

Registered number: 03271033 (England and Wales)

# Northern Powergrid Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

# **Northern Powergrid Limited**

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## **Northern Powergrid Limited Company Information**

<b>Directors</b>	T E Fielden T H France P A Jones
<b>Company secretary</b>	J C Riley
<b>Registered office</b>	Lloyds Court 78 Grey Street Newcastle upon Tyne Tyne and Wear NE1 6AF
<b>Registered number</b>	03271033 (England and Wales)
<b>Auditor</b>	Deloitte LLP Statutory Auditor Leeds United Kingdom

## **Northern Powergrid Limited**

### **Strategic Report for the Year Ended 31 December 2019**

The directors present their strategic report for the year ended 31 December 2019 of Northern Powergrid Limited (the "Company"), which have been drawn up and presented in accordance with the Companies Act 2006.

#### **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 Northern Electric plc, Northern Powergrid Gas Limited and Integrated Utility Services Limited.

The profit after tax for the financial year ended 31 December 2019 was £30.5 million (2018: £7.3 million). The increase was mainly due to receipt of an ordinary interim dividend from Northern Electric plc in the current year of £24.6 million (2018: £nil).

Net assets as at 31 December 2019 of £763.8 million (31 December 2018: £761.1 million) increased by £2.7 million due to an increase in cash and cash equivalents which are offset by decreases in trade and other receivables.

#### **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 this Company, are discussed in the annual report and financial statements of Northern Powergrid Holdings Company. Details of financial risks can be found in Note 21 of these financial statements. There are no extra risks applicable solely to the Company.

#### **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.
- 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 (the Northern Powergrid Group's parent company) 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 Northern Powergrid UK Holdings.

Approved by the Board on 11 September 2020 and signed on its behalf by:



T E Fielden  
Director

## **Northern Powergrid Limited**

### **Directors' Report for the Year Ended 31 December 2019**

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

#### **Dividends**

During the year, an interim dividend of £27.7 million was paid (2018: £73.4 million). The directors recommend that no final dividend be paid in respect of the year (2018: £nil).

#### **Directors of the Company**

The directors, who held office during the year from 1 January 2019 and up to the date of signing, were:

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 21, 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**

The Brexit negotiations are 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.

#### **Engagement with employees**

Engagement with employees (including those employed by subsidiaries of the Company) is managed on a Northern Powergrid Group basis, details of which can be found in the annual report and financial statements of Northern Powergrid Holdings Company.

## **Northern Powergrid Limited**

### **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 IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## **Northern Powergrid Limited**

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

#### **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.

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 a net current liabilities position obtain a letter of support from Northern Powergrid Holdings Company.

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

- The Northern Powergrid Group's main subsidiaries, Northern Powergrid (Yorkshire) plc 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, Northern Powergrid (Yorkshire) plc 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 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 issued a 42 year £300 million green bond in June 2020 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 Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc's licences to provide the Office of Gas and Electricity Markets with annual certificates, confirming that the directors have a reasonable expectation that the Northern Powergrid Group 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.

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.

#### **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.

**Northern Powergrid Limited**  
**Directors' Report for the Year Ended 31 December 2019 (continued)**

**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 11 September 2020 and signed on its behalf by:



T E Fielden  
Director

# **Northern Powergrid Limited**

## **Independent Auditor's Report to the Members of Northern Powergrid Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Northern Powergrid Limited (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 IFRS as issued by the International Accounting Standards Board (IASB); 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 23.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS 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 as applied to listed public interest companies, 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.

# **Northern Powergrid Limited**

## **Independent Auditor's Report to the Members of Northern Powergrid Limited (continued)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual 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 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](http://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 and the Directors' Report.

