Registered number: 02906593 (England and Wales)

Northern Powergrid (Northeast) plc

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2023

Northern Powergrid (Northeast) plc

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Northern Powergrid (Northeast) plc

Company Information

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Northern Powergrid (Northeast) plc

Strategic Report for the Year Ended 31 December 2023

The directors present the annual report and financial statements for the year ended 31 December 2023 of Northern Powergrid (Northeast) plc (the "Company"), which have been drawn up and presented in accordance with the Companies Act 2006.

BUSINESS MODEL

The Company is part of the Northern Powergrid Holdings Company and its subsidiaries group of companies (the "Northern Powergrid Group") and is an authorised distributor under the Electricity Act 1989 holds a Licence granted by the Secretary of State. In addition, the Company owns all of the shares of Northern Electric Finance plc (together, the "Group"), a company that acts as the issuer of long-term debt securities. As the Company is the largest contributor to the Group in terms of revenue, the Strategic Report concentrates on the performance and progress of the Company throughout the reporting year.

As a distribution network operator ("DNO"), the Company is regulated by the Office of Gas and Electricity Markets ("Ofgem"), which in turn, is governed by the Gas and Electricity Markets Authority ("GEMA"). Ofgem requires the DNOs to operate within a regulatory framework known as a price control, the purpose of which is to protect the interests of end consumers by setting an upper limit on the amount the DNOs can charge for the use of their networks. The completion of the 2022/23 Regulatory Year (on 31 March 2023), represented the end of year eight of the RIIO-ED1 price control, which became effective on 1 April 2015 and ended on 31 March 2023 (the "ED1 period"). 1 April 2023 denoted the start of the RIIO-ED2 price control, which will run for a period of five years to 31 March 2028 (the "ED2 period").

The principal activity of the Company is the distribution of electricity to approximately 1.6 million customers connected to its electricity distribution network (the "Network") within its distribution services area in the northeast of England, which extends from North Northumberland, south to York and west to the Pennines. The Network includes over 42,000 kilometres of overhead and underground cables and over 28,000 substations. Electricity is received from National Grid's transmission system and from generators connected directly to the Network, and then distributed at voltages of up to 132 kilovolts.

Revenue generated by the Company is primarily controlled by a distribution price control formula which is set out in the electricity distribution licence. The price control formula does not directly constrain profits from year-to-year but is a control on revenue that operates independently of a significant portion of the Company's costs. Allowed revenue is recovered from electricity suppliers via the application of Distribution use of System charges. These charges account for approximately 15% of the electricity end user's overall electricity bill. The Company's opening base allowed revenue (excluding the effects of incentive schemes, volume or legislative driven adjustment mechanisms and any deferred revenues from the prior price control) has been set and therefore provides the Company with some stability in terms of its income for each Regulatory Year from 1 April 2023 through to 31 March 2028. Nominal opening base allowed revenues increased in line with inflation (as measured by the average of the United Kingdom's Retail Prices Index and Consumer Prices Index "CPI-H" in the month of April 2023, and as measured by CPI-H there onwards).

STRATEGY

In common with Northern Powergrid Holdings Company and its subsidiaries (the "Northern Powergrid Group"), the Company operates a strategy based on six core principles (the "Core Principles"), which comprise Financial Strength, Customer Service, Operational Excellence, Employee Commitment, Environmental Respect and Regulatory Integrity. The Core Principles (which are applied by the Northern Powergrid Group's parent company, Berkshire Hathaway Energy Company ("Berkshire Hathaway Energy")), set out the basis on which the Company generates shareholder value over the longer-term and defines the standards by which the Northern Powergrid Group holds itself accountable. Each Core Principle is defined by a strategic objective which is linked to the commitments made in the Company's business plan for the ED2 period (the "Business Plan").

Submitted to Ofgem in December 2021, the Business Plan (available via the Northern Powergrid Group website) described the long-term strategy that the Company would achieve during the ED2 period in order to support decarbonisation whilst delivering sustainable growth with regard to those with whom the Company interacted and served.

Developed after a period of consultation with stakeholders, and in conjunction with the work of the Customer Engagement Group ("CEG"), which was established for the purpose of providing independent scrutiny and challenge to ensure that customers' interests were adequately reflected, the Business Plan focused on a number of output areas. The output areas, which link to the Core Principles, are described throughout the Strategic Report and include (amongst others) reliability and availability, climate resilience, decarbonisation, safety, vulnerable customers and customer service. These areas are supported by three enablers, being workforce resilience, innovation and data and digitalisation. The directors refer to the values established by the Core Principles and the commitments contained within the Business Plan when considering the consequence of decisions they make.

As the Company delivers the strategy set out in the Business Plan, it will support the evolution from DNO to Distribution System Operator ("DSO"), to facilitate decarbonisation and take steps to achieve a fully integrated and flexible energy system. See Environmental Sustainabilty for more detail.

The delivery of the Business Plan is supported by an annual business plan (the "Annual Plan") which is submitted to the Northern Powergrid Group's shareholder each financial year and is designed to phase progress towards the achievement of each commitment over the ED2 period. This ensures that the deliverables in both plans can be measured effectively by using a mix of financial and non-financial Key Performance Indicators ("KPI").

The Strategic Report focuses on each Core Principle and the performance of the associated KPIs throughout the year in order to provide a summary of the success in achieving each strategic objective, progress made against certain Business Plan commitments and performance in relation to the Annual Plan.

FINANCIAL STRENGTH
Strategic objective: Strong finances that enable improvement and growth.

KPI	**2023**	**2022**
Operating profit (million)	£166.0	£161.6
Net cash from operating activities (million)	£293.3	£260.0
Net cash used in investing activities (million)	£187.1	£174.2
Credit Score (Standard and Poor's)	A	A

Business Plan commitment: To build on the strong financial base by delivering embedded efficiencies equivalent to 11% of forecast total expenditure during the ED2 period.

Performance during the year: The Group continued to maintain good control in respect of both its capital and operating costs by effectively managing the financial risks that could have had an adverse impact on its business.

Revenue: The Group's revenue at £435.7 million was £6.2 million lower than the prior year (2022: £441.9 million) primarily due to a fall in distribution use of system revenues (£11.5 million), partially offset by an increase in recharge to related parties (£5.2 million).

Operating profit and position at the year-end: The Group's operating profit of £166.0 million was £4.4 million higher than the previous year (2022: £161.6 million), primarily reflecting higher gross margin driven by a reduction of supplier of last resort costs (£16.6 million), partially offset by an increase of salary costs. The statement of financial position shows that, as at 31 December 2023 the Group had total equity of £1,318.9 million (2022: £1,236.7 million). The increase in assets was reflective of the continued capital investment being in excess of the depreciation charge. The directors consider the Group to have a strong financial position which, when coupled with the preference of its parent Company, Berkshire Hathaway Energy, for operating with lower levels of debt than equivalent companies in the sector, creates a stable base for continued strong performance during the ED2 period.

Finance costs and investments: Finance costs net of investment income at £20.4 million was £11.8 million lower than the prior year (2022: £32.2 million) mainly reflecting higher finance income relating to the intercompany loans.

Cash flow: The Company aims to collect from customers and pay suppliers within contracted terms. Any surplus cash held is remitted to Yorkshire Electricity Group plc ("YEG"), a company in the Northern Powergrid Group, and invested accordingly, generating a market rate of return for the Company. Movements in cash flows were as follows:

• Cash flow from operating activities at £293.3 million was £33.3 million higher than the previous year, reflecting higher operating profit before depreciation and amortisation and favourable movements in working capital and an increase in receipt of customer contributions.
• The net cash used in investing activities at £187.1 million was £12.9 million higher than the previous year, reflecting higher purchases of plant, property and equipment.
• The net cash outflow from financing activities at £382.1 million was £572.4 million higher than the £190.3 million cash inflow in the previous year. This is mainly down to no new issues of bonds (£346.3 million prior year) and an increase in movement in intercompany loans of £279.8 million.

Pensions: The Company is a participating employer in the Northern Powergrid Group of the Electricity Supply Pension Scheme (the "DB Scheme"), a defined benefit scheme. Further details of the Company's commitments to the Scheme and the associated deficit repair payments are provided in Note 25 to the financial statements. The Company also participates in the Northern Powergrid Pension Scheme, which is a defined contribution scheme.

Insurance: As part of its insurance and risk strategy, the Northern Powergrid Group has in place insurance policies, which cover risks associated with employees, third party motor and public liability. The Northern Powergrid Group carries appropriate excesses on those policies and is effectively self-insured up to the level of those excesses.

CUSTOMER SERVICE
Strategic objective: Delivering exceptional customer service.

KPI	**2023**	**2022**
Broad Measure of Customer Satisfaction ("BMCS")	89.3%	88.3%
BMCS Rank (Out of 14)	12	12
BMCS Power Cuts	88.6%	87.8%
BMCS General Enquiries	94.2%	94%
BMCS Connections	87.7%	86.2%
Stakeholder Engagement and Customer Vulnerability ("SECV") rank (out of 13) (combined with Northern Powergrid (Yorkshire) plc)	6	6

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

Performance during the year: In respect of BMCS performance, an independent market research company carried out telephone surveys with the Company's customers to find out how satisfied they were with services related to unplanned or planned power cuts, quotations and subsequent connections, and general enquiries. The Company recorded an increase in overall satisfaction scores at 89.3% compared to the prior year (88.3%) which resulted in an overall BMCS rank of 12 out of 14.

To further enhance the service provided to customers, initiatives from the Company's customer service improvement plan were implemented. This included introducing three new methods for customers to make contact (including instant and video messaging), the introduction of an on-site customer responder to support customers impacted by long duration power cuts and the provision of out of hours delivery for certain services such as service alterations.

In respect of overall performance during ED1, significant progress has been made in terms of the BMCS, with an increase in overall satisfaction of 83.3% at the start of the ED1 period to the 89.3% reported in respect of the 2023 financial year. However, it is acknowledged that as the other DNOs also continue to invest in customer service, even making incremental improvements in the BMCS ranking can be challenging. Regardless, the Company will strive to achieve its Business Plan commitments during the ED2 period by continuing to focus on the ways it can improve the service it provides to its customers.

Activity scheduled in support of this includes the refinement of the on-site support offering to extend utilisation beyond long duration faults, continuing to embed connections management improvements across all teams and the development of a Priority Services Membership App to support customers before and during a power cut.

Connections to the network

Business Plan commitment: To reduce small work end-to-end connections lead times by 20% while offering more self-service options, greater support and more flexibility over delivery, including, support for smarter solutions and an expanded range of flexible connections.

Performance during the year: End-to-end lead time improvement continued to be challenging due to the significant increase in connections volumes as a result of low carbon technology uptake and additional applications. In response, the Company implemented a new quotation system which allowed customers to obtain a quote online and increased operational delivery capacity. This was in addition to the quote on site option, single point of contact and AutoDesign tool that were implemented during the ED1 period.

In relation to the Company's ICE commitments for the 2022/23 Regulatory Year, the 11 actions included in the service improvement work plan were delivered by 31 March 2023.

From a major connection perspective, transmission network connections continued to pose a significant issue due to long delays. Consequently, steps were taken to proactively mitigate the problem where possible, including via the introduction of a new queue management processes and in collaboration with the electricity system operator ("ESO") and other network operators through the Energy Network Association's Strategic Connections Group, revised technical delegated limits were piloted at some of the Company's grid supply points. This allowed interim non-firm solutions to be offered to customers, thereby reducing connections lead times by approximately six years.

Communication was also prioritised with regular 'Transmission System Congestion' webinars having been hosted alongside National Grid Electricity Transmission and National Grid ESO, to provide stakeholders with clear and transparent updates on the Company's approach to identifying and implementing improved solutions. In addition, the availability and timeliness of information for customers was improved through a Project Progression portal, an online service that allows customers to look up their project to understand the status of the project and where it is in the connections pipeline.

Aside from transmission connections issues, the Company continued to see high volumes of connection applications, particularly at the extra high voltage level. In support of the increased appetite, plans are in place to improve customer service by minimising the time to quote, facilitated by introducing a new triage process which helps to prioritise quotations.

Corporate Responsibility

Business Plan commitment: To build effective relationships with stakeholders whilst maximising the value of contact with customers, especially those who are vulnerable and hard to reach.

Performance during the year: In April 2023, the Company (together with Northern Powergrid (Yorkshire) plc) put forward its SECV submission to Ofgem in respect of work undertaken during the 2022/23 Regulatory Year. The material provided an overview of activities and case studies in areas such as support for vulnerable customers, decarbonisation, safety, environment, customer service, reliability and availability.

Following the review by Ofgem's panel, the Company achieved sixth place (of six) in the context of the DNOs (2021/22: sixth place (of six)). In response, an external assessment of the approach to engagement, fuel poverty provision and the support provided to vulnerable customers was undertaken and improvement plans were established. This was the last year of the SECV incentive as the measurement of stakeholder engagement in future years will be via issue specific incentives such as DSO and Consumer Vulnerability.

During the year, the Company continued to develop engagement activity with a focus on supporting the implementation of the Business Plan. This included establishing new forums to facilitate decarbonisation and DSO engagement as well as enhancing existing relationships with local councils, Local Enterprise Partnerships and civic leaders. In support, the Business Plan Engagement Groups delivered tailored engagement activities and respond to on-going feedback from customers and stakeholders.

As in recent years, the ongoing energy crisis and economic uncertainty exacerbated the challenges facing vulnerable customers. Accordingly, investment doubled and the Company and its affiliate were able to a support over 20,000 customers who were facing fuel poverty. In addition, in conjunction with partners, work began to pilot a new service to provide advisory services, particularly for vulnerable customers, to decarbonise their homes. This was supported by a refresh of the Social Issues Expert Group to the Northern Inclusive Energy Group. Comprised of a number of independent vulnerability experts from across health, housing and energy, the group aims to deliver support to vulnerable customers by shaping the Company’s social responsibility and consumer vulnerability policy.

In terms of additional activity, the Company’s Community Partnering Fund financed nine grassroots organisations across the region to deliver fuel poverty support to vulnerable households and the Net Zero Community Energy Fund supported eight organisations to a share of £50,000. Alongside, the Company and all funded partners routinely promoted Priority Services Membership and shared energy efficiency materials and winter preparedness information to customers.

OPERATIONAL EXCELLENCE

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

	2022/23		**2021/22**	
KPI	**Actual**	**Target**	**Actual**	**Target**
Customer minutes lost	44.0	<50.9	46.3	<52.8
Customer interruptions	46.9	<58.6	49.9	<59.2
	2023		**2022**	
Network investment (million)	£190.2		£157.5	
High voltage restoration time (minutes)	62.1		61.1	

Business Plan commitment: To achieve 12% fewer unplanned power cuts and reduce the average length of unplanned power cuts by 25%.

Performance during the year: CML and CI are the KPIs set by Ofgem to measure (on a regulatory year basis) the quality of supply and system performance. CML measures the average number of supply minutes lost for every connected customer due to both planned and unplanned power cuts that last for three minutes or longer. CI measures the average number of supply interruptions per every 100 connected customers due to planned and unplanned power cuts that last for three minutes or longer. Performance during the year was better than Ofgem's target for both CML and CI.

From a high voltage restoration perspective, the Company averaged 62.1 minutes (2022: 61.2 minutes), after allowing for severe weather incidents and other exemptions.

In respect of the ED1 business plan commitments (to achieve 8% fewer unplanned power cuts and reduce the average length of unplanned power cuts by 20% during the ED1 period), the Company (together with Northern Powergrid (Yorkshire) plc) outperformed the original targets by achieving 25.4% fewer unplanned power cuts and a reduction of the average length of unplanned power cuts by 29.5% (relative to the prior regulatory period).

The Company invested £190.2 million during the year through its approved Network investment strategy (2022: £157.5 million), which has been designed to deliver improvements in Network performance and increase resilience. Various major projects were undertaken to reinforce the primary Network, refurbish transformers, rebuild overhead lines, remove and replace oil-filled cables, change deteriorated poles, replace switchgear and install and commission new remote-control points.

Further Network enhancements included the continued roll-out of the automatic power restoration system on the high voltage Network. At low voltage the implementation of next generation innovative low voltage technology devices continued with the addition of low-cost Network monitoring sensors which detect developing faults so that they can be proactively managed. Initiatives were also implemented as a result of the Reliability Improvement Plan including increasing the use of mobile generation to restore supplies.

In terms of storm response and winter preparedness, the Company continued to implement and develop a range of improvements to its website capabilities, call volume capacity, active network management and Major Incident Management Plan (“MIMP”) response procedures.

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

	2023		2022	
KPI	**Actual**	**Target**	**Actual**	**Target**
Northern Powergrid Group occupational safety and health administration ("OSHA")	0.43	0.09	0.26	0.09
Preventable vehicle accidents (PVAs)	8	10	10	14
Lost time accidents	1	-	-	-
Medical treatment accidents	2	1	0	1
Operational incidents	3	3	5	3
Northern Powergrid Group absence rate	3.4%		3.3%	

Health and Safety
Business Plan commitment: To maintain industry leading safety performance and reduce the accident rate by 50% over the ED2 period.

Performance during the year: In common with the Berkshire Hathaway Energy group, the Northern Powergrid Group measures its safety performance using the OSHA rate, which is a measure used to capture safety incidents down to minor levels of medical treatment. The Northern Powergrid Group failed to meet its target of 0.09 having achieved an OSHA rate of 0.43 (2022: 0.26), which equated to 11 recordable incidents against a goal of two or fewer. Whilst the majority were relatively minor in nature (dog bites), three incidents involved minor burn injuries, and as such, an intervention plan was implemented. The Company had a positive year in terms of PVAs, with eight recorded against a target of 10 or fewer. In addition, one minor lost time accident was recorded.

