

Registered number: 03270696 (England and Wales)

# Northern Powergrid UK Holdings

Annual Report and Financial Statements

for the Year Ended 31 December 2019

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## **Northern Powergrid UK Holdings 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 NE1 6AF
<b>Registered number</b>	03270696 (England and Wales)

## **Northern Powergrid UK Holdings Strategic Report for the Year Ended 31 December 2019**

The directors present the annual reports and financial statements for the year ended 31 December 2019 of Northern Powergrid UK Holdings (the "Company"), which have been drawn up and presented in accordance with the Companies Act 2006. The Company has taken the exemption from audit allowed under 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 Powergrid Limited and Yorkshire Power Group Limited.

The profit after tax for the financial year ended 31 December 2019 was £58.5 million (2018: £223.7 million). The decrease was mainly due to lower interim dividends in the current year from Northern Powergrid Limited of £27.7 million (2018: £73.4 million) and Yorkshire Power Group Limited of £30.8 million (2018: £167.7 million).

Net assets of £675.1 million were broadly the same as the prior year (2018: £675.1 million) with no significant movements.

### **KEY PERFORMANCE INDICATORS**

The directors manage the Company's operations on a 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 16 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 companies owned by the Northern Powergrid Group and Berkshire Hathaway Energy Company.

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



T E Fielden  
Director

## **Northern Powergrid UK Holdings Directors' Report for the Year Ended 31 December 2019**

The directors present their annual report and the unaudited financial statements financial statements for the year ended 31 December 2019.

### **Dividends**

During the year, an interim dividend of £58.5 million was paid (2018: £nil). 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 as follows:

T E Fielden  
T H France  
P A Jones

During and as 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 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 16, 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 organisation (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 UK Holdings**

### **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 UK Holdings 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.

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



T E Fielden  
Director

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

	Note	2019 £ 000	2018 £ 000
Administrative expenses		<u>(8)</u>	<u>(9)</u>
Operating loss		(8)	(9)
Finance costs	3	(5)	(17,579)
Finance income	3	<u>58,508</u>	<u>241,315</u>
Profit before tax		58,495	223,727
Income tax expense	6	<u>-</u>	<u>-</u>
Profit for the year		<u><u>58,495</u></u>	<u><u>223,727</u></u>

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

**Northern Powergrid UK Holdings**  
**(Registration number: 03270696)**  
**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>			
Investments in subsidiaries, joint ventures and associates	7	681,186	681,186
<b>Current assets</b>			
Cash and cash equivalents	8	-	296
Total assets		<u>681,186</u>	<u>681,482</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	9	(358,096)	(358,096)
Retained earnings	10	<u>(317,026)</u>	<u>(317,037)</u>
Total equity		<u>(675,122)</u>	<u>(675,133)</u>
<b>Current liabilities</b>			
Trade and other payables	12	(1,662)	(1,077)
Loans and borrowings	11	(865)	-
Income tax liability		<u>(3,537)</u>	<u>(5,272)</u>
		<u>(6,064)</u>	<u>(6,349)</u>
Total equity and liabilities		<u>(681,186)</u>	<u>(681,482)</u>

**Audit exemption statement**

For the year ending 31 December 2019, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

**Directors' responsibilities**

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

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

T E Fielden  
Director

**Northern Powergrid UK Holdings**  
**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		358,096	317,037	675,133
Profit for the year		-	58,495	58,495
Dividends	13	-	(58,506)	(58,506)
At 31 December 2019		<u>358,096</u>	<u>317,026</u>	<u>675,122</u>
		Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018		358,096	93,310	451,406
Profit for the year		-	223,727	223,727
At 31 December 2018		<u>358,096</u>	<u>317,037</u>	<u>675,133</u>

The notes on pages 10 to 32 form an integral part of these financial statements.