## **Northern Powergrid Limited**

### **Independent Auditor's Report to the Members of Northern Powergrid Limited (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  
Leeds  
United Kingdom

11 September 2020

**Northern Powergrid Limited**  
**Income Statement for the Year Ended 31 December 2019**

	Note	2019 £ 000	2018 £ 000
Revenue	3	135	168
Administrative expenses		<u>(505)</u>	<u>(647)</u>
Operating loss	4	(370)	(479)
Finance costs	5	(80)	(8)
Finance income	5	<u>30,834</u>	<u>8,047</u>
Profit before tax		30,384	7,560
Income tax credit/(expense)	7	<u>76</u>	<u>(239)</u>
Profit for the year		<u><u>30,460</u></u>	<u><u>7,321</u></u>

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

**Northern Powergrid Limited**  
**(Registration number: 03271033)**  
**Statement of Financial Position as at 31 December 2019**

	Note	31 December 2019 £ 000	31 December 2018 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	453	538
Right of use assets	9	1,777	-
Investments in subsidiaries, joint ventures and associates	10	758,962	758,962
Deferred tax assets	7	2	-
		<u>761,194</u>	<u>759,500</u>
<b>Current assets</b>			
Trade and other receivables		1,614	1,900
Income tax asset		26	65
Cash and cash equivalents	12	2,976	-
		<u>4,616</u>	<u>1,965</u>
Total assets		<u>765,810</u>	<u>761,465</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	13	(405,000)	(405,000)
Retained earnings	14	(358,802)	(356,054)
Total equity		<u>(763,802)</u>	<u>(761,054)</u>
<b>Non-current liabilities</b>			
Long term lease liabilities		(1,431)	-
<b>Current liabilities</b>			
Current portion of long term lease liabilities		(314)	-
Trade and other payables	17	(263)	(315)
Loans and borrowings	15	-	(96)
		<u>(577)</u>	<u>(411)</u>
Total liabilities		<u>(2,008)</u>	<u>(411)</u>
Total equity and liabilities		<u>(765,810)</u>	<u>(761,465)</u>

Approved by the Board of Directors on 11 September 2020 and signed on its behalf by:

T E Fielden  
Director

**Northern Powergrid Limited**  
**Statement of Changes in Equity for the Year Ended 31 December 2019**

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019		405,000	356,054	761,054
Profit for the year		-	30,460	30,460
Dividends	18	-	(27,712)	(27,712)
At 31 December 2019		<u>405,000</u>	<u>358,802</u>	<u>763,802</u>

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018		405,000	422,086	827,086
Profit for the year		-	7,321	7,321
Dividends	18	-	(73,353)	(73,353)
At 31 December 2018		<u>405,000</u>	<u>356,054</u>	<u>761,054</u>

The notes on pages 14 to 40 form an integral part of these financial statements.

**Northern Powergrid Limited**  
**Statement of Cash Flows for the Year Ended 31 December 2019**

	Note	2019 £ 000	2018 £ 000
<b>Cash flows used in operating activities</b>			
Profit for the year		30,460	7,321
Adjustments for:			
Depreciation and amortisation	4	85	84
Depreciation on right of use assets		333	-
Finance income	5	(30,834)	(8,047)
Finance costs	5	80	8
Income tax (credit)/expense	7	(76)	239
		48	(395)
Decrease in trade and other receivables		33	-
Decrease in trade and other payables	17	(52)	(46)
Cash from/(used)used in operations		29	(441)
Income taxes received/(paid)	7	113	(6)
Net cash flow from/(used) in operating activities		142	(447)
<b>Cash flows from investing activities</b>			
Interest received		264	1,913
Dividend income	5	30,822	6,222
Net cash flows from investing activities		31,086	8,135
<b>Cash flows used in financing activities</b>			
Movement in intercompany loans		(96)	96
Interest expense on leases		(66)	-
Interest paid		(14)	(8)
Payments to finance lease creditors		(364)	-
Dividends paid		(27,712)	(73,353)
Reassignment of intercompany loan		-	50,000
Net cash flows used in financing activities		(28,252)	(23,265)
Net increase/(decrease) in cash and cash equivalents		2,976	(15,577)
Cash and cash equivalents at 1 January		-	15,577
Cash and cash equivalents at 31 December		2,976	-

The notes on pages 14 to 40 form an integral part of these financial statements.

# **Northern Powergrid Limited**

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

### **1 General information**

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

#### **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 23. Further details on the Company's accounting policies in relation to investments are available on page 17.

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

# Northern Powergrid Limited

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

### 2 Accounting policies (continued)

#### 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.

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 a net current liabilities position obtain a letter of support from Northern Powergrid Holdings Company.