In respect of the Business Plan commitment, improving safety performance remains a key priority and the way in which this is achieved is set out in the Company's health and safety performance improvement plan ("HSPIP"). During the year, the HSPIP focused on 58 initiatives in the areas of colleague safety, contractor safety, health and well-being and public safety. This included the continuation of driver training, the introduction of local safety improvement groups, the mobilisation of an assurance programme on high -risk activities and leveraging data from the vehicle telematics system to prioritise driver training.

The mental health and wellbeing of staff continues to form an integral part of the HSPIP. Existing support includes an independent employee assistance service, which is a confidential, self-referral counselling and information service to assist with personal or work-related problems and access to services including counselling and physiotherapy referrals.

During the year, the Company successfully completed two external surveillance visits on its ISO 45001 accreditation for its occupational health and safety management system.

Employees

Business Plan commitment: To emphasise the importance of leadership and high standards of performance by engaging, collaborating and working with employees and their trade union representatives.

Performance during the year: Agile working has successfully allowed eligible colleagues to adopt flexible ways of working with a renewed focus this year on collaboration and team work. It continues to evolve and is key to supporting the retention and attraction of colleagues Health, safety and wellbeing has remained a key commitment as the initiatives are further developed to cultivate a healthy workplace.

In relation to development, training sessions on topics which formed part of the Diversity, Equity and Inclusion plan were provided to further promote a more inclusive culture. Routine training also continued in key areas such as customer service, cyber security and management development. In addition, the Company's leadership offering was refreshed in line with the Berkshire Hathaway Energy Performance Management Framework which included a management development programme, leadership apprenticeships and an approach to identifying and developing individual contributors.

During the year, 68 new recruits (2022: 41) joined the Company and Northern Powergrid (Yorkshire) plc's workforce renewal programme. At 31 December 2023, the Company had 1,384 employees (2022: 1,281).

There has been an increase in the total numbers since the prior year, specifically within Energy Systems, reflecting the strengthening of the DSO and data and digitalisation teams to deliver Business Plan initiatives.

Further information concerning how the Northern Powergrid group is supporting gender diversity in the energy industry can be found in the Northern Powergrid Group's gender pay gap report via the Northern Powergrid Group's corporate website.

Employee engagement

The board and senior management team continue to keep employees and trade union representatives informed of and involved as appropriate in developments that may impact them now or in the future. This approach has been chosen as the most effective way of interacting with employees due to the combination of collectively bargained and personal contract holders. In support of this process, the Director of People and Change routinely reports to the board and the Health and Safety Committee to ensure that the views of employees are considered and to facilitate the discussion of and any subsequent decision making in respect of employee related concerns or issues.

Consultation for collectively bargained employees is agreed with trade union representatives in the form of a constitutional framework. In addition, all employees are consulted to establish their views and identify key priorities using employee engagement surveys.

During the year, the President and Chief Executive Officer, members of the board and senior management team provided regular updates on financial, organisational, safety and customer service performance. The executive directors continued to engage directly with employees during operational and office-based site visits, and induction events. Communication with employees was delivered via various channels including group wide text messages and virtual meetings to quickly disseminate key information concerning safety and MIMPs, alongside regular briefings, line manager conversations, meetings with trade union representatives in addition to utilising the Northern Powergrid Group's intranet.

The Berkshire Hathaway Energy code of business conduct ("Code of Conduct")
The Northern Powergrid Group has adopted the Code of Conduct, which details the commitment to ethics and compliance with the law, provides reporting mechanisms for known or suspected ethical or legal violations, and establishes minimum standards of behaviour expected of all employees. In support of this, a "speaking up" process is in place enabling all employees to raise concerns of unethical acts, malpractice or impropriety (including bribery or corruption), and an anonymous help line operated by an independent company is also available. All colleagues complete an annual online training programme covering the requirements of the Code of Conduct. This also requires all employees to declare any conflicts of interest and unspent criminal convictions.

Employment of disabled persons
The Company's policy is to provide all protected groups, including disabled people, with equality at work in respect of employment, training, career development and promotion, having regard to their aptitudes and abilities. Should any member of staff become disabled during their employment, the Company will make reasonable adjustments, wherever possible.

ENVIRONMENTAL RESPECT

Strategic objective: Leaders in environmental respect and low carbon technologies

	2023		2022	
KPI	**Actual**	**Target**	**Actual**	**Target**
Total oil/fluid lost (litres)	8,823	<10,387	10,164	<11,406
SF6 gas discharges (kg)	7.45	<12.25	22.08	<12.75
Environmental incidents	-	<2	3	<2
Carbon footprint (tonnes)	15,222		14,376	
KWh energy consumed	20,160,750		20,867,214	

Business carbon footprint	**Tonnes**	**Per km²**	**Tonnes**	**Per km²**
Fleet fuel use	1,931	0.13	1,977	0.14
Other (including fugitive emissions)	321	0.02	751	0.05
Total scope 1	*2,252*	*0.15*	*2,728*	*0.19*
Building electrcity use	775	0.05	775	0.05
Substation electricity use	1,706	0.12	1,664	0.12
Total scope 2	*2,481*	*0.17*	*2,439*	*0.17*
Business fuel use	1,070	0.07	965	0.07
Contractor emissions	9,420	0.65	8,243	0.57
Total scope 3	*10,490*	*0.72*	*9,208*	*0.64*
Total carbon footprint (tonnes)	15,222	1.06	14,376	1.00

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

The chosen business carbon footprint intensity ratio is based on the Company's licence area which equals 14.394 km.

The methodology adopted to calculate energy and business carbon footprint data is aligned with international standards, those required by Defra and BEIS and is compliant with ISO 14064-1:2006.

Business Plan commitment: To reduce our business carbon footprint by 20% and reduce oil loss by 15% during the ED2 Period.

Performance during the year: The volume of SF6 gas loss during the year combined with an increase in contractor works and associated emissions, resulted in the Company's overall carbon footprint increasing to 15,222 tonnes (2022: 14,376 tonnes). Whilst this was disappointing, significant progress has been made over the ED1 period, with the Company's and its affiliates' carbon footprint having reduced by 36%, well ahead of the original 10% reduction commitment. In terms of scope 3 emissions, the Company has committed to collect data for all applicable scope 3 emissions categories in order to enhance a more robust, multiyear baseline. This will inform the actions taken to implement meaningful and actionable steps to further reduce emissions resulting from the Company's operations.

In support of the target to further reduce oil and fluid loss, the 2023 annual environmental improvement plan included a transition to a blended strategy of both asset replacement of fluid-filled cables and enhanced tracer applications to facilitate earlier interventions. The 2023 loss of fluid reduced from the previous year of 8,823 litres (2022: 11,583).

To maintain the policy of environmental protection and legal compliance, the Company continues to assess environmental risks and mitigate threats through programmes of work such as fluid-filled cable replacement, undergrounding overhead lines in areas of outstanding natural beauty, installing flood defences, implementing secondary containment in high-risk substations and removing equipment containing polychlorinated biphenyl from the network. Whilst prevention is paramount, in the event the Company's activity does result in a leak or spill, the services of an appointed 24-hour a day environmental response consultancy is used to minimise the effects of any incident.

The Company takes its environmental responsibilities seriously and has a proven track record of lowering emissions and minimising the wider environmental impact of Network activity. Reducing the level of internal carbon footprint is a key priority and consequently, plans have been developed to achieve the ambition to become carbon net neutral by 2040 across the Company’s controllable emissions.

Controllable internal sources of emission are captured through Ofgem’s Regulatory Reporting Process and include operational fleet, company car miles, other business travel and office, depot and substation energy use. The Company’s supply chain also contributes to the overall carbon footprint as contractors are used to undertake work on the Network and deploy generators to support customers during power cuts.

Initiatives in place to reduce internal sources of emission include increasing the number of ultra-low emission or zero emission vehicles to 40% of the Company’s fleet of vehicles by 2028 and the adoption of science-based targets. The fleet vehicle target was aligned to stakeholder ambition levels and was therefore designed to balance costs, technology readiness and charging infrastructure availability.

In respect of the Company’s wider environmental impact, plans have been developed to achieve zero waste to landfill by 2035 and to divert (by re-using or recycling) 90% of waste from all of the Company’s operations by 2028. The Company’s Network operations are the largest source of waste generation, with waste arising from excavations and other operations representing 99% of all of the waste produced. Steps taken to enhance performance in this area include the recycling of materials, with the Company planning to recycle and reuse 85% of total materials by 2028. This target incorporates the increased volume of waste that will be produced as a result of delivering the Company’s Network investment plans and decarbonisation objectives.

Issues relating to the assessment and classification (as hazardous or non-hazardous) of material arising from unplanned utility excavations, prior to transport from site and disposal, pose a significant challenge to the Company’s objective to reduce waste to landfill. The utilities industry is currently working with Streetworks UK and the Environment Agency to develop and implement a new industry-wide risk-based approach to managing waste arising from excavations to combat these issues.

From a supply chain perspective, the Company will continue to work closely with suppliers to reduce packaging and ensure environmentally friendly alternatives are used where possible. In support, an embodied carbon model will be used to support investment decisions including the sourcing of raw materials. At office locations, the use of waste segregation facilities will be increased, and office supplies will wherever possible be low carbon, plastic free and fully recyclable or reusable.

In addition to the measures outlined above, to safeguard the environment from its direct activity, the Company also operates a habitats programme which is aimed at protecting natural habitats and increasing the variety and variability of species and ecosystems at 200 of the Company’s and its affiliates' major sites.

At this time, the Company has no plans to use carbon offsetting to achieve its targets in the ED2 Period. Instead, the focus remains on reducing physical carbon emissions, on the basis that additional investment in the Network to enable decarbonisation offers much better value to customers than incremental spend on carbon off-setting the Company’s emissions. However, at an initiative level, where ad-hoc opportunities exist, the Company may pursue these accordingly.

From an environmental compliance perspective, the Company operates a United Kingdom Accreditation Service scheme for environmental management and is certified to the environmental management systems standard ISO 14001:2015 which is designed to enhance environmental performance, fulfil compliance obligations and achieve environmental objectives, all of which contribute to the achievement of the Company’s KPIs. A full recertification assessment was carried out in October 2023 with two environmental certification standards - the ISO 14001 Environmental Management System and the Energy and Utility Skills Competence Management Scheme (CMS) for waste management (including the transition to an updated version of the CMS standard).

The Company’s carbon footprint reporting framework is certified under the Certified Emissions Measurement and Reduction Scheme for compliance with ISO 14064-1:2006. A full re-certification audit commenced in November 2023, with final re-certification to follow in early 2024 once a re-baseline and incorporation of system losses into our reporting is complete and verified.

To date, the Company's performance against a number of stretching KPIs to reduce carbon usage and minimise the effects of the Company on stakeholders and the environment has been positive. However, it is acknowledged that becoming carbon neutral by 2040 and working with suppliers and partners in order to accomplish this, is not without its challenges and risks. Accordingly, the Company will continue to evolve its ambitions and enhance the implementation of environmental plans throughout the ED2 Period. The phased targets associated with waste to landfill, recycling, noise pollution and biodiversity and additional descriptions of all key measures can be found in annex 1.4 of the Business Plan, a copy of which can be found via the Northern Powergrid Group's website (our business plan). Additional reporting against these targets will be included in the 2023/2024 Regulatory Accounts, given it is the first full Regulatory Year period, for which the KPIs have been developed.

Environmental Sustainability
Strategic focus: Enable significant growth in customers connecting low carbon technologies, support all pathways to net zero emissions and significantly reduce the Company's carbon footprint.

Performance during the year: As the country takes action to reduce carbon emissions in line with the net zero target by 2050, the way in which electricity is produced and used is expected to have a substantial impact on the Network over time. Accordingly, in the year, the Company began implementing its DSO strategy in order to act as a key facilitator in the country's net zero transition by placing decarbonisation at the heart of its investment and actions.

As the volume and total capacity of decentralised energy generation grows and given the greater range of load and generation technologies now connected to the Network, the Company continued to develop and action innovative solutions that will reduce the need for traditional and potentially expensive reinforcement.

In the past year, the Company engaged with the market for flexibility by tendering for flexibility services on the Network, successfully placing two contracts for services. At these sites, customers change their energy consumption and generation patterns as an alternative to the Company carrying out Network reinforcements, thereby facilitating a more efficient and greener Network. And to better understand how to prepare the Network for the future needs of its customers and the potential pathways to net zero, the Company published its updated Distribution Future Energy Scenarios (available via the Northern Powergrid Group's corporate website).

From an innovation perspective, the Company runs a portfolio of projects in the priority areas of customer vulnerability, resilience, and decarbonisation. In 2023 the Company initiated the Community DSO project, funded through £12.5 million of Network Innovation Competition funding awarded by Ofgem. The project will deliver trials of smart local energy systems to explore how consumer energy resources and flexibility can be utilised in communities, thereby providing more efficient solutions to decarbonisation, resilience for rural communities and opportunities for consumers and vulnerable customers to participate in and benefit from flexibility markets.

Decarbonisation continues to become more central to the Company's strategy, and the way in which the Company contributes more broadly to the evolution of the energy industry and the stakeholders with whom it interacts. The Company has been progressive in its ambition to reduce its own business carbon footprint. However, there is greater opportunity to contribute to decarbonisation through the Company's key role in facilitating regional decarbonisation by fulfilling the functions of DSO. This means investing in people, processes and systems in order to actively manage the Network and to optimise the use of assets and generated energy in the region.

As part of the Company's Business Plan, several strategic objectives shaped the development of the accompanying DSO strategy. This included 'flexibility first', involving deploying flexible solutions as an alternative to Network reinforcement, 'whole system collaboration' in order to engage with the wider market on whole system energy solutions, 'data and digitalisation', to facilitate solutions in areas such as open data, 'openness and transparency' to collaborate in joint planning with our stakeholders and, finally, fostering a 'workplace and workforce fit for the future', to build regional and national skills.

Collectively, these objectives have been developed to achieve a number of outcomes and benefits. The Company is delivering its plans for DSO to enable open energy data sharing, transform the way decisions and plans are made, support the development of new flexible energy markets, increase customer and Network flexibility and facilitate a whole system energy system. The Company's Energy Systems directorate centralises responsibility for delivering DSO plans and has progressed, growing a team responsible for these functions throughout 2023.

In conjunction with this activity, with the support of the CEG, the Company established the DSO Review Panel ("DRP"), for the purpose of making its decisions transparent and to allow the independent members to comment on and challenge the Company's major investment decisions.

REGULATORY INTEGRITY
Strategic objective: Trustworthy, fair and balanced.

KPI: Completion of a quarterly regulatory compliance affirmation process.

Business Plan commitment: To manage the Company's business to the highest behavioural standards and adhere to a policy of strict compliance with all relevant standards, legislation and regulatory conditions.

Performance during the year: In order to assure compliance with distribution licence and other regulatory obligations, the Company operates a regulatory compliance affirmation process, under which ownership of approximately 2,400 regulatory obligations is assigned to 80 responsible managers. Those responsible managers are required to review compliance with the relevant obligations on a quarterly basis and report on any identified non-compliances or perceived risks which are then addressed by members of the senior management team. To minimise the risk of the Company breaching its licence conditions and other statutory requirements (which could lead to financial penalties), the board reviews the outcomes of each exercise. Each quarterly regulatory compliance affirmation process was completed satisfactorily during the year.

The Company submitted its annual Data Assurance Report to Ofgem in March 2023, which included risk assessments of the regulatory returns to be submitted during the Regulatory Year ahead (April 2023 to March 2024), together with a report detailing the assurance work actually carried out in the Regulatory Year ended 31 March 2023 and the findings of that work.

In March 2023, the Company and its affiliate were granted permission by the Competition and Markets Authority (the "CMA") to appeal against the licence modifications that gave effect to Ofgem’s Final Determination in respect of the ED2 price control. The appeal related to two specific grounds:

1. the misallocation of allowances that is inconsistent with efficient costs; and
2. the approach to determining rewards for the Business Plan Incentive.

The CMA upheld the Company’s appeal on the first ground and sent that part of Ofgem’s decision back to Ofgem for reconsideration and redetermination. The CMA dismissed the Company’s second ground of appeal.

Ofgem reconsidered its analysis of the allocation of allowances and, on 2 November 2023, issued the statutory consultation proposing the changes to be made to the special conditions of the Company’s electricity distribution licence in order to, in Ofgem’s view, give effect to the CMA’s decision.

The Company submitted its response to the statutory consultation on 29 November 2023 and, having considered that response, Ofgem issued the statutory notice formally modifying the special conditions of the Company’s electricity distribution licence on 13 February 2024. The Company confirmed to the CMA that it would not appeal Ofgem’s redetermination. Further information concerning the outcome of the appeal process can be found via the CMA website.

PRINCIPAL RISKS AND UNCERTAINTIES

The Northern Powergrid Group operates a structured and disciplined approach to the management of risk as part of its overall risk management policy and in support of its financial reporting practices. A system is in place to facilitate the identification of new and emerging opportunities and risks, including those associated with the achievement of the Northern Powergrid Group's strategic objectives and Core Principles. This includes regular reviews of the macro environment as well as risks that arise from within functional business areas (see the non-financial and sustainability information statement for further detail).

