent non-executive Director	4/5				4/4 (Chair)
J C Riley	Company Secretary	5/5	2/2	3/3		4/4
J N Reynolds	Independent non-executive Director		2/2 (Chair)			
M Knowles	Independent member (Audit Committee)		2/2		4/4	
N A Applebee (resigned 23 April 2021)	Director of People and Customer Service				3/3	
A E Bilclough	Director of Field Operations				4/4	4/4
G M Earl (retired 6 April 2021)	Director of Safety, Health and Environment			2/3	3/3	
P S Erwin	Policy and Markets Director				3/4	4/4
P Fitton	Head of Information Systems				3/4	
N M Gill	Director of Risk Management and Project Assurance				4/4	
A P Jones	Director of Performance and Planning				3/4	2/4
S J Lockwood	Director of Finance - Interim				1/1	
A J Patterson	Director of Organisation Development				1/4	
Gareth Pearson	Head of Health, Safety and Training			1/1	4/4	

The executive directors who hold office at Berkshire Hathaway Energy do not routinely attend board meetings of the Company.

Audit committee

Role: To consider the application of corporate reporting, risk management and internal control principles.

Duties:

- carry out the functions required by DTR 7.1.3R;
- oversee the RAB;
- monitor internal audit plan;
- sub-delegate activities to another person or body as seen fit. At the December 2020 meeting, duties were sub-delegated to Berkshire Hathaway Energy's audit committee; and
- report to the board.

Health and Safety Committee

Role: Meets bi-annually to manage the health and safety policy and performance of the Northern Powergrid Group.

Duties:

- oversee the implementation and review the effectiveness of health and safety policy;
- develop the strategy for managing health and safety issues;
- monitor health and safety performance consider policy changes; and
- report to the board.

Risk Advisory Board (RAB)

Role: Meets quarterly to ensure effective risk management and internal control processes are in place.

- contribute to the setting of the Northern Powergrid Group's risk tolerance and appetite;
- keep under review current business risks and the effectiveness of internal controls;
- oversee the processes for the identification of future risks; and
- report to the board, Berkshire Hathaway Energy and the Audit Committee.

Innovation Advisory Board

Role: Meets quarterly to monitor the effectiveness of the innovation programme in achieving its objectives.

Duties:

- contribute to the development, review and approval of the Northern Powergrid Group's innovation strategy;
- keep under review the current portfolio and pipeline of new innovation projects;
- monitor the level of risk associated with the programme; and
- report to the board.

SUCCESSION AND EVALUATION

The board of the Company (or of any other Northern Powergrid Group subsidiary) does not undertake an annual evaluation of its performance, as this is continually monitored and assessed by Berkshire Hathaway Energy through the delivery of the Annual Plan.

As a matter of routine, the committees and sub-groups that have been constituted on behalf of the Northern Powergrid Group have historically been evaluated through the activity delivered in accordance with their terms of reference. However, during 2019, a broader governance review was undertaken to revisit the scope, purpose, duties and membership of each committee or sub-group so as to ensure they remained effective and had the requisite level of skill and expertise.

The review undertaken in late 2019 reaffirmed that the relationship between the Northern Powergrid Group and its shareholder continues to negate the necessity to establish a nominations committee for the purpose of identifying board appointments and a remuneration committee to consider directors' and senior managers' remuneration. Both of these functions are undertaken by the appropriate representative of Berkshire Hathaway Energy and the President and Chief Executive Officer of the Northern Powergrid Group. All board appointments are considered with due regard to the board's overall composition including the balance of skills and experience ahead of recommendations being put to the board.

Succession plans are in place for board and senior management positions and are reviewed and agreed by the President and Chief Executive Officer of Berkshire Hathaway Energy.

Diversity policy

The Northern Powergrid Group has adopted a number of policies (including the policy on diversity at work and Code of Conduct) that collectively comprise the policy on diversity. Diversity is actively supported through recruitment, educational programmes, employee opportunities and the Global Days of Service charitable support programme. All appointments (which includes board, board committee, and senior management appointments) are based on merit with due regard for diversity, including gender. 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.

AUDIT, RISK AND INTERNAL CONTROL

Each of the Company's and Northern Powergrid Group's directors is responsible for the management of risk and the internal control environment which is designed to address Berkshire Hathaway Energy's United States Sarbanes-Oxley Act requirement, the key features of which can be found on page 16 and 17 of the Strategic Report. As part of this responsibility, the board has established robust procedures and processes which ensure the effectiveness of both the internal and external audit functions.

The internal audit team operates in an independent and objective manner without interference from the Company or the Northern Powergrid Group. This provides the flexibility to refocus the scope of the annual internal audit plan to align with changing priorities if required. Internal audit findings including the resilience of internal controls are reported to the board on a quarterly basis in order to keep the directors sufficiently apprised of areas of risk. An external assessment of the activity of the internal audit team confirmed it operates at the highest level in accordance with the Institute of Internal Audit standards.

An appropriate relationship is maintained with the Northern Powergrid Group's external auditor to ensure independence and rigour is preserved. The Audit Partner has regular interaction with the Finance Director and routinely attends two board meetings per Regulatory Year to present the audit plan for the forthcoming year and subsequently disseminate the findings. Deloitte LLP staff have full access to the Northern Powergrid Group's systems and premises for the purpose of conducting their audit work in a robust and efficient manner. In addition to a series of internal checks and comprehensive reviews, the external audit process supports the verification of the integrity of the annual reports and financial statements and the fair, balanced and understandable assessment of the Company's and the Northern Powergrid Group's position and prospects being presented.

Further detail concerning the procedures to manage risk, oversee the internal framework, set the boards risk appetite and the Company's principal risks can be found on pages 13 to 17.