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

- The Northern Powergrid Group's main subsidiaries, Northern Powergrid (Yorkshire) plc 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, Northern Powergrid (Yorkshire) plc 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 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 issued a 42 year £300 million green bond in June 2020 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 Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc's licences to provide the Office of Gas and Electricity Markets with annual certificates, confirming that the directors have a reasonable expectation that the Northern Powergrid Group 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.

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.

#### 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:

# Northern Powergrid Limited

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

### 2 Accounting policies (continued)

#### 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.

#### Revenue recognition

Revenue, which arises wholly in the United Kingdom, represents charges for the use of the Company's office space to related parties, exclusive of value added tax.

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 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.

#### Depreciation

Depreciation, which is recognised in administrative expenses in the income statement, 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.

# **Northern Powergrid Limited**

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

### **2 Accounting policies (continued)**

#### **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 carried at cost, less 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.

#### **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.

# Northern Powergrid Limited

## 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.

Amounts owed to Yorkshire Electricity Group plc which provides the intercompany treasury account are classified as short-term borrowings and attract interest under an agreed formula. Should the Company have a positive intercompany treasury account balance it receives interest on the balance which is then reported under cash and cash equivalents.

#### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

#### **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.

# Northern Powergrid Limited

## 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 investment 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.

# Northern Powergrid Limited

## 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.

# Northern Powergrid Limited

## 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 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.

#### Changes in accounting policy

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.

#### Changes resulting from adoption of IFRS 16

IFRS 16 Leases became mandatorily effective on 1 January 2019. The Company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

- a. Requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening balance of retained earnings at the date of initial application; and
- b. Does not permit restatement of comparatives, which continue to be presented under IAS17 and IFRS4.

The date of initial application of IFRS16 is 1 January 2019. Distinctions between operating leases and finance leases are removed for lessee accounting, and are 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 lease.

#### Measurement and Recognition

Applying IFRS 16, for all leases (except as noted below), the Company recognises right-of-use assets which include buildings and fleet vehicles. The Company has no lease incentives. The right-of-use assets are initially measured at the amount of lease liability plus any initial direct costs incurred by the lessee. Subsequently, the assets are measured under fair value method. The corresponding lease liability is initially measured at present value of all lease payments over lease term and can be restated if the terms or other criteria of contract change.

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**2 Accounting policies (continued)**

**Applying IFRS16 the Company:**

- a. Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit and loss;
- b. Separates the total amount of cash paid into a principal portion (presented with financial activities), interest (presented in financial activities) and capitalised interest (presented in investing activities) in the consolidated statement of cash flows.

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, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within ‘other expenses’ in 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;
- Excludes indirect cost from the measurement of the right-of-use assets at the date of initial application;
- 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 on 1 January 2019 was 3.48%.

The company recognised lease liabilities in relation to leases that were classified as ‘operating leases’ under the principles of IAS 17 - Leases. On transition, an additional £Nil (2018 - £Nil) of right-to-use assets and £Nil (2018 - £Nil) of lease liabilities were recognised with the difference allocated to retained earnings.

	<b>As originally reported 31 December 2018 £ 000</b>
Operating lease commitments at 31 December 2018	2,340
Operating lease commitments discounted at the incremental borrowing rate	2,110
Lease liabilities recognised at 1 January 2019	2,110

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 3.48%.

Right-of-use assets are depreciated over the shorter of the lease contract or the useful life of the asset. For details on the depreciation charge and carrying value by class of asset please refer to Note 9. For details on interest expense on lease liabilities, please refer to Note 5. For details regarding total lease cash outflow, please see the Statement of Cash Flows.

**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.

**Northern Powergrid Limited**  
**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:

	<b>2019</b> <b>£ 000</b>	<b>2018</b> <b>£ 000</b>
Rental income from office space	135	168

All office rental income is derived from the United Kingdom.