Once identified, key risks and their respective controls and mitigation plans are continually assessed and formally reviewed on a quarterly basis by the Risk Advisory Board ("RAB") in order that they are managed to an acceptable level in accordance with the Northern Powergrid Group's risk appetite. The Northern Powergrid Group's risk appetite is determined by a process based on risks, issues and consequences. The level of tolerance varies in accordance with the pursuit of objectives and with caution or acceptance adopted depending on whether risks can be influenced or mitigated fully, partly or not at all. The RAB routinely reports its findings to the board to ensure the directors are sufficiently appraised of the risk exposure associated with the pursuit of the Company's long-term strategy.

The risk management programme includes regular reviews of the crisis management, disaster recovery and major incident plans. To determine the level of disaster preparedness and responsiveness against threats to business continuity, risk management plans and processes are periodically tested. This self-evaluation approach is reinforced by that of the Berkshire Hathaway Energy group, which benchmarks risk management activities across its business units and shares significant lessons learned. The business continuity and disaster recovery plans are tested regularly to ensure that as required, operational performance can remain resilient, and employees are able to perform their duties safely.

Principal Risks

During the year, two additional risks were added to the risk register, being transmission connection delays and the outcome of the regulatory price control. No other notable changes have taken place. The Northern Powergrid Group's principal risks are not ranked or prioritised in any particular order. Given the sensitivity and ever-changing nature of risks, the board has elected not to disclose the risk appetite associated with each risk.

Cyber and Information Security

Unauthorised access or compromise of the Information Technology or Operational Technology networks, resulting in loss of network control and availability. Unauthorised access or loss of large volumes of data or sensitive data.

Mitigation

- Robust cyber security risk mitigation programme is in place.
- Accreditation under the ISO 27001 Information Security standard for operational, customer, employee and financial information.
- Compliant to the Network Information Security Directive and the Basic Cyber Assessment Frameworks.
- Compliance with the Centre for Internet Security Critical Security Controls.

Regulatory and policy positioning

Decisions taken resulting in negative impacts to our business model.

Mitigation

- Ofgem ruled out an Out or Underperformance true up in respect of high inflation on the performance of the Cost of Debt.
- Innovation projects are in place to develop and demonstrate future technologies and commercial practices.
- The Company engages in a robust regulatory and stakeholder engagement programme, the latter of which is scrutinised by the CEG.
- The Company is actively involved in consultations on the ED2 price controls.

Network resilience
Loss of the operational Network due to significant weather events, targeted physical attack or catastrophic asset failure resulting in sustained or widespread loss of essential supply.

Mitigation
• Major incident and crisis management policies, plans and governance arrangements are in place.
• An industry mutual aid agreement exists.
• Grid resilience programme and audits.
• Robust procurement processes.
• Vulnerable site protocols.

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

Mitigation
• Overseen by the Health and Safety Committee.
• Safety Health and Improvement Plan and associated policies and procedures.
• Health and safety training, enhanced audit programme and inspection regimes are in place.
• ISO45001 safety management system in place.

Environment and climate protection
Failure to prevent Network assets from having a significant negative impact on the environment.

Mitigation
• Programme to reduce fluid loss and the Company's business carbon footprint and remove assets containing polychlorinated biphenyl from the network.
• Environment improvement plan, Environment Action Plan and science-based targets.
• Path to carbon neutrality by 2040.
• Incident response, waste management and habitat protection programmes.
• ISO14001 environmental management system in place.
• Additional climate related risks are disclosed in the non-financial and sustainability information statement.

Resource availability
Access to and availability of skilled resource resulting in an inability to deliver work programmes.

Mitigation
• Mix of direct labour and contracted resource is used.
• Workforce renewal programmes in place to recruit and retain employees.
• Ongoing training and development builds internal capability.
• Employee engagement and health and well-being initiatives and a diversity, equality and inclusion plan are in place.
• Good relationships with trade unions representatives.

Transmission Related Connections Delays
Significantly delayed connection delivery timescales due to transmission constraints.

Mitigation
• Overseen by a steering group.
• Connection lead times are routinely monitored.
• Change programme in place to improve customer connection lead times and customer communication.
• Part of an industry work programme through the Energy Networks Association.

Regulatory Price Control Outcome
A regulatory settlement that is insufficient to provide fair and balanced outcomes.

Mitigation
• Optimising price control reopener mechanisms.
• Competition and Markets Authority Appeal process.
• Continued dialogue and engagement with Ofgem.

• Robust budgetary and financial position.

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

Mitigation
• Robust business planning process.
• Robust financial controls in place.
• Monthly executive business performance review.
• Comprehensive “Efficient Output Delivery” programme.

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

Mitigation
• The Group is financed by long-term borrowings at fixed rates and has access to short-term borrowing facilities at floating rates of interest.
• As at 31 December 2023, 100% of the Group’s long-term borrowings were at fixed rates and the average maturity for these borrowings was 27 years.
• Financial covenant monitoring is in place.
• Regulatory adjustments control the effect of taxation changes.

Internal Control
A strong internal control environment exists to support the financial reporting process, including regular reporting, a series of operational and financial policies, investigations undertaken by internal audit and a stringent process for ensuring the implementation of internal audit recommendations. In addition, the Company utilises comprehensive business planning procedures, regularly reviews KPIs to assess progress towards its goals, and has a strong internal audit function to provide independent scrutiny. Financial controls include centralised treasury operations and established procedures for the planning, approving and monitoring of major capital expenditure.

The RAB monitors the effectiveness of internal controls and reports on its findings to the board and Berkshire Hathaway Energy. As part of the statutory reporting process, the Company’s external auditor reviews and tests a number of internal controls and reports their findings and recommendations for improvements to the board.

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

In accordance with Berkshire Hathaway Energy’s requirements to comply with the Sarbanes-Oxley Act, the Company undertakes a quarterly risk control assessment confirming that the effectiveness of the system of internal controls have been reviewed during the year. A self-certification process is in place, in support of this review, whereby certain senior managers are required to confirm that the system of internal control in their area of the business is operating effectively. Consequently, the directors believe that a robust system of risk assessment and management is in place.

The Northern Powergrid Group does not have a specific human rights policy. However, in accordance with the Core Principles, it remains fully committed to operating ethically and responsibly and with fairness and integrity. This is implemented through its policies and procedures, which are applicable to all stakeholder groups and encompasses employees’ health, safety and welfare, dealings with customers (particularly those who are vulnerable), the impact of the Northern Powergrid Group on the environment and the contribution to sustainability.

To ensure that the Northern Powergrid Group maintains the highest level of ethical standards in the conduct of its business, Berkshire Hathaway Energy's Code of Conduct has been adopted (See ‘Employees’). The Northern Powergrid Group has robust procedures in place to meet the requirements of the Bribery Act 2010. Every employee must undertake training in respect of the Northern Powergrid Group’s anti-corruption and anti-bribery policy each year.

Section 172(1) statement

Decision-making at the Board

All matters which under the Company's governance arrangements are reserved for decision by the Directors are presented at Board meetings. Directors are briefed on any potential impacts and risks for customers, and other stakeholders and how they are to be managed. The Directors take these factors into account before making decisions, which together they believe are in the best interests of the Company and its member.

Long-term sustainability

As referenced throughout the Strategic Report, the Company's business model is to make sufficient profit in order to invest in the Network thereby, ensuring the integrity of the electricity supply for its customers. To achieve this objective, the Company delivers its service to fulfil the needs of the stakeholders with whom it interacts and in doing so, ensures all business relationships are conducted in an open and transparent manner. Consequently, fostering business relationships is a prerequisite of the activity performed by the Company in the pursuit of its goals and the long-term sustainability of the Company is at the forefront of decision-making.

The Company's policy in respect of engaging with stakeholders is governed by the Core Principles and the Code of Conduct. The Core Principle of 'Regulatory Integrity' defines the Northern Powergrid Group's commitment to comply with all laws wherever it does business and the expectation that all employees (including directors) manage their activities in a manner that is compliant with all standards, regulations and corporate policies. In addition, the Code of Conduct requires adherence to the highest level of ethical conduct and fair dealings with all customers, suppliers and competitors.

Employees

As detailed in the 'Employee Commitment' section, the Company works hard to ensure the health and safety of employees and to provide them with opportunities for advancement alongside fair terms whilst remunerating appropriately. Activities undertaken by the board in the year included reviewing health and safety performance, monitoring key appointment changes, receiving regular updates on the Company's Diversity, Equity and Inclusion plan, reviewing the Company's gender pay gap report and approving the delegations of authority.

Customers

Customers, whether they are domestic or commercial, are the primary stakeholder group served by the Company and therefore the services offered are all tailored to provide a benefit or enhance an experience. During the year, the board regularly reviewed performance levels, closely monitored the response in respect of Storm Arwen, including compensation arrangements and engaged with the Chair of the CEG. Further detail of the Company's relationship with customers and the support programmes provided is discussed in 'Customer Service'.

Producers and suppliers

The Company works closely with its supply chain and has measures in place to ensure the treatment of all supplies is fair and equitable. Relations with suppliers is managed using a supplier registration system which supports a robust and transparent procurement process and ensures strict compliance with the prevention of slavery and human trafficking. As a consequence, the system allows the Company to make informed decisions which align with its values when awarding contracts. When considering suppliers, the board advocates prompt payment practices, which are reviewed regularly by the internal audit function, and the implementation of procedures to reduce the risk of modern slavery in supply chains - as set out in the Company's annual modern slavery statement.

Financial stakeholders

Financial information is routinely made available to financial stakeholders, including relationship banks and bondholders. Directors participate directly with stakeholders when entering into new financial arrangements. During the year, the board approved an interim dividend, the annual, interim and Regulatory accounts and the tax strategy and met representatives from the Company's external auditor.

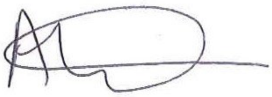
Community and environment
Each Director is required to take all reasonable steps to minimise any detrimental impact the Company's operations may have on the environment (see 'Environmental Respect'). The Company also supports a range of charitable and community activities to help customers with fuel poverty and safety around electricity ('Community' section). During the year, the directors routinely reviewed environmental performance and made decisions pursuant to Environmental Respect.

Regulator
The Company is in regular dialogue with Ofgem concerning new policy development and emerging risks or opportunities within the sector. As outlined in 'Regulatory Integrity', to meet its licence conditions, the Company and the directors provide regular reporting to Ofgem (including the annual regulatory certificates and Regulatory Accounts), contribute to various regulatory consultations and monitor regulatory compliance. Given the implications on the Company's long-term strategy, the relationship with Ofgem, the evolving ED2 framework, the transition to DSO were regular items on the board agenda throughout the year.

Acting fairly as between the Company's owners
The Company has one class of ordinary shares which are all held by Northern Electric plc, a company in the Northern Powergrid Group. During the year the directors declared an interim dividend and approved the Business Plan. As outlined in 'Strategy', the Northern Powergrid Group is owned by Berkshire Hathaway Energy. Further details of the shareholder relationship is set out in the 'Corporate Governance Statement'.

Non-financial and sustainability information statement
In accordance with Section 414CA(7) of the Companies Act 2006, the directors have elected to set out the information required by Section 414CB (1) to (6) in the group annual report and audited consolidated financial statements of Northern Powergrid Holdings Company, a copy of which, will be published on the Northern Powergrid Group's corporate website.

Approved by the Board on 1 May 2024 and signed on its behalf by:



A P Jones
Director

Northern Powergrid (Northeast) plc

Directors' Report for the Year Ended 31 December 2023

The directors present their report together with the auditor's report and the financial statements for the year ended 31 December 2023.

Dividends
During the year, an interim dividend of £31.4 million was paid (2022: £27.7 million). The directors recommend that no final dividend be paid in respect of the year (2022: £nil).

An interim dividend of £300.0 million was paid on the 26 March 2024.

The Company's dividend policy is that dividends will be paid only after having due regard to available distributable reserves, available liquid funds and the financial resources and facilities needed to enable the Company to carry on its business for at least the next year, with the Company’s long-term prospects and viability in mind. In addition, the level of dividends is set to maintain sufficient equity in the Company so as not to jeopardise its investment grade issuer credit rating. These strict parameters align with the conditions set out in the distribution licence and are considered carefully by the board so as to ensure that the payment of any dividend does not cause the Company to breach any licence obligations in the future.

Directors of the Company
The directors, who held office during the year and up to the date of signing, were as follows:
A J Maclennan
A P Jones
A R Marshall
P A Jones
P C Taylor
T H France

During the year:
• None of the directors had an interest in any contract which was material to the business of the Company: and
• Up to the date of approval of the Report of the Directors, an indemnity contained in the Company's Articles of Association was in force for the benefit of the directors of the Company and as directors of associated companies, which was a qualifying indemnity provision for the purposes of the Companies Act 2006.

Future Developments
The financial position of the Company, as at 31 December 2023, is shown in the statement of financial position. There have been no significant events since the year end. The directors intend that the Company will continue to implement the Business Plan during the remainder the ED2 period, and by delivering the strategic objectives linked to the Core Principles, the Company will continue to develop its business by efficiently investing in the Network and improving the quality of supply and service provided to customers. The Company intends to continue to embrace the role of DSO by expanding its energy systems operations in order to allow its Network to form a key part of a whole energy system, which fosters flexibility and facilitates decarbonisation.

Research and Development
The Group supports a programme of research that is expected to contribute to higher standards of performance and a more cost-effective operation of its business. During the year, the Company invested £2.0 million (2022: £1.6 million) (Note 5 to the financial statements) in its research and development activities.

Financial Instruments
Details of financial risks are included in the Principal Risks and Uncertainties in the Strategic Report and Note 29 to the financial statements.

As at 31 December 2023 and during the Year it was the Group's policy not to hold any derivative financial instruments.

Stakeholder engagement and environmental disclosures
In accordance with Paragraphs 10, 11 and 15 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, details concerning the employment of disabled persons, the relationship and engagement with employees and those with whom the Company does business, in addition to information concerning greenhouse gas emissions can be found in the Section 172 Statement and the Strategic Report (Environmental Respect and Employee Commitment).

CORPORATE GOVERNANCE STATEMENT
In accordance with Disclosure and Transparency Rule (DTR) 7.2.9, the directors have elected to set out the information required by DTR 7.2.1 to DTR 7.2.8AR in a separate statement, a copy of which can be found on the Northern Powergrid Group's corporate website.

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

Committee members:
• M Knowles - Independent member
• J Reynolds - Non-executive Director (Chair)
• A P Jones, Finance Director (appointed 20 April 2022)

STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the annual 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 are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements also comply with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

• properly select and apply accounting policies;
• present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
• provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
• make an assessment of the Group'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.

Directors' responsibility statement pursuant to DTR 4

Each of the directors as at the date of the annual reports and financial statements, whose names and functions are set out in the Directors Report confirms that, to the best of their knowledge:

• The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
• The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
• The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Going Concern

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

The Northern Powergrid Group is financed both in its operating companies and in other entities within the Northern Powergrid Group, and companies may lend within the Northern Powergrid Group. For that reason, financial health is considered with reference to the Northern Powergrid Group. Those entities with net current liabilities position obtaining a letter of support from Northern Powergrid Holdings Company.

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

• The Company's revenue derives principally from regulated electricity distribution. The regulatory regime allows for the recovery of allowed costs in full over the long term;
• The Company is a stable electricity distribution business operating an essential public service and is regulated by GEMA. In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that distribution 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 Company is profitable with strong underlying cash flows and holds investment grade credit ratings;
• The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 17 years and has access to short-term committed borrowing facilities of £242 million provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada;
• The Northern Powergrid Group benefits from strong investment-grade credit ratings and has access to a range of financing options including the capital markets. A successful bond issue by the Northern Powergrid Group in November 2023, demonstrates that the Northern Powergrid Group’s bonds remain attractive to investors and there is an active market with strong appetite to invest; and
• Consideration was also given to the obligations contained in the Company's and Northern Powergrid (Yorkshire) plc's distribution licences to provide Ofgem with annual certificates, confirming that the directors have a reasonable expectation that the Company and Northern Powergrid (Yorkshire) plc will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months. The board determined any material variations to the assumptions used when providing those certificates were unlikely.

Consequently, after making their assessment, the directors have a reasonable expectation that the Company and the Northern Powergrid Group has adequate resources to continue in operational existence and meet its liabilities as they fall due over the next ten-year period. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the companies Act 2006.

Reappointment of auditor

In accordance with the auditor rotation requirements of the Statutory Auditors and Third Country Auditors Regulations 2016, Deloitte LLP will resign from office and the directors will put a resolution to the Company’s shareholder recommending the appointment of KPMG at the Company’s annual general meeting.

Approved by the Board on 1 May 2024 and signed on its behalf by:

A P Jones
Director

Independent Auditor's Report to the Members of Northern Powergrid (Northeast) plc

Report on the audit of the financial statements

Opinion

In our opinion:

• the financial statements of Northern Powergrid (Northeast) plc (the 'parent company') and its subsidiary (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;

• the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);

• the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and

• the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

• the consolidated income statement;
• the consolidated statement of comprehensive income;
• the consolidated and parent company statements of financial position;
• the consolidated and parent company statements of changes in equity;
• the consolidated and parent company statement of cash flows;
• the related notes 1 to 31.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

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 group and the parent 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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 9 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach
-Key Audit Matters

The key audit matter that we identified in the current year was;
• Accounting for capital spend - overhead model.

Within this report, key audit matters are identified as follows:

• Similar level of risk

-Materiality
The materiality that we used for the Group financial statements was £7.3m which was determined on the basis of 5% of profit before tax.