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

	Note	2019 £ 000	2018 £ 000
<b>Cash flows from operating activities</b>			
Profit for the year		58,495	223,727
Adjustments for:			
Finance income	3	(58,508)	(241,315)
Finance costs	3	5	17,579
		(8)	(9)
Increase in trade and other payables	12	585	-
Cash from/(used) in operations		577	(9)
Income taxes (paid)/received	6	(1,735)	3,503
Net cash flow (used)/from operating activities		(1,158)	3,494
<b>Cash flows from investing activities</b>			
Interest received		2	255
Dividend income	3	58,506	241,060
Net cash flows from investing activities		58,508	241,315
<b>Cash flows used in financing activities</b>			
Movement in intercompany loans		865	-
Interest paid	3	(5)	(17,680)
Repayment of intercompany loan		-	(264,158)
Dividends paid	13	(58,506)	-
Net cash flows used in financing activities		(57,646)	(281,838)
Net decrease in cash and cash equivalents		(296)	(37,029)
Cash and cash equivalents at 1 January		296	37,325
Cash and cash equivalents at 31 December		-	296

The notes on pages 10 to 32 form an integral part of these financial statements.

# **Northern Powergrid UK Holdings**

## **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 domiciled 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, 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").

#### **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 under Section 400 of the Companies Act 2006 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 18. Further details on the Company's accounting policies in relation to investments are available on page 12.

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.

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:

## **Northern Powergrid UK Holdings**

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

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

- 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:

#### **Provisions for impairment**

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

#### **Fair value of financial assets and liabilities**

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

# **Northern Powergrid UK Holdings**

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

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

#### **Revenue recognition**

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.

#### **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.

# Northern Powergrid UK Holdings

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

### 2 Accounting policies (continued)

#### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### Borrowings

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

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### 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.

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 UK Holdings

## 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.

# Northern Powergrid UK Holdings

## 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 UK Holdings

## 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

##### New standards, interpretations and amendments effective

The following amendments are effective for the first time from 1 January 2019:

The consequential amendments to IFRS16, 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.

##### *Effective for periods beginning or after 1 January 2020:*

- Amendments to IFRS 3- Definition of a business;
- Amendments to IAS 1 and IAS 8- Definition of material;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Amendments to IFRS 9 Financial instruments- Hedging.

None of the amendments effective for periods beginning on or after 1 January 2020, as listed above, are expected to have a material impact on the financial statements.

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

**3 Finance income and costs**

	<b>2019</b>	<b>2018</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Finance income</b>		
Dividend income	58,506	241,060
Interest received from group undertakings	<u>2</u>	<u>255</u>
Total finance income	58,508	241,315
<b>Finance costs</b>		
Interest paid to group undertakings	<u>(5)</u>	<u>(17,579)</u>
Net finance income	<u><u>58,503</u></u>	<u><u>223,736</u></u>

**4 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).

**5 Auditor's remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£ 000</b>	<b>£ 000</b>
Audit of the financial statements	<u><u>-</u></u>	<u><u>9</u></u>

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

**6 Income tax**

Tax charged/(credited) in the income statement

	<b>2019</b>	<b>2018</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current taxation</b>		
UK corporation tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<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	58,495	223,727
Corporation tax at standard rate	11,114	42,508
Decrease from effect of non-taxable dividends from UK group companies	(11,116)	(45,804)
Non-deductible expenses	2	3,296
Total tax	<u>-</u>	<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.

The income tax liability in the Statement of Financial Position reflects intercompany group relief payments made to the Company based on losses which the Company had previously estimated to be available for group relief in prior years. However, it was subsequently concluded that the Company did not have losses available and this resulted in an overpayment of which £1.735 million was refunded to group companies during 2019 and the balance of £3.537 million was refunded during 2020.