**4 Operating loss**

Arrived at after charging

	<b>2019</b> <b>£ 000</b>	<b>2018</b> <b>£ 000</b>
Depreciation expense	85	84
Depreciation on right of use assets - Property	333	-
Audit of the financial statements	8	9
Accommodation costs	79	554

**5 Finance income and costs**

	<b>2019</b> <b>£ 000</b>	<b>2018</b> <b>£ 000</b>
<b>Finance income</b>		
Dividend income	30,822	6,222
Other finance income from group undertakings	12	1,825
Total finance income	30,834	8,047
<b>Finance costs</b>		
Interest on bank overdrafts and borrowings	(13)	(8)
Interest paid to group undertakings	(1)	-
Interest expense on leases	(66)	-
Total finance costs	(80)	(8)
Net finance income	30,754	8,039

**6 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).

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**7 Income tax**

Tax charged in the income statement

	<b>2019</b>	<b>2018</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current taxation</b>		
UK corporation tax	(81)	66
UK corporation tax adjustment to prior periods	<u>7</u>	<u>-</u>
	(74)	66
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	<u>(2)</u>	<u>173</u>
Tax (receipt)/expense in the income statement	<u><u>(76)</u></u>	<u><u>239</u></u>

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

The differences are reconciled below:

	<b>2019</b>	<b>2018</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit before tax	<u>30,384</u>	<u>7,560</u>
Corporation tax at standard rate	5,773	1,436
Corporation tax prior year adjustment	7	2
Effect of difference between current and deferred tax rate	-	(20)
Deferred tax prior year adjustment	1	3
Permanent differences (including non-taxable dividends from UK companies)	<u>(5,857)</u>	<u>(1,182)</u>
Total tax (credit)/charge	<u><u>(76)</u></u>	<u><u>239</u></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%. This was substantively enacted through the Provisional Collection of Taxes Act on 17 March 2020.

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**7 Income tax (continued)**

**Deferred tax**

Deferred tax movement during the year:

	<b>At 1 January 2019 £ 000</b>	<b>Credit to income £ 000</b>	<b>At 31 December 2019 £ 000</b>
Decelerated tax depreciation	-	2	2
Losses	-	-	-
Net tax assets	<u>-</u>	<u>2</u>	<u>2</u>

Deferred tax movement during the prior year:

	<b>At 1 January 2018 £ 000</b>	<b>Charge to income £ 000</b>	<b>At 31 December 2018 £ 000</b>
Decelerated tax depreciation	-	-	-
Losses	173	(173)	-
Net tax assets	<u>173</u>	<u>(173)</u>	<u>-</u>

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**8 Property, plant and equipment**

	<b>Furniture, fittings and equipment £ 000</b>
<b>Cost or valuation</b>	
At 1 January 2018	792
At 31 December 2018	792
At 1 January 2019	792
At 31 December 2019	792
<b>Depreciation</b>	
At 1 January 2018	170
Charge for year	84
At 31 December 2018	254
At 1 January 2019	254
Charge for the year	85
At 31 December 2019	339
<b>Carrying amount</b>	
At 31 December 2019	453
At 31 December 2018	538

**9 Right of use assets**

	<b>Property £ 000</b>
<b>Cost or valuation</b>	
Additions	2,110
At 31 December 2019	2,110
<b>Depreciation</b>	
Charge for year	333
At 31 December 2019	333
<b>Carrying amount</b>	
At 31 December 2019	1,777

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**10 Investments**

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost or valuation</b>	
At 1 January 2018	758,962
At 31 December 2018	758,962
At 1 January 2019	758,962
At 31 December 2019	758,962
<b>Carrying amount</b>	
At 31 December 2019	758,962
At 31 December 2018	758,962

Details of the subsidiaries as at 31 December 2019 are as follows:

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Registered office and country of incorporation</b>	<b>Ownership interest and voting rights held</b>	
			<b>2019</b>	<b>2018</b>
Northern Electric plc #	Holding Company	England and Wales	100%	100%
Northern Powergrid Gas Limited #	Holding Company	England and Wales	100%	100%
Integrated Utility Services Limited #	Engineering contracting services	C11 Gateway, Rosemount Business Park, Ballycoolin, Dublin 15 Ireland	100%	100%
CalEnergy Gas Limited	Hydrocarbon exploration and development	3rd Floor, 55 Drury Lane, London, WC2B 5SQ England and Wales	100%	100%
CalEnergy Gas (Holdings) Limited	Holding Company	England and Wales	100%	100%
CalEnergy Resources Limited	Holding Company	England and Wales	100%	100%
CalEnergy Resources Poland Sp. z o.o.	Hydrocarbon exploration and development	Al. Wilanowska 206 app. 19, 02-765, Warsaw Poland	100%	100%
CalEnergy Resources (Australia) Limited	Hydrocarbon exploration and development	3rd Floor, 55 Drury Lane, London, WC2B 5SQ) England and Wales	100%	100%
CE Electric Services Limited	Dormant	England and Wales	100%	100%
Central PowerGrid Limited	Dormant	England and Wales	100%	100%

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**10 Investments (continued)**

Name of subsidiary	Principal activity	Registered office and country of incorporation	Ownership interest and voting rights held	
			2019	2018
East PowerGrid Limited	Dormant	England and Wales	100%	100%
Eastern PowerGrid Limited	Dormant	England and Wales	100%	100%
Infrastructure North Limited	Dormant	England and Wales	100%	100%
Integrated Utility Services Limited	Engineering contracting services	England and Wales	100%	100%
IUS Limited	Dormant	England and Wales	100%	100%
Midlands PowerGrid Limited	Dormant	England and Wales	100%	100%
NEDL Limited	Dormant	England and Wales	100%	100%
NewGen Drilling Pty Limited	Hydrocarbon exploration and development	Level 1, 12 St Georges Terrace, Perth, WA 6000 Australia	80%	80%
North East PowerGrid Limited	Dormant	England and Wales	100%	100%
North Eastern PowerGrid Limited	Dormant	England and Wales	100%	100%
North PowerGrid Limited	Dormant	England and Wales	100%	100%
North West PowerGrid Limited	Dormant	England and Wales	100%	100%
North Western Powergrid Limited	Dormant	England and Wales	100%	100%
Northern Electric Distribution Limited	Dormant	England and Wales	100%	100%
Northern Electric Finance plc	Finance company	England and Wales	100%	100%
Northern Electric Properties Limited	Property holding and management company	England and Wales	100%	100%
Northern Electric Share Scheme Trustee Limited	Dormant	England and Wales	100%	100%
Northern Electricity (North East) Limited	Dormant	England and Wales	100%	100%
Northern Electricity (Yorkshire) Limited	Dormant	England and Wales	100%	100%
Northern Electricity Limited	Dormant	England and Wales	100%	100%
Northern Electricity Networks Company (North East) Limited	Dormant	England and Wales	100%	100%
Northern Electricity Networks Company (Yorkshire) Limited	Dormant	England and Wales	100%	100%

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**10 Investments (continued)**

Name of subsidiary	Principal activity	Registered office and country of incorporation	Ownership interest and voting rights held	
			2019	2018
Northern Electricity Networks Company Limited	Dormant	England and Wales	100%	100%
Northern Electrics Limited	Dormant	England and Wales	100%	100%
Northern Energy Funding Company Limited	Dormant	England and Wales	100%	100%
Northern Metering Services Limited	Dormant	England and Wales	100%	100%
Northern Powergrid Metering Limited	Meter asset provider	England and Wales	100%	100%
Northern Powergrid (Northeast) plc *	Distribution of electricity	England and Wales	100%	100%
Northern PowerGrid (North West) Limited	Dormant	England and Wales	100%	100%
Northern Power Networks Company (North East) Limited	Dormant	England and Wales	100%	100%
Northern Power Networks Company (Yorkshire) Limited	Dormant	England and Wales	100%	100%
Northern Power Networks Company Limited	Dormant	England and Wales	100%	100%
Northern Transport Finance Limited	Car finance company	England and Wales	100%	100%
Northern Utility Services Limited	Dormant	England and Wales	100%	100%
PowerGrid (Central) Limited	Dormant	England and Wales	100%	100%
PowerGrid (East) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Eastern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Midlands) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North East) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North Eastern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North West) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North Western) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Northern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South East) Limited	Dormant	England and Wales	100%	100%

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**10 Investments (continued)**

Name of subsidiary	Principal activity	Registered office and country of incorporation	Ownership interest and voting rights held	
			2019	2018
PowerGrid (South Eastern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South West) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South Western) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Southern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (West) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Western) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Yorkshire) Limited	Dormant	England and Wales	100%	100%
South East PowerGrid Limited	Dormant	England and Wales	100%	100%
South Eastern PowerGrid Limited	Dormant	England and Wales	100%	100%
South PowerGrid Limited	Dormant	England and Wales	100%	100%
South West PowerGrid limited	Dormant	England and Wales	100%	100%
South Western PowerGrid Limited	Dormant	England and Wales	100%	100%
Southern PowerGrid Limited	Dormant	England and Wales	100%	100%
West PowerGrid Limited	Dormant	England and Wales	100%	100%
Western PowerGrid Limited	Dormant	England and Wales	100%	100%
Yorkshire Electricity Distribution Limited	Dormant	England and Wales	100%	100%
Yorkshire PowerGrid Limited	Dormant	England and Wales	100%	100%

Unless otherwise stated the registered office address of the above companies is Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.

The companies marked # are subsidiary undertakings held directly by the Company.

\* Previously Northern Powergrid (Northeast) Limited. Changed to plc 3 June 2020.

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**10 Investments (continued)**

**Associates**

Details of the associates as at 31 December 2019 are as follows:

Name of associate	Principal activity	Registered office and country of incorporation	Ownership interest and voting rights held	
			2019	2018
Baltic Gas Sp. z o.o.	General partner in Baltic Gas project	ul. Stary Dwór 9, 80-758 Gdansk Poland	50%	50%
Baltic Gas Sp. z o.o. i Wspólnicy Spółka Komandytowa	Hydrocarbon exploration and development	ul. Stary Dwór 9, 80-758 Gdansk Poland	49%	49%

**Joint ventures**

Details of the joint ventures as at 31 December 2019 are as follows:

Name of Joint ventures	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held	
			2019	2018
Vehicle Lease and Service Limited	Transport services	Centre for Advanced Industry, 3rd Floor, Coble Dene, North Shields, NE29 6DE England and Wales	50%	50%
VLS Limited	Dormant	Centre for Advanced Industry, 3rd Floor, Coble Dene, North Shields, NE29 6DE England and Wales	50%	50%

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 held in the form of ordinary and preference shares.

There have been no movements in investments during the year.

Associates and joint ventures are not direct investments of the Company which, claiming exemption from preparing group financial statements, does not report their results in its financial statements.

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**11 Trade and other receivables**

	<b>31 December 2019 £ 000</b>	<b>31 December 2018 £ 000</b>
<b>Current trade receivables</b>		
Preference dividends receivable from group undertakings	1,556	1,556
Accrued interest due from group undertakings	-	252
VAT	22	-
Prepayments	36	92
	<u>1,614</u>	<u>1,900</u>

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.

Northern Electric plc pays a preference dividend of £4.5 million each 31 March and 30 September, or next working day, and of this the Company receives £3.111 million to reflect its shareholding. Hence three months of preference dividends receivable is shown each year end.

The £252k accrued interest at 31 December 2018 reflected 51 days interest at 3.6% per annum, on a £50.0 million loan to Yorkshire Electricity Group plc, a company within the Northern Powergrid Group, which was reassigned to eventually reside with Northern Powergrid Holdings Company in December 2018, the 2018 annual repayment having been received in October 2018. The loan was originally intended for repayment in October 2026 when issued.

This amount was settled in October 2019 when Yorkshire Electricity Group plc paid the annual interest, the majority going to Northern Powergrid Holdings Company which now is the loan beneficiary.

**12 Cash and cash equivalents**

	<b>31 December 2019 £ 000</b>	<b>31 December 2018 £ 000</b>
Bank overdraft	(2)	-
Other cash and cash equivalents	2,978	-
	<u>2,976</u>	<u>-</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 amounts owed by other group undertakings. If negative, this total is shown in loans and borrowings. The overdraft reflects a payment made on 31 December 2019 which was subsequently funded on 2 January 2020 and is thus retained in cash and cash equivalents rather than moved to loans and borrowings.

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**13 Share capital**

**Allotted, called up and fully paid shares**

	31 December 2019		31 December 2018	
	No.	£	No.	£
Ordinary Share Capital of £1 each	<u>405,000,000</u>	<u>405,000,000</u>	<u>405,000,000</u>	<u>405,000,000</u>

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

**14 Reserves**

	<b>Retained earnings £ 000</b>
At 1 January 2019	356,054
Profit for the year	30,460
Dividends	<u>(27,712)</u>
At 31 December 2019	<u>358,802</u>
	<b>Retained earnings £ 000</b>
At 1 January 2018	422,086
Profit for the year	7,321
Dividends	<u>(73,353)</u>
At 31 December 2018	<u>356,054</u>

**15 Loans and borrowings**

	<b>31 December 2019 £ 000</b>	<b>31 December 2018 £ 000</b>
<b>Current loans and borrowings</b>		
Amounts owed to group undertakings	<u>-</u>	<u>96</u>

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**15 Loans and borrowings (continued)**

The fair value of amounts owed to group undertakings is equal to their book value and reflects the net amount borrowed from other members of the Northern Powergrid Group. When a debtor, these amounts are reported under cash and cash equivalents. They attracted interest at the 1 month LIBOR rate plus 0.35% (now 0.20%) and are deemed payable within 1-3 months. All borrowings are non-secured and are denominated in sterling. At 31 December 2019, the Company had no undrawn committed borrowing facilities.

The liquidity risk, credit risk, and market risk associated with these borrowings, and the management thereof, is covered within Financial Risk Review section in Note 21 of these financial statements.

**16 Obligations under leases and hire purchase contracts**

**Lease commitments**

Minimum lease payments relate to the Drury Lane premises.

The lease runs for 10 years from 1 May 2015 with an initial rent of £369,495 per annum, subject to review on 1 May 2020.

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

	<b>31 December 2019 £ 000</b>	<b>31 December 2018 £ 000</b>
Within one year	369	369
In two to five years	1,478	1,478
In over five years	123	493
	<u>1,970</u>	<u>2,340</u>

**17 Trade and other payables**

	<b>31 December 2019 £ 000</b>	<b>31 December 2018 £ 000</b>
Accrued expenses	<u>263</u>	<u>315</u>

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in financial risk review in Note 21 of these financial statements.

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**18 Dividends**

	<b>31 December 2019 £ 000</b>	<b>31 December 2018 £ 000</b>
Interim dividend of 6.8p (2018 - 18.1p) per ordinary share	<u>27,712</u>	<u>73,353</u>

Within the £73.4 million dividend in 2018 was a balance of £50.0 million in respect of Northern Powergrid Limited's loan to Yorkshire Electricity Group plc which was reassigned in the first instance as part settlement of the dividend to Northern Powergrid UK Holdings Company, with the remaining £23.4 million settled by intragroup dividend.

**19 Reconciliation of liabilities arising from financing activities**

**Net debt reconciliation**

	<b>At 1 January 2019 £ 000</b>	<b>Cash flows £ 000</b>	<b>At 31 December 2019 £ 000</b>
Cash and cash equivalents	-	2,976	2,976
Short-term borrowings	<u>(96)</u>	<u>96</u>	<u>-</u>
	<u>(96)</u>	<u>3,072</u>	<u>2,976</u>

  

	<b>At 1 January 2018 £ 000</b>	<b>Cash flows £ 000</b>	<b>At 31 December 2018 £ 000</b>
Short term borrowings	<u>-</u>	<u>(96)</u>	<u>(96)</u>

Financing cash flows reflect movements on the intercompany treasury account.

## Northern Powergrid Limited

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

#### 20 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
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	-	-	453
Right of use assets	-	-	1,777
Investments in subsidiaries, joint ventures and associates	758,962	-	-
Deferred tax assets	-	-	2
	<u>758,962</u>	<u>-</u>	<u>2,232</u>
<b>Current assets</b>			
Trade and other receivables	1,614	-	-
Income tax asset	26	-	-
Cash and cash equivalents	2,976	-	-
	<u>4,616</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>763,578</u></u>	<u><u>-</u></u>	<u><u>2,232</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term lease liabilities	-	(1,431)	-
<b>Current liabilities</b>			
Current portion of long term lease liabilities	-	(314)	-
Trade and other payables	-	(263)	-
	<u>-</u>	<u>(577)</u>	<u>-</u>
Total liabilities	<u><u>-</u></u>	<u><u>(2,008)</u></u>	<u><u>-</u></u>

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**20 Classification of financial and non-financial assets and financial and non-financial liabilities (continued)**

The classification of financial assets and liabilities by accounting categorisation as at 31 December 2018 was as follows:

	<b>Financial assets at amortised cost £ 000</b>	<b>Financial liabilities at amortised cost £ 000</b>	<b>Non-financial assets &amp; liabilities £ 000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	-	-	538
Investments in subsidiaries, joint ventures and associates	758,962	-	-
	<u>758,962</u>	<u>-</u>	<u>538</u>
<b>Current assets</b>			
Trade and other receivables	1,900	-	-
Income tax asset	65	-	-
	<u>1,965</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>760,927</u></u>	<u><u>-</u></u>	<u><u>538</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	-	(315)	-
Loans and borrowings	-	(96)	-
	<u>-</u>	<u>(411)</u>	<u>-</u>
Total liabilities	<u><u>-</u></u>	<u><u>(411)</u></u>	<u><u>-</u></u>

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**21 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 Group manages its capital centrally to ensure that entities in the 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 Group's overall strategy remains unchanged from 2018.

The capital structure of the Company consists of net debt (borrowings as detailed in Note 15 offset by equity of the Company (comprising issued capital, reserves and retained earnings as detailed in Notes 13 and 14).

**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 Company's receivables are with a related party, Northern Electric plc, who owns Northern Powergrid (Northeast) plc, an investment grade company within the Northern Powergrid Group. In addition, the majority of the Company's investments are held in Northern Electric plc..

**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**

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

<b>2018</b>	<b>Total outflow</b>	<b>1-3 months</b>	<b>3 months - 1</b>	<b>1-5 years</b>	<b>More than 5</b>
<b>Non-derivative liabilities</b>	<b>£ 000</b>	<b>£ 000</b>	<b>year</b>	<b>£ 000</b>	<b>years</b>
			<b>£ 000</b>		<b>£ 000</b>
Variable interest rate liability	96	96	-	-	-
Total	96	96	-	-	-

At 31 December 2019 the Company held cash and cash equivalents and hence no current table is shown.

**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. Short-term loans and inter-company short term loans is charged at a floating rate of LIBOR plus 0.35%, thus exposing the Company to cash flow interest rate risk. A 1% movement in interest rates would subject the Company to an approximate change in interest costs of £1.3m per 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.

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**22 Related party transactions**

**Summary of transactions with other related parties**

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

- CalEnergy Resources Limited that is recharged for the use of office space;
- Integrated Utility Services that was recharged for the use of office space until May 2018;
- Berkshire Hathaway that was recharged for the use of office space until June 2018; and
- Yorkshire Electricity Group who provides the intercompany treasury account to the Northern Powergrid Group.

**Income and receivables from related parties**

	<b>Other related parties £ 000</b>
<b>2019</b>	
Rental income from office space	135
	<hr/> <hr/>
	<b>Other related parties £ 000</b>
<b>2018</b>	
Rental income from office space	168
	<hr/> <hr/>

**Loans to related parties**

	<b>Other related parties £ 000</b>
<b>2019</b>	
At start of period	252
Advanced	2,726
Interest charged	11
Interest received	(11)
	<hr/>
At end of period	2,978
	<hr/> <hr/>
	<b>Other related parties £ 000</b>
<b>2018</b>	
At start of period	65,917
Repaid	(65,665)
Interest charged	1,825
Interest received	(1,825)
	<hr/>
At end of period	252
	<hr/> <hr/>

Preference dividend owed by subsidiary at 31 December 2019, £1.556 million (31 December 2018: £1.556 million).

**Northern Powergrid Limited**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**22 Related party transactions (continued)**

**Loans from related parties**

	<b>Other related parties £ 000</b>
<b>2019</b>	
At start of period	96
Repaid	(96)
At end of period	<u>-</u>
	<b>Other related parties £ 000</b>
<b>2018</b>	
At start of period	-
Advanced	96
At end of period	<u>96</u>

**Details of loans to related parties**

Loans to related parties are detailed in trade and other receivables Note 11 and cash and cash equivalents Note 12.

**Details of loans from related parties**

Loans from related parties are disclosed in more detail in loans and borrowings Note 15.

**23 Parent and ultimate parent undertaking**

The Company's immediate parent is Northern Powergrid UK Holdings.

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.