-Scoping
Our scope provides full scope audit coverage of 99% of the Group's revenue, 94% profit before tax as well as 98% of net assets. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. There is only one location from which the group operates.

-Significant changes in our approach
There is judgement around the valuation modelling of each pension scheme member settlement and its impact on the actuarial assumptions due to the change in profile of the membership of the scheme. The number of members claiming settlements has reduced in the year and as such, the level of risk has decreased. We therefore no longer deem pension obligations a key audit matter.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The parent company is a subsidiary of the group headed by Northern Powergrid Holdings Company (the 'Powergrid group') and the going concern of the company is closely linked to the Powergrid group. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting has therefore been performed at the Powergrid group level, supplemented with procedures specific to the parent company, and included:

• assessing financing facilities including nature of facilities, repayment terms and covenants;
• evaluating the linkage to business model and medium-term risks;
• assessing assumptions used in the forecasts and performing sensitivity analysis;
• calculating the amount of headroom in the forecasts, specifically relating to cash and covenants on borrowings;
• assessing the impact of the current macroeconomic conditions such as inflation to the business; and
• evaluating sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for capital spend - overhead model
-Key audit matter description:
Total additions to property, plant and equipment in the year in, within the parent company, Northern Powergrid (Northeast) plc, were £195m (2022: 163m) with the majority of the additions to the Company's electricity distribution system, as disclosed in Note 11 to the financial statements. These additions include 49.6m capitalised overheads (2022: £45m). A portion of overheads are capitalised to the extent that it is probable that future economic benefits associated with the asset will flow to the group and the cost of the item can be measured reliably in accordance with IAS 16 Property, Plant and Equipment and the group's policies. Management use a model to allocate overheads to capital resulting from analysis of the costs incurred and their relevant cost drivers. The allocation model is reviewed annually.

The calculation of capitalised overheads remains an area at risk of potential bias due to the level of subjectivity in the percentage of overheads capitalised, which also creates a potential fraud risk. In particular, the key risk is that management's judgement in the percentage amounts capitalised are not reflective of the capital spend, as disclosed in Note 2 "Critical judgements in applying accounting policies."

-How the scope of our audit responded to the key audit matter:

We have performed the following procedures in response to the risk identified:

• Obtained an understanding of the relevant controls surrounding accounting for capital spend and the process by which capitalisation rates are determined;
• Tested a sample of cost centres for which we have assessed the capitalisation percentages applied ;
• Obtained and inspected breakdowns of transactions included within each cost centre and assessed the classification for a sample of these costs;
• Tested a sample costs by obtaining documentary evidence to assess the consistency of those costs with our understanding of the activities performed by the cost centre and the capitalisation rates applied;
• Tested the accuracy of total overheads included within the allocation model which are subsequently capitalised based on management's assessment of percentage allocation;
• Tested the integrity and mechanics of the cost allocation model to assess its mathematical accuracy; and
• Assessed the appropriateness of the company's disclosures of its capitalisation policy, including the judgement involved in assessing expenditure as capital and the judgement relating to the allocation of overhead cost.

- Key observations
Based on the work performed, and the evidence obtained, we have concluded that management's overhead capitalisation judgement is reasonable, with policies applied being appropriate and consistent with the requirements of IAS 16.

Independent Auditor's Report to the Members of Northern Powergrid (Northeast) plc (continued)

Our application of materiality

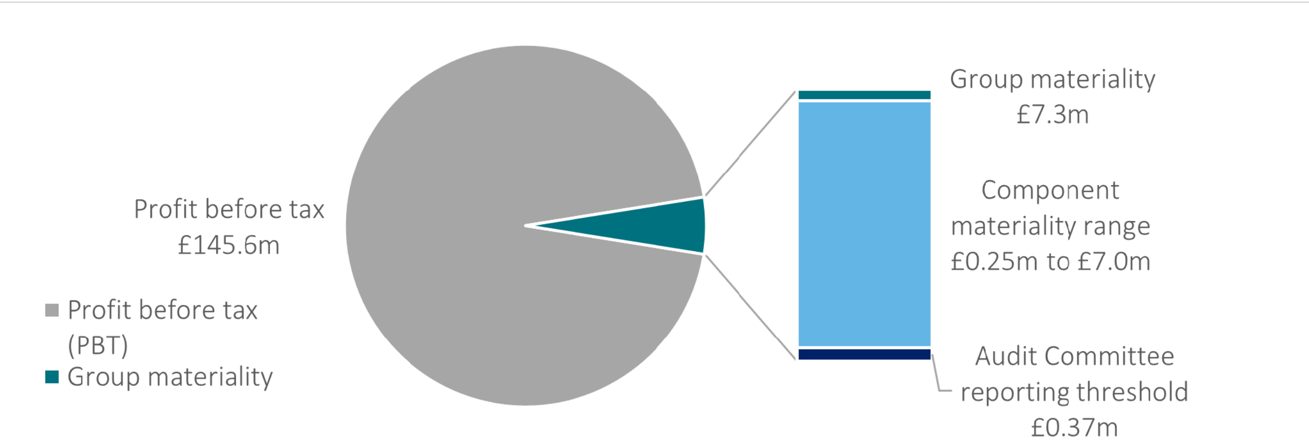
Materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

-Materiality
Group financial statements - £7.3m (2022: £6.4m)
Parent company financial statements - £7.0m (2022: £6.4m)

-Basis for determining materiality
Group financial statements - 5% of profit before tax earned during the year. (2022: 5% profit before tax).
Parent company financial statements - 6% of profit before tax earned during the year. (2022: 6% of profit before tax) which is capped at component materiality of 95% of group materiality.

-Rationale for the benchmark applied
Group financial statements - Stakeholders are interested in the financial performance of the group. As the parent company is the main trading entity, pre-tax profit earned during the year has been determined as an appropriate measure of financial performance for the group.
Parent company financial statements - As a trading entity, pre-tax profit is a key driver of the value of the parent company.



Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

-Performance Materiality
Group financial statements - 50% (2022: 60%) of group materiality
Parent company financial statements - 50% (2022: 60%) of parent company materiality

-Basis and rationale for determining performance materiality
In determining performance materiality, we considered the following factors which led to a reduction in the performance materiality:
• our risk assessment, including our assessment of the group’s overall control environment;
• we continued to identify control deficiencies and were not able to take a control reliant approach; and
• the volume and value of uncorrected misstatements in the prior period.

Independent Auditor's Report to the Members of Northern Powergrid (Northeast) plc (continued)

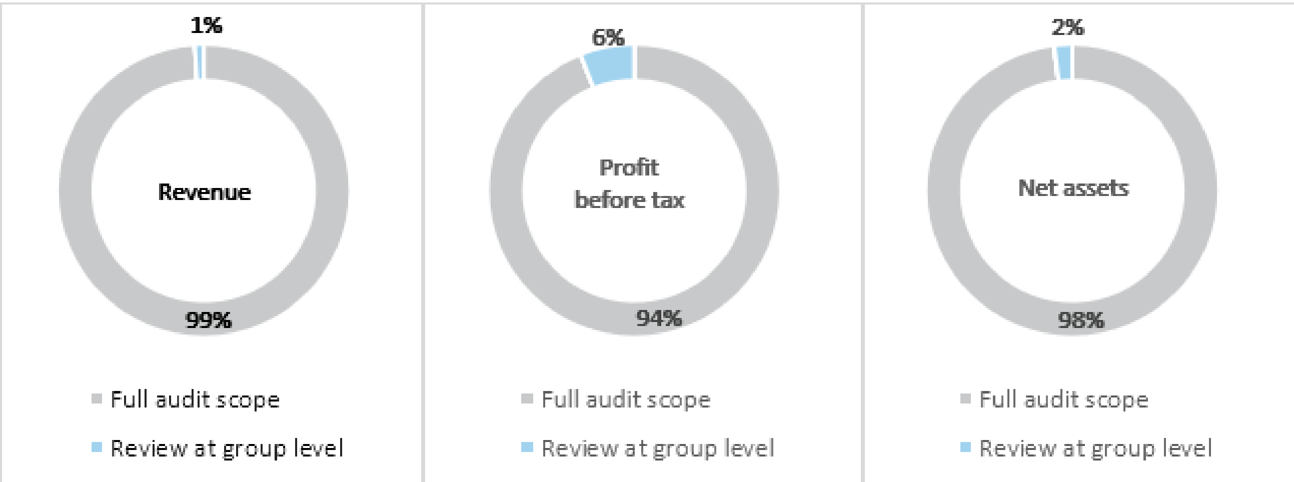
Error reporting threshold
We agreed with the Board of Directors that we would report to the Board all audit differences in excess of £0.37m (2022: £0.32m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
-Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including internal controls and assessing the risks of material misstatement at the group level. The operations of the group are focused within the electricity distribution business of the United Kingdom. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

The focus of our audit work was on the main regulated business, Northern Powergrid (Northeast) Plc, which is the parent company. The only subsidiary within the group is Northern Electric Finance Plc. This subsidiary is a financing company within which are number of bonds, listed on the London Stock Exchange, and was subject to a full scope audit.

A component materiality was used to perform the audit work for the parent company and its subsidiary; for FY23, component materiality for Northern Electric Finance plc was £0.25m (2022: £0.25m). At the group level, we have tested the consolidation process. There have been no material changes in scope from prior year.



Independent Auditor's Report to the Members of Northern Powergrid (Northeast) plc (continued)

-Our consideration of the control environment
With the involvement of our IT specialists we assessed relevant controls over the group's IT landscape which contains a number of IT systems and tools used to support business processes. These included relevant controls within the Oracle and Durabill systems integral to relevant business cycles. We have obtained an understanding of the key manual controls of all material business cycles through a combination of tests of inquiry, inspection and observation.. However, we continued to identify control deficiencies and reported these to the Board of Directors and were not able to take a controls reliant approach . We evaluated the impact of these deficiencies on our audit and revised our risk assessment as appropriate. The directors discuss their assessment of the control environment on page 17 of the annual report.

-Our consideration of climate related risks
We have made enquiries with management to understand the impact of climate-related risks and controls relevant to the business, assessed the risks, and adapted our assessment of the risks of material misstatement as appropriate. We performed our own risk assessment of the potential impact of climate change on the group's account balances and class of transactions and have read the annual report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit. Management have disclosed their climate change adaptation in the strategic report on page 15.
As disclosed in note 2, there has been no material impact in the financial year.

We have involved our ESG (Environmental, Social and Governance specialists) to review the Powergrid group's climate change disclosures and evaluate the information presented in its accounts. No additional risks were identified by the group audit engagement team.

Independent Auditor's Report to the Members of Northern Powergrid (Northeast) plc (continued)

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

-Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:
• the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
• results of our enquiries of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
• any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
• the matters discussed among the audit engagement team and relevant internal specialists, including tax, pensions, ESG and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the accounting for capital spend- overhead model, given that this involves key and complex judgements by management. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating licence regulated by the Gas and Electricity Markets Authority (GEMA).

-Audit response to risks identified
As a result of performing the above, we identified accounting for capital spend - overhead model as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:
• reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
• enquiring of management, the Board of Directors, and in-house and external legal counsel concerning actual and potential litigation and claims;
• performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
• reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and Ofgem ; and
• in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements
-Opinions on other matters 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 the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
-Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

• we have not received all the information and explanations we require for our audit; or
• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
• the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

-Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Other matters which we are required to address
-Auditor tenure
Following the recommendation of the Board of Directors, we were appointed by the Board of Northern Powergrid Holdings Company in 1998 to audit the financial statements for the year ending 31 December 1998 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 26 years, covering the years ending 31 December 1998 to 31 December 2023.

As set out in the Director's report on page 25, the financial year ended 31 December 2023 is the final year of our audit tenure.

Consistency of the audit report with the additional report to the Audit committee
Our audit opinion is consistent with the additional report to the Audit committee we are required to provide in accordance with ISAs (UK).

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.

Anthony Matthews

Anthony Matthews FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP, Statutory Auditor
London
United Kingdom
1 May 2024

Consolidated Income Statement for the Year Ended 31 December 2023

	Note	2023 £ 000	2022 £ 000
Revenue	3	435,693	441,859
Cost of sales		(42,503)	(59,080)
Gross profit		393,190	382,779
Distribution costs		(144,001)	(143,523)
Administrative expenses		(83,183)	(77,637)
Operating profit	5	166,006	161,619
Other gains	4	79	198
Finance income	6	13,282	3,622
Finance costs	6	(33,712)	(35,781)
Profit before tax		145,655	129,658
Income tax expense	10	(32,045)	(27,400)
Profit for the year		113,610	102,258
Profit/(loss) attributable to:			
Owners of the Company		113,610	102,258

The notes on pages 47 to 105 form an integral part of these financial statements.

Northern Powergrid (Northeast) plc

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2023

	2023 £ 000	2022 £ 000
Profit for the year	113,610	102,258
Total comprehensive income for the year	113,610	102,258
Total comprehensive income attributable to:		
Owners of the Company	113,610	102,258

The notes on pages 47 to 105 form an integral part of these financial statements.

Northern Powergrid (Northeast) plc

(Registration number: 02906593)
Consolidated Statement of Financial Position as at 31 December 2023

	Note	31 December 2023 £ 000	31 December 2022 £ 000
Assets			
Non-current assets			
Property, plant and equipment	11	2,944,354	2,849,504
Right of use assets	12	22,128	25,739
Intangible assets	13	50,605	47,356
		3,017,087	2,922,599
Current assets			
Inventories	15	29,277	25,406
Trade and other receivables	16	345,798	64,144
Cash and cash equivalents	17	23	276,126
		375,098	365,676
Total assets		3,392,185	3,288,275
Equity and liabilities			
Equity			
Share capital	18	(200,000)	(200,000)
Retained earnings		(1,118,871)	(1,036,661)
Equity attributable to owners of the company		(1,318,871)	(1,236,661)
Non-current liabilities			
Long-term lease liabilities	21	(17,754)	(21,152)
Loans and borrowings	20	(1,057,393)	(1,057,069)
Provisions	22	(55)	(55)
Deferred revenue	24	(668,067)	(652,476)
Deferred tax liabilities	10	(134,271)	(133,515)
		(1,877,540)	(1,864,267)
Current liabilities			
Current portion of long-term lease liabilities	21	(5,055)	(5,058)
Trade and other payables	23	(132,082)	(96,844)
Loans and borrowings	20	(21,922)	(54,263)
Current tax liability		(5,162)	(259)
Deferred revenue	24	(30,039)	(29,326)
Provisions	22	(1,514)	(1,597)
		(195,774)	(187,347)
Total liabilities		(2,073,314)	(2,051,614)
Total equity and liabilities		(3,392,185)	(3,288,275)

The notes on pages 47 to 105 form an integral part of these financial statements.

(Registration number: 02906593)
Consolidated Statement of Financial Position as at 31 December 2023 (continued)

Approved by the Board on 1 May 2024 and signed on its behalf by:

A P Jones
Director

Northern Powergrid (Northeast) plc

(Registration number: 02906593)
Statement of Financial Position as at 31 December 2023

	Note	31 December 2023 £ 000	31 December 2022 £ 000
Assets			
Non-current assets			
Property, plant and equipment	11	2,944,354	2,849,504
Right of use assets	12	22,128	25,739
Intangible assets	13	50,605	47,356
Investments in subsidiaries, joint ventures and associates	14	50	50
		3,017,137	2,922,649
Current assets			
Inventories	15	29,277	25,406
Trade and other receivables	16	349,356	64,144
Cash and cash equivalents	17	23	274,529
		378,656	364,079
Total assets		3,395,793	3,286,728
Equity and liabilities			
Equity			
Share capital	18	(200,000)	(200,000)
Retained earnings		(1,120,678)	(1,038,447)
Total equity		(1,320,678)	(1,238,447)
Non-current liabilities			
Long-term lease liabilities	21	(17,754)	(21,152)
Loans and borrowings	20	(1,057,389)	(1,057,064)
Provisions	22	(55)	(55)
Deferred revenue	24	(668,067)	(652,476)
Deferred tax liabilities	10	(134,271)	(133,515)
		(1,877,536)	(1,864,262)
Current liabilities			
Current portion of long-term lease liabilities	21	(5,055)	(5,058)
Trade and other payables	23	(132,082)	(96,842)
Loans and borrowings	20	(23,733)	(50,949)
Income tax liability		(5,156)	(247)
Deferred revenue	24	(30,039)	(29,326)
Provisions	22	(1,514)	(1,597)
		(197,579)	(184,019)
Total liabilities		(2,075,115)	(2,048,281)
Total equity and liabilities		(3,395,793)	(3,286,728)

Northern Powergrid (Northeast) plc

(Registration number: 02906593)
Statement of Financial Position as at 31 December 2023 (continued)

The Directors have taken the exemption offered under section 408 of the Act from publishing a separate statement of profit or loss. The Company reported a profit for the financial year ended 31 December 2023 of £113.6 million (2022: £102.2 million)

Approved by the Board on 1 May 2024 and signed on its behalf by:

A P Jones
Director

Northern Powergrid (Northeast) plc

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2023

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2023	200,000	1,036,661	1,236,661
Profit for the year	-	113,610	113,610
Total comprehensive income	-	113,610	113,610
Dividends	-	(31,400)	(31,400)
At 31 December 2023	200,000	1,118,871	1,318,871

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	200,000	962,103	1,162,103
Profit for the year	-	102,258	102,258
Total comprehensive income	-	102,258	102,258
Dividends	-	(27,700)	(27,700)
At 31 December 2022	200,000	1,036,661	1,236,661

Northern Powergrid (Northeast) plc

Statement of Changes in Equity for the Year Ended 31 December 2023

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2023	200,000	1,038,447	1,238,447
Profit for the year	-	113,631	113,631
Total comprehensive income	-	113,631	113,631
Dividends	-	(31,400)	(31,400)
At 31 December 2023	200,000	1,120,678	1,320,678

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	200,000	963,901	1,163,901
Profit for the year	-	102,246	102,246
Total comprehensive income	-	102,246	102,246
Dividends	-	(27,700)	(27,700)
At 31 December 2022	200,000	1,038,447	1,238,447

The notes on pages 47 to 105 form an integral part of these financial statements.