REMUNERATION

As outlined above, the board has not elected to establish a remuneration committee for the purpose of determining executive directors' and senior managers' compensation. However, this does not reflect a lack of policy or rigour given the process is instead managed by the Northern Powergrid Group's shareholder. As a consequence, remuneration is strictly aligned to both the Company's and the Northern Powergrid Group's long-term strategy, the delivery of sustainable growth and Berkshire Hathaway Energy's values as defined by the Core Principles. No individual is involved in determining their own remuneration.

The Company's and the Northern Powergrid Group's executive directors' and senior managers' remuneration is considered on an annual basis and is explicitly linked to the employee performance evaluation process. Each individual's effectiveness is measured against both personal and Berkshire Hathaway Energy goals with all resulting awards based on merit and linked to the delivery of stretching accountabilities.

Non-executive director remuneration is also reviewed on an annual basis and is reflective of time commitment and level of responsibility. Any increases are made in line with the wider Northern Powergrid Group's employee population and is subject to continued satisfactory performance. As the Articles of Association of the Company do not require the periodic retirement and re-election of directors, the letters of appointment in place for each of the Northern Powergrid Group's non-executive directors are reviewed regularly allowing for a mutual evaluation of the benefit of individuals remaining in post. The notice period for all board members is less than one year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Regulatory Accounts, including the Strategic Report, the Directors' Report and the Corporate Governance Statement in accordance with standard condition 44 of the Company's Licence 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 International Accounting Standards Board ("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 in IFRSs 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.

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 obtaining 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 Company's revenue derives principally from regulated electricity distribution and this was not materiality affected by the Pandemic. The regulatory regime allows for the recovery of allowed costs in full over the long term;
- 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 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 Licence) or by the Utilities Act 2000;
- The Northern Powergrid Group is profitable with strong underlying cash flows. Northern Powergrid Holdings Company, the Company and Northern Powergrid (Northeast) plc hold 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 £192 million provided by Lloyds Bank plc, National Westminster Bank plc and Santander UK plc;
- The Northern Powergrid Group plans to issue long-term borrowings within the next 12 months and benefits from strong investment-grade credit ratings which allow access to a range of financing options;
- The Northern Powergrid Group has prepared forecast 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 in the Company’s and Northern Powergrid (Northeast) plc’s 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, including detailed considerations of the impact of the coronavirus pandemic, 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 financial statements.

Each of the directors as at the date of the annual reports and financial statements, whose names and functions are set out on page 23 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.

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

Approved by the Board on 30 July 2021 and signed on its behalf by:

T H France

Director

Northern Powergrid (Yorkshire) plc
Registered number 04112320
Independent auditor's report to the gas and electricity markets authority (the "regulator") and to Northern Powergrid (Yorkshire) plc (the "Company")

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 2021 present fairly, in all material aspects, in accordance with Standard Special Condition A30 of the Regulatory Licence and the Company's accounting policies.

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 30.

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 Special Condition A30 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 regulatory accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the regulatory accounts is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- assessing financing facilities including nature of facilities, repayment terms and covenants
- evaluating the linkage to business model and medium-term risks
- assessing assumptions used in the forecasts, including forecasted information relating to next price control review RIIO-ED2
- calculating the amount of headroom in the forecasts, specifically relating to cash and covenants on borrowings
- performing sensitivity analysis, and;
- evaluating sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

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 and parent’s ability to continue as a going concern for a period of at least twelve months from when the regulatory accounts are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

In connection with our audit of the regulatory accounts, 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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the regulatory accounts and for being satisfied that they give a true and fair view, 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 non-statutory financial statements

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 about their own identification and assessment of the risks of irregularities.

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 Standard Special Condition A30 of the Regulatory Licence; and
- do not have a direct effect on the regulatory accounts but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the regulatory accounts.

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 Special Condition A30 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.

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 2019 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 stator 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

Anthony Matthews FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle, United Kingdom

Date: 30 July 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Notes	**2021 £m**	2020 £m
Revenue	3	**441.3**	439.4
Cost of sales		**(19.3)**	(19.5)
Gross profit		**422.0**	419.9
Distribution costs		**(165.7)**	(158.6)
Administrative costs		**(68.3)**	(67.8)
Operating profit	6	**188.0**	193.5
Income from fixed asset investments	7	**-**	0.1
Profit on disposal of property, plant and equipment		**0.1**	0.4
Investment income	7	**0.3**	1.7
Finance costs	8	**(38.0)**	(49.3)
Profit on ordinary activities before taxation		**150.4**	146.4
Income tax	9	**(27.7)**	(43.1)
Profit on ordinary activities after taxation		**122.7**	103.3

All activities relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

There has been no other income or expense for the Company. Therefore, total comprehensive for the year is £122.7 million (2020: £103.3 million).

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Notes	2021 £m	2020 £m
Assets			
Non-current assets			
Property, plant and equipment	11	**3,612.9**	3,475.0
Intangible assets	13	**0.2**	0.2
Right of use asset	12	**9.1**	7.6
		3,622.2	3,482.8
Current assets			
Inventories	15	**0.5**	0.3
Cash and cash equivalents	16	**155.8**	223.7
Trade and other receivables	17	**67.4**	65.9
		223.7	289.9
Total assets		**3,845.9**	3,772.7
Equity			
Share Capital	22	**290.0**	290.0
Retained earnings	23	**1,308.1**	1,219.0
Total equity		**1,598.1**	1,509.0
Liabilities			
Current liabilities			
Trade and other payables	18	**89.8**	89.5
Current portion of long term leases	25	**2.4**	2.0
Current income tax liabilities	18	**1.2**	15.5
Deferred revenue	20	**34.5**	32.9
Borrowings	19	**26.8**	38.1
Provisions	21	**1.2**	1.4
		155.9	179.4
Non-current liabilities			
Borrowings	19	**1,119.2**	1,118.5
Long term lease liability	25	**7.0**	5.7
Deferred tax	9	**137.7**	140.4
Deferred revenue	20	**827.5**	819.2
Provisions	21	**0.5**	0.5
		2,091.9	2,084.3
Total liabilities		**2,247.8**	2,263.7
Total equity and liabilities		**3,845.9**	3,772.7