**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.

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

**7 Investments**

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost or valuation</b>	
At 1 January 2018	681,186
At 31 December 2018	681,186
At 1 January 2019	681,186
At 31 December 2019	681,186
<b>Carrying amount</b>	
At 31 December 2019	681,186
At 1 January 2018	681,186

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 Powergrid Limited #	Holding Company	England and Wales	100%	100%
Yorkshire Power Group Limited #	Holding Company	England and Wales	94.75%	94.75%
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%
East PowerGrid Limited	Dormant	England and Wales	100%	100%
Eastern PowerGrid Limited	Dormant	England and Wales	100%	100%

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

**7 Investments (continued)**

Name of subsidiary	Principal activity	Registered office and country of incorporation	Ownership interest and voting rights held	
			2019	2018
Infrastructure North Limited	Dormant	England and Wales	100%	100%
Integrated Utility Services Limited	Engineering contracting services	England and Wales	100%	100%
Integrated Utility Services Limited	Engineering contracting services	C11 Gateway, Rosemount Business Park, Ballycoolin, Dublin 15 Ireland	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 plc	Holding 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 Powergrid UK Holdings**  
**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**7 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 (Yorkshire) Limited	Dormant	England and Wales	100%	100%
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 Gas Limited	Holding company	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 Powergrid (Yorkshire) plc	Distribution of electricity	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%

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

**7 Investments (continued)**

Name of subsidiary	Principal activity	Registered office and country of incorporation	Ownership interest and voting rights held	
			2019	2018
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%
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%
YEDL Limited	Dormant	England and Wales	100%	100%
Yorkshire Cayman Holding Limited	Dormant	PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman Cayman Islands	100%	100%
Yorkshire Electricity Distribution Limited	Dormant	England and Wales	100%	100%
Yorkshire Electricity Group plc	Holding Company	England and Wales	100%	100%

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

**7 Investments (continued)**

Name of subsidiary	Principal activity	Registered office and country of incorporation	Ownership interest and voting rights held	
			2019	2018
Yorkshire Power Finance Limited	Finance Company	PO Box 309, Uglan House, South Church Street, George Town, Grand Cayman Cayman Islands	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.

**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%

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

**7 Investments (continued)**

**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 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.

**8 Cash and cash equivalents**

	<b>31 December 2019 £ 000</b>	<b>31 December 2018 £ 000</b>
Other cash and cash equivalents	-	296

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.

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

**9 Share capital**

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

	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary Share Capital of £1 each	<u>358,095,815</u>	<u>358,095,815</u>	<u>358,095,815</u>	<u>358,095,815</u>

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

**10 Reserves**

	<b>Retained earnings £ 000</b>
At 1 January 2019	317,037
Profit for the year	58,495
Dividends	<u>(58,506)</u>
At 31 December 2019	<u>317,026</u>
	<b>Retained earnings £ 000</b>
At 1 January 2018	93,310
Profit for the year	<u>223,727</u>
At 31 December 2018	<u>317,037</u>

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

**11 Loans and borrowings**

	<b>31 December 2019 £ 000</b>	<b>31 December 2018 £ 000</b>
Amounts owed to group undertakings	<u>865</u>	<u>-</u>
Current borrowings	<u>865</u>	<u>-</u>

Amounts owed to group undertakings reflects amounts owed to Yorkshire Electricity Group plc regarding the intercompany treasury account. The fair value of short-term borrowings is equal to their value. All loans 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 16 of these financial statements.

**12 Trade and other payables**

	<b>31 December 2019 £ 000</b>	<b>31 December 2018 £ 000</b>
Amounts due to related parties	<u>1,662</u>	<u>1,077</u>

The directors consider that the carrying value of other financial liabilities approximates their fair value, calculated by discounting future cash flows at market rate at the end of the reporting period. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The maximum exposure to risk to the Company is the book value of these payables. The payables refer to a dividend owed to the 1% parent companies in the United States, is payable on demand and is non-interest bearing.