Northern Powergrid (Northeast) plc

Consolidated Statement of Cash Flows for the Year Ended 31 December 2023

	Note	2023 £ 000	2022 £ 000
Cash flows from/(used in) operating activities			
Profit for the year		113,610	102,258
Depreciation and amortisation	5	110,994	106,952
Depreciation on right of use assets		5,373	4,501
Amortisation of deferred revenue		(29,963)	(29,253)
Profit on disposal of property plant and equipment	4	(79)	(198)
Finance income	6	(13,282)	(3,622)
Finance costs	6	33,712	35,781
Income tax expense	10	32,045	27,400
		252,410	243,819
Increase in inventories	15	(3,871)	(5,508)
Increase in trade and other receivables	16	(2,217)	(4,442)
Increase in trade and other payables	23	16,486	197
Decrease in provisions	22	(83)	(1,100)
Cash generated from operations		262,725	232,966
Receipt of customer contributions*		57,008	49,259
Income taxes paid		(26,386)	(22,214)
Net cash flow from operating activities		293,347	260,011
Cash flows from/(used in) in investing activities			
Acquisitions of property plant and equipment		(185,982)	(168,056)
Proceeds from sale of property plant and equipment		79	198
Acquisition of intangible assets	13	(14,444)	(9,956)
Interest received		13,282	3,622
Net cash flows used in investing activities		(187,065)	(174,192)
Cash flows from/(used in) in financing activities			
Movement in intercompany loans		(279,781)	(31,506)
Movement in short-term borrowing		(32,289)	35,056
Proceeds from issue of bonds		-	346,316
Repayment of long-term borrowing		-	(100,000)
Repayment of lease liabilities		(5,163)	(4,316)
Interest expense on leases		(781)	(641)
Interest paid		(32,971)	(26,905)
Dividends paid	26	(31,400)	(27,700)
Net cash flow (used in)/from financing activities		(382,385)	190,304
Net (decrease)/increase in cash and cash equivalents		(276,103)	276,123
Cash and cash equivalents at 1 January		276,126	3
Cash and cash equivalents at 31 December		23	276,126

Northern Powergrid (Northeast) plc

Statement of Cash Flows for the Year Ended 31 December 2023

	Note	2023 £ 000	2022 £ 000
Cash flows from/(used in) operating activities			
Profit for the year		113,631	102,246
Depreciation and amortisation	5	110,994	106,952
Depreciation on right of use assets		5,373	4,501
Amortisation of deferred revenue		(29,963)	(29,253)
Profit on disposal of property plant and equipment	4	(79)	(198)
Finance income	6	(13,257)	(3,619)
Finance costs	6	33,688	35,816
Income tax expense		32,051	27,397
		252,438	243,842
Increase in inventories	15	(3,871)	(5,508)
Increase in trade and other receivables	16	(2,438)	(4,442)
Increase in trade and other payables	23	16,488	200
Decrease in provisions	22	(83)	(1,100)
Cash generated from operations		262,534	232,992
Receipt of customer contributions*		57,008	49,259
Income taxes paid		(26,386)	(22,214)
Net cash flow from operating activities		293,156	260,037
Cash flows from/(used in) investing activities			
Acquisitions of property plant and equipment		(185,982)	(168,056)
Proceeds from sale of property plant and equipment		79	198
Acquisition of intangible assets	13	(14,444)	(9,956)
Interest received		13,257	3,619
Net cash flows used in investing activities		(187,090)	(174,195)
Cash flows from/(used in) financing activities			
Interest expense on leases		(781)	(641)
Movement in intercompany loans		(283,091)	(33,091)
Interest paid		(27,848)	(26,940)
Proceeds from long term borrowing draw downs		-	346,316
Movement in short-term borrowings		(32,289)	35,056
Repayment of other borrowing		-	(100,000)
Repayment of lease liabilities		(5,163)	(4,316)
Dividends paid	26	(31,400)	(27,700)
Net cash flows (used in)/from financing activities		(380,572)	188,684
Net (decrease)/increase in cash and cash equivalents		(274,506)	274,526
Cash and cash equivalents at 1 January		274,529	3
Cash and cash equivalents at 31 December		23	274,529

The notes on pages 47 to 105 form an integral part of these financial statements.

* Following a review of sector general practice and to align with the accounting treatment of customer contributions within revenue these amounts have been presented within operating activities rather than investing activities with the comparatives restated. Accordingly this has resulted in an increase in cash from operating activities and increase in cash used in investing activities in the comparative period by £49.3 million. There has been no other impact on the financial statements from this change.

Consolidated Statement of Cash Flows

Yorkshire Electricity Group plc, a Northern Powergrid Group company, acting on behalf of other group companies was authorised to settle various liabilities against the relevant intercompany accounts. The Group has disclosed the underlying cash flows as operating, investing or financing according to their nature on the basis that, as a principal, the entity has the right to the cash inflows and/or the obligation to settle the liability and ensure clarity of disclosure of the cash costs of the business. In addition it acts as a treasury company to the Group and accordingly the movements in the intercompany treasury account are included in financing activities.

Company Statement of Cash Flows

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1 General information

The company is a public company limited by share capital, incorporated in England and Wales and domiciled in United Kingdom.

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

These financial statements were authorised for issue by the Board on 29 April 2024.

2 Accounting policies

Statement of compliance
The financial statements have been prepared in accordance with United Kingdom adopted international accounts standards as issued by the IASB.

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs 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 Group's accounting policies.

2 Accounting policies (continued)

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

The Northern Powergrid Group is financed both in its operating companies and in other entities within the Northern Powergrid Group, and companies may lend within the Northern Powergrid Group. For that reason, financial health is considered with reference to the Northern Powergrid Group. Those entities with net current liabilities position obtaining a letter of support from Northern Powergrid Holdings Company.

When considering continuing to adopt the going concern basis in preparing the annual reports and financial statements, the directors have taken into account a number of factors, including the following:
• The Company's revenue derives principally from regulated electricity distribution. The regulatory regime allows for the recovery of allowed costs in full over the long term;
• The Northern Powergrid Group's main subsidiaries, the Company and Northern Powergrid (Yorkshire) plc, are stable electricity distribution businesses operating an essential public service and are regulated by GEMA. In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that distribution 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 Company is profitable with strong underlying cash flows. Northern Powergrid Holdings Company, the Company and Northern Powergrid (Yorkshire) plc hold investment grade credit ratings
• The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 17 years and has access to short-term committed borrowing facilities of £242 million provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada;
• The Northern Powergrid Group benefits from strong investment-grade credit ratings and has access to a range of financing options including the capital markets. A successful bond issue by the Northern Powergrid Group in November 2023, demonstrates that the Northern Powergrid Group’s bonds remain attractive to investors and there is an active market with strong appetite to invest;
• The Northern Powergrid Group has prepared forecasts which taking into account reasonable possible changes in trading performance, show that the Northern Powergrid Group has sufficient resources to settle its liabilities as they fall due for at least the 12 months from the date of these accounts. The directors have had discussions with the bank who have indicated that they would continue to provide the short-term facilities to the Northern Powergrid Group for the foreseeable future on acceptable terms; and
• Consideration was also given to the obligations contained in the Company's and Northern Powergrid (Yorkshire) plc's distribution licences to provide Ofgem with annual certificates, confirming that the directors have a reasonable expectation that the Company and Northern Powergrid (Yorkshire) plc will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months. The board determined any material variations to the assumptions used when providing those certificates were unlikely within the eight-year period or beyond.

Consequently, after making their assessment, 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.

2 Accounting policies (continued)

Critical Judgements in applying accounting policies
The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Northern Powergrid Group's accounting policies and that have the most significant effect on amounts recognised in the consolidated financial statements:

Split of operating and capital expenditure and the allocation of overheads to property, plant and equipment

The allocation of overheads to property, plant and equipment which results in higher capital expenditure and a reduction in operating costs. Costs are capitalised where it is probable that future economic benefits associated with the asset will flow to the enterprise; and the cost of the item can be reliably measured.

The allocation of overheads to capital is derived from a detailed analysis of the costs and their relevant cost drivers, which is reviewed on an annual basis. There has been no change in the methodology since the prior year.

The amounts of overheads capitalised in the year was £49.6 million (2022: £45.0 million), this was a decrease from 62.4% to 61.0% of the total overheads.

Key sources of estimation uncertainty
In the preparation of financial statements in conformity with IFRS the Directors did not identify any key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

Effective for periods beginning on or after 1 January 2023:

- Amendments to IFRS 17: Insurance Contracts
- Amendments to IAS 1: Presentation of Financial Statements
- Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates

Effective for periods beginning on 23 May 2023:

- Amendments to IAS 12: Income Taxes

The accounting policies have been updated to reflect the Amendments to IAS 1 and IAS 8.
The other amendments have had no material impact on the financial statements including the comparatives.

New standards issued that are not yet applicable

Effective for periods beginning on 1 January 2024:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 16: Lease Liability on a Sale and Leaseback
- Amenements to IAS 7 and IFRS 7: Supplier Finance Agreements

The Directors have considered the above accounting standards issued that are not yet applicable and have noted no material changes are likely to arise.

Revenue recognition

Recognition

The group earns revenue from the provision of services relating to Revenue from a contract to provide services is recognised by the following means:
- Distribution use of system income is primarily recognised on a per unit (volumetric i.e. kWh and capacity (kVA)) and fixed (per 'customer' per day) basis;
- Customer contributions for connections are amortised over the life of the corresponding asset;
- Meter asset provision are recognised over time;
- Intercompany recharges for services provided are based on costs incurred; and
- Other revenue includes assessment and design fees and disconnections from the network, these are recognised by reference to the proportion of total costs of providing the service.

This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

2 Accounting policies (continued)

Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for revenue from the provision of services:

- For regulated fees the revenue for the service is recognised on the basis of agreed charging methodologies on a per GWh basis.
- For fixed fee for connection the revenue is recognised over the life of the corresponding asset.
- For fixed fee arrangements from services revenue is recognised based on the stage of completion and performance obligations met for actual services provided as a proportion of the total fixed fee agreed in the contract.
- For fee for service (time) revenue is recognised by time performed on the contract to the year end date using contractual rates specified in the contract.

The main performance obligations in contracts consist of the provision of a distribution network to electricity suppliers. For these contracts, through the distribution and connection use of system agreement (DCUSA) the delivery of performance obligations are measured at the balance sheet date, primarily recognised on a per unit (volumetric i.e. kWh and capacity (kVA)) and fixed (per 'customer' per day) basis;

Finance income and costs policy

Finance income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

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

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group 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 consolidated financial statements and on unused tax losses or tax credits in the group. 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.

2 Accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Costs include professional fees, and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation on these assets, on the same basis as other assets, commences when the assets are commissioned. Assets are derecognised when they are disposed of profit or loss on disposal is recognised in other gains on the statement of profit or loss.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives. Depreciation is recognised on a straight line basis as follows:

Asset Class	Depreciation Rate
Distribution system;	
- Generation assets	15 years
- Metering equipment	up to 5 years
- Information Technology equipment	up to 10 years
- Land	not depreciated
- Other system assets	45 years
Buildings;	
- Freehold	up to 60 years
- Leasehold	lower of lease period or 60 years
Non-operational land	not depreciated
Furniture, fittings and equipment	up to 10 years

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

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Software development costs	up to 10 years

Derecognition
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the profit or loss when the asset is derecognised.

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.

Investments in subsidiaries

Investments in subsidiaries are account for at cost less impairment. Where the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using an average price basis.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

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

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

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 group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Intercompany Short-term loans (Current Accounts)
The Northern Powergrid group operates a central treasury function operated through its subsidiary Yorkshire Electricity Group plc. As a result, every company within the Northern Powergrid group has a relationship with Yorkshire Electricity Group plc as either an intercompany debtor or creditor.

Interest periods are for a duration of one month, and the interest is applied to an intercompany debtor balance on the last day of the preceding month at the compounded reference rate (currently SONIA) applicable under the most recent revolving facility agreement to which Northern Powergrid Holdings Company is a party.

Monthly interest is applied to an intercompany creditor balance on the last day of the preceding month at the aggregate of the compounded reference rate (currently SONIA) and the margin (currently 0.2%) applicable under the most recent revolving facility agreement to which Northern Powergrid Holdings Company is a party.

The Intercompany debtor or creditor balance will be repaid at the end of each month, or if still required will be rolled over for a further period of one month.

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors’ best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

2 Accounting policies (continued)

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

The Group applies IFRS 16 to all leases (except as noted below) which include buildings, land and fleet vehicles. The right-of-use assets are initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. These values can be found in the Statement of Financial Position.

The Group has taken practical expedients as per below:

- For short-term leases (lease term of 12 months or less) and leases of low-value assets less than £5k (which includes personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within ‘administrative expenses’ in the Statement of Profit or Loss.
- Applies the implicit rate in the lease, and uses the IBR when this isn't readily available;
- Uses hindsight to determine the lease term when contract contains options to extend or terminate the lease; and
- Adjusts right of use asset by provision for onerous leases as an alternative to performing an impairment review.

The implict rate applied to determine the present value of the lease liabilities during the current period was 5.5% in comparison to the incrimental borrowing rate used in 2022 of 2.33%.

The Group recognises deprecation of right-of-use assets (within administration expenses) and interest on lease liabilities (within finance costs) in the Statement of Profit and Loss. Within the Statement of cash flow, the Company separates the total amount of cash paid between the principal portion and the interest, both of which are presented within financing activities.

Right-of-use assets are depreciated over the shorter of the useful life of the asset or the lease term. For information regarding the depreciation charge per class of asset and carrying value, please refer to Note 12 Right of use assets.

Impairment of non-financial assets
At the balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Where the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends
Dividend distribution to the company’s shareholders is recognised as a liability in the company’s financial statements in the period in which the dividends are approved by the company’s shareholders.

2 Accounting policies (continued)

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

Contributions to the Northern Powergrid Group of the ESPS are charged to the statement of profit or loss or capitalised as part of property, plant and equipment/ intangibles. The capital costs of ex-gratia and supplementary pensions are normally charged to the statement of profit or loss in the period in which they are granted.

The Group also participates in a defined contribution scheme. Contributions payable to the defined contribution scheme are charged to the statement of profit or loss in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Financial instruments

Initial recognition
Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the group 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 group commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

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

Financial assets are classified into one of the following three categories:-
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVTOCI); or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

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

2 Accounting policies (continued)

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 group 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 FVPTL:-
· 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 group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

2 Accounting policies (continued)

Derecognition

Financial assets

The Group 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 group 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 group is recognised as a separate asset or liability.

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

(a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.

(b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;

(c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined

(d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets

Financial liabilities

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

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group 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 group 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.

2 Accounting policies (continued)

Financial liabilities

If the terms of a financial liabilities are modified, the Group 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 group recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Impairment of financial assets

Measurement of Expected Credit Losses

The Group recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVPTL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the group recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the group recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL.

The Group measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

2 Accounting policies (continued)

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the group on terms that the group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are not recoverable:

• when there is a breach of financial covenants by the debtor; and

• information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Accounting estimates and assumptions

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

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

Provisions for impairment

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

Fair value of financial assets and liabilities

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

3 Revenue

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

	2023 £ 000	2022 £ 000
Distribution use of system revenue	365,988	377,481
Work for related parties	31,316	26,081
Deferred revenue amortisation	29,963	29,253
Other revenue	8,426	9,044
	435,693	441,859

Other revenue includes assessment and design fees and disconnections from the network.

Segmental Analysis

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

In practice, the President and Chief Executive Officer allocates resources and assesses performance based upon the aggregate results of the Company and Northern Powergrid (Yorkshire) plc, another distribution network operator in the Northern Powergrid Group. As there is only one operating segment, this constructs the segmental reporting note in full.

Revenue, profit before tax and net assets are attributable to electricity distribution. Revenue is all in respect of sales to United Kingdom customers and all Non-Current assets are held in the United Kingdom.

4 Other gains and losses

The analysis of the Group's other gains and losses for the year is as follows:

	2023 £ 000	2022 £ 000
Gain on disposal of property, plant and equipment	79	198

5 Operating profit

Arrived at after charging/(crediting)

	2023 £ 000	2022 £ 000
Depreciation expense	99,799	95,465
Depreciation on right of use assets	5,373	4,501
Amortisation expense	11,195	11,487
Research and development expenses	2,031	1,598
Amortisation of deferred revenue	(29,963)	(29,253)
Loss allowance on trade and other receivables	675	(3)

Amortisation expense is included within administration costs in the consolidated income statement on page 36.

