

Registered number: 02366995 (England and Wales)

Yorkshire Electricity Group plc

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Yorkshire Electricity Group plc

Contents

Company Information	1
Strategic Report	2
Directors' Report	3 to 6
Independent Auditor's Report	7 to 9
Income Statement	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14 to 33

Yorkshire Electricity Group plc

Company Information

Directors	T E Fielden T H France P A Jones
Company Secretary	J C Riley
Registered office	Lloyds Court 78 Grey Street Newcastle upon Tyne Tyne and Wear NE1 6AF
Registered number	02366995 (England and Wales)
Auditor	Deloitte LLP Statutory Auditor Newcastle upon Tyne United Kingdom

Yorkshire Electricity Group plc

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019 for Yorkshire Electricity Group plc (the "Company").

BUSINESS REVIEW

The Company is part of the Northern Powergrid Holdings Company group of companies (the "Northern Powergrid Group") and acts as an investment company, maintaining its investments in Yorkshire Power Finance Limited and Northern Powergrid (Yorkshire) plc ("NPg Yorkshire").

The profit after tax for the financial year ended 31 December 2019 was £33.7 million (2018: £37.2 million). The adverse variance was mainly due to lower finance income, predominantly resulting from the transfer of a £100.0 million loan to Northern Powergrid (Northeast) Limited ("NPg Northeast") which was transferred to Northern Powergrid Holdings Company in December 2018.

Net assets as at 31 December 2019 of £366.9 million (31 December 2018: £365.7 million) increased by £1.2 million as increases in cash and cash equivalents and the loan to CalEnergy Gas (Holdings) Limited offset increases in short-term loans and borrowings.

SECTION 172(1) STATEMENT

The information pursuant to Section 414CZA of the Companies Act 2006 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 is set out below:

- (a) the likely consequences of any decision in the long term. Decisions are made with due regard to the principal activity of the Company and the wider impact upon the Northern Powergrid Group.
- (b) the interests of the Company's employees. The Company does not have any employees.
- (c) the need to foster the Company's business relationships with suppliers, customers and others. The Company does not have customers or interact with suppliers. Relationships with bond holders are managed by the Northern Powergrid Group's treasury department and the relevant bond trustee.
- (d) the impact of the Company's operations on the community and the environment. The Company's operation has negligible impact on the community and environment.
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct. In common with Northern Powergrid Group, the Company has adopted the Berkshire Hathaway Energy Company's Core Principles which includes Regulatory Integrity. This requires that the Company's affairs are managed in accordance with the highest behavioural standards and adherence to a policy of strict compliance with all relevant standards, legislation and regulatory conditions.
- (f) the need to act fairly as between members of the Company. The Company has one class of shares which are held by Yorkshire Power Group Limited (99%) and Yorkshire Electricity Group Plc (1%), companies owned by the Northern Powergrid Group.

KEY PERFORMANCE INDICATORS

The directors manage the Company's operations on a Northern Powergrid Group basis. The development, performance and position of the Northern Powergrid Group, which include those of the Company, are discussed in the annual report and financial statements of Northern Powergrid Holdings Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Company are integrated with the principal risks of the Northern Powergrid Group and are not managed separately. Accordingly, the principal risks and uncertainties, which include those of the Company, are discussed in the annual report and financial statements of Northern Powergrid Holdings Company.

Approved by the Board on 22 May 2020 and signed on its behalf by:



T E Fielden
Director

Yorkshire Electricity Group plc

Directors' Report for the Year Ended 31 December 2019

The directors present their report with the audited financial statements of the Company for the year ended 31 December 2019.

Dividends

During the year, interim dividends of £32.5 million were paid (2018: £198.0 million). The directors recommend that no final dividend be paid in respect of the year (2018: £nil).

Directors of the Company

The directors shown below have held office during the year from 1 January 2019 and up to the date of signing:

T E Fielden

T H France

P A Jones

During and as at the end of the year, none of the directors had any interest in any contract which was significant in relation to the business of the Company.

During the year 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 third party indemnity provision for the purposes of the Companies Act 2006.

Future developments and future outlook

There have been no significant events since the year end. The Company will continue to act as an investment company. There are no plans to change the existing business model.