The financial statements were approved by the board of directors and authorised for issue on 30 July 2021 and were signed on its behalf by:

T H France
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Share Capital (Note 22)	Retained Earnings (Note 23)	Total Equity
	£m	£m	£m
At 1 April 2019	290.0	1,148.2	1,438.2
Total comprehensive income for the year	-	103.3	103.3
Dividends paid	-	(32.5)	(32.5)
At 31 March 2020	**290.0**	**1,219.0**	**1,509.0**
Total comprehensive income for the year	**-**	**122.7**	**122.7**
Dividends paid	**-**	**(33.6)**	**(33.6)**
At 31 March 2020	**290.0**	**1,308.1**	**1,598.1**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Profit for the year		**122.7**	103.3
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	11,13	**116.3**	111.7
Depreciation on right of use assets	12	**2.3**	2.4
Amortisation of deferred revenue	20	**(32.8)**	(31.8)
Profit on disposal of property plant and equipment		**(0.1)**	(0.4)
Finance income	7	**(0.3)**	(1.8)
Finance costs	8	**38.0**	49.3
Income tax expense	9	**27.7**	43.1
		273.8	275.8
(Increase)/decrease in inventories	15	**(0.2)**	0.1
Decrease/(increase) in trade and other receivables	17	**0.3**	(1.3)
(Decrease)/increase in trade and other payables	18	**(0.8)**	1.8
(Decrease)/increase in provisions	21	**(0.2)**	0.1
Cash generated from operations		**272.9**	276.5
Income taxes paid		**(44.6)**	(33.1)
Finance costs paid		**(38.9)**	(50.5)
Net cash flow from operating activities		**189.4**	192.9
Cash flows used in investing activities			
Acquisitions of property plant and equipment		**(247.1)**	(253.7)
Proceeds from sale of property plant and equipment		**0.1**	0.4
Receipt of customer contributions		**36.8**	35.8
Interest received	7	**0.3**	1.7
Dividend income		**-**	0.1
Net cash flows used in investing activities		**(209.9)**	(215.7)
Cash flows (used in)/from financing activities			
Repayment of short-term borrowing		**(11.3)**	(16.7)
Interest expense on leases	8	**(0.3)**	(0.3)
Proceeds from long term debt		**-**	293.6
Repayment of long term debt		**-**	(200.0)
Payments to finance lease creditors		**(2.2)**	(2.3)
Dividends paid	10	**(33.6)**	(32.5)
Net cash flows (used in)/from financing activities		**(47.4)**	41.8
Net movement in cash and cash equivalents		**(67.9)**	19.0
Cash and cash equivalents at 1 April	16	**223.7**	204.7
Cash and cash equivalents at 31 March	16	**155.8**	223.7

1 GENERAL INFORMATION

Northern Powergrid (Yorkshire) plc is a private 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.

2 ACCOUNTING POLICIES

Statement of compliance
The company financial statements have been prepared in accordance with International Financial Reporting Standards as issues by the IASB.

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.

Basis of preparation
The financial statements have been prepared under the historical cost convention as modified by financial instruments at fair value.

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.

The nature of the Company's business model, strategic objectives, operations and activities are set out in the strategic report under the terms of section 400 of the Companies act 2006.

The Company is exempt from preparing group financial statements as it is a wholly owned subsidiary of a parent undertaking preparing group financial statements. Further details of the registered address and parent company are available in Note 30.

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

The 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.

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 and this was not materially affected by the Pandemic. The regulatory regime allows for recovery of allowed costs in full over the long term.

- 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 the Gas and Electricity Markets Authority ("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 Northern Powergrid Group is profitable with strong underlying cash flows. Northern Powergrid Holdings Company, a company in the Northern Powergrid Group, The Company and Northern Powergrid (Northeast) plc hold 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 £192 million provided by Lloyds Bank plc, National Westminster Bank plc and Santander UK plc;

- The Northern Powergrid Group plans to issue long-term borrowings within the next 12 months and benefits from strong investment-grade credit ratings which allow access to a range of financing options;

- 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 licences 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. 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, including detailed considerations of the impact of the coronavirus pandemic, 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 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 £46.0 million (2020: £49.4 million), this was a decrease from 71.8% to 70.4%.

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 and amendments effective from 1 January 2020
- Amendments to IFRS 3 -definition of a business;
- Amendments to IAS 1 (presentation of financial statements) and IAS 8 (accounting policies, changes in accounting estimates and errors) - Definition of material;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Amendments to IFRS 9, IAS 39, and IFRS 7 - Interest rate benchmark reform These amendments have had no material impact on the financial statements including the comparatives.

Effective for periods beginning on or after 1 June 2020
- Amendment to IFRS 16 - COVID 19 related rent concessions

This amendment is not expected to have a material impact on the financial statements.

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 recognised on a per GWh 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.

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 statement of financial position date by the number of GWh distributed by the system.

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.

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.

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 equipment	up to 10 years
- Land	not depreciated
- Other system assets	45 years
Buildings:	
- Freehold	Up to 60 years
- Leasehold	lower of lease period or 60 years
Non-operational land	not depreciated
Furniture, fittings and equipment	up to 10 years

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

Amortisation
Amortisation is charged to administrative costs and 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 using a straight line method:

Asset class	*Amortisation method and rate*
Software development costs	up to 15 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.

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.

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 amortised cost using the effective interest method, 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 the average cost method.

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.

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 Northern Powergrid 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.

Leases
For lessees, all leases will be recorded on the balance sheet as liabilities, at the present value of the future lease payments, along with an asset reflecting the right to use the asset over the lease term. Short-term leases (a lease that, at the commencement date has a lease term of 12 months or less) and low value leases will be excluded.

The Company applies IFRS 16 to all leases (except as noted below) 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. Subsequently, the assets are measured under the fair value method. The corresponding lease liability is initially measured at present value of all lease payments over the lease term and can be restated if the terms or other criteria of the contract change. 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 (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 single discount rate to a portfolio of leases;

-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 2.43% (2019:3.48%)

The Company recognises deprecation 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.

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 Northern Powergrid 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.

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

Contributions to the DB Scheme are charged to the statement of profit or loss. 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.

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 FVTPL:

· 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.

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;

(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 FVTPL, 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.

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 months before 31 December 2019 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.

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, the valuation of financial instruments and 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.

3 SEGMENTAL REPORTING

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

In practice, the President and Chief Executive Officer allocates resources and assesses performance based upon the aggregate results of the Company and Northern Powergrid (Northeast) plc, another distribution network operator in the Northern Powergrid Group, 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 2021 £m	Distributed Generation 2021 £m	Excluded Services 2021 £m	Metering 2021 £m	De Minimis 2021 £m	Total 2021 £m
STATEMENT OF PROFIT OR LOSS						
Revenue	**410.1**	**5.1**	**8.8**	**4.3**	**13.0**	**441.3**
Cost of sales	**(14.8)**	**-**	**(3.3)**	**-**	**(1.2)**	**(19.3)**
Gross profit	**395.3**	**5.1**	**5.5**	**4.3**	**11.8**	**422.0**
Distribution costs	**(156.5)**	**(9.2)**	**0.1**	**(0.1)**	**-**	**(165.7)**
Administration costs	**(56.6)**	**-**	**(0.4)**	**(0.4)**	**(10.9)**	**(68.3)**
Operating profit/(loss)	**182.2**	**(4.1)**	**5.2**	**3.8**	**0.9**	**188.0**
Income from fixed asset investments						**-**
Profit on disposal of property, plant and equipment						**0.1**
Investment income						**0.3**
Finance costs						**(38.0)**
Profit Before Tax						**150.4**
OTHER INFORMATION						
Capital PPE additions	**216.3**	**10.6**	**27.3**	**-**	**-**	**254.2**
Depreciation	**110.2**	**9.2**	**(0.1)**	**-**	**(0.7)**	**118.6**
Amortisation of deferred revenue	**20.4**	**8.4**	**4.0**	**-**	**-**	**32.8**

Northern Powergrid (Yorkshire) plc
Registered number 04112320
Notes to the regulatory accounts for the year 31 March 2021 (continued)

3 SEGMENTAL REPORTING (CONTINUED)

	Distribution	Distributed Generation	Excluded Services	Metering	De Minimis	Total
	2020	2020	2020	2020	2020	2020
	£m	£m	£m	£m	£m	£m
STATEMENT OF PROFIT OR LOSS						
Revenue	405.9	6.0	10.2	4.8	12.5	439.4
Cost of sales	(14.8)	-	(3.5)	-	(1.2)	(19.5)
Gross profit	391.1	6.0	6.7	4.8	11.3	419.9
Distribution costs	(149.1)	(9.5)	0.3	(0.3)	-	(158.6)
Administration costs	(56.2)	-	(0.3)	(0.3)	(11.0)	(67.8)
Operating profit/(loss)	185.8	(3.5)	6.7	4.2	0.3	193.5
Income from fixed asset investments						0.1
Profit on disposal of PPE						0.4
Investment income						1.7
Finance costs						(49.3)
Profit before tax						146.4
OTHER INFORMATION						
Capital PPE additions	215.3	6.2	34.2	-	-	255.7
Depreciation	104.9	9.5	(0.3)	-	-	114.1
Amortisation of deferred revenue	18.3	8.9	4.6	-	-	31.8

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

4 STAFF COSTS

	2021 £m	2020 £m
Salaries	**60.0**	58.2
Social security costs	**6.9**	6.7
Defined benefit pension costs	**15.0**	15.4
Defined contribution pension costs	**4.2**	3.8
	86.1	84.1
Less charged to property, plant and equipment	**(51.8)**	(49.2)
	34.3	34.9

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 24.

The average monthly number of employees during the year was:

	2021 No.	2020 No.
Technical	**384**	388
Industrial	**532**	537
Administration	**96**	78
Other	**117**	115
	1,129	1,118

5 DIRECTORS' & KEY PERSONNEL REMUNERATION

DIRECTORS' REMUNERATION

Highest Paid	**2021 £'000**	2020 £'000
Short-term employee benefits	**344**	387
Post-employment benefits	**-**	-
Other long-term benefits	**417**	425
	761	812

Total	**2021 £'000**	2020 £'000
Short-term employee benefits	**610**	673
Post-employment benefits	**8**	10
Other long-term benefits	**522**	556
	1,140	1,239
Directors who are members of the defined benefit scheme	**-**	-
Accrued pension benefit relating to highest paid director	**-**	-

OTHER KEY PERSONNEL REMUNERATION

Total	**2021 £'000**	2020 £'000
Short-term employee benefits	**442**	458
Post-employment benefits	**84**	66
Other long-term benefits	**154**	213
	680	737

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

	2021 £m	2020 £m
This is stated after charging/(crediting):		
Staff costs (Note 5)	**34.3**	34.9
Research costs	**2.5**	2.1
Depreciation of property, plant and equipment	**116.3**	111.7
Amortisation of deferred revenue	**(32.8)**	(31.8)
Right of use asset depreciation	**2.3**	2.4
Impairment loss on trade and other receivables	**1.6**	0.4

Analysis of auditor's remuneration is as follows:	**2021 £000**	2020 £000
Fees payable to the Company's auditor for the statutory audit of the Company's annual accounts	**158**	124
Other services supplied pursuant to legislation in respect of regulatory accounts	**51**	46
Other services supplied pursuant to legislation	**26**	32
	235	202

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

7 FINANCE INCOME

	2021 £m	2020 £m
Interest Receivable from Group Undertakings	**0.2**	1.7
Income from other fixed asset investments	**0.1**	0.1
	0.3	1.8

8 FINANCE COSTS

	2021 £m	2020 £m
Interest payable on loans and bonds	**39.3**	50.6
Interest payable on leases	**0.3**	0.3
Amounts included in the cost of qualifying assets	**(1.6)**	(1.6)
Total finance costs	**38.0**	49.3

Interest is capitalised at 3.37% (2020: 4.50%).

9 INCOME TAX

Tax charged in the income statement

	2021	2020
	£m	£m
Current taxation		
UK *corporation* tax	**30.1**	29.2
UK corporation tax adjustment to prior periods	**0.3**	0.4
	30.4	29.6
Deferred taxation		
Arising from origination and reversal of temporary differences	**(1.6)**	(1.5)
Deferred tax adjustment to prior periods	**(1.1)**	0.5
Effect of changes in legislation	**-**	14.5
Total deferred taxation	**(2.7)**	13.5
Tax charge in the income statement	**27.7**	43.1

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021	2020
	£m	£m
Profit before tax	**150.4**	146.4
Corporation tax at standard rate	**28.6**	27.8
Increase in current tax from adjustment for prior periods	**0.3**	0.4
(Decrease)/increase in deferred tax from adjustment for prior periods	**(1.1)**	0.5
Increase in deferred tax due to changes to legislation	**-**	14.5
Effect of income and expenses not taxable/deductible in determining taxable profit	**(0.1)**	(0.1)
Total tax charge	**27.7**	43.1

As part of the March 2021 Budget, it was announced that the Corporation Tax Rate will increase from 19% to 25% from 1 April 2023 and these provisions were contained with Finance Act 2021 which was enacted on 10 June 2021. However, as this has not been enacted by the balance sheet date, balances as at 31 March 2021 continue to be measured at 19%. The amended tax rate would give rise to an estimated increase of £40.4m in the deferred tax liability.

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

Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. This was substantively enacted through the Provisional Collection of Taxes Act on 17 March 2020 and therefore balances as at 31 March 2020 are measured at 19%. As a result of this rate change, this has increased the deferred tax liability by £14.5m.

Deferred tax

Deferred tax movement during the year:

	At 1 April 2020 £m	**Recognised in income £m**	**At 31 March 2021 £m**
Accelerated tax depreciation	**141.0**	**(2.4)**	**138.6**
Other	**(0.6)**	**(0.3)**	**(0.9)**
Net tax liabilities	**140.4**	**(2.7)**	**137.7**

Deferred tax movement during the prior year:

	At 1 April 2019 £m	Recognised in income £m	At 31 March 2020 £m
Accelerated tax depreciation	127.2	13.8	141.0
Other	(0.3)	(0.3)	(0.6)
Net tax liabilities	126.9	13.5	140.4

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

10 DIVIDENDS

	2021 Pence per share	2020 Pence per share	**2021 £m**	2020 £m
Dividend paid	**11.59**	11.21	**33.6**	32.5

11 PROPERTY, PLANT AND EQUIPMENT

	Distribution system £m	Non-operational land & buildings £m	Fixtures and equipment £m	Total £m
COST				
At 1 April 2019	4,360.9	4.5	38.3	4,403.7
Additions	252.2	0.1	3.4	255.7
Disposals	(14.7)	-	(0.1)	(14.8)
At 31 March 2020	**4,598.4**	**4.6**	**41.6**	**4,644.6**
Additions	**251.1**	**0.3**	**2.8**	**254.2**
Disposals	**(13.1)**	**-**	**-**	**(13.1)**
At 31 March 2021	**4,836.4**	**4.9**	**44.4**	**4,885.7**
ACCUMULATED DEPRECIATION				
At 1 April 2019	1,040.5	2.8	29.6	1,072.9
Charge for the year	107.7	0.2	3.8	111.7
Disposals	(14.8)	-	(0.2)	(15.0)
At 31 March 2020	**1,133.4**	**3.0**	**33.2**	**1,169.6**
Charge for the year	**112.7**	**0.2**	**3.4**	**116.3**
Disposals	**(13.1)**	**-**	**-**	**(13.1)**
At 31 March 2021	**1,233.0**	**3.2**	**36.6**	**1,272.8**
Net book value at 31 March 2021	**3,603.4**	**1.7**	**7.8**	**3,612.9**
Net book value at 31 March 2020	3,465.0	1.6	8.4	3,475.0

Assets in the course of construction included above:

	Distribution System £m	Non-operational land & buildings £m	Fixtures and equipment £m	Total £m
At 1 April 2019	168.5	-	-	168.5
Additions	280.7	0.2	3.4	284.3
Available for use	(241.5)	(0.2)	(3.4)	(245.1)
At 31 March 2020	**207.7**	**-**	**-**	**207.7**
Additions	**251.1**	**0.3**	**2.8**	**254.2**
Available for use	**(232.4)**	**(0.3)**	**(2.8)**	**(235.5)**
At 31 March 2021	**226.4**	**-**	**-**	**226.4**

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

	2021 **£m**	2020 £m
Land	**0.4**	**0.2**
Freehold	**0.7**	**0.7**
Long-leasehold	**0.6**	**0.6**
Short-leasehold	**-**	**0.1**
	1.7	**1.6**

The Company has entered into contractual commitments in relation to the future acquisition of property, plant and equipment of £68.4m (2020: £50.2m).

12 RIGHT OF USE ASSETS

Cost or Valuation	**Property £m**	**Fleet £m**	**Total £m**
Balance at adoption of new standard date	0.5	5.4	5.9
Additions	-	4.1	4.1
At 31 March 2020	0.5	9.5	10.0
Additions	**0.9**	**2.9**	**3.8**
Disposals	**(0.1)**	**(0.3)**	**(0.4)**
At 31 March 2021	**1.3**	**12.1**	**13.4**
Depreciation			
Charge for year	0.2	2.2	2.4
At March 2020	0.2	2.2	2.4
Charge for year	**0.1**	**2.2**	**2.3**
Eliminated on disposal	**(0.1)**	**(0.3)**	**(0.4)**
At 31 March 2021	**0.2**	**4.1**	**4.3**
Carrying Value at 31 March 2021	**1.1**	**8.0**	**9.1**
Carrying Value at 31 March 2020	0.3	7.3	7.6

13 INTANGIBLES

	Software Development Costs £m
COST	
At 1 April 2019	35.2
Additions	-
At 31 March 2020	35.2
Additions	-
At 31 March 2021	**35.2**
AMORTISATION	
At 1 April 2019	35.0
Charge for the year	**-**
At 31 March 2020	35.0
Charge for the year	**-**
At 31 March 2021	**35.0**
Net book value at 31 March 2021	**0.2**
Net book value at 31 March 2020	0.2

14 INVESTMENTS

Details of the investments held by the Company as at 31 March 2021 are listed below:

Name of associate	**Principal activity**	**Registered office**	**Ownership interest and voting rights held 2021**	**2020**
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	0.39%	0.39%
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	0.34%	0.34%

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 (2020: £62), MRA Service Company Limited £1 (2020: £1), DCUSA Limited £1 (2020: £1) and Smart Energy Code Company Limited £1 (2020: £1).

15 INVENTORIES

	2021 £m	2020 £m
Work in progress	**0.5**	0.3

16 CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Amounts owed by group undertakings	**155.8**	223.7

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**.**

Amounts owed by Group undertakings represent surplus cash remitted to Yorkshire Electricity Group plc ("YEG"), a fellow company in the Northern Powergrid Group, and invested to generate a market rate of return for the Company. This is repayable on demand by YEG.

17 TRADE AND OTHER RECEIVABLES

	2021 £m	**2020 £m**
Distribution use of system receivables	**63.7**	62.3
Trade receivables	**4.2**	3.0
Loss allowance	**(3.5)**	(2.5)
Net trade receivables	**64.4**	62.8
Accrued income	**0.2**	0.2
Prepayments	**2.8**	2.9
	67.4	65.9

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

	2021 £m	2020 £m
At 1 April	**2.5**	2.3
Amounts utilised/written off in the year	**(0.6)**	(0.2)
Amounts recognised in the statement of profit or loss	**1.6**	0.4
At 31 March	**3.5**	2.5

Included in the allowance for doubtful debts are specific trade receivables, with a balance of £2.7m (2020: £2.3m), 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 RWE NPower plc accounting for approximately 14.3% of distribution revenues in the regulatory year to 31 March 2021 (2020: 17.6%); and British Gas accounting for approximately 12.7% of distribution revenues in the regulatory year to 31 March 2021 (2020: 13%). 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 £1.7m as at 31 March 2021 (2020: £1.9m).

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:

2021	**Not due £m**	**Current £m**	**1-3 months £m**	**Over 3 months £m**
Total balance	35.4	25.8	0.4	2.2
Less specific provisions	-	-	(0.4)	(1.9)
Balance on which ECL made	35.4	25.8	-	0.3
Lifetime ECL	0%	0%	10%	50%
Expected credit loss	-	-	-	0.2

2020	**Not due £m**	**Current £m**	**1-3 months £m**	**Over 3 months £m**
Total balance	32.8	23.3	-	1.8
Less specific provisions	-	-	-	(1.3)
Balance on which ECL made	32.8	23.3	-	0.5
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.

Non-damages

2021	**Not due £m**	**Current £m**	**1-6 months £m**	**6-12 months £m**	**Over 1 year £m**
Total balance	0.2	0.5	0.5	0.2	0.5
Less Specific Provisions	-	-	-	-	-
Balance on which ECL made	0.2	0.5	0.5	0.2	0.5
Lifetime ECL	0%	0%	0%	50%	50%
Expected credit loss	-	-	-	0.1	0.2

2020	**Not due £m**	**Current £m**	**1-6 months £m**	**6-12 months £m**	**Over 1 year £m**
Total balance	0.2	0.2	0.6	0.2	0.4
Less Specific Provisions	-	-	-	-	-
Balance on which ECL made	0.2	0.2	0.6	0.2	0.4
Lifetime ECL	0%	0%	0%	15%	20%
Expected credit loss	-	-	-	-	0.1

Damages

2021	**1-6 months £m**	**6-12 months £m**	**1-2 years £m**	**2-3 years £m**	**Over 3 years £m**
Total balance	1.1	0.4	0.5	0.2	0.1
Less specific provisions	-	(0.1)	(0.2)	(0.1)	(0.1)
Balance on which ECL made	1.1	0.3	0.3	0.1	-
Lifetime ECL	20%	25%	30%	40%	80%
Expected credit loss	0.2	0.1	0.1	-	-

2020	**1-6 months £m**	**6-12 months £m**	**1-2 years £m**	**2-3 years £m**	**Over 3 years £m**
Total balance	0.9	0.4	0.6	0.3	-
Less specific provisions	(0.1)	-	(0.4)	(0.3)	-
Balance on which ECL made	0.8	0.4	0.2	-	-
Lifetime ECL	10%	10%	15%	30%	60%
Expected credit loss	0.1	-	-	-	-

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.

18 OTHER FINANCIAL LIABILITIES

Trade and other payables

	2021 £m	2020 £m
Payments received on account	**38.6**	43.3
Trade payables	**6.8**	7.1
Other taxes and social security costs	**8.5**	8.3
Other payables	**8.5**	7.8
Accruals	**27.5**	23.0
	89.9	89.5

Current income tax liabilities

	2021 £m	2020 £m
Corporation tax	**1.2**	15.5

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 Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Categories of financial liabilities

	2021 £m	2020 £m
Loans and payables	**1,161.3**	1,171.5
Total financial liabilities	**1,161.3**	1,171.5
Payments received on account	**38.6**	43.3
Income tax liabilities	**138.9**	155.9
Other taxes and social security	**8.5**	8.3
Accruals	**27.5**	23.0
Long term lease liability	**9.3**	7.7
Deferred revenue	**862.0**	852.1
Provisions	**1.7**	1.9
Total non-financial liabilities	**1,086.5**	1,092.2
Total liabilities	**2,247.8**	2,263.7

19 BORROWINGS

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

	Book value		Fair value	
	2021	2020	**2021**	2020
	£m	£m	**£m**	£m
Loans	**1,146.0**	1,156.6	**1,290.7**	1,280.4
The borrowings are repayable as follows:				
On demand or within one year	**26.8**	38.1	**26.8**	38.1
After one year	**1,119.2**	1,118.5	**1,263.9**	1,242.3
	1,146.0	1,156.6	**1,290.7**	1,280.4
Analysis of borrowings:				
Short-term loan	**-**	11.3	**-**	11.3
European Investment Bank due 2022 (4.133%)	**155.3**	155.3	**161.7**	163.4
Eurobond due 2032 (4.375%)	**152.8**	152.6	**190.2**	189.2
Eurobond due 2035 (5.125%)	**207.1**	207.0	**276.9**	280.6
Eurobond due 2025 (2.5%)	**152.6**	152.3	**162.2**	158.9
Eurobond due 2059 (2.25%)	**296.9**	296.8	**306.1**	287.6
European Investment Bank Loan due 2027 (2.564%)	**131.0**	131.0	**141.0**	138.1
European Investment Bank Loan due 2025 (2.073%)	**50.3**	50.3	**52.6**	51.3
	1,146.0	1,156.6	**1,290.7**	1,280.4

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 29.

20 DEFERRED REVENUE

	2021	2020
	£m	£m
At 1 April	**852.1**	841.6
Additions	**42.7**	42.3
Amortisation	**(32.8)**	(31.8)
At 31 March	**862.0**	852.1

	2021	2020
	£m	£m
Included in current liabilities	**34.5**	32.9
Included in non-current liabilities	**827.5**	819.2
	862.0	852.1

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.

21 PROVISIONS

	Claims	Other	Total
	£m	£m	£m
At 31 March 2020	**1.0**	**0.9**	**1.9**
Utilised in the year	**(1.8)**	**(0.2)**	**(2.0)**
Charged to the statement of profit or loss	**1.6**	**0.2**	**1.8**
At 31 March 2021	**0.8**	**0.9**	**1.7**

	2021	2020
	£m	£m
Included in current liabilities	**1.2**	1.4
Included in non-current liabilities	**0.5**	0.5
	1.7	1.9

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 10 years.

22 SHARE CAPITAL

	2021	2020
	No./£	No./£
Ordinary shares of £1 each		290.0
Allotted, called up and fully paid	**290,000,000**	290,000,000

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

23 RETAINED EARNINGS

	Retained Earnings £m
At 1 April 2019	1,148.2
Total comprehensive income for the year	103.3
Dividends paid	(32.5)
At 31 March 2020	**1,219.0**
Total comprehensive income for the year	**122.7**
Dividends paid	**(33.6)**
At 31 March 2021	**1,308.1**

24 PENSION SCHEMES

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 £4.2m (2020 - £3.8m). The pension cost for 2022 is expected to be £4.7m.

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 £15.0m (2020 - £15.4m). The pension cost for 2022 is expected to be £15.3m.

During the year ended 31 March 2021, the Company participated in a scheme which is part of the Northern Powergrid Group of the Electricity Supply Pension scheme (the “DB Scheme”). The defined benefit sections of the scheme are contracted out of the State Second pension Scheme and provide benefits based on a member’s final permissible salary. The assets of the defined benefit sections are held in a separate trustee-administered fund. Contributions to these sections are assessed in accordance with the advice of an independent qualified actuary. The defined benefit sections of the scheme have been closed to new entrants from 1997. The scheme is a plan for related companies within the Northern Powergrid Group where risks are shared. The overall costs of the 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 scheme is governed by a Trustee Company 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 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 March 2019. 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. 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 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 2020 are disclosed in the consolidated financial statements of the Northern Powergrid Holdings Company financial statements.

25 OPERATING LEASE ARRANGEMENTS

	2021	2020
	£m	£m
Minimum lease payments under operating leases recognised in the year	**2.5**	2.5

Operating lease commitments relate to fleet vehicles from Vehicle Lease and Service limited, a joint venture, with terms of up to 7 years and operational and non-operational land and buildings with terms of up to 50 years.

The total future value of minimum lease payments is as follows

	2021	2020
	£m	£m
Within one year	**2.6**	2.3
In the second to fifth year inclusive	**6.3**	7.8
After five years	**1.3**	0.3
Total lease payment	**10.2**	10.4
Unearned interest	**(0.9)**	(2.7)
Total lease liability	**9.3**	7.7

26 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 2021 was £0.2m (2020: £1.7m). Included within cash and cash equivalents is £155.8m as at 31 March 2021 (2020: £223.7m) 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
2021	£m	£m
Northern Powergrid Metering Limited	**0.6**	**-**
Integrated Utility Services Limited	**0.1**	**2.3**
Integrated Utility Services Limited (registered in Eire)	**-**	**0.4**
Northern Electric plc	**-**	**2.4**
Northern Powergrid (Northeast) plc	**11.8**	**24.2**
Vehicle Lease and Service Limited	**-**	**4.5**
2020:		
Northern Powergrid Metering Limited	0.5	-
Integrated Utility Services Limited	0.1	3.5
Integrated Utility Services Limited (registered in Eire)	-	0.5
Northern Electric plc	-	2.5
Northern Powergrid (Northeast) plc	11.4	24.4
Vehicle Lease and Service Limited	-	4.3

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

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.

27 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 2021 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	-	-	3,612.9
Intangible assets	-	-	0.2
Right of Use Asset	-	-	9.1
	-	-	3,622.2
Current assets			
Inventories	-	-	0.5
Trade and other receivables	64.6	-	2.8
Cash and cash equivalents	155.8	-	-
	220.4	-	3.3
Total assets	220.4	-	3,625.5
Liabilities			
Non-current liabilities			
Loans and borrowings	-	(1,119.2)	-
Current portion of long term leases	-	(7.0)	-
Provisions	-	-	(0.5)
Deferred revenue	-	(827.5)	-
Deferred tax liabilities	-	-	(137.7)
	-	(1,953.7)	(138.2)
Current liabilities			
Trade and other payables	-	(89.8)	-
Loans and borrowings	-	(26.8)	-
Long term lease liabilities	-	(2.4)	-
Income tax liability	-	(1.2)	-
Deferred revenue	-	(34.5)	-
Provisions	-	-	(1.2)
	-	(154.7)	(1.2)
Total liabilities	-	(2,108.4)	(139.4)

Northern Powergrid (Yorkshire) plc
Registered number 04112320
Notes to the regulatory accounts for the year 31 March 2021 (continued)

The classification of financial assets and financial liabilities by accounting categorisation for the period ending 31 March 2020 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, 475.0
Intangible Assets	-	-	0.2
Right of use asset	-	-	7.6
	-	-	3,482.8
Current assets			
Inventories	-	-	0.3
Trade and other receivables	63.0	-	2.9
Cash and cash equivalents	223.7	-	-
	286.7	-	3.2
Total assets	286.7	-	3,486.0
Liabilities			
Non-current liabilities			
Loans and borrowings	-	(1,118.5)	-
Current portion of long term leases		(5.7)	
Provisions	-	(0.5)	-
Deferred revenue	-	-	(819.2)
Deferred tax liabilities	-	-	(140.4)
	-	(1,124.7)	(959.6)
Current liabilities			
Trade and other payables	-	(89.5)	-
Loans and borrowings	-	(38.1)	-
Long term lease liabilities		(2.0)	
Income tax liability	-	(15.5)	-
Deferred revenue	-	-	(32.9)
Provisions	-	(1.4)	-
	-	(146.5)	(32.9)
Total liabilities	-	(1,271.2)	(992.5)

28 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Net debt reconciliation

	At 31 March 2020 £m	**Financing cash flows £m**	**Non-cash changes £m**	**Other changes £m**	**At 31 March 2021 £m**
Cash and cash equivalents	**223.7**	**(67.9)**	**-**		**155.8**
Borrowings	**(1,156.6)**	**11.3**	**-**	**(0.7)**	**(1,146.0)**
Lease liabilities	**(7.7)**	**2.5**	**(4.2)**		**(9.4)**
	(940.6)	**(54.1)**	**(4.2)**	**(0.7)**	**(999.6)**

	At 1 April 2019 £m	Financing cash flows £m	Non-cash changes £m	Other changes £m	At 31 March 2020 £m
Cash and cash equivalents	204.7	41.8	172.5	(195.3)	223.7
Borrowings	(1,079.6)	(76.9)	-	(0.1)	(1,156.6)
Lease liabilities	-	2.3	(10.0)	-	(7.7)
	(874.9)	(32.8)	162.5	(195.4)	(940.6)

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

29 FINANCIAL RISK REVIEW

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 19 offset by equity of the Company (comprising issued capital, reserves and retained earnings as detailed in Notes 22 and 23).

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 2020.

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 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 2021 totalled £975.2m. Using the RAV value as at March 2021, as outlined by Ofgem in its electricity distribution price control financial model published in November 2020 and adjusting for the effects of movements in the value of the Retail Price Index gives a RAV value as at March 2021 of £1,964.3m. The Senior Total Net Debt to RAV ratio for the Company is therefore estimated at 49.6% (2020: 47.8%).

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 17).

2021	**Notes**	**Gross carrying amount £m**	**Loss allowance £m**	**Net carrying amount £m**
Trade and other receivables	17	**70.9**	**(3.5)**	**67.4**
2020				
Trade and other receivables	17	68.4	(2.5)	65.9

29 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 17 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 27 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 £75 million revolving credit facility provided by Lloyds Bank plc, National Westminster Bank plc, and Santander UK plc. This facility was amended and restated in October 2019 for a period of three years, with two 1 year extension options. During the year the Company exercised its option to extend the expiry date by 1 year to October 2023. 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 2021, the Company had available £94.0m (2020: £82.8m) 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.

2021 Non-derivative liabilities	**Less than 3 month £m**	**3 months to 1 year £m**	**1-5 years £m**	**5+ Years £m**	**Total £ m**
Non-interest bearing	**51.2**	**-**	**-**	**-**	**51.2**
Fixed interest rate liabilities	**14.0**	**23.9**	**484.0**	**1,164.6**	**1,686.5**
Total	**65.2**	**23.9**	**484.0**	**1,164.6**	**1,737.7**

2020 Non-derivative liabilities	**Less than 3 month £m**	**3 months to 1 year £m**	**1-5 years £m**	**5+ Years £m**	**Total £m**
Non-interest bearing	46.2	-	-	-	46.2
Variable interest rate liabilities	11.3	-	-	-	11.3
Fixed interest rate liabilities	14.0	23.9	290.2	1,396.3	1,724.4
Total	71.5	23.9	290.2	1,396.3	1,781.9

29 FINANCIAL RISK REVIEW (CONTINUED)

Market risk

Interest on short-term loans and inter-company short term loans is charged at a floating rate of LIBOR plus 0.20%, thus exposing the Company to cash flow interest rate risk. A 1% movement in interest rates would not subject the Company to any change in interest costs for the year. This is considered to be an acceptable level of risk. All other loans are at fixed interest rates and expose the Company to fair value interest rate risk.

30 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 2020 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.