6 Finance income and costs

	2023 £ 000	2022 £ 000
Finance income		
Interest income on financial assets measured at amortised cost	877	199
Other finance income measured at amortised cost	12,405	3,423
Total finance income	13,282	3,622
Finance costs		
Interest on bank overdrafts and borrowings	(33,235)	(30,054)
Interest paid to group undertakings	(99)	(5,692)
Interest expense on leases	(781)	(641)
Borrowing costs included in cost of qualifying asset	403	606
Total finance costs	(33,712)	(35,781)
Net finance costs	(20,430)	(32,159)

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.02% (2022: 3.14%) to expenditure on such assets.

7 Staff costs

The aggregate payroll costs for the Group and Company (including directors' remuneration) were as follows:

	2023 £ 000	2022 £ 000
Salaries	67,670	61,083
Social security costs	7,423	7,214
Defined benefit pension costs	5,929	6,867
Defined contribution pension costs	5,048	4,292
	86,070	79,456
Less capitalised to plant, property and equipment	(49,029)	(46,318)
	37,041	33,138

A proportion of the Company's employees are members of the DB Scheme, most of the remaining employees are members of The Northern Powergrid Scheme (a defined contribution pension scheme), details of both are given in the employee benefits Note 25.

The monthly average number of persons employed by the Group and Company (including directors) during the year, analysed by category was as follows:

	2023 No.	2022 No.
Technical	393	369
Industrial	478	463
Administration	320	282
Other departments	152	134
	1,343	1,248

8 Directors' remuneration

The directors remuneration for the year was paid by a related party company, Northern Electric plc, and recharged.

The directors' remuneration for the year was as follows:

	2023 £ 000	2022 £ 000
Short-term employee benefits	590	521
Post-retirement benefits - defined contribution	9	9
Other long-term benefits	283	394
	882	924

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2023 No.	2022 No.
Accruing benefits under defined benefit pension scheme	-	-
Accruing benefits under money purchase pension scheme	4	6

In respect of the highest paid director:

	2023 £ 000	2022 £ 000
Short-term employee benefits	287	287
Long-term benefits	195	304
	482	591

The directors and key personnel are remunerated for the services to the Northern Powergrid Group. The figures above represent the share of the costs borne by the Group.

In respect of key personnel:

	2023 £ 000	2022 £ 000
Short-term employee benefits	580	523
Post-retirement benefits - defined benefit	23	32
Post-retirement benefits - defined contribution	108	68
Other long-term benefits	131	153
	842	776

9 Auditors' remuneration

	2023 £ 000	2022 £ 000
Fees payable to the auditor for audit of the Company's annual accounts	198	181
Fees payable to the auditor for audit of the Company's subsidiaries	21	23
Other audit services	69	59
	288	263

Other services relate to non-statutory audit services including regulatory reporting and bond issuance.

10 Income tax

Tax charged/(credited) in the income statement

	2023 £ 000	2022 £ 000
Current taxation		
UK corporation tax	32,550	25,313
UK corporation tax adjustment to prior periods	(1,261)	(676)
	31,289	24,637
Deferred taxation		
Arising from origination and reversal of temporary differences	1,236	2,047
Deferred tax adjustment to prior periods	(480)	716
Total deferred taxation	756	2,763
Tax expense in the income statement	32,045	27,400

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2022 - higher than the standard rate of corporation tax in the UK) of 25% from 1 April 2023 (2022 - 19%)

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Profit before tax	145,655	129,658
Corporation tax at standard rate	34,259	24,635
Decrease in current tax from adjustment for prior periods	(1,261)	(676)
(Decrease)/increase from effect of expenses not deductible in determining (tax loss)/taxable profit	(893)	1,066
Deferred tax (credit)/expense from unrecognised temporary difference from a prior period	(480)	716
Deferred tax expense relating to changes in tax rates or laws	369	1,723
Other tax effects for reconciliation between accounting profit and tax expense/(income)	51	(64)
Total tax charge	32,045	27,400

The Autumn Statement 2023, confirmed that the corporation tax rate will remain at 25% from 1 April 2023 as previously enacted. Deferred tax balances are therefore measured at 25% at 31 December 2023.

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

Increases in the tax adjustments are largely to do with enhanced capital allowances.

10 Income tax (continued)

Deferred tax

Group

Deferred tax movement during the year:

	At 1 January 2023 £ 000	Recognised in income £ 000	At 31 December 2023 £ 000
Accelerated tax depreciation	134,965	868	135,833
Other items	(1,450)	(112)	(1,562)
Net tax liabilities	133,515	756	134,271

Deferred tax movement during the prior year:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	132,292	2,673	134,965
Other items	(1,540)	90	(1,450)
Net tax liabilities	130,752	2,763	133,515

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

Company

Deferred tax movement during the year:

	At 1 January 2023 £ 000	Recognised in income £ 000	At 31 December 2023 £ 000
Accelerated tax depreciation	134,965	868	135,833
Other	(1,450)	(112)	(1,562)
Net tax liabilities	133,515	756	134,271

Deferred tax movement during the prior year:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	132,292	2,673	134,965
Other	(1,540)	90	(1,450)
Net tax liabilities	130,752	2,763	133,515

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

11 Property, plant and equipment

Group and Company

	Non - Operational Land and buildings £ 000	Distribution system £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation				
At 1 January 2022	4,191	3,700,310	51,802	3,756,303
Additions	-	157,530	5,316	162,846
Disposals	-	(6,266)	-	(6,266)
At 31 December 2022	4,191	3,851,574	57,118	3,912,883
At 1 January 2023	4,191	3,851,574	57,118	3,912,883
Additions	-	190,186	4,463	194,649
Disposals	-	(8,184)	(116)	(8,300)
At 31 December 2023	4,191	4,033,576	61,465	4,099,232
Depreciation				
At 1 January 2022	3,423	925,067	45,690	974,180
Charge for year	235	92,537	2,693	95,465
Eliminated on disposal	-	(6,266)	-	(6,266)
At 31 December 2022	3,658	1,011,338	48,383	1,063,379
At 1 January 2023	3,658	1,011,338	48,383	1,063,379
Charge for the year	246	96,532	3,021	99,799
Eliminated on disposal	-	(8,184)	(116)	(8,300)
At 31 December 2023	3,904	1,099,686	51,288	1,154,878
Carrying amount				
At 31 December 2023	287	2,933,890	10,177	2,944,354
At 31 December 2022	533	2,840,236	8,735	2,849,504

11 Property, plant and equipment (continued)

Expenditure recognised in the carrying amount of property, plant and equipment in the course of construction

	31 December 2023 £ 000	31 December 2022 £ 000
Distribution system	184,298	167,998

Contractual commitments for the acquisition of property, plant and equipment

	31 December 2023 £ 000	31 December 2022 £ 000
Distribution system	33,834	20,757

12 Right of use assets

Group and Company

	Fleet £ 000	Property £ 000	Land £ 000	Total £ 000
Cost or valuation				
At 1 January 2022	14,960	1,337	1,923	18,220
Additions	1,903	-	16,685	18,588
Disposals	(1,253)	-	-	(1,253)
At 31 December 2022	15,610	1,337	18,608	35,555
At 1 January 2023	15,610	1,337	18,608	35,555
Additions	1,762	-	-	1,762
Disposals	(864)	-	-	(864)
At 31 December 2023	16,508	1,337	18,608	36,453
Depreciation				
At 1 January 2022	5,884	593	91	6,568
Charge for year	2,848	199	1,454	4,501
Eliminated on disposal	(1,253)	-	-	(1,253)
At 31 December 2022	7,479	792	1,545	9,816
At 1 January 2023	7,479	792	1,545	9,816
Charge for the year	2,726	199	2,448	5,373
Eliminated on disposal	(864)	-	-	(864)
At 31 December 2023	9,341	991	3,993	14,325
Carrying amount				
At 31 December 2023	7,167	346	14,615	22,128
At 31 December 2022	8,131	545	17,063	25,739

13 Intangible assets

Group and Company

	Internally generated software development costs £ 000
Cost or valuation	
At 1 January 2022	129,841
Additions	9,956
At 31 December 2022	139,797
At 1 January 2023	139,797
Additions	14,444
At 31 December 2023	154,241
Amortisation	
At 1 January 2022	80,954
Amortisation charge	11,487
At 31 December 2022	92,441
At 1 January 2023	92,441
Amortisation charge	11,195
At 31 December 2023	103,636
Carrying amount	
At 31 December 2023	50,605
At 31 December 2022	47,356

During the year the amount of contractual commitments for the acquisition of intangible assets amounted to £4.1 million (2022: £2.3 million).

14 Investments

Summary of the Company investments

	31 December 2023 £ 000	31 December 2022 £ 000
Investments in subsidiaries	50	50

Subsidiaries	**£ 000**
Cost or valuation	
At 1 January 2022	50
At 31 December 2022	50
At 1 January 2023	50
At 31 December 2023	50
Provision	
Carrying amount	
At 31 December 2023	50
At 1 January 2022	50

Group subsidiaries

Details of the Group subsidiaries as at 31 December 2023 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2023	2022
Northern Electric Finance plc	Finance company	Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF England and Wales	100%	100%

All subsidiaries are included within consolidation.

All above investments are held as ordinary shares
+ indicates accounted for using the consolidation method.

14 Investments (continued)

Group associates

Details of the Group associates as at 31 December 2023 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2023	2022
ElectraLink Limited	Data transfer network operator	Northumberland House, 303-306 Holborn, WC1V 7JZ, England and Wales	6.2%	6.2%
MRA Service Company Limited	Governance of the electricity industry's Master Registration Agreement	8 Fenchurch Place, London, EC3M 4AJ, England and Wales	0%	0.36%
DCUSA Limited	Governance of Distribution Connection and Use of System Agreement	Northumberland House, 303-306 Holborn, WC1V 7JZ, England and Wales	1.69%	1.69%
Smart Energy Code Company Ltd	Governance of smart metering energy agreement	8 Fenchurch Place, London, EC3M 4AJ	0.32%	0.32%

15 Inventories

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Inventory	28,670	24,976	28,670	24,976
Work in progress	607	430	607	430
	29,277	25,406	29,277	25,406

16 Trade and other receivables

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Distribution use of system receivables and accrued income *	59,298	57,273	59,298	57,273
Trade receivables	8,113	7,364	8,113	7,364
Provision for impairment of trade receivables	(6,174)	(5,619)	(6,174)	(5,619)
Net trade receivables	61,237	59,018	61,237	59,018
Receivables from related parties	279,533	-	283,091	-
Prepayments	5,028	5,126	5,028	5,126
	345,798	64,144	349,356	64,144

16 Trade and other receivables (continued)

** Unbilled revenue in 2023 was £32.4m (2022: £27.4m).*

More information on receivables from related parties can be found within the accounting policies section under intercompany short-term loans as well as Note 30.

The average credit period on receivables is 30 days. Interest is charged on overdue distribution use of system receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The loss allowance has not been split out into detailed analysis.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

As the Group's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is distinguished between Distribution Use of System ("DUoS") receivables, damages receivables, and non-damages receivables.

Movement in the loss allowance

	31 December 2023 £ 000	31 December 2022 £ 000
At 1 January	5,619	5,754
Amounts utilised/written off in the year	(120)	(132)
Amounts recognised in the statement of profit or loss	675	(3)
At 31 December	6,174	5,619

The loss allowance is made on amount due net of VAT which would be recoverable from His Majesty's Revenue and Customs when the debt is written off. Subject to certain conditions mentioned below, losses arising in relation to distribution use of system debts will be recovered through an increase in future allowed income.

Included in the allowance for doubtful debts are specific trade receivables, with a balance of £4.6 million (2022: £3.7 million), which have been placed in administration. The impairment represents the difference between the carrying amount of the specific trade receivable and the present value of the expected liquidation dividend.

16 Trade and other receivables (continued)

Distribution Use of System Receivables

The customers served by the Group's distribution network are supplied predominantly by a number of electricity supply businesses (circa 110) with the E.ON group accounting for approximately 18.1% of distribution revenues in 2023 (2022: 20.2%) and British Gas plc accounting for approximately 14.5% of distribution revenues in 2023 (2022: 14.1%). Ofgem under Code Governance arrangements, set out a framework known as Credit Cover within the Distribution Connection and Use of System Agreement (DCUSA), which sets credit limits for each supply business based on its credit rating (taken from a credit agency). If no score is available, then they can build up their credit limit through good payment history. In addition, suppliers can provide other forms of collateral to cover their value at risk (measured as being equivalent to 45 days usage) or if their credit rating alone is not sufficient to cover their value at risk. Acceptable collateral typically is provided in the form of a parent company guarantee, letter of credit, cash or an escrow account. Included within other payables are customer cash deposits of which there was £7.1m as at 31st December 2023 (2022: £3.2m), due to an increase in the deposit held of £3.5m relating to Octopus Energy Ltd.

Provided the Group has implemented credit control, billing and collection processes in line with Ofgem's best practice guidelines and can demonstrate compliance with the guidelines or is able to satisfactorily explain departure from the guidelines, any bad debt losses arising from supplier default will be recovered through an increase in future years allowed income. Included in the Group's use of system ("UoS") receivables are 39 debtors with a carrying value of £3.0m, which have been placed into administration and have therefore been provided in full at the year-end (2022: £3.0m).

The following table details the age of DUoS receivables and accrued income:

2023	Not due £ 000	Current £ 000	1-3 months £ 000	< 3 months £ 000
Total balance	32,447	23,886	12	2,953
Less specific provisions	-	-	-	(2,930)
Balance on which ECL made	32,447	23,886	12	23
Lifetime ECL	0%	2%	2%	2%
Expected credit loss	-	590		1

2022	Not due £ 000	Current £ 000	1-3 months £ 000	< 3 months £ 000
Total balance	27,388	26,865	7	2,965
Less specific provisions	-	-	(3)	(2,962)
Balance on which ECL made	27,388	26,865	4	3
Lifetime ECL	0%	2.64%	2.64%	2.64%
Expected credit loss	-	709		

16 Trade and other receivables (continued)

Other Trade Receivables
In determining the recoverability of the trade and other receivables, the Company considers any change in the credit quality of the trade and other receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk, other than in relation to DUoS receivables, is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Damages

2023	1-6 months £ 000	6-12 months £ 000	1-2 years £ 000	2-3 years £ 000	Over 3 years £ 000
Total balance	892	481	505	1,126	81
Less specific provisions	(293)	(85)	(127)	(991)	-
Balance on which ECL made	599	396	378	135	81
Lifetime ECL	20%	25%	30%	40%	80%
Expected credit loss	120	99	113	54	65

2022	1-6 months £ 000	6-12 months £ 000	1-2 years £ 000	2-3 years £ 000	Over 3 years £ 000
Total balance	943	1,180	546	113	261
Less specific provisions	(97)	(68)	(232)	-	(226)
Balance on which ECL made	846	1,112	314	113	35
Lifetime ECL	20%	25%	30%	40%	80%
Expected credit loss	169	278	94	45	28

Non Damages

2023	Not due £ 000	Current £ 000	1-6 months £ 000	6-12 months £ 000	Over 1 year £ 000
Total balance	167	423	635	336	620
Less specific provisions	(2)	-	-	-	(42)
Balance on which ECL made	165	423	635	336	578
Lifetime ECL	0%	0%	0%	50%	85%
Expected credit loss	-	-	-	168	491

2022	Not due £ 000	Current £ 000	1-6 months £ 000	6-12 months £ 000	Over 1 year £ 000
Total balance	313	315	1,224	222	319
Less specific provisions	-	-	-	-	-
Balance on which ECL made	313	315	1,224	222	319
Lifetime ECL	0%	0%	0%	50%	87%
Expected credit loss	-	-	-	111	278

16 Trade and other receivables (continued)

There has been no significant change in the gross amounts of trade receivables that has affected the estimation of loss allowance.

Significant Increase in Credit Risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on a financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment the Group considers historical experience as well as forward-looking information that is available without undue cost or effort. Forward-looking information includes the future prospects of the industries in which the Group's debtors operate obtained from economic expert reports, financial analysts, government bodies, relevant think-tanks and other similar organisations. In particular the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

• existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
• an actual or expected significant deterioration in the operating results of the debtor;
• significant increases in credit risk on other financial instruments of the same debtor; and
• an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Sales of goods and services comprise all income streams which are not classified as DUoS income. Examples of non-DUoS income streams would be service alterations/disconnections, assessment and design fees, and recovery of amounts for damage caused by third parties to the distribution system. The average credit period on sales of goods and services is 30 days. Interest is not generally charged on the trade receivables paid after the due date.

17 Cash and cash equivalents

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Cash at bank	23	1,697	23	1,697
Other cash and cash equivalents	-	274,429	-	272,832
	23	276,126	23	274,529

Other cash and cash equivalents at 31 December 2022 relate to demand deposits held with the Group's treasury company Yorkshire Electricity Group plc and treated as cash and cash equivalents. Yorkshire Electricity Group plc is authorised to settle amounts against intercompany balances as set out in the Cash Flow Statement. During 2023 the Group has completed a refinancing and has paid dividends as set out in note 26. The amounts held are not considered demand deposits and accordingly the amounts are disclosed as an intercompany receivable and included in trade and other receivables in note 16".

18 Share capital

Allotted, called up and fully paid shares

	31 December 2023		31 December 2022	
	No. 000	£ 000	No. 000	£ 000
Ordinary Share Capital of £1 each	200,000	200,000	200,000	200,000

The Company has 300 million shares authorised for issue. The Company has one class of ordinary shares which carries no right to fixed income.