Financial risk management

Details of financial risks are covered in Note 19, within the notes to the financial statements.

Research and development

The Company does not undertake research and development.

Political donations

During the year, no contributions were made to political organisations (2018: £nil).

Brexit

Brexit is not considered a principal risk to the Company.

Pandemic

After making thorough enquiries, the directors have determined that the Company is unlikely to be impacted by the coronavirus pandemic given it is a non-operational wholly owned subsidiary whose primary function is that of an investment company. The Northern Powergrid Group's response to the coronavirus pandemic is available in the annual report and financial statements of Northern Powergrid Holdings Company.

Yorkshire Electricity Group plc Directors' Report for the Year Ended 31 December 2019 (continued)

Engagement with employees

The Company does not have employees. However, NPg Yorkshire, a wholly owned subsidiary employed 1,125 employees as at 31 December 2019 (2018:1,148).

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 and is managed by the Director of People and Customer Service.

Employee engagement continues to show improvement with local action plans augmented by routine communication channels including regular staff briefings, meetings with staff and their representatives, and utilising the Northern Powergrid Group's intranet.

During the year, the President and Chief Executive Officer of the Northern Powergrid Group continued to provide employees with updates on the Northern Powergrid Group's financial, organisational, safety and customer service performance through regular electronic briefings. In addition, the executive directors routinely engaged with employees during operational site visits, by alternating their work location between regional offices, at employee events and conferences and meeting new starters through the induction programme.

CORPORATE GOVERNANCE STATEMENT

The directors have elected to apply the exception set out in Section 1B.1.6R of the Disclosure and Transparency Rules ("DTR").

Audit Committee

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

Committee members:

- J Reynolds - Non-executive Director - Northern Powergrid Holdings Company (Chairman)
- T E Fielden - Finance Director
- M Knowles - Independent member - Northern Powergrid Holdings Company

Yorkshire Electricity Group plc

Directors' Report for the Year Ended 31 December 2019 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 the directors to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company 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.

Going Concern

A review of the Northern Powergrid Group'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 of Northern Powergrid Holdings Company.

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

- The Northern Powergrid Group's main subsidiaries, NPg Northeast and NPg Yorkshire, 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 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.
- The Northern Powergrid Group is profitable with strong underlying cash flows. Northern Powergrid Holdings Company, NPg Northeast and NPg Yorkshire hold investment grade credit ratings;
- The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 12 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. Recent successful bond issues by the Northern Powergrid Group and by other issuers suggest that the Northern Powergrid Group's bonds remain attractive to investors;

Yorkshire Electricity Group plc
Directors' Report for the Year Ended 31 December 2019 (continued)

• 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. 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.

Consequently, after making enquiries, including detailed considerations of the impact of the coronavirus pandemic, the directors have a reasonable expectation that the Company, being an integral part of the Northern Powergrid Group, and the Northern Powergrid Group have 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.

Statement as to disclosure of information to auditor

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

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

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

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 22 May 2020 and signed on its behalf by:



T E Fielden
Director

Yorkshire Electricity Group plc
Independent Auditor's Report to the Members of Yorkshire Electricity Group plc
Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Yorkshire Electricity Group plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the 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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Yorkshire Electricity Group plc

Independent Auditor's Report to the Members of Yorkshire Electricity Group plc (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this respect of these matters.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 financial statements.

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

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Director's Report.

Yorkshire Electricity Group plc

Independent Auditor's Report to the Members of Yorkshire Electricity Group plc (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. We have nothing to report in respect of these matters.

Use of our report

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



Paul Hewitson FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP,

Statutory Auditor

Newcastle upon Tyne

United Kingdom

22 May 2020

Yorkshire Electricity Group plc
Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	3	729	659
Administrative expenses		<u>(6)</u>	<u>(7)</u>
Operating profit		723	652
Finance costs	4	(5,053)	(4,171)
Finance income	4	<u>38,305</u>	<u>42,158</u>
Profit before tax		33,975	38,639
Income tax expense	7	<u>(280)</u>	<u>(1,391)</u>
Profit for the year		<u><u>33,695</u></u>	<u><u>37,248</u></u>

There has been no other comprehensive income during the year (2018: £nil).

Yorkshire Electricity Group plc
(Registration number: 02366995)
Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Assets			
Non-current assets			
Investments in subsidiaries, joint ventures and associates	9	290,200	290,200
Current assets			
Trade and other receivables	10	61,530	49,837
Cash and cash equivalents	11	219,151	76,863
		<u>280,681</u>	<u>126,700</u>
Total assets		<u>570,881</u>	<u>416,900</u>
Equity and liabilities			
Equity			
Share capital	12	(108,594)	(108,594)
Share premium		(11,093)	(11,093)
Capital redemption reserve		(72)	(72)
Retained earnings		<u>(247,186)</u>	<u>(245,991)</u>
Total equity		<u>(366,945)</u>	<u>(365,750)</u>
Non-current liabilities			
Loans and borrowings	14	(50,000)	(50,000)
Current liabilities			
Loans and borrowings	14	(153,675)	(340)
Income tax liability		<u>(261)</u>	<u>(810)</u>
		<u>(153,936)</u>	<u>(1,150)</u>
Total liabilities		<u>(203,936)</u>	<u>(51,150)</u>
Total equity and liabilities		<u>(570,881)</u>	<u>(416,900)</u>

Approved by the Board of Directors on 22 May 2020 and signed on its behalf by:

T E Fielden
 Director

Yorkshire Electricity Group plc
Statement of Changes in Equity for the Year Ended 31 December 2019

	Note	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019		108,594	11,093	72	245,991	365,750
Profit for the year		-	-	-	33,695	33,695
Dividends	15	-	-	-	(32,500)	(32,500)
At 31 December 2019		<u>108,594</u>	<u>11,093</u>	<u>72</u>	<u>247,186</u>	<u>366,945</u>
		Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018		108,594	11,093	72	406,743	526,502
Profit for the year		-	-	-	37,248	37,248
Dividends	15	-	-	-	(198,000)	(198,000)
At 31 December 2018		<u>108,594</u>	<u>11,093</u>	<u>72</u>	<u>245,991</u>	<u>365,750</u>

The notes on pages 14 to 33 form an integral part of these financial statements.

Yorkshire Electricity Group plc
Statement of Cash Flows for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Cash flows used in operating activities			
Profit for the year		33,695	37,248
Adjustments to cash flows from non-cash items			
Finance income	4	(38,305)	(42,158)
Finance costs	4	5,053	4,171
Income tax expense	7	280	1,391
Cash generated from operations		723	652
Income taxes paid	7	(829)	(1,383)
Net cash flow used in operating activities		(106)	(731)
Cash flows from investing activities			
Interest received	4	5,805	10,839
Dividend income	4	32,500	31,319
Loans to related parties		(11,560)	(5,409)
Net cash flows from investing activities		26,745	36,749
Cash flows from/(used) in financing activities			
Movement in intercompany loans		153,335	-
Interest paid	4	(5,186)	(4,142)
Dividends paid	15	(32,500)	(198,000)
Transfer of intercompany loans		-	100,000
Net cash flows from/(used) in financing activities		115,649	(102,142)
Net increase/(decrease) in cash and cash equivalents		142,288	(66,124)
Cash and cash equivalents at 1 January		76,863	142,987
Cash and cash equivalents at 31 December		219,151	76,863

The notes on pages 14 to 33 form an integral part of these financial statements.

Yorkshire Electricity Group plc

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The Company is a public company limited by share capital, incorporated and registered in England and Wales and is part of the Northern Powergrid Holdings Company group of companies (the "Northern Powergrid Group").

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

The Company acts as an investment company within the Northern Powergrid Group. Further details are found within the Business Review section of the Strategic Report.

2 Accounting policies

Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

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 in accordance with adopted IFRS and under historical cost accounting rules.

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

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 21. Further details on the Company's accounting policies in relation to investments are available on page 16.

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

Going concern

A review of the Northern Powergrid Group'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 of Northern Powergrid Holdings Company.

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

Yorkshire Electricity Group plc

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

- The Northern Powergrid Group's main subsidiaries, NPg Northeast and NPg Yorkshire, 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 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.

- The Northern Powergrid Group is profitable with strong underlying cash flows. Northern Powergrid Holdings Company, NPg Northeast and NPg Yorkshire hold investment grade credit ratings;

- The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 12 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. Recent successful bond issues by the Northern Powergrid Group and by other issuers suggest that the Northern Powergrid Group’s bonds remain attractive to investors;

- 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. 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.

Consequently, after making enquiries, including detailed considerations of the impact of the coronavirus pandemic, the directors have a reasonable expectation that the Company, being an integral part of the Northern Powergrid Group, and the Northern Powergrid Group have 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 accounting judgements and key sources of estimation uncertainty

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

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

Provisions for impairment

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Fair value of financial assets and liabilities

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

Yorkshire Electricity Group plc

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Revenue recognition

Revenue, which arises wholly in the United Kingdom, relates to an income stream in respect of the ownership of telecommunication assets.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Finance income and costs policy

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

Tax

The tax expense for the period comprises current 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.

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.

Depreciation

Depreciation is charged so as to write off the cost of the assets to their residual values over their estimated useful lives of 10 years on a straight-line basis.

Investments

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are held at cost, less provision for any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

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.

The Company provides the intercompany treasury account for the Northern Powergrid Group. If the total amount on this account is a debtor for the Company it is reported in cash and cash equivalents, if a creditor in short term borrowings.

Yorkshire Electricity Group plc

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

The Company provides the intercompany treasury account for the Northern Powergrid Group. If the total amount on this account is a debtor for the Company it is reported in cash and cash equivalents, if a creditor in short-term borrowings.

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.

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.

Yorkshire Electricity Group plc

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Classification and measurement

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

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

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

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

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

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

Financial assets at amortised cost

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

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

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

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

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

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

Yorkshire Electricity Group plc

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial liabilities at fair value through the profit or loss

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

Derecognition

Financial assets

The Company derecognises a financial asset when:

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

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

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

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

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

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

Financial liabilities

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

Yorkshire Electricity Group plc

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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 financial liabilities are modified, the Company evaluates whether the cash flows of the modified liabilities 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.

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2019:

IFRS 16 - Leases

The date of initial application of IFRS 16 is 1 January 2019. Distinctions between operating leases and finance leases are removed for lessee accounting, and is replaced by a model where right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short term leases and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Company has taken a practical expedient to not reassess whether a contract is/or contains a lease.

As at the end of reporting period the Company has no leases to report. As a result the application of IFRS 16 has not had an impact upon the Company's financial statements.

Other Amendments to IAS applicable from 1 January 2019

The consequential amendments to IAS 28, IAS 19, IFRS 9, IFRS 15 and IFRIC 23 have had no material effect on the financial statements including the comparatives and therefore no restatement is required.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

New standards, interpretations and amendments not yet effective

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2019 and which have not been adopted early, are expected to have a material effect on the financial statements.

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

3 Revenue

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

	2019	2018
	£ 000	£ 000
Rental income from telecommunication assets	<u>729</u>	<u>659</u>

4 Finance income and costs

	2019	2018
	£ 000	£ 000
Finance income		
Interest income on bank deposits	537	17
Dividend income	32,500	31,319
Interest receivable on intercompany loans	<u>5,268</u>	<u>10,822</u>
Total finance income	38,305	42,158
Finance costs		
Interest paid to group undertakings	<u>(5,053)</u>	<u>(4,171)</u>
Net finance income	<u>33,252</u>	<u>37,987</u>

5 Employees and directors

No directors' or key personnel remuneration was charged for the year (2018: £nil). There were no employees during the year (2018: none).

At 31 December 2019 no directors accrued benefits under a defined benefit scheme (2018: none).

6 Auditor's remuneration

	2019	2018
	£ 000	£ 000
Audit of the financial statements	<u>6</u>	<u>7</u>

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Income tax

Tax charged in the income statement

	2019	2018
	£ 000	£ 000
Current taxation		
UK corporation tax	<u>280</u>	<u>1,391</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019	2018
	£ 000	£ 000
Profit before tax	<u>33,975</u>	<u>38,639</u>
Corporation tax at standard rate	6,455	7,341
Increase in current tax from adjustment for prior periods	-	1
Reduction owing to dividends from UK companies	<u>(6,175)</u>	<u>(5,951)</u>
Total tax charge	<u>280</u>	<u>1,391</u>

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%.

Deferred Taxation

The Company has no deductible temporary differences, unused tax losses nor unused tax credits for which no deferred tax asset is recognised in the Statement of Financial Position.

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

8 Property, plant and equipment

	Plant and machinery £ 000
Cost or valuation	
At 1 January 2018	300
At 31 December 2018	300
At 1 January 2019	300
At 31 December 2019	300
Depreciation	
At 1 January 2018	300
At 31 December 2018	300
At 1 January 2019	300
At 31 December 2019	300
Carrying amount	
At 31 December 2018	-
At 31 December 2019	-

The gross carrying amount of fully depreciated property, plant and equipment of £0.3 million reported above (2018: £0.3 million) relates to a radio mast asset.

9 Investments

Subsidiaries and associates	£ 000
Cost or valuation	
At 1 January 2018	290,200
At 31 December 2018	290,200
At 1 January 2019	290,200
At 31 December 2019	290,200
Carrying amount	
At 31 December 2018	290,200
At 31 December 2019	290,200

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Investments (continued)

Details of the investments of the Company as at 31 December 2019 are as follows:

Name of subsidiary / associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
Northern Powergrid (Yorkshire) plc	Distribution of electricity	Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF England and Wales	100%	100%
Yorkshire Power Finance Limited	Finance company	PO Box 309, Uglan House, South Church Street, George Town, Grand Cayman Cayman Islands	1%	1%

The Company's financial statements are separate financial statements in that it has elected not to prepare consolidated financial statements, as entitled under IAS 27 and Section 400 of the Companies Act 2006 as it is included in the consolidated accounts for a larger group with accounts drawn up to the same date. Northern Powergrid Holdings Company, a company incorporated in England and Wales and whose address is Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF, is the entity where the consolidated accounts including those of the Company are available for public view.

The Company's investments listed above are accounted for at cost less provision for any impairment in value.

Investments are directly held in the form of ordinary shares.

There have been no movements in investments during the year.

10 Trade and other receivables

	31 December	31 December
	2019	2018
	£ 000	£ 000
Current trade receivables		
Amounts owed by group undertakings	61,394	49,834
Accrued income	136	3
	<u>61,530</u>	<u>49,837</u>

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Trade and other receivables (continued)

Trade and receivables are carried at the lower of fair value and carrying amount, which the directors consider to be substantially the same at the statement of financial position date as there is limited exposure risk for the book value to be impaired. The maximum exposure to risk to the Company is the book value of these receivables less any provisions for impairment.

Amounts owed by Group undertakings of £61.4 million (2018: £49.8 million) reflect amounts loaned to CalEnergy Gas (Holdings) Limited, a company within the Northern Powergrid Group, repayable on demand and at the variable base interest rate. The fair value is deemed to be the same as the book value.

Accrued income reflects accrued interest on short-term deposits as reported in cash and cash equivalents in Note 11 of these financial statements.

The liquidity risk, credit risk, and market risk associated with these borrowings, and the management thereof, is covered in the Financial Risk Review section in Note 19 of these financial statements. The maximum exposure to risk to the Company is the book value of these loans.

11 Cash and cash equivalents

	31 December 2019 £ 000	31 December 2018 £ 000
Cash at bank	-	(202)
Short-term deposits	219,151	2
Other cash and cash equivalents	-	77,063
	<u>219,151</u>	<u>76,863</u>

Cash and cash equivalents have a maturity of less than three months, are readily convertible to cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value. Other cash and cash equivalents represent the net amounts owed by other group undertakings, some debtors, some creditors, which if, when combined result in a positive value. If negative, this total is shown in loans and borrowings.

12 Share capital

Allotted, called up and fully paid shares

	31 December 2019		31 December 2018	
	No.	£	No.	£
Ordinary Share Capital of £0.68 each	<u>159,270,954</u>	<u>108,593,832.00</u>	<u>159,270,954</u>	<u>108,593,832.00</u>

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

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Reserves

	Capital redemption reserve £ 000	Retained earnings £ 000
At 1 January 2019	72	245,991
Profit for the year	-	33,695
Dividends	-	(32,500)
At 31 December 2019	<u>72</u>	<u>247,186</u>

	Capital redemption reserve £ 000	Retained earnings £ 000
At 1 January 2018	72	406,743
Profit for the year	-	37,248
Dividends	-	(198,000)
At 31 December 2018	<u>72</u>	<u>245,991</u>

14 Loans and borrowings

	31 December 2019 £ 000	31 December 2018 £ 000
Non-current borrowings		
Amounts owed to group undertakings	50,000	50,000
Current borrowings		
Amounts owed to group undertakings - accrued interest	340	340
Amounts owed to group undertakings	<u>153,335</u>	<u>-</u>
	<u>153,675</u>	<u>340</u>
	<u>203,675</u>	<u>50,340</u>

	Book value		Fair value	
	31 December 2019 £ 000	31 December 2018 £ 000	31 December 2019 £ 000	31 December 2018 £ 000
2026 - Northern Powergrid Holdings Company 3.6%	<u>50,340</u>	<u>50,340</u>	<u>56,290</u>	<u>54,462</u>

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Loans and borrowings (continued)

The fair value of the long-term borrowings is based on Level 3 inputs. 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.

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

The liquidity risk, credit risk, and market risk associated with these borrowings, and the management thereof, is covered within financial risk review in Note 19 of these financial statements.

15 Dividends

	31 December 2019 £ 000	31 December 2018 £ 000
Interim dividend of 20.4p (2018 - 124.3p) per ordinary share	<u>32,500</u>	<u>198,000</u>

16 Reconciliation of liabilities arising from financing activities

	At 1 January 2019 £ 000	Financing cash flows £ 000	At 31 December 2019 £ 000
Long-term borrowings	50,000	-	50,000
Short-term borrowings	340	153,335	153,675
	<u>50,340</u>	<u>153,335</u>	<u>203,675</u>
	At 1 January 2018 £ 000	Financing cash flows £ 000	At 31 December 2018 £ 000
Long-term borrowings	50,000	-	50,000
Short-term borrowings	340	-	340
	<u>50,340</u>	<u>-</u>	<u>50,340</u>

There has been no change in the opening and closing values of long- and short-term borrowings regarding the £50 million loan from Northern Powergrid Holdings Company and accrued interest thereon at 31 December of the respective years. The financing cash flows shown reflect movements on the intercompany Treasury account.

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 Statement of cash flows - net debt reconciliation

	At 1 January	Cash flows	At 31
	2019	£ 000	December
	£ 000	£ 000	2019
			£ 000
Short-term deposits	2	219,149	219,151
Cash and cash equivalents	76,861	(76,861)	-
Borrowings repayable after one year	(50,000)	-	(50,000)
Borrowings repayable within one year	(340)	(153,335)	(153,675)
	<u>26,523</u>	<u>(11,047)</u>	<u>15,476</u>
Total Net Cash (Debt)	<u>26,523</u>	<u>(11,047)</u>	<u>15,476</u>
	At 1 January	Cash flows	At 31
	2018	£ 000	December
	£ 000	£ 000	2018
			£ 000
Short-term deposits	21,227	(21,225)	2
Cash and cash equivalents	121,760	(44,899)	76,861
Borrowings repayable after one year	(50,000)	-	(50,000)
Borrowings repayable within one year	(340)	-	(340)
	<u>92,647</u>	<u>(66,124)</u>	<u>26,523</u>
Total Net Cash (Debt)	<u>92,647</u>	<u>(66,124)</u>	<u>26,523</u>

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 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 December 2019 was as follows:

	Financial assets at amortised cost £ 000	Financial liabilities at amortised cost £ 000	Non-financial assets & liabilities £ 000
Assets			
Non-current assets			
Investments in subsidiaries, joint ventures and associates	290,200	-	-
Current assets			
Trade and other receivables	61,530	-	-
Cash and cash equivalents	219,151	-	-
	<u>280,681</u>	<u>-</u>	<u>-</u>
Total assets	<u>570,881</u>	<u>-</u>	<u>-</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	-	(50,000)	-
Current liabilities			
Loans and borrowings	-	(153,675)	-
Income tax liability	-	-	(261)
	<u>-</u>	<u>(153,675)</u>	<u>(261)</u>
Total liabilities	<u>-</u>	<u>(203,675)</u>	<u>(261)</u>

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 Classification of financial and non-financial assets and financial and non-financial liabilities (continued)

The classification of financial assets and financial liabilities by accounting categorisation for the period ending 31 December 2018 was as follows:

	Financial assets at amortised cost £ 000	Financial liabilities at amortised cost £ 000	Non-financial assets & liabilities £ 000
Assets			
Non-current assets			
Investments in subsidiaries, joint ventures and associates	290,200	-	-
Current assets			
Trade and other receivables	49,837	-	-
Cash and cash equivalents	<u>77,065</u>	<u>(202)</u>	<u>-</u>
	<u>126,902</u>	<u>(202)</u>	<u>-</u>
Total assets	<u><u>417,102</u></u>	<u><u>(202)</u></u>	<u><u>-</u></u>
Liabilities			
Non-current liabilities			
Loans and borrowings	-	(50,000)	-
Current liabilities			
Loans and borrowings	-	(340)	-
Income tax liability	<u>-</u>	<u>-</u>	<u>(810)</u>
	<u>-</u>	<u>(340)</u>	<u>(810)</u>
Total liabilities	<u><u>-</u></u>	<u><u>(50,340)</u></u>	<u><u>(810)</u></u>

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

19 Financial risk review

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

Capital management

The 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 2018.

The capital structure of the Company consists of net debt (borrowings as detailed in Note 14) offset by cash and cash equivalents (detailed in Note 11) and equity of the Company (comprising issued capital, reserves and retained earnings as detailed in Note 12 and in the statement of financial position on page 11). The Company has no externally imposed capital requirements.

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.

There is no expected credit loss as the receivables are with a related party, CalEnergy Gas (Holdings) Limited, a company within the Northern Powergrid Group.

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.

Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Company's financial assets and financial liabilities by type.

2019	Total outflow	Less than 1	3 months - 1	1-5 years	More than 5
Non-derivative liabilities	£ 000	month	year	£ 000	years
		£ 000	£ 000	£ 000	£ 000
Fixed interest rate liabilities	62,600	-	1,800	7,200	53,600

2018	Total outflow	Less than 1	3 months - 1	1-5 years	More than 5
Non-derivative liabilities	£ 000	month	year	£ 000	years
		£ 000	£ 000	£ 000	£ 000
Fixed interest rate liabilities	64,400	-	1,800	7,200	55,400

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

19 Financial risk review (continued)

Market risk

The Company's activities do not expose it to significant financial risks of changes in foreign currency exchange rates and interest rates. Materially all income and expenses are denominated in pound sterling. All other loans are at fixed interest rates and expose the Company to fair value interest rate risk.

20 Related party transactions

Summary of transactions with other related parties

The Company provides the intercompany treasury account to the Northern Powergrid Group. It also has relationships with Northern Powergrid Holdings Company who provides loan financing and CalEnergy Gas (Holdings) Limited to whom it has loaned funds.

Loans to related parties

	Other related parties £ 000
2019	
At start of period	126,897
Repaid	(65,503)
Interest charged	(5,268)
Interest received	5,268
At end of period	<u>61,394</u>
2018	
At start of period	266,201
Repaid	(147,755)
Interest charged	(2,371)
Interest received	10,822
At end of period	<u>126,897</u>

Yorkshire Electricity Group plc
Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

20 Related party transactions (continued)

Loans from related parties

	Other related parties £ 000
2019	
At start of period	50,340
Advanced	153,335
Interest charged	(5,053)
Interest paid	5,053
At end of period	<u>203,675</u>
	Other related parties £ 000
2018	
At start of period	50,340
Interest charged	1,800
Interest paid	(1,800)
At end of period	<u>50,340</u>

Details of loans to related parties

Loans to related parties are detailed in the trade and other receivables Note 10 and cash and cash equivalents Note 11.

Details of loans from related parties

Loans from related parties are disclosed in more detail in the loans and borrowing note.

21 Parent and ultimate parent undertaking

The Company's immediate parent is Yorkshire Power Group Limited.

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

Relationship between entity and parents

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

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

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

The registered address of Northern Powergrid Holdings Company and location where the Northern Powergrid Group financial statements can be obtained is Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.