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

**13 Dividends**

	<b>31 December 2019 £ 000</b>	<b>31 December 2018 £ 000</b>
Interim dividend of 16.3p (2018 - 0.0p) per ordinary share	<u>58,506</u>	<u>-</u>

**14 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	296	(296)	-
Short term borrowings	<u>-</u>	<u>(865)</u>	<u>(865)</u>
	<u>296</u>	<u>(1,161)</u>	<u>(865)</u>

  

	<b>At 1 January 2018 £ 000</b>	<b>Cash flows £ 000</b>	<b>At 31 December 2018 £ 000</b>
Cash and cash equivalents	37,325	(37,029)	296
Long term borrowings	(264,158)	264,158	-
Short term borrowings	<u>(101)</u>	<u>101</u>	<u>-</u>
	<u>(226,934)</u>	<u>227,230</u>	<u>296</u>

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

**15 Classification of financial and non-financial assets and financial and non-financial liabilities**

The classification of financial assets and liabilities by accounting categorisation as at 31 December 2019 was as follows:

	<b>Financial assets at amortised cost £ 000</b>	<b>Financial liabilities at amortised cost £ 000</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Investments in subsidiaries, joint ventures and associates	<u>681,186</u>	<u>-</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	-	(1,662)
Loans and borrowings	-	(865)
Income tax liability	<u>-</u>	<u>(3,537)</u>
	<u>-</u>	<u>(6,064)</u>
Total liabilities	<u>-</u>	<u>(6,064)</u>

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

**15 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>Assets</b>		
<b>Non-current assets</b>		
Investments in subsidiaries, joint ventures and associates	681,186	-
<b>Current assets</b>		
Cash and cash equivalents	<u>296</u>	<u>-</u>
Total assets	<u><u>681,482</u></u>	<u><u>-</u></u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	-	(1,077)
Income tax liability	<u>-</u>	<u>(5,272)</u>
	<u>-</u>	<u>(6,349)</u>
Total liabilities	<u><u>-</u></u>	<u><u>(6,349)</u></u>

## **Northern Powergrid UK Holdings**

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

#### **16 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 11 offset by equity of the Company (comprising issued capital, reserves and retained earnings as detailed in Notes 9 and 10 and in the statement of financial position on page 7). 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 Company currently holds no receivables.

##### **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**

At 31 December 2019 there were non-derivative, variable interest rate liabilities of £865,000 (2018: £nil) due within 1-3 months regarding the intercompany treasury account.

##### **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. Past loans were at fixed interest rates and exposed the Company to fair value interest rate risk. Current intercompany treasury short-term loan is charged at a floating rate of 1 month LIBOR plus 0.20%, thus exposing the Company to cash flow interest rate risk.

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

**17 Related party transactions**

**Summary of transactions with other related parties**

Yorkshire Electricity Group plc provides the intercompany treasury account to the Northern Powergrid Group.

**Loans to related parties**

	<b>Other related parties £ 000</b>
<b>2019</b>	
At start of period	296
Repaid	(296)
Interest charged	2
Interest received	(2)
	<u>-</u>
At end of period	<u>-</u>
	<b>Other related parties £ 000</b>
<b>2018</b>	
At start of period	37,325
Repaid	(37,029)
Interest charged	255
Interest received	(255)
	<u>296</u>
At end of period	<u>296</u>

**Loans and other balances owed to related parties**

	<b>Parent £ 000</b>	<b>Other related parties £ 000</b>
<b>2019</b>		
At start of period		1,077
Advanced		1,450
Interest charged		5
Interest paid		(5)
		<u>2,527</u>
At end of period		<u>2,527</u>
	<b>Parent £ 000</b>	<b>Other related parties £ 000</b>
<b>2018</b>		
At start of period	264,259	1,077
Repaid	(264,259)	-
Interest charged	17,579	-
Interest paid	(17,579)	-
	<u>-</u>	<u>1,077</u>
At end of period	<u>-</u>	<u>1,077</u>

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

**17 Related party transactions (continued)**

**Details of loans to related parties**

Loans to related parties are explained in more detail in the cash and cash equivalents Note 8.

**Details of loans and other balances owed to related parties**

Loans from related parties are disclosed in more detail in the loans and borrowings Note 11. Amounts owed to other group companies are disclosed in more detail in the trade and other payables Note 12.

**18 Parent and ultimate parent undertaking**

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

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.