19 Reserves

Group

	Retained earnings £ 000
At 1 January 2023	1,036,661
Profit for the year	113,610
Total comprehensive income	113,610
Dividends	(31,400)
At 31 December 2023	1,118,871

	Retained earnings £ 000
At 1 January 2022	962,103
Profit for the year	102,258
Total comprehensive income	102,258
Dividends	(27,700)
At 31 December 2022	1,036,661

Company

	Retained earnings £ 000
At 1 January 2023	1,038,447
Profit for the year	113,631
Total comprehensive income	113,631
Dividends	(31,400)
At 31 December 2023	1,120,678

19 Reserves (continued)

	Retained earnings £ 000
At 1 January 2022	963,901
Profit for the year	102,246
Total comprehensive income	102,246
Dividends	(27,700)
At 31 December 2022	1,038,447

20 Loans and borrowings

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Non-current loans and borrowings	1,057,393	1,057,069	1,057,389	1,057,064
Current loans and borrowings	21,922	54,263	23,733	50,949
	1,079,315	1,111,332	1,081,122	1,108,013

Group

	Book value		Fair value	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Short-term loan	2,716	35,058	2,716	35,058
European Investment Bank 2027 – 2.564%	120,128	120,128	111,677	103,252
Northern Electric Finance plc 2035 – 5.125%	153,550	153,457	158,526	150,066
Northern Electric Finance plc 2049 – 2.75%	150,161	150,098	106,192	100,507
Northern Powergrid (Northeast) plc 2052 - 3.25%	355,018	354,942	272,362	259,793
Northern Powergrid (Northeast) plc 2062 - 1.875%	297,742	297,649	159,538	154,267
	1,079,315	1,111,332	811,011	802,943

20 Loans and borrowings (continued)

Company

	Book value		Fair value	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Short-term loan	2,716	35,058	2,716	35,058
European Investment Bank 2027 - 2.564%	120,128	120,128	111,677	103,252
Northern Electric Finance plc 2035 – 5.125%	50,302	50,208	52,885	50,065
Northern Electric Finance plc 2037 - 5.125%	105,009	99,884	105,784	95,341
Northern Electric Finance plc 2049 - 2.75%	150,207	150,144	107,300	101,617
Northern Powergrid (Northeast) plc 2052 3.25%	355,018	354,942	272,362	259,793
Northern Powergrid (Northeast) plc 2062 1.875%	297,742	297,649	159,538	154,267
	1,081,122	1,108,013	812,262	799,393

The fair value of liabilities held at amortised cost, is set out above and based on Level 1 inputs.

In April 2022, the Group issued a £350 million bond at 3.25% maturing in 2052, the funds were used for general corporate purposes including the repayment of debt maturities in 2022.

21 Lease Liabilities

Group and Company

Lease commitments
Leases primarily relate to the hire of fleet vehicles from Vehicle Lease and Service Ltd and the rental of operational and non operational land and buildings. The vehicle leases have terms between 2 and 7 years. The company does not have the option to purchase the vehicles at the end of the lease term.

Maturity analysis - contractual undiscounted cash flows:

	31 December 2023 £ 000	31 December 2022 £ 000
Within one year	5,741	5,812
In two to five years	16,250	17,243
In over five years	3,287	6,101
Total lease payment	25,278	29,156
Unearned interest	(2,468)	(2,946)
Total lease liability	22,809	26,210

Unearned interest is future interest on leases not yet earned at the balance sheet date.

The total cash outflow for leases during the year was £5.9m (2022: £5.0m), of which £0.7m (2022: £0.7m) relates to interest and £5.2m (2022: £4.3m) relates to the repayment of principal.

22 Provisions

Group and Company

	Legal proceedings £ 000	Other provisions £ 000	Total £ 000
At 1 January 2023	1,145	507	1,652
Additional provisions	1,516	210	1,726
Provisions used	(1,604)	(205)	(1,809)
At 31 December 2023	1,057	512	1,569
Non-current liabilities	-	55	55
Current liabilities	1,057	457	1,514

Legal proceedings: Provision has been made to cover costs arising from utility damages, public liability, and motoring legal proceedings. Settlement is expected substantially within 12 months.

Other: Primarily consists of a provision for future safe disposal of transformers which contain oil contaminated with Polychlorinated Biphenyls (PCBs), and for an amount to cover claims made under Section 74 of the New Road and Street Works Act 1991. Costs are expected to be incurred over the next 15 years for PCB claims and in the next year for all others.

22 Provisions (continued)

23 Trade and other payables

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Trade payables	4,749	2,978	4,749	2,978
Accrued expenses	11,224	8,973	11,224	8,971
Social security and other taxes	8,165	10,735	8,165	10,735
Other payables	4,340	2,949	4,340	2,949
Payments on account	78,300	54,169	78,300	54,169
Capital Accruals	25,304	17,040	25,304	17,040
	132,082	96,844	132,082	96,842

Payments on account are primarily advanced customer contributions.

The Group's and Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 29 "Financial Risk Review".

There are various costs and services shared between, or performed on behalf of, one distribution company for the other. These are borne initially through creditors and recharged to the other distribution company through revenue as disclosed in note 3.

24 Deferred Revenue

Group and Company

	31 December 2023 £ 000	31 December 2022 £ 000
Opening balance	681,802	677,658
Additions	46,267	33,397
Amortisation	(29,963)	(29,253)
Closing balance	698,106	681,802

	31 December 2023 £ 000	31 December 2022 £ 000
Current	30,039	29,326
Non-current	668,067	652,476
	698,106	681,802

Deferred revenue relates to customer contributions towards distribution system assets. The Group's policy is to credit the customer contribution to revenue on a straight-line basis, in line with the useful life of the distribution system assets.

25 Pension and other schemes

Defined benefit pension schemes
Northern Powergrid Group of the ESPS

The Group contributes to two pension schemes, which it operates on behalf of the participating companies within the Group. All below disclosures are that of the group scheme to which the Company contributes but the assets and liabilities are reflected in Northern Electric plc.

Those pension schemes are:

- The Northern Powergrid Group of the ESPS (the "DB Scheme"); and
- The Northern Powergrid Pension Scheme.

The Northern Powergrid Pension Scheme was introduced for new employees of the Group from July 1997 and is a money purchase arrangement accounted for as a defined contribution scheme.

The DB Scheme is a defined benefit scheme for directors and employees, which provides pension and other related retirement benefits based on final pensionable pay. The DB Scheme closed to staff commencing employment with the Group on or after 23 July 1997. Members who joined before this date, including some Protected Persons under The Electricity (Protected Persons) (England and Wales) Pension Regulations 1990, continue to build up future pension benefits.

Under the DB Scheme, employees are typically entitled to annual pensions on retirement at age 63 of one-eightieth of final pensionable salary for each year of service plus an additional tax-free cash lump sum at retirement of three times pension. Benefits are also payable on death and following other events such as withdrawing from active service.

No other post-retirement benefits are provided to members of the DB Scheme.

Pension Regulation

The UK pensions market is regulated by the Pensions Regulator whose key statutory objectives in relation to UK defined benefit plans are to:
- protect the benefits of members;
- promote and to improve understanding of good administration;
- reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund ("PPF"); and
- minimise any adverse impact on the sustainable growth of an employer.

The Pensions Regulator has various powers including the power to:
- wind up a scheme where winding up is necessary to protect members' interests;
- appoint or remove a trustee;
- impose a schedule of company contributions where trustees and company fail to agree on appropriate contributions; and
- impose contributions where there has been a detrimental action against the scheme.

25 Pension and other schemes (continued)

Role of Trustees

The DB Scheme is administered by a board of Trustees which is legally separate from the Company. The assets of the DB Scheme are held in a separate trustee-administered fund. The board of Trustees is made up of Trustees appointed by the Company, as the Principal Employer of the DB Scheme, Trustees elected by the membership and an independent trustee. The Trustees are required by law to act in the interests of all relevant beneficiaries and are responsible in particular for the asset investment strategy plus the day-to-day administration of the benefits payable. They also are responsible for jointly agreeing with the Principal Employer the level of contributions due to the DB Scheme.

Funding Requirements

UK legislation requires that pension schemes are funded prudently (i.e. to a level in excess of the current expected cost of providing benefits). The next actuarial valuation of the DB Scheme will be carried out by the Trustee's actuarial advisors, Aon, at a date no later than 31 March 2025. Such valuations are required by law to take place at intervals of no more than three years. Following each valuation, the Trustees and the Northern Powergrid Group must agree the contributions required (if any) such that the DB Scheme is fully funded over time on the basis of suitably prudent assumptions.

At the latest funding valuation as at 31 March 2022, the funding surplus was assessed to be £2.9 million. In light of this and subsequent changes in the funding position, the Group are not currently paying any deficit repair contributions. The next actuarial valuation will be at 31 March 2025 and is expected to be completed by 30 June 2026, by which time a new contribution schedule will be agreed.

The contributions payable by the Group to the DB Scheme in respect of future benefits which are accruing is 46.1% (49.1% to 30 June 2023). These contributions were determined as part of the 31 March 2022 actuarial valuation and will remain in place until such a time as a new schedule of contributions is agreed between the Trustees and the Group as part of the 31 March 2025 valuation.

The Northern Powergrid Group's total contribution to the DB Scheme for the next financial year are expected to be £8.8m.

The Trust Deed provides the Group with an unconditional right to a refund of surplus assets assuming the gradual settlement of plan liabilities over time. Furthermore, in the ordinary course of business the Trustees have no right to unilaterally wind up, or otherwise augment the benefits due to members of the DB scheme. Based on these rights, any net surplus in the plan is recognised in full.

Profile of the scheme

The defined benefit obligation ("DBO") includes benefits for current employees, former employees and current pensioners. The overall duration of the DB Scheme's obligation was assessed to be about 17 years based on the results of the 31 March 2022 funding valuation. This is the weighted-average time over which benefit payments are expected to be made.

As at 31 March 2022, broadly about 23% of the liabilities are attributable to current employees (duration about 24 years), 7% to former employees (duration about 22 years) and 70% to current pensioners (duration about 13 years).

We anticipate that the overall duration of the Scheme's obligation will have reduced to around 13 years at 31 December 2023.

25 Pension and other schemes (continued)

Investment objectives for the DB Scheme
The Trustees aim to achieve the Scheme's investment objectives through investing partly in a diversified mix of growth assets which, over the long term, are expected to grow in value by more than low risk assets like cash and gilts. This is done with a broad liability driven investing framework that uses cash, gilts and other hedging instruments like swaps in a capital efficient way. In combination this efficiently captures the Trustees' risk tolerances and return objectives relative to the Scheme's liabilities.

The Company and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes the use of Liability Driven Investment (LDI) from October 2016 to more closely match the nature and duration of the DB Scheme's liabilities through the use of derivatives such as swaps and repurchase agreements. The portfolio is designed to hedge a proportion of the interest rate and inflation risk inherent in the Scheme's liabilities. The target hedging level is currently 99% (2022: 99%) of the DB Scheme's liabilities as measured on the basis used for the funding valuation.

The trustees insure certain benefits which are payable on death before retirement.

25 Pension and other schemes (continued)

Risks

Volatile asset returns
The DBO is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this discount rate, this will create an element of deficit. The DB Scheme aims to hold a significant proportion (27%) of its assets in return-seeking assets (such as equities) which, although expected to outperform corporate bonds in the long-term, create
volatility and risk in the short-term.
Mitigation
The allocation to return-seeking assets is monitored to ensure it remains appropriate given the DB Scheme's long-term objectives. The Trustees regularly review the strategy from return-seeking assets and have diversified some return-seeking assets from equities into Reinsurance and Listed Infrastructure to reduce overall risk. To avoid concentration risk, the allocation to UK equity is restricted to 35% of the total equity allocation.

Changes in bond yields
A decrease in corporate bond yields will increase the value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the DB Scheme's bond holdings.
Mitigation
The DB Scheme aims to hold a substantial proportion of its assets (73%) as bonds and Liability Driven Investments (LDI), which provide a significant hedge against falling bond yields (falling yields which increase the DBO will also increase the value of the bond assets). There are some differences in the credit quality of bonds held by the DB Scheme and the bonds analysed to decide the DBO discount rate, such that there remains some risk should yields on different quality bond/swap assets diverge.

Inflation risk
A significant proportion of the DBO is indexed in line with price inflation (specifically in line with RPI) and higher inflation will leads to a higher DBO.
Mitigation
The DB Scheme invests around 42% in LDI (included in the 73% above) which provides a hedge against higher-than-expected inflation increases on the DBO (rising inflation will increase both the DBO and the value of the LDI portfolio).

Life expectancy risk
The majority of the DB Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.
Mitigation
The DB Scheme regularly reviews actual experience of its membership against the actuarial assumptions underlying the future benefit projections and carries out detailed analysis when setting an appropriate scheme specific mortality assumption.

Currency risk
To increase diversification, the DB Scheme invests in overseas assets. This leads to a risk that foreign currency movements negatively impact the value of assets in Sterling terms.
Mitigation
The DB Scheme hedges a proportion of the overseas investments currency risk for those overseas currencies that can be hedged efficiently. The DB Scheme's currency hedging ratio is currently 50% in respect of overseas developed market currencies.

Other risks
There are a number of other risks associated with the DB Scheme including operational risks (such as paying out the wrong benefits), legislative risks (such as the government increasing the burden on pension schemes through new legislation) and other demographic risks (such as a higher proportion of members dying than assumed with a dependant eligible to receive a survivor's pension from the DB Scheme).

25 Pension and other schemes (continued)

Reporting at 31 December 2023

For the purposes of this disclosure, the current and future pension costs of the Northern Powergrid Group have been assessed by Aon, a qualified independent actuary, using the assumptions set out below, which the actuary has confirmed represent a reasonable best estimate of those costs. The review has been based on the same membership and other data as at 31 March 2022. The board of Northern Powergrid Holdings Company has accepted the advice of the actuary and formally approved the use of these assumptions for the purpose of calculating the pension cost of the Northern Powergrid Group.

The results of the latest funding valuation at 31 March 2022 have been adjusted 31 December 2023. Those adjustments take account of experience over the period since 31 March 2022, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the DBO and the related current service cost were measured using the Projected Unit Credit Method.

For schemes closed to new members, such as the DB Scheme, the current service cost calculated under the Projected Unit Credit Method is expected to increase as the members of the DB Scheme approach retirement.

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2023 %	31 December 2022 %
Discount rate	4.55	4.80
Future salary increases	3.00	3.20
Future pension increases	2.65	2.75
Inflation - CPI	2.35	2.95
Inflation - RPI	2.75	2.95
Proportion of pension exhcanged for additional cash at retirement	10.00	10.00

Post retirement mortality assumptions

	31 December 2023 Years	31 December 2022 Years
Current UK pensioners at retirement age - male	26.70	26.70
Current UK pensioners at retirement age - female	28.90	28.60
Future UK pensioners at retirement age - male	27.40	27.40
Future UK pensioners at retirement age - female	30.10	29.70

25 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	31 December 2023 £ 000	31 December 2022 £ 000
Fair value of scheme assets	1,098,300	1,117,000
Present value of scheme liabilities	(949,700)	(965,500)
Defined benefit pension scheme surplus	148,600	151,500

Scheme assets

Changes in the fair value of scheme assets are as follows:

	31 December 2023 £ 000	31 December 2022 £ 000
Fair value at start of year	1,117,000	1,742,600
Interest income	52,700	33,600
Remeasurement gains on scheme assets	(3,000)	(582,000)
Employer contributions	10,500	12,100
Contributions by scheme participants	400	400
Benefits paid	(77,900)	(88,300)
Administrative expenses paid	(1,400)	(1,400)
Fair value at end of year	1,098,300	1,117,000

Analysis of assets

The major categories of scheme assets are as follows:

	31 December 2023 £ 000	31 December 2022 £ 000
Developed market equity	71,700	78,400
Emerging market equity	2,100	4,400
Property	103,300	169,400
Reinsurance	93,800	80,800
Listed infrastructure	53,500	62,800
Investment grade corporate bonds	49,700	15,900
Other debt (non-investment grade)	191,400	32,800
Fixed interest gilts	37,500	6,500
Liability driven investments	454,500	584,300
Cash and cash equivalents including derivatives	40,800	81,700
	1,098,300	1,117,000

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

25 Pension and other schemes (continued)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	31 December 2023 £ 000	31 December 2022 £ 000
Present value at start of year	965,500	1,480,400
Current service cost	5,100	11,100
Actuarial gains/(losses) arising from changes in demographic assumptions	(34,400)	(900)
Actuarial gains/(losses) arising from changes in financial assumptions	18,300	(530,100)
Actuarial gains/(losses) arising from experience adjustments	27,300	64,400
Interest cost	45,400	28,500
Benefits paid	(77,900)	(88,300)
Contributions by scheme participants	400	400
Present value at end of year	949,700	965,500

Amounts recognised in the income statement

	31 December 2023 £ 000	31 December 2022 £ 000
Amounts recognised in operating profit		
Current service cost	5,100	11,100
Losses (gains) on curtailments and settlements	1,400	1,490
Net interest	(7,300)	(5,100)
Recognised in arriving at operating profit	(800)	7,490
Amounts recognised in finance income or costs		
Costs included in cost of qualifying assets	(2,500)	(6,800)
Total recognised in the income statement	(3,300)	690

25 Pension and other schemes (continued)

Amounts taken to the Statement of Comprehensive Income

	31 December 2023 £ 000	31 December 2022 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	(34,400)	(900)
Actuarial gains and losses arising from changes in financial assumptions	18,300	(530,100)
Actuarial gains and losses arising from experience adjustments	27,300	64,400
Return on plan assets in excess of that recognised in net interest	3,000	582,000
Amounts recognised in the Statement of Comprehensive Income	14,200	115,400

Sensitivity analysis

Significant actuarial assumptions for determination of the defined benefit obligation are discount rate, inflation, and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	31 December 2023			31 December 2022		
	+ 0.1%	**0.0%**	**- 0.1%**	**+ 0.1%**	**0.0%**	**- 0.1%**
Adjustment to discount rate	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Present value of total obligation	937,100	957,600	962,500	952,700	965,500	979,300

	31 December 2023			31 December 2022		
	+ 0.1%	**0.0%**	**- 0.1%**	**+ 0.1%**	**0.0%**	**- 0.1%**
Adjustment to rate of inflation	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Present value of total obligation	958,800	957,600	938,700	978,700	965,500	933,300

	31 December 2023			31 December 2022		
Adjustment to mortality age rating	**+ 1 Year**	**None**	**- 1 Year**	**+ 1 Year**	**None**	**- 1 Year**
assumption	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Present value of total obligation	985,900	957,600	912,700	995,300	965,500	934,900

The sensitivity analysis presented above may not be representative of the actual change in defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

26 Dividends

	31 December 2023 £ 000	31 December 2022 £ 000
Interim dividend of 15.7p (2022 - 13.9p) per ordinary share	31,400	27,700

An interim dividend of £300.0 million was paid on the 26 March 2024.

27 Reconciliation of liabilities arising from financing activities

Group

	At 1 January 2023 £ 000	Financing cash flows £ 000	Non-cash changes New finance leases £ 000	Other changes £ 000	At 31 December 2023 £ 000
Borrowings	1,111,332	(32,289)	-	272	1,079,315
Lease liabilities	26,210	(5,944)	2,543	-	22,809
	1,137,542	(38,233)	2,543	272	1,102,124

	At 1 January 2022 £ 000	Financing cash flows £ 000	Non-cash changes New finance leases £ 000	Other changes £ 000	At 31 December 2022 £ 000
Borrowings	852,613	249,922	-	8,797	1,111,332
Lease liabilities	11,938	(4,957)	19,229	-	26,210
	864,551	244,965	19,229	8,797	1,137,542

Company

	At 1 January 2023 £ 000	Financing cash flows £ 000	Non-cash changes New finance leases £ 000	Other changes £ 000	At 31 December 2023 £ 000
Borrowings	1,108,013	(32,289)	-	5,398	1,081,122
Lease liabilities	26,210	(5,944)	2,543	-	22,809
	1,134,223	(38,233)	2,543	5,398	1,103,931

	At 1 January 2022 £ 000	Financing cash flows £ 000	Non-cash changes New finance leases £ 000	Other changes £ 000	At 31 December 2022 £ 000
Borrowings	850,879	248,337	-	8,797	1,108,013
Lease liabilities	11,938	(4,957)	19,229	-	26,210
	862,817	243,380	19,229	8,797	1,134,223

Other charges relate to amortisation of financing fees, discounts and new leases entered into.

28 Classification of financial and non-financial assets and financial and non-financial liabilities

Group

The classification of financial assets and financial liabilities by accounting categorisation for the period ended 31 December 2023 was as follows:

	Financial assets at amortised cost £ 000	Financial liabilities at amortised cost £ 000	Non-financial assets & liabilities £ 000
Assets			
Non-current assets			
Property, plant and equipment	-	-	2,944,354
Right of use assets	-	-	22,128
Intangible assets	-	-	50,605
	-	-	3,017,087
Current assets			
Inventories	-	-	29,277
Trade and other receivables	345,787	-	11
Cash and cash equivalents	23	-	-
	345,810	-	29,288
Total assets	345,810	-	3,046,375
Liabilities			
Non-current liabilities			
Long term lease liabilities	-	(17,754)	-
Loans and borrowings	-	(1,057,393)	-
Provisions	-	-	(55)
Deferred revenue	-	(668,067)	-
Deferred tax liabilities	-	-	(134,271)
	-	(1,743,214)	(134,326)
Current liabilities			
Current portion of long term lease liabilities	-	(5,055)	-
Trade and other payables	-	(123,916)	(8,166)
Loans and borrowings	-	(21,922)	-
Income tax liability	-	-	(5,162)
Deferred revenue	-	(30,039)	-
Provisions	-	-	(1,514)
	-	(180,932)	(14,842)
Total liabilities	-	(1,924,146)	(149,168)

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

The classification of financial assets and financial liabilities by accounting categorisation for the period ended 31 December 2022 was as follows:

	Financial assets at amortised cost £ 000	Financial liabilities at amortised cost £ 000	Non-financial assets & liabilities £ 000
Assets			
Non-current assets			
Property, plant and equipment	-	-	2,849,504
Right of use assets	-	-	25,739
Intangible assets	-	-	47,356
	-	-	2,922,599
Current assets			
Inventories	-	-	25,406
Trade and other receivables	64,126	-	18
Cash and cash equivalents	276,126	-	-
	340,252	-	25,424
Total assets	340,252	-	2,948,023
Liabilities			
Non-current liabilities			
Long term lease liabilities	-	(21,152)	-
Loans and borrowings	-	(1,057,069)	-
Provisions	-	-	(55)
Deferred revenue	-	(652,476)	-
Deferred tax liabilities	-	-	(133,515)
	-	(1,730,697)	(133,570)
Current liabilities			
Current portion of long term lease liabilities	-	(5,058)	-
Trade and other payables		(96,844)	-
Loans and borrowings		(54,263)	-
Income tax liability	(259)	-	-
Deferred revenue	-	(29,326)	-
Provisions	-	-	(1,597)
	(259)	(185,491)	(1,597)
Total liabilities	(259)	(1,916,188)	(135,167)

Fair values are derived from level 1 inputs.

Company

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

The classification of financial assets and financial liabilities by accounting categorisation for the period ended 31 December 2023 was as follows:

	Financial assets at amortised cost £ 000	Financial assets & liabilities at FVTPL £ 000	Financial liabilities at amortised cost £ 000	Non-financial assets & liabilities £ 000
Assets				
Non-current assets				
Property, plant and equipment	-	-	-	2,944,354
Right of use assets	-	-	-	22,128
Intangible assets	-	-	-	50,605
Investments in subsidiaries, joint ventures and associates	-	50	-	-
	-	50	-	3,017,087
Current assets				
Inventories	-	-	-	29,277
Trade and other receivables	349,345	-	-	11
Cash and cash equivalents	23	-	-	-
	349,368	-	-	29,288
Total assets	349,368	50	-	3,046,375
Liabilities				
Non-current liabilities				
Long term lease liabilities	-	-	(17,754)	-
Loans and borrowings	-	-	(1,057,389)	-
Provisions	-	-	-	(55)
Deferred revenue	-	-	(668,067)	-
Deferred tax liabilities	-	-	-	(134,271)
	-	-	(1,743,210)	(134,326)
Current liabilities				
Current portion of long term lease liabilities	-	-	(5,055)	-
Trade and other payables	-	-	(123,916)	(8,166)
Loans and borrowings	-	-	(23,733)	-
Income tax liability	-	-	-	(5,156)
Deferred revenue	-	-	(30,039)	-
Provisions	-	-	-	(1,514)
	-	-	(182,743)	(14,836)
Total liabilities	-	-	(1,925,953)	(149,162)

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

The classification of financial assets and financial liabilities by accounting categorisation for the period ended 31 December 2022 was as follows:

	Financial assets at amortised cost £ 000	Financial assets & liabilities at FVTPL £ 000	Financial liabilities at amortised cost £ 000	Non-financial assets & liabilities £ 000
Assets				
Non-current assets				
Property, plant and equipment	-	-	-	2,849,504
Right of use assets	-	-	-	25,739
Intangible assets	-	-	-	47,356
Investments in subsidiaries, joint ventures and associates	-	50	-	-
	-	50	-	2,922,599
Current assets				
Inventories	-	-	-	25,406
Trade and other receivables	64,126	-	-	18
Cash and cash equivalents	274,529	-	-	-
	338,655	-	-	25,424
Total assets	338,655	50	-	2,948,023
Liabilities				
Non-current liabilities				
Long term lease liabilities	-	-	(21,152)	-
Loans and borrowings	-	-	(1,057,064)	-
Provisions	-	-	-	(55)
Deferred revenue	-	-	(652,476)	-
Deferred tax liabilities	-	-	-	(133,515)
	-	-	(1,730,692)	(133,570)
Current liabilities				
Current portion of long term lease liabilities	-	-	(5,058)	-
Trade and other payables	-	-	(96,842)	
Loans and borrowings	-	-	(50,949)	-
Income tax liability	(247)	-	-	
Deferred revenue	-	-	(29,326)	-
Provisions	-	-	-	(1,597)
	(247)	-	(182,175)	(1,597)
Total liabilities	(247)	-	(1,912,867)	(135,167)

29 Financial risk review

29 Financial risk review (continued)

This note presents information about the Group's exposure to financial risks and the Group'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 2022.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 20) offset by equity of the Group (comprising issued capital, reserves and retained earnings as detailed in Notes 18 and 19).

The Group has no externally imposed capital requirements.

The covenants associated with the 2035 bonds issued by Northern Electric Finance plc, a wholly-owned subsidiary of the Company, include restrictions on the issuance of new indebtedness and the making of distributions dependent on the scale of the ratio of Senior Total Net Debt to Regulatory Asset Value ("RAV"). The Senior Total Net Debt to RAV restriction is 65% and 75% respectively. The definition of Senior Total Net Debt excludes any subordinated debt and any debt incurred on a non-recourse basis. In addition, it excludes interest payable, any fair value adjustments and unamortised issue costs.

The Company's Senior Total Net Debt as of 31 December 2023 totalled £1,072.7m. Using the RAV value as of March 2024, as outlined by Ofgem in its ED2 price control financial model published in January 2024, and adjusting for the effects of movements in the value of the CPIH Index gives an approximation for the RAV value as at 31 March 2024 of £1,980.7m. The Senior Total Net Debt to RAV ratio for the Company is therefore estimated at 54.2% (2022: 46.2%).

During the year all obligations under the various debt convents have been complied with.

Credit risk

The Group's definition of credit risk is Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group'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 Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The risk is mitigated by the group by The Group's income is primarily generated from use of system revenue from electricity suppliers; suppliers are credit checked by independent ratings agencies. Impaired income from DUoS will be recovered in future periods through system charges and is therefore of no material risk to the Group.

Group

2023	**Notes**	**Gross carrying amount £ 000**	**Loss allowance £ 000**	**Net carrying amount £ 000**
Trade and other receivables	16	351,972	(6,174)	345,798
2022				
Trade and other receivables	16	69,763	(5,619)	64,144

Company

29 Financial risk review (continued)

2023	Notes	Gross carrying amount £ 000	Loss allowance £ 000	Net carrying amount £ 000
Trade and other receivables	16	355,530	(6,174)	349,356
Equity investments at FVTPL		50	-	50
2022				
Trade and other receivables	16	69,763	(5,619)	64,144
Equity investments at FVTPL		50	-	50

For trade receivables the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 16 includes further details on the loss allowance for these assets.

The carrying amount of the Group's financial assets at FVTPL as disclosed in Note 28 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Liquidity risk

Ultimate responsibility of liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities

The Company has access to a £100 million revolving credit facility provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada. The Company entered into a new Facility Agreement in December 2021 for a period of three years, with two 1 year extension options. During the year the Company exercised the second extension option which extended the termination date to December 2026. In addition, the Company has access to further short-term borrowing facilities provided by YEG and to a £19 million overdraft facility provided by Lloyds Bank plc, which is reviewed annually, these borrowings are repayable on demand.

At 31 December 2023, the Group had available £116.3m (2022: £85.8m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

29 Financial risk review (continued)

Maturity analysis for financial liabilities and financial assets

The following table sets out the remaining contractual maturities of the group's financial liabilities and financial assets by type.

Group

2023 **Non-derivative liabilities**	**Less than 3 month** **£ 000**	**3 months - 1 year** **£ 000**	**1-5 years** **£ 000**	**More than 5 years** **£ 000**	**Total** **£ 000**
Non-interest bearing	87,389	-	-	-	87,389
Variable Interest Rate Liabilities	2,717	-	-	-	2,717
Fixed Interest Rate Liabilities	-	31,889	244,480	1,554,688	1,831,057
Total	90,106	31,889	244,480	1,554,688	1,921,163

2022 **Non-derivative liabilities**	**Less than 3 month** **£ 000**	**3 months - 1 year** **£ 000**	**1-5 years** **£ 000**	**More than 5 years** **£ 000**	**Total** **£ 000**
Non-interest bearing	60,127	-	-	-	60,127
Variable Interest Rate Liabilities	35,058	-	-	-	35,058
Fixed Interest Rate Liabilities	-	31,889	247,557	1,583,500	1,862,946
Total	95,185	31,889	247,557	1,583,500	1,958,131

Company

2023 **Non-derivative liabilities**	**Less than 3 month** **£ 000**	**3 months - 1 year** **£ 000**	**1-5 years** **£ 000**	**More than 5 years** **£ 000**	**Total** **£ 000**
Non-interest bearing	87,389	-	-	-	87,389
Variable interest rate liabilities	2,717	-	-	-	2,717
Fixed interest rate liabilities	5,125	31,964	244,780	1,566,513	1,848,382
Total	95,231	31,964	244,780	1,566,513	1,938,488

29 Financial risk review (continued)

2022 **Non-derivative liabilities**	**Less than 3 month** **£ 000**	**3 months - 1 year** **£ 000**	**1-5 years** **£ 000**	**More than 5 years** **£ 000**	**Total** **£ 000**
Non-interest bearing	60,127	-	-	-	60,127
Variable interest rate liabilities	35,058	-	-	-	35,058
Fixed interest rate liabilities	-	31,964	247,857	1,595,400	1,875,221
Total	95,185	31,964	247,857	1,595,400	1,970,406

Market risk

The Group's definition of market risk is Market risk is the risk of loss arising from movements in market variables such as interest rates, exchange rates and commodity prices. Risks are mitigated by utilising appropriate risk management products. The group manage this by The Group's policy on interest rate risk is designed to limit the Group's exposure to floating interest rates. Consistent with this policy, at 31 December 2023 the Group had 99% (2022: 99%) of net debt at fixed rates. Short-term loans and inter-company short term loans is charged at a floating rate of interest based on Sonia plus a margin of 0.20% plus a credit adjustment spread, thus exposing the Group to cash flow interest rate risk. A 1% movement in interest rates would subject the Group to an approximate change in interest costs of £0.1m per year. This is considered an acceptable level of risk. All other loans are at fixed interest rates and expose the Group to fair value interest rate risk. .

30 Related party transactions

Summary of transactions with joint ventures

Vehicle Lease and Service Limited is a joint venture of Northern Electric plc and provides vehicle fleet and servicing for the Northern Powergrid Group. Income constitutes recharges for use of management personnel and purchases are lease and servicing payments for fleet vehicles.

Summary of transactions with other related parties

Other subsidiaries of the Northern Powergrid Group. Included within these amounts are:
- Integrated Utility Services and Integrated Utility Services (Eire) that provide engineering contracting resource;
- Northern Powergrid (Yorkshire) plc that provides and receives mutual support through use of staff and resources which are then recharged;
- Northern Powergrid Metering that is recharged for the use of staff;
- Northern Electric Finance Limited that provides loan financing;
- Yorkshire Electricity Group plc that operates the group intercompany treasury account.

30 Related party transactions (continued)

Income and receivables from related parties - Group and Company

2023	Sales to related parties £ 000	Purchases from related party £ 000	Amounts owed from related party £ 000	Amounts owed to related party £ 000
Northern Powergrid (Yorkshire) Plc	31,153	14,415	-	-
Northern Powergrid Metering Limited	37	-	-	-
Integrated Utility Services Limtied (registered in Eire)	-	2,159	636	-
Integrated Utility Services Limited	274	6,953	-	847
Northern Electric Plc	12	5,010	-	-
Vehicle Lease and Service Limited	37	5,132	-	-
CE Gas Limited	4	-	-	-
	31,517	33,669	636	847

2022	Sales to related parties £ 000	Purchases from related party £ 000
Northern Powergrid (Yorkshire) Plc	25,984	9,635
Northern Powergrid Metering Limited	29	-
Integrated Utility Services Limtied (registered in Eire)	4	1,832
Integrated Utility Services Limited	269	7,225
Northern Electric Plc	6	4,793
Vehicle and Lease Services Limited	28	5,175
CE Gas Limited	54	-
	26,374	28,660

Loans (to)/from related parties - Group

2023	Other related parties £ 000
At start of period	(274,429)
Net movement	(5,104)
At end of period	(279,533)

2022	Other related parties £ 000
At start of period	131,522
Net movement	(405,951)
At end of period	(274,429)

30 Related party transactions (continued)

Loans (to)/from related parties - Company

2023	Subsidiary £ 000	Other related parties £ 000
At start of period	300,366	(272,832)
Net movement	-	(10,259)
Net Interest	22,104	-
Interest paid	(16,952)	-
At end of period	305,518	(283,091)

More information on the intercompany balances can be found in the accounting policies note under the intercompany short-term loans section.

2022	Subsidiary £ 000	Other related parties £ 000
At start of period	300,084	133,107
Net movement	282	(405,939)
At end of period	300,366	(272,832)

31 Parent and ultimate parent undertaking

The Company's immediate parent is Northern Electric plc.

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

The ultimate controlling party is Berkshire Hathaway, Inc.

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 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 Electric plc, incorporated in United Kingdom.

The address of Northern Electric plc is:
Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF