Registration number: 03476201 (England and Wales)

Northern Powergrid Holdings Company

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2024

Northern Powergrid Holdings Company
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Northern Powergrid Holdings Company
Company Information

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Northern Powergrid Holdings Company
Strategic Report for the Year Ended 31 December 2024

The directors present their annual report and audited consolidated financial statements for the year ended 31 December 2024 of Northern Powergrid Holdings Company (the "Company"), which have been drawn up and are presented in accordance with the Companies Act 2006.

Business model

The Company is the parent undertaking for the Northern Powergrid group of companies (the “Group”) and its main subsidiary companies are Northern Powergrid (Northeast) plc ("NPg Northeast"), Northern Powergrid (Yorkshire) plc ("NPg Yorkshire"), Integrated Utility Services Limited, registered in the United Kingdom, ("IUS"), CalEnergy Resources Limited ("CE Resources"), Integrated Utility Services Limited, registered in the Republic of Ireland ("IUS Ireland") and Northern Powergrid Metering Limited ("NPg Metering").

NPg Northeast and NPg Yorkshire (together "Northern Powergrid") are distribution network operators ("DNOs") and hold electricity distribution licences granted by the Secretary of State. Northern Powergrid 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. On 31 March 2024, the Company completed the first year of the RIIO-ED2 price control, which became effective on 1 April 2023, and will conclude on 31 March 2028 (the “ED2 period”).

During the year, Northern Powergrid distributed electricity to approximately 3.9 million customers connected to the electricity distribution networks in the northeast of England and Yorkshire. Northern Powergrid's combined distribution networks (the “Network”) include over 17,000 miles of overhead lines, 43,400 miles of underground cables and 823 major substations. Electricity is received from the National Grid's transmission system and from generators connected directly to the network and then distributed at voltages of up to 132 kilovolts.

The majority of revenue generated by Northern Powergrid 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 8% of the electricity end users’ overall electricity bill. The Company’s opening base allowed revenue (excluding the effects of incentive schemes, volume or legislative driven adjustment mechanisms, any contract liabilities ("deferred revenues") from the prior price control, and real price effects) has been set and therefore provides the Company with some stability in terms of its income during the ED2 period. 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).

IUS and IUS Ireland provide engineering contracting services, NPg Metering leases meters to energy suppliers and CE Resources holds a portfolio of hydrocarbon and renewables projects in Australia and the United Kingdom. On 30 August 2024, following the administration of IOG plc, CE Resources acquired certain assets and liabilities of IOG plc as well as 100% ownership of IOG North Sea Limited (renamed to CalEnergy North Sea Limited), IOG Infrastructure Limited (renamed to CalEnergy Infrastructure Limited) and IOG UK Limited (renamed to CalEnergy SNS Limited). These companies are the operator of the existing assets subject to the Joint Operating Agreement in which CE Resources held a 50% interest prior to acquisition. As at December 2024, certain assets and liabilities of CalEnergy North Sea Limited and CalEnergy Infrastructure Limited are recognised as held for sale. The strategic focus for CE Resources is to maximise the value of its existing assets. Future cash flow projections reflect a focus on midstream activities and support the book value of its assets.

As Northern Powergrid (the distribution business) is the largest contributor to the Group in terms of revenue and profit, the Strategic Report predominantly concentrates on the performance and progress of those entities throughout the reporting year.

STRATEGY

The Group 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 Northern Powergrid's business plan (available via the Northern Powergrid Group website) for the ED2 period (the "Business Plan"). 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.

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 ("KPIs").

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	**2024**	**(As restated) 2023**
Operating profit	£624.2m	£276.3m
Cash from operating activities	£997.3m	£703.6m
Cash used in investing activities	£626.8m	£570.9m
Credit Rating (Standard & Poor's)*	A-	A

*During the year, S&P Global Ratings revised their group status assessment of the Company, resulting in a downgrade of its credit rating from A to A-.

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

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. At the end of year-one of the ED2 period, Northern Powergrid's expenditure was 9% higher than the prior Regulatory year (April 2022 to March 2023), but 20% (£100.6 million) below phased totex allowances. Consequently, a number of work programmes were re-phased in support of achieving the 11% efficiency savings.

Revenue: The Group's revenue at £1,324.5 million was £193.5 million higher than the prior year largely due to upside in distribution use of system revenue tariffs (Northern Powergrid), higher smart metering revenue (NPg Metering) and upstream gas revenue from (C E Resources), partly offset by lower contracting volumes (IUS).

Operating profit and position at the year-end: The Group's operating profit of £624.2 million was £347.9 million higher than the previous year.

The statement of financial position on pages 39 and 40 shows that, as at 31 December 2024, the Group had total equity of £3,473.5 million, which was £207.3 million higher than the previous year (£3,266.2 million). The change in net assets was driven by continued investment on the network increasing the value of Property, Plant and Equipment, a reduction in the deferred tax liability resulting from the reassessment of the Energy Profits Levy, partially offset by the £250 million bond issue in the year, increasing loans and borrowings.

The directors consider the Group to have a strong financial position which creates a stable base for continued strong performance during the ED2 period.

Other gains: Other gains at £0.5 million was £2.6 million lower than the prior year gain of £3.1 million due to an increase on disposals of property, plant and equipment.

Finance costs and investments: Finance costs net of investment income at £102.7 million were £7.0 million higher than the prior year due to the bond issuance in 2023 and higher interest costs on bank overdrafts.

Taxation: The effective tax rate in the year was 15.9% (2023: 1.8%). Tax charge for the year was £83.0 million which was higher than the prior year charge of £3.2 million mainly due to the impact of the Energy Profits Levy and recognition of prior period tax losses in 2023. Details of the income tax expense are provided in Note 11 to the financial statements.

Share capital: The Company has one class of ordinary shares which carries no right to fixed income. There were no changes to the Company's share capital during the year.

Cash flow: Movements in cash flows were as follows:

- **Operating activities:** Cash flow from operating activities at £997.3 million was £293.7 million higher than the previous year, primarily due to higher profit before depreciation and amortisation, offset by adverse movements in working capital.
- **Investing activities:** Cash flow used in investing activities at £626.8 million was £55.9 million higher than the previous year, mainly due to acquisition of PPE.
- **Financing activities:** Cash outflow from financing activities at £365.2 million was £237.4 million higher than the previous year, mainly due to the issue of loans and borrowings in 2023.

Pensions: The Group participates in the Northern Powergrid Group of the Electricity Supply Pension Scheme (the "DB Scheme"), a defined benefit scheme. Further details of the Group's commitments to the DB Scheme and the associated deficit repair payments are provided in Note 30 to the financial statements. The Group also participates in the Northern Powergrid Pension Scheme, which is a defined contribution scheme.

Insurance: As part of its insurance and risk strategy, the Group has in place insurance policies, which cover risks associated with employees, third party motor and public liability. The 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.

	NPg Northeast		NPg Yorkshire	
KPI	**2024**	**2023**	**2024**	**2023**
Broad Measure of Customer Satisfaction ("BMCS")	91%	89.3%	90.8%	89.8%
BMCS Rank (out of 14)	9	12	10	10
BMCS Power Cuts	89.5%	88.6%	88.2%	87.3%
BMCS General Enquiries	94.8%	94.2%	92.6%	93.1%
BMCS Connections	90.3%	87.7%	91.7%	90%

Business Plan commitment: To provide a best in class customer service offering.

Performance during the year: In respect of BMCS performance, an independent market research company carried out telephone surveys with Northern Powergrid'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. NPg Yorkshire recorded an increase in overall satisfaction scores at 90.8% compared to the prior year (89.9%). However, the overall BMCS rank remained static at 10 out of 14. NPg Northeast recorded an increase in overall satisfaction scores at 91.0% compared to the prior year (89.3%) which had resulted in an improved overall BMCS rank of 9 out of 14.

To further enhance the service provided to customers, initiatives from Northern Powergrid's customer service improvement plan were implemented, including enhancing management routines for connections processes, undertaking end-to-end journey mapping for unplanned interruptions, and reviewing the consistency of customer communications across all channels. In addition, the proactive on-site support offered to customers impacted by power cuts lasting more than four hours was refined.

Whilst overall performance has continued to improve, it is acknowledged that as the other DNOs also continue to invest in customer service, even making incremental improvements in the BMCS ranking is challenging. Regardless, Northern Powergrid will strive to continue 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 development of guidance to highlight expectations when it comes to managing key scenarios and customer interactions, increased focus on areas of poor Network performance, and a review of the extra care support provided to the most vulnerable customers.

Connections to the network

Business Plan commitment: To deliver a cost-effective, efficient and personalised service for all connections customers, with smarter, more flexible solutions that support the connection of low carbon technologies onto the Network in support of the transition to net zero.

Performance during the year: End-to-end lead time improvement continued to be challenging due to the increase in connections volumes arising from low carbon technology uptake and additional applications. However, improvements in small works, such as the new quotation system (reducing time to quote by 54%) and increased operational delivery capacity (reducing time to deliver by 24%), allowed the Company to manage volumes whilst maintaining customer satisfaction (NPg Northeast: 90.3% and NPg Yorkshire: 91.7%).

For major connections, transmission network connection delays continued to pose a significant issue. Consequently, much of the focus has been on industry reform to align with the Government's Clean Power 2030 (CP30) Action Plan. Northern Powergrid held customer webinars in collaboration with National Grid Electricity Transmission and National Grid ESO, to provide updates on the changes and the implementation improvements. In support, the availability and timeliness of information for customers was improved through a Project Progression portal, an online self-service tool that allows customers to view the progress of their project.

In terms of accelerating connections, 85 eligible customers were issued accelerated offers as part of the technical limits initiative, reducing the average connection date by six years.

Corporate responsibility

Business Plan commitment: To build effective relationships with stakeholders, especially those customers who are vulnerable and hard to reach.

Performance during the year: Northern Powergrid continued to undertake engagement activity on the development and delivery of the Distribution System Operator ("DSO") plan, as well as supporting multiple stakeholders with their own decarbonisation planning. Alongside, the four Business Plan Engagement Groups continued to oversee engagement in the areas of resilience, meeting consumer needs, energy futures, our people, and our communities.

The ongoing energy crisis and economic uncertainty continued to exacerbate the challenges facing vulnerable customers. As a result, Northern Powergrid grew the provision of their energy advice services to support 20,000 customers in fuel poverty and a further 5,000 with support to increase the energy efficiency of their homes.

Additional support activity included a donation to Community Action Northumberland to sponsor their Warm Hubs programme, the Net Zero Community Energy Fund provided grant funding to nine organisations totalling £50,000, and Northern Powergrid established the Community Energy Team to support community energy groups. Alongside, Northern Powergrid 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.

	NPg Northeast			
	2023/24		2022/23	
KPI*	**Actual**	**Target**	**Actual**	**Target**
Customer minutes lost ("CML")	49.5	<42.0	44.0	<50.9
Customer interruptions ("CI")	48.6	<47.7	46.9	<58.6

	NPg Yorkshire			
	2023/24		2022/23	
KPI*	**Actual**	**Target**	**Actual**	**Target**
Customer minutes lost	53.5	<48.6	52.1	<51.8
Customer interruptions	55.2	<47.6	59.3	<60.9

*The above KPIs are based on the regulatory year, which runs from April to March.

	NPg Northeast		NPg Yorkshire	
KPI	**2024**	**2023**	**2024**	**2023**
High voltage restoration time (minutes)	64.1	62.1	75.0	73.4

	Northern Powergrid	
KPI	**2024**	**2023**
Network investment	£555.6m	£480.8m

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 was below target for CI and CML due to adverse weather conditions. Consequently, the duration of Northern Powergrid's power cuts increased by 6.4%.

From a high-voltage restoration perspective, NPg Northeast averaged 64.1 minutes (2023: 62.1 minutes) and NPg Yorkshire's performance during the year averaged 75.0 minutes (2023: 73.4 minutes) after allowing for severe weather incidents and other exemptions, which was an improved performance from the prior year.

Northern Powergrid invested £555.6 million during the year through its approved Network investment strategy (2023: £480.8 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 technology devices continued with the addition of sensors and monitoring which detect developing faults so that they can be proactively managed. Alongside, proposals were submitted to Ofgem as part of the Storm Arwen re-opener to fund the upgrading the Network to enhance its resilience. Northern Powergrid achieved a successful outcome for 12 projects.

Looking ahead to 2025, initiatives will be implemented as part of the Network Performance Improvement Plan, including the continuation of the risk-based vegetation management programme, the installation of fault management devices on the low voltage Network and further developing the operational incident response model.

CLIMATE CHANGE ADAPTION

Strategic objective: Operate a highly reliable and resilient Network

Business Plan commitment: To adapt the Network and operations to build resilience against the effects of climate change.

<table>
<tr><th></th><th colspan="3">2023/24</th><th colspan="3">2022/23</th></tr>
<tr><th>KPI (Regulatory Year)</th><th>Annual</th><th>Cumulative</th><th>Target</th><th>Annual</th><th>Cumulative</th><th>Target</th></tr>
<tr><td colspan="7">Flood Defenses:</td></tr>
<tr><td>High risk sites protected</td><td></td><td>100%</td><td>100%</td><td></td><td>100%</td><td>100%</td></tr>
<tr><td>Flood defense upgrades</td><td>-</td><td>127</td><td></td><td>1</td><td>127</td><td></td></tr>
<tr><td>Major substation flood defenses installed</td><td>2</td><td>85</td><td></td><td>3</td><td>83</td><td></td></tr>
<tr><td colspan="7">Vegetation Management:</td></tr>
<tr><td>High voltage Network resilient to high winds (km cut)</td><td>29</td><td></td><td rowspan="2">844</td><td>23.2</td><td></td><td rowspan="2">135</td></tr>
<tr><td>High voltage Network resilient to high winds (km surveyed)</td><td>2,344</td><td></td><td>-</td><td></td></tr>
<tr><td>Vegetation management clearance spans</td><td>23,041</td><td></td><td>22,917</td><td>27,710</td><td></td><td>32,073</td></tr>
<tr><td colspan="7">Collaboration:</td></tr>
<tr><td>Local Resilience Forums (LRFs)</td><td>64</td><td></td><td>28</td><td>60</td><td></td><td>28</td></tr>
</table>

Performance during the year: The climate is changing and, despite international efforts to reduce greenhouse gas emissions, it is expected to continue to change over the course of the century. The Group has taken steps to understand the risks and opportunities presented by climate change and has established initiatives in response such as Northern Powergrid's industry leading flood mitigation programme and a robust vegetation management programme.

In respect of performance against the KPIs established for the ED1 period, during the year, Northern Powergrid upgraded an additional high-risk site and installed three further substation defences. This resulted in all planned sites being fully protected with a combined investment on flood mitigation works of £0.52 million.

From a vegetation management perspective, £1.8 million was invested by Northern Powergrid to clear spans and make the high-voltage Network more resilient. For the latter, the work entailed creating corridors between vegetation and the Network to accommodate the falling distance of trees. The target was increased between 2023 and 2024. This was to reflect the actual volumes of work undertaken given a large number of surveys are undertaken which confirm continued compliance, and therefore cutting is not required. In addition, increased growth was observed, driven by the wetter winter. The acceleration of the vegetation management programme will be supported by the use of Light Detection and Ranging ("LiDAR") to help more effectively target the work.

Collaboration with LRFs was positive with Northern Powergrid's attendance at meetings with 64 quarterly tactical business groups for each of the seven LRFs in the operating areas.

Governance Arrangements

In respect of the management of climate-related risks and opportunities, the Group has well-defined and mature governance arrangements in place, which are defined by its risk management policy and processes and are overseen by the Risk Advisory Board ("RAB") with the support of the Internal Audit function (see 'Risk Management' and 'Internal Control' for further details). Each subsidiary is responsible for the assessment and management of its own risks and opportunities, with risks then being reported via the processes set out below including being tracked and monitored at a Group level via the RAB.

As is the case for all types of risk across the Group, climate related risks and opportunities are identified, assessed and managed at a variety of levels with escalation points incorporated at various stages of the process.

Risks that are identified via Northern Powergrid's operational working groups are put forward to the Asset Serviceability Review steering group where appropriate actions and controls are monitored by senior management. Risks can then be further escalated to the Asset Risk Management Executive Review Group for further oversight by a subset of the Executive Leadership team.

When identified at a subsidiary or directorate level, risks are reviewed and monitored by the relevant Senior Management team and are escalated through the quarterly risk identification process run by the Internal Audit team. In all scenarios, where risks are identified as being above the Group's risk appetite, they are reported to the RAB.

The Group's risk management process (including for climate related risks) takes place on a quarterly basis and includes the Chair of the RAB reporting risks and opportunities to the board. In addition, an annual risk submission is made to the Group's shareholder, noting that Berkshire Hathaway Energy is routinely made aware of risks via regular dialogue with members of the Executive Leadership team and the board.

Given the significance upon the Group and its stakeholders, the board considers climate related risks and opportunities via routine reporting (including scrutinising performance against KPIs) and in-focus updates on at least a quarterly basis. Whilst always being guided by the Core Principles, the board is also cognisant of the impact of risks and opportunities on the Group's strategy and business model and, has regard to this when making decisions such as reviewing and approving business plans and monitoring performance.

Risk Management

In terms of identification, climate related risks and opportunities are typically detected via a number of channels, including at the operational, subsidiary and directorate level (as outlined above), as a result of detailed risk assessments based on climate projections, by investigations into exceptional events, from reviewing the macro environment for trends, or via shared learning from other Berkshire Hathaway Energy subsidiary companies or collaborative work with other DNOs. In relation to the latter, the DNOs typically work with the ENA to establish a sector wide perspective and have used this approach to implement regulatory requirements such as those under the Climate Change Act 2008 and the National Adaptation Plan.

Regardless of the source, all risks are integrated into the Northern Powergrid Group's overall risk management process, are recorded within a central risk register and are categorised by likelihood and impact. Supplementary to this, all climate related risks are also recorded and tracked through the Northern Powergrid Group's climate risk register.

Once identified, all risks (including climate related) are allocated to an owner and are assessed to determine if they are to be tolerated, influenced or mitigated. If the risk is to be mitigated, appropriate actions are developed to reduce or eliminate the impact of the risk over an appropriate timescale. As outlined above, all risks that are above the Northern Powergrid Group's risk appetite are monitored by the RAB and are allocated to a member of the Executive Leadership team to mitigate or manage. Climate related opportunities are typically reviewed by the Science and Technology Advisory Panel in conjunction with the Executive Leadership team ahead of scoping options to maximise the benefits and progressing to implementation as relevant.

Strategy

Following the publication by the Department for Environment, Food & Rural Affairs ("Defra") of the supplementary Green Book Guidance on 'Accounting for the Effects of Climate Change' in November 2020, a thorough assessment of the impact of climate change and severe weather upon NPg Northeast its affiliate was undertaken in collaboration with other gas and electricity network operators through the ENA. The results of the review and associated adaption, recovery and transform plans were published in the NPg Northeast and its affiliates 'Adapting to Climate' strategy in November 2021. An update to the actions laid out in the report was published in December 2024 as part of the fourth round of adaptation reporting (ARP4).

In line with Defra's recommended approach, the assessment was performed at the operational and asset base level and followed the specific guidance for projects, policies and programmes that have a lifespan that goes beyond 2035. This included using two climate scenarios (as utilised by the Climate Change Commission) to:

- Consider options which include all adaptation measures which would mitigate the known impacts of the 2°C scenario; and
- Make decisions based on the Northern Powergrid Group's risk appetite about whether to consider adaptation measures aligned with the 4°C global warming scenario.

Using outputs from the work that the ENA had commissioned from the Met Office, potential climate related hazards, including high temperatures, heavy rain, droughts, storms, sea level changes, snow, ice, wildfires and lighting - or a combination of these, were identified. The hazards were then reviewed against other variables such as regional climate change considerations (known events and topography), asset configuration and interdependencies on other national infrastructure to identify a range of impact scenarios.

The risk assessment was carried out across three timescale horizons, short term: current climate, medium term: 2050's and long term: 2080's, for both the 2°C and 4°C scenario and was applied to each of NPg Northeast and Northern Powergrid (Yorkshire) plc's six operating zones. The three time periods are aligned with the UK Climate Projections 2018 and the most recent guidance from Defra (ARP4) This allowed the Northern Powergrid Group to understand how each impact scenario affected the whole of NPg Northeast and its affiliates geographic operating locations, including those where known vulnerabilities already exist such as in coastal areas, flood plains and exposed areas, and over what period, so as to establish and prioritise the key areas of risk and identify relevant opportunities.

Climate Change Adaptation

From an overall business model and strategy resilience perspective, the risk assessments (and corroborated via the findings from other DNOs through the work of the ENA) identified that there was no significant divergence in the climate projections, the impact scenarios or key risks themselves, were observed between the three timescales until beyond 2050.

Whilst this provides some comfort during the short term, adapting to climate change requires an understanding of how to better resist the challenges and how to absorb the impact to minimise it as when events do occur and how to utilise the opportunities this creates.

Accordingly, where the risk assessments identified that risks were more likely to occur (at any point over the three timescales) and/or that the impact was potentially greater, these were categorised as the highest priority risk areas and programmes covering bespoke adaptation, recovery actions and longer-term transformations were developed accordingly. It was identified that the highest priority risk areas included:

- Flooding presented by changes in precipitation rates and sea level rise; and
- Changes in growth rates and patterns of trees due to changes in temperature and precipitation.

As referenced in ‘further information’ below, the impact of climate related issues upon the Northern Powergrid Group, particularly NPg Northeast, are incorporated into the five-year regulatory Business Plan. This includes an assessment of the impact of investing in mitigation programmes and undertaking innovation projects with climate change acting as a key driver, particularly in network investment decisions. These plans are fully incorporated into the Northern Powergrid Group’s financial planning process (including with consideration of the impact on areas such as the Northern Powergrid Group’s supply chain) and the impact of climate related issues will continue to be included in regulatory business plans for the relevant time periods in question. Climate related risk assessment scenarios that feed into financial and strategic planning are included in the NPg Northeast and Northern Powergrid (Yorkshire) plc’s third round Adapting to Climate Change report and its supporting annex (available via the Northern Powergrid Group’s website). An update to this report is available in the fourth round Adapting to Climate Change update report (which is also available via the website).

Principal climate-related opportunities and risks arising in connection with the Group’s operations

1. Physical risk (long term - acute/chronic): Precipitation (extreme prolonged rainfall) - long periods of above average precipitation or intense rainfall events resulting in flooding and erosion.

Assessment assumptions: data was used concerning the accumulation of rainfall over a month and where it exceeds the 90th and 95th percentile of today’s climate, the Soil Moisture Deficit and for heavy daily rainfall events, the percentage changes in the 99th percentile of seasonal daily mean precipitation.

Findings: There was a large regional variation in how the frequency of climate related hazards were expected to change in future periods. However, in autumn and winter months, instances of prolonged rainfall, heavy daily rainfall events and heavy hourly precipitation were projected to increase across most of the UK. Assets located in coastal areas were more vulnerable to changes in sea level, notably in the Humber Estuary and Seal Sands.

Impact: Access issues, asset damage and reduced performance, predominantly as a result of Grid and Primary Substations being adversely affected.

Serious flooding in particular was likely to result in the most severe consequences, including the loss of electricity supply to thousands of people, as well as to other types of infrastructure. This in turn had the potential to lead to additional costs as a result of replacing or repairing damaged equipment, as well as increasing the number of customer interruptions, thereby having a negative effect on service and performance levels.

As set out in 'Operational Excellence', Network reliability is recorded via Ofgem's Interruptions Incentive Scheme ("IIS") through targets in relation to CML and CI. If IIS targets are exceeded, there is a reward. Conversely, in the event targets are missed, there is a penalty. In addition, if Guaranteed Standards or service levels that are agreed by Ofgem are failed, payments must be made to those customers affected. Therefore, unless there is an exemption applied for an extreme weather event, NPg Northeast is susceptible to an increase in costs if service and performance levels reduce.

Mitigation: Flood defences programme - designed to comply with national guidance on how to improve the resilience of electricity substations to flooding.

Mitigation activity:
- Improve and maintain flood resilience through targeted adaptations in civil defences and install additional substation defences.
- Improve flood resilience at distribution substations, either by moving them out of the line of flooding risk or by implementing mitigation measures.

2. Physical risk (long term - acute/chronic): Temperature (extreme heat) - high temperatures that may reduce the performance and efficiency of assets.

Assessment assumptions: Thresholds to understand the frequency of days which constitute 'extreme temperatures' across the UK and how these may change under future climate projections were used. This included the frequency with which the daily maximum temperature exceeded 28°C, 30°C and 35°C and the frequency with which the daily maximum temperature exceeded 28°C for 3 consecutive days.

Findings: Trends in observational records confirmed that the UK climate is warming with high temperature thresholds being exceeded each year and expected to increase in line with Representative Concentration Pathway 8.5 (being the worst-case climate change scenario). Met Office climate projections identified that the frequency of hot summer periods is becoming increasingly common.

The rate of change for extreme heat was expected to be slower for cooler regions of the UK such as the North of England. However, by the 2060s the frequency with which extreme heat occurred in the North of England would be the equivalent to that of the warmest areas of the UK at the time of the assessment.

Impact: A reduction in the performance and efficiency of assets. This in turn has the potential to increase fault volumes, leading to additional costs being incurred as a result of repairs and maintenance, reduce service levels and customer satisfaction, and could cause delays to other work planned for delivery.

Whilst the likelihood of global temperature rise is accepted, the impacts on DNOs has not yet begun to be realised. Because of this, networks do not currently see any drivers to invest ahead of the need to offset risks.

Mitigation activity:
- Network and asset performance will continue to be monitored and will be modified once climate change begins to have a direct and longer-term impact.
- Standards and specifications will be updated to include projected changes in temperatures and ground movements.

3. Physical risk (long term - acute/chronic): Precipitation (storms) - Strong winds are a significant hazard, especially when experienced in conjunction with heavy rain.

Assumptions: As for Precipitation (extreme prolonged rainfall)

Findings: There was no clear evidence within climate projections that there would be a change in the frequency or power of storms. Accordingly, the risk of strong winds was assessed in line with the climate conditions at that time. It was also recognised that research into the effects of wind had been carried out between 2011 and 2015 under the Resilient Electricity Networks for Great Britain project and learnings had been incorporated into the NPg Northeast's specifications.

Impact: A number of storms have affected the Network since the initial risk assessment, notably storm Arwen. It is therefore recognised that storms can lead to operational failure of above ground assets, resulting in increased faults and loss of supply to customers, which in turn affects customer service. The potential for damage to telecommunications infrastructure, leading to the inability to communicate with staff in the field or control technology, can also impact repair efforts further.

Mitigation: Resilience programme - Resilience programme - Maintain operational resilience and embed long-term resilience across the asset programmes, working with others to better understand future risks.

Mitigation activity:

- Utilise drones for storm damage assessments.
- Undertake collaborative exercises to test operational response.
- Major Incident procedures in place.
- Embed resilience across asset programme designs and specifications to deliver long-term synergistic resilience.
- Vegetation management programme (see below).

4. Physical risk (long term - chronic): Temperature / Precipitation (gradual increase in temperature and rainfall) - warmer and wetter conditions may extend vegetation growing seasons, resulting in increased or accelerated growth of vegetation.

Assumptions: The length of the growing season was calculated using mean daily temperatures beginning at the start of a period of five successive days where the daily-average temperature was greater than 5°C and ending on the day before a period of five successive days when the daily-average temperature was less than 5°C.

Findings: The average growing season length had increased by approximately 30 days per year over the course of the last 60 years and was reported as being largely due to an earlier onset of spring. As a result, the combined effect of temperature and precipitation was likely to lead to increased vegetation growth.

Impact: Interference to overhead lines could cause a variety of power supply issues ranging from transient interruptions, due to vegetation touching the line, through to severe damage from trees, or parts of trees, falling onto the lines. This may result in increased levels of investment being required in order to maintain Network resilience, additional costs associated with maintenance and cutting cycles and performance and customer service related issues

Under abnormal weather conditions there is also the potential for large scale power outages with some supply restorations taking many days.

Mitigation: Vegetation management programme - improving the resilience of the overhead Network under abnormal weather conditions using a risk-based methodology.

Mitigation activity:

- Undertake enhanced resilience cuts in line industry standards on the overhead network to comply with enhanced resilience requirements.
- Establish and maintain clearance corridors.
- Assess and tackle the issues anticipated from ash tree dieback through the management of affected spans.
- Undertake a vegetation clearance programme for substations and tower bases.
- Utilise Light Detection and Ratings (“LiDAR”) technology to ensure efficient targeting for vegetation management.

5. Transition risk: Enabling the Energy Transition - see Principal Risks and Uncertainties

6. Opportunity: Innovation - participating in and leading innovation projects as a way of developing creative solutions to mitigate the risks of climate change and enhance responsiveness in the event an incident does occur.

A number of projects are planned for the ED2 period including:

- Optimising the use of LiDAR data in order to carry out more effective and efficient clearance and vegetation management by prioritising cutting responses;
- Reviewing the link between rainfall and underground cable faults to understand and quantify the risk;
- Research into substation design specifications and innovative materials to mitigate risks associated with high-temperatures and assets;
- Investigations to understand the performance limitations of outdoor control equipment during periods of extreme heat; and
- Estimate the extent of Ash tree dieback and its impacts on the Network.

Further detail of innovation supporting decarbonisation can be found in the ‘Environmental Sustainability’ section of the Strategic Report.

7. Opportunity: Decarbonisation - adapting and evolving the Network to facilitate the UK’s net zero strategy.

There are many benefits associated with decarbonisation, not just for the Northern Powergrid Group, but for the areas the Northern Powergrid Group serves and the people who live and work there. This includes developing the Network to accommodate additional connections to enable more electric vehicle chargers to be installed, to allow greener heating solutions, to provide a mechanism for local electricity production and to facilitate the growth of renewable energy sources by offering greater flexibility.

Further detail of the initiatives underway to facilitate decarbonisation can be found in the ‘Environmental Sustainability’ section of the Strategic Report.

8. Opportunity: Collaboration - working with stakeholders including industry partners and energy networks to find solutions to mitigate the risk of climate change and improve resilience through collaborative work on interdependencies to reduce the risk of cascade failures across systems.

The Northern Powergrid Group works closely with its stakeholders and partners to share best practice, evolve new protocols, develop industry guidance and adopt measures to prevent or manage the impact of climate change. This includes working with Local Authorities and regional bodies to evolve their climate resilience and decarbonisation plans and collaborating on specific issues to generate practical solutions - such as with the ENA as outline above.

Initiatives planned in this area include collaboration with:

- Other regional infrastructure operators to identify and mitigate interdependencies.
- The Environment Agency and local authorities on the implementation of their regional flood risk management plans and establish support for these where appropriate.

Further information
Given the likely impact of climate related opportunities and risks on the Network, the NPg Northeast and its affiliates various mitigation programmes (including KPIs and the methodology for determining these) were fully scoped and costed as part of the Business Plan submission to Ofgem for the ED2 Period, details of which can be found via the Northern Powergrid Group’s website.

In addition to the information contained above, the Northern Powergrid Group has published a ‘Climate Resilience Strategy’ and an ‘Adapting to Climate Change Report’, the former having been submitted to Ofgem and part of the Business Plan for 2023 to 2028 and the latter having been submitted to Defra in line with the requirements of the Climate Change Act (2008). The Northern Powergrid Group’s most recent report was published as part of the fourth round in 2024 and is an update report which should be read in conjunction with the third-round report published in 2021. Copies of both reports can be found on the Northern Powergrid Group’s website.

In line with the requirements of IFRS and the Companies Act 2006, climate adaptation considerations have been incorporated into the Group's financial reporting and disclosures. However, in respect of the Saturn Banks assets, the Group acquired the operator companies of the joint operating agreement towards the end of 2024, following the administration of the previous parent company, IOG plc (see Note 15). As at reporting date, the Group has not performed a full assessment of environmental data, and therefore the climate KPIs disclosed do not include any data in respect of Saturn Banks.

EMPLOYEE COMMITMENT

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

	2024		2023	
KPI	**Actual**	**Target**	**Actual**	**Target**
Occupational safety and health administration rate ("OSHA")	0.41	0.09	0.43	0.09
Preventable vehicle accidents	24	22	23	24
Lost time accidents	5	0	6	0
Medical treatment accidents	6	2	4	2
Contractor OSHA incidents	10	6	2	7
Operational incidents	14	7	10	7

KPI	**2024**	**2023**
Absence rate	3.52%	3.35%

Health and safety

Business Plan commitment: To maintain industry leading safety performance and achieve a 50% reduction in contractor accident rates.

Performance during the year: In common with the Berkshire Hathaway Energy group, the 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 Group failed to meet its target of 0.09 having achieved an OSHA rate of 0.41 (2023: 0.43), which equated to 11 recordable incidents against a goal of two or fewer. PVA performance also declined marginally with 24 recorded against a target of 22 or fewer. In terms of the Business Plan commitment, the number of contractor OSHA incidents increased year-on-year, leading to a number of improvement actions being initiated.

Whilst the majority of incidents were minor in nature (insect bites and slow reversing accidents), the year-on-year decline reinforced the importance of the Company’s health and safety performance improvement plan which covered colleague safety, contractor safety, health and well-being and public safety. Accordingly, initiatives undertaken included the continuation of driver training, commissioning a safety climate survey, the mobilisation of an assurance programme on high -risk activities, leveraging data from the vehicle telematics system and providing 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, Northern Powergrid successfully completed two external surveillance visits on its ISO 45001 accreditation for its occupational health and safety management system.

Employees

Business Plan commitment: High-performing people doing rewarding jobs in a safe and secure workplace.

Performance during the year: Focus remained on building capacity by increasing the intake of apprentices and engineers, as well as enhancing working arrangements to ensure seamless customer support. This included adapting agile working, focusing on the retention and attraction of talent, improving wellbeing and cultivating a healthy workplace, and establishing working groups with the trade unions to foster stronger relationships.

Employee development continued via the CORE programme, designed to develop leadership and management skills, in addition to leadership apprenticeships and an approach to identifying and developing individual contributors. Routine training also continued in key areas such as customer service, cyber security and management development. The Company also introduced a Core Leadership Expectations 360 programme for senior leaders to identify their specific areas of improvement.

During the year, 89 new recruits (2023: 68) joined Northern Powergrid's workforce renewal programme. At 31 December 2024, the Group had 3,015 employees (2023: 2,563).
Details of how the Group is supporting gender diversity in the energy industry can be found in the Group's gender pay gap report via the 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. Consultation for collectively bargained employees is agreed with trade union representatives in the form of a constitutional framework. In addition, the Group utilises focus groups and colleague panels to consult on improvements and changes.

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.

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

The Berkshire Hathaway Energy code of business conduct ("Code of Conduct")
The 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 Group'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, reasonable adjustments will be made, wherever possible.

ENVIRONMENTAL RESPECT

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

	2024		2023	
KPI	**Actual**	**Target**	**Actual**	**Target**
Total oil/fluid lost (litres)	19,155	<25,700	22,827	<26,500
SF6 gas discharges (kg)	146.45	<47.2	107.19	<49.0
Environmental incidents	6	<6	2	<5

KPI	**2024**	**2023**
Energy consumed (KWh)	43,074,568	43,348,763

	2024		2023		
Business carbon footprint	**Tonnes**	**Per km²**	**Tonnes**	**Per km² (As restated)**	**Scope**
Fleet fuel use	4,013	0.16	3,934	0.16	1
Other (including fugitive emissions)	3,416	0.14	2,658	0.11	1
Total scope 1	*7,429*	*0.29*	*6,592*	*0.26*	
Building electricity use	1,711	0.07	1,585	0.06	2
Substation electricity use	4,214	0.17	4,143	0.16	2
Total scope 2	*5,926*	*0.23*	*5,728*	*0.23*	
Business fuel use	2,318	0.09	2,051	0.08	3
Contractor emissions	709	0.03	20,222	0.80	3
Total scope 3	*3,027*	*0.12*	*22,273*	*0.88*	
Total carbon footprint (tonnes)	16,382	0.65	34,592	1.37	

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 25,296km². The 2023 km² figures have been restated.
The methodology adopted to calculate energy and business carbon footprint data is aligned with international standards, those required by Defra and BEIS and is audited annually and certified through the Certified Emissions Measurement and Reduction Scheme for compliance with ISO 14064-1:2006.
*Contractor emissions are based on fuel usage and is the best available information at the time of publishing.

Business Plan commitment: To minimise carbon emissions, pollution and waste and, where possible, seek to enhance the local environments in which we operate.

Performance during the year: The Group remains committed to using natural resources wisely and protecting the environment for the benefit of future generations. This commitment is set out in the Environmental RESPECT (Responsibility, Efficiency, Stewardship, Performance, Evaluation, Communication and Training) Policy, which is delivered via the Environmental Action Plan and its twelve impact areas (including scope 1, 2 and 3 emissions, SF6 losses, visual amenity, biodiversity and waste).

Northern Powergrid's overall business carbon footprint, scope 1 and 2 emissions (excluding losses) increased to 13,354 tonnes during the year as a result of increased SF6 losses and other emissions. Whilst Northern Powergrid reduced their scope 1 and 2 emissions during ED1 and into the ED2 period, the current rate is slightly above the science-based target set to achieve net zero, indicating that further action is required to reduce emissions.

Improvement initiatives include reducing emissions from the operational fleet by replacing diesel vehicles with Ultra Low and Zero Emission Vehicles, exploring new technologies such as hydrogen fuel cells, using alternative, renewable fuels, and enhancing energy efficiency by upgrading facilities at operational sites.

In relation to scope 3 emissions, Northern Powergrid is working in partnership with the Supply Chain Sustainability School and has adopted their carbon calculator to measure supply chain scope 3 emissions, thereby providing the basis to develop a reduction strategy during 2025. In addition, the Company continues to work with other DNOs to ensure expertise and learnings and a consistent methodology are shared.

The volume of SF6 losses (146.45 kg) increased year-on-year due to a number of significant leaks. In response, Northern Powergrid continues its operational routines, responses to leaks and due to the work with the DNOs via the Energy Networks Association ("ENA"), to share best practice and trial innovative new SF6-free technologies.

During the year, the total amount of fluid loss from the Network was 19,155 litres, which was significantly favourable to the target of 25,700 litres. To continue to minimise losses, Northern Powergrid is committed to replacing 3,400 km of cable during the ED2 period, and will pursue the use of perfluorocarbon tracer (to locate leaks) and self-healing technology.

To adhere to the requirement to identify and remove or remediate non-compliant equipment which may contain Polychlorinated biphenyls ("PCBs") by 31 December 2025, Northern Powergrid has worked in collaboration with the Environment Agency and ENA to develop a statistical model to determine which pole mounted transformers are non-compliant. The process will be a priority throughout 2025, as approximately 5,900 transformers may be replaced.

In respect of Northern Powergrid's wider environmental impact, plans have been developed to achieve zero waste to landfill by 2035 and to divert 90% of waste from Northern Powergrid's operations by 2028. Northern Powergrid's Network operations are the largest source of waste generation, with waste arising from excavations and other operations representing 97% of all of the waste generated in 2024. Steps taken to enhance performance in this area include the recycling of materials, with Northern Powergrid planning to recycle and reuse 85% of total materials by 2028 including the increased volume produced as a result of delivering 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 Northern Powergrid'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 such waste to combat these issues.

From a supply chain perspective, Northern Powergrid will continue to work with suppliers to reduce packaging and ensure environmentally friendly alternatives are used where possible. In support, an embodied carbon model will be used to aid 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.

The impact of Northern Powergrid's operations is mitigated where possible through a range of biodiversity, natural capital and visual amenity programmes. This includes fulfilling the duty to seek to enhance designated areas such as National Parks, as well as improving biodiversity at 200 sites throughout the ED2 period.

At this time, Northern Powergrid has no plans to use carbon offsetting to achieve its targets in the ED2 period. 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. However, at an initiative level, where ad-hoc opportunities exist, Northern Powergrid may pursue these.

From an environmental compliance perspective, Northern Powergrid operates a United Kingdom Accreditation Service scheme for environmental management and is certified to 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 Northern Powergrid's KPIs. Northern Powergrid's carbon footprint reporting framework is certified under the Certified Emissions Measurement and Reduction Scheme for compliance with ISO 14064-1:2006.

To date, Northern Powergrid's performance against a number of stretching KPIs to reduce carbon usage and minimise the effects of Northern Powergrid on stakeholders and the environment has been positive. However, it is acknowledged that becoming carbon neutral by 2040, and working with suppliers and partners to accomplish this, is not without its challenges and risks. Accordingly, Northern Powergrid 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 Group's website (our business plan).

Environmental Sustainability

Strategic focus: Enable growth in customers connecting low carbon technologies and support pathways to net zero.

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, Northern Powergrid continues to implement its DSO strategy, and 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, Northern Powergrid continued to develop and action innovative solutions that will reduce the need for traditional and potentially expensive reinforcement.

In the past year, Northern Powergrid engaged with the market for flexibility by tendering for flexibility services on the low voltage and high voltage Network. Under these contracts, customers change their energy consumption and generation patterns as an alternative to Northern Powergrid 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, Northern Powergrid published its updated Distribution Future Energy Scenarios (available via the Group's corporate website).

From an innovation perspective, Northern Powergrid runs a portfolio of projects in the priority areas of customer vulnerability, resilience, and decarbonisation. Following the establishment of the Community DSO project in 2023, which was designed to deliver trials of smart local energy systems to explore how consumer energy resources and flexibility can be utilised in communities, a £3.2 million trial was awarded to a consortium of companies testing approaches to local balancing in an Energy Community in Barnsley, South Yorkshire over an 18-month period.

Decarbonisation continues to be more central to Northern Powergrid's strategy, and the way in which Northern Powergrid contributes more broadly to the evolution of the energy industry and the stakeholders with whom it interacts. Northern Powergrid has been progressive in its ambition to reduce its own business carbon footprint. However, there is a greater opportunity to contribute to decarbonisation by facilitating regional decarbonisation and 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.

In delivering its Business Plan commitments, Northern Powergrid continually engages stakeholders on its DSO Strategy to achieve a number of outcomes and benefits including enabling open energy data sharing, transforming the way decisions and plans are made, supporting the development of new flexible energy markets, increasing customer and Network flexibility and facilitating a whole system energy system. Northern Powergrid's Energy Systems directorate centralises responsibility for delivering DSO plans including major connections to the Network.

In conjunction with this activity, and with the support of the Independent Stakeholder Group ("ISG"), Northern Powergrid has operated its DSO Review Panel ("DRP") for the purpose of making its decisions transparent and to allow the independent members to comment on and challenge Northern Powergrid'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 Group'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, Northern Powergrid operates a regulatory compliance affirmation process. Responsible managers are required to review compliance with approximately 3,300 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 Northern Powergrid 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.

Northern Powergrid submitted its annual Data Assurance Report to Ofgem in March 2025, which included risk assessments of the regulatory returns to be submitted during the Regulatory Year ahead (April 2025 to March 2026), together with a report detailing the assurance work carried out in the Regulatory Year ended 31 March 2025.

On 6 November 2024, Ofgem initiated the process for determining the arrangements for the next electricity distribution price control period, which will begin on 1 April 2028, by issuing a consultation on the framework for ED3. Ofgem envisages that ED3 will have a critical role in the path to achieving net zero by 2050, which could involve a significant change in the level of network investment. In that respect, Ofgem has stated that it will aim to keep the costs of the infrastructure needed for net zero as low as possible through maintaining a low cost of capital and driving further efficiency. Northern Powergrid submitted its response to the consultation on 15 January 2025 and the process will culminate with Ofgem expected to issue its Draft Determinations in June 2027 and its Final Determinations in December 2027.

PRINCIPAL RISKS AND UNCERTAINTIES

The 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 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.

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 Group's risk appetite. The 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 Group'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 Berkshire Hathaway Energy, 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 risks were renamed to 'enabling the energy transition' (from transmission connection delays) and 'regulatory framework' (from the outcome of the regulatory price control). No other notable changes have taken place. The Group's principal risks are not ranked or prioritised in any particular order. Given their sensitivity and ever-changing nature, the board has elected not to disclose the risk appetite associated with each risk.

Cyber security

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

Mitigations:

- 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.

Mitigations:

- Continued dialogue and engagement with Ofgem.
- Active involvement in consultations on price controls.
- Robust budgetary and financial position.
- Optimising price control reopener mechanisms.

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.

Mitigations:

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

Safety

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

Mitigations:

- 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

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

Mitigations:

- Programme to reduce fluid loss, business carbon footprint and remove assets containing PCBs.
- 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.

Resource Availability

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

Mitigations:

- 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.

Enabling the energy transition

The Network either becomes, or is perceived to have become, an obstacle to decarbonisation and energy transition.

Mitigations:

- Overseen by a steering group.
- Policy team engages with Government and Ofgem.
- Change programme in place to improve customer connection lead times and customer communication.
- Part of an industry work programme through the ENA.
- Stakeholder engagement programme scrutinised by the ISG and DRP.

Efficiency and output performance

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

Mitigations:

- 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.

Mitigations:

- Financed by long-term borrowings at fixed rates and access to short-term borrowing facilities at floating rates.
- As at 31 December 2024, 100% of the Company's long-term borrowings were at fixed rates and the average maturity for these borrowings was 16 years.
- Financial covenant monitoring is in place.
- Regulatory adjustments control the effect of taxation changes.

Internal control

The Group's internal control 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 Group utilises comprehensive business planning procedures, regularly reviews KPIs to assess progress towards its goals, and the internal audit function provides independent scrutiny. Financial controls include centralised treasury operations and established procedures for the planning, approving and monitoring of major capital expenditure.

The RAB monitors the effectiveness of internal controls and reports on its findings to the board and Berkshire Hathaway Energy.

Controls which are applicable to financial decisions are governed via a schedule of delegations of authority which are approved by the board (and applies to the 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 regularly.

In accordance with Berkshire Hathaway Energy's requirements to comply with the Sarbanes-Oxley Act, the Group 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, requiring certain senior managers 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 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 Group on the environment and the contribution to sustainability.

To ensure that the 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 Group has robust procedures in place to meet the requirements of the Bribery Act 2010 for which every employee must undertake annual training.

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 members.

Long-term sustainability
As referenced throughout the Strategic Report, the Northern Powergrid's (and the Group'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, Northern Powergrid 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 Northern Powergrid and the Group in the pursuit of its goals and the long-term sustainability of the Group is at the forefront of decision-making.

The Group'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 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 'Employee Commitment', the Group 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 and reviewing the Company and Group's gender pay gap report.

Customers
Customers, whether they are domestic or commercial, are the primary stakeholder group served by the Group 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 major storms and associated Network resilience and engaged with the Chair of the ISG. Further detail of the Northern Powergrid's relationship with customers and the support programmes provided is discussed in 'Customer Service'.

Producers and suppliers
The Group 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 Group 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 Group's annual modern slavery statement.

Financial stakeholders
Financial information is routinely made available to financial stakeholders, including relationship banks and bondholders. Directors engage 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 Group's external auditor.

Community and environment
Each director is required to take all reasonable steps to minimise any detrimental impact the Group's operations may have on the environment (see 'Environmental Respect'). Northern Powergrid provides a range of charitable and community activities to support customers with fuel poverty and safety around electricity ('Corporate Responsibility'). During the year, the directors routinely reviewed environmental performance and made decisions pursuant to Environmental Respect.

Regulator

Northern Powergrid 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, Northern Powergrid 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 Northern Powergrid and the Group's long-term strategy, the relationship with Ofgem and the evolving ED3 framework were regular items on the board agenda throughout the year. In addition, C E Resources liaises with the Environmental Protection Authority in relation to assets located in Australia and the North Sea Transition Authority in respect of the licenses held in the UK.

Acting fairly as between the Company's owners

The Company has one class of ordinary shares which are all held by Berkshire Hathaway Energy U.K. Electric, Inc. (35%), Berkshire Hathaway Energy U.K. Power, Inc. (35%) and Berkshire Hathaway Energy U.K. Inc. (30%) all entities wholly owned by Berkshire Hathaway Energy.

Non-financial and sustainability information statement

The non-financial reporting information pursuant to Section 414CA of the Companies Act 2006 has been reported throughout the Strategic Report and principal risks and uncertainties. The climate-related financial disclosures pursuant to Section 414CB (2A) can be found in the 'Adapting to Climate Change' section of the Strategic Report.

Approved by the board on 31 July 2025 and signed on its behalf by:

T H France
Director

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2024.

Dividends

During the year, an interim dividend of £200.0 million was paid (2023: £200.0 million). The directors recommend that no final dividend be paid in respect of the year (2023: £nil). An interim dividend of £143.0 million was paid on the 8 April 2025 from the Company to the Berkshire Hathaway Energy.

The Company and Group 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 and Group to carry on its business for at least the next year, with the Company and Group’s long-term prospects and viability in mind. In addition, the level of dividends is set to maintain sufficient equity in the Company and Group so as not to jeopardise any investment grade credit ratings.

Directors of the group

The directors of the Company, who held office during the year and to the date of signing were as follows:

T H France
C D Haack
P A Jones
J N Reynolds
S Thon

During the year none of the directors had an interest in any contract which was material to the business of the Company and to the Group; 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 and future outlook

The financial position of the Group, as at 31 December 2024, is shown in the consolidated statement of financial position on pages 39 and 40. There have been no significant events since the year end and the directors intend that:

- Northern Powergrid will continue to implement the Business Plan during the remainder of the ED2 period and by delivering the strategic objectives linked to the Core Principles, Northern Powergrid will continue to develop its business by efficiently investing in the Network and improving the quality of supply and service provided to customers.
- IUS and IUS Ireland will further develop its business by concentrating on its core skills of engineering contracting thereby delivering a high standard of service to its existing clients and pursuing opportunities to increase its portfolio of clients.
- NPg Metering will retain its focus on pursuing opportunities in the market for meter asset provision as the smart meter roll-out programme develops.
- CE Resources will focus on maximising the value of its existing portfolio of hydrocarbon and renewables projects in Australia and the United Kingdom. The Group is actively engaged with a third party in relation to the sale of CalEnergy North Sea Limited and CalEnergy Infrastructure Limited with the transaction seeking to deliver operational and commercial performance improvements for its hydrocarbon projects, in particular, in enhancing its midstream business.

There are no plans to change the existing business model of any company within the Group.

Research and development

Northern Powergrid 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, Northern Powergrid invested £2.3 million (2023: £4.3 million) (Note 6 to the financial statements) in its research and development activities.

Political donations
During the year, no contributions were made to political organisations (2023: £nil).

Financial instruments

Financial risk management
Details of financial risks are included in the Principal Risks and Uncertainties section of the Strategic Report and in Note 34 to the financial statements.

Financial derivatives
As at 31 December 2024 the Group held two derivative financial instrument (2023: one) to mitigate the interest rate risk on a floating interest rate loan. The Group further held two contract for difference derivative financial instruments (2023: two) for the virtual power purchase agreement to manage its exposure to electricity price movements. More details on derivative financial instruments are available in Note 33 to the financial statements.

Stakeholder engagement and environmental disclosures
In accordance with Paragraphs 10, 11 and 20 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

The directors have elected to set out details of the Group's Corporate Governance arrangements in the annual report and accounts of Northern Electric plc, a copy of which is available on the 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.

Composition:

- J N Reynolds, non-executive Director (Chair)
- A P Jones, Finance Director
- M Knowles, independent member - Northern Powergrid Holdings Company

DIRECTORS RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are relevant, reliable and prudent;
- State whether they have been prepared in accordance with UK-adopted international accounting standards;
- Assess the Group and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors’ Report that complies with that law and those regulations.

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

Going Concern

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

The directors have responsibility over performing a going concern assessment and when considering continuing to adopt the going concern basis in preparing the annual reports and financial statements, they have considered a number of factors, including:

- The Group is profitable with strong underlying cash flows;
- The Group benefits from strong investment-grade credit ratings;
- The Group meets its day to day working capital requirements from intercompany loans (via the current account mechanism) with Group;
- The Group as a whole is financed both in its operating companies and in other entities within the Group through the use of the current account mechanism. For that reason, financial health is also considered with reference to the Group, the directors therefore take into consideration a number of factors affecting the wider group:

  o The Group's main subsidiaries, NPg Northeast and NPg Yorkshire, are stable electricity distribution businesses operating an essential public service and are regulated by the Gas and Electricity Markets Authority ("GEMA"). In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000

  o The 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

  o The Group benefits from strong investment-grade credit ratings which allow access to a range of financing options including the capital markets. A successful bond issue by the Northern Powergrid (Yorkshire) plc in April 2025, demonstrates that the Group's bonds remain attractive to investors and there is an active market with strong appetite to invest

  o The Group has prepared forecasts which consider reasonable possible changes in trading performance, show that the Group has sufficient resources to settle its liabilities as they fall due for at least the 12 months from the date of these accounts; and

  o Consideration was also given to the obligations contained in NPg Northeast plc and NPg Yorkshire plc licences to provide Ofgem with annual certificates, confirming that the directors have a reasonable expectation that the Northern Powergrid Group will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months.

Consequently, after making their assessment, the directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. 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

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

Approved by the board on 31 July 2025 and signed on its behalf by:

T H France
Director

Northern Powergrid Holdings Company
Independent Auditor's Report to the Members of Northern Powergrid Holdings Company

Opinion

We have audited the financial statements of Northern Powergrid Holdings Company ("the Company") for the year ended 31 December 2024 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in Note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were:

- Refinancing risks;
- Uncertainties around inflationary rises in operating costs; and
- Regulatory price control outcomes.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants thresholds indicated by the Group's financial forecasts.

Our procedures also included:

- Inspecting and critically assessing the Group's cash flow projections over the going concern assessment period and the level of available financial resources indicated by those projections to assess the ability of the Group to make scheduled debt repayments in line with the Group's external debt obligations

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in Note 2 to be acceptable;

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect
Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, and internal audit, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes and attending Group audit committee meetings.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Consultation with our own forensic professional regarding the identified fraud risks and the design of the audit procedures planned in response to these. This involved the forensic professional attending the Risk Assessment and Planning Discussion and discussion between the engagement partner and the forensic professional.
- We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the defined benefit pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because the lack of material judgement or estimation and, due to the nature of the industry, the Group operates in a stable, regulated market where the energy volumes are monitored and supplied by an independent third party.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test at the Group level and components based on risk criteria and comparing the identified entries to supporting documentation. These included unusual postings to revenue, cash, loans and borrowings, property plant and equipment, and legal expenses.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and others management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, pensions legislation, taxation legislation, and regulatory requirements governing distribution revenue and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, environmental, Ofgem regulations and certain aspects of company legislation recognising the nature of the Group's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 30, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Andrew Williamson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

31 July 2025

Northern Powergrid Holdings Company
Consolidated Income Statement for the Year Ended 31 December 2024

	Note	2024 £ 000	(As restated) 2023 £ 000
Revenue	4	1,324,476	1,130,991
Cost of sales		(99,624)	(162,649)
Gross profit		1,224,852	968,342
Distribution costs		(374,097)	(343,790)
Administrative expenses		(218,587)	(219,261)
Impairment	6	(8,000)	(129,000)
Operating profit	6	624,168	276,291
Other gains	5	452	3,106
Finance income	7	6,449	1,409
Finance costs	7	(109,101)	(97,034)
Profit before tax		521,968	183,772
Income tax expense	11	(83,046)	(3,238)
Profit for the year		438,922	180,534
Profit attributable to:			
Owners of the Company		434,687	178,826
Non-controlling interests	24	4,235	1,708
		438,922	180,534

The above results were derived from continuing operations.

Further detail of prior year adjustments affecting the Income Statement can be found in Note 3.

Northern Powergrid Holdings Company
Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2024

	Note	2024 £ 000	2023 £ 000
Profit for the year		438,922	180,534
Items that will not be reclassified subsequently to profit or loss			
Re-measurements of post-employment benefit obligations (net)	30	(11,825)	(7,995)
Items that may be reclassified subsequently to profit or loss			
Loss on cash flow hedges (net)	23	(1,027)	(4,857)
Cumulative loss arising on cash flow hedges reclassified to profit or loss	23	-	(1,550)
Foreign currency losses	23	(14,800)	(7,982)
		(15,827)	(14,389)
Total comprehensive income for the year		411,270	158,150
Total comprehensive income attributable to:			
Owners of the Company		407,035	156,442
Non-controlling interests	24	4,235	1,708
		411,270	158,150

Northern Powergrid Holdings Company
(Registration number: 03476201)
Consolidated Statement of Financial Position as at 31 December 2024

	Note	31 December 2024 £ 000	(As restated) 31 December 2023 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	7,949,015	7,665,392
Right of use assets	14	26,584	27,267
Intangible assets	16	57,445	55,096
Goodwill	16	248,843	248,843
Equity accounted investments	17	3,289	3,633
Pension assets	30	138,700	148,600
Deferred tax asset	11	246	143
Trade and other receivables	19	7,641	6,463
Other non-current financial assets	35	24,878	27,630
		8,456,641	8,183,067
Current assets			
Inventories	18	31,773	37,022
Trade and other receivables	19	222,130	200,842
Tax receivable		-	582
Cash and cash equivalents	20	38,616	34,224
Restricted cash	21	14,403	3,103
Contract assets	4	10,286	7,052
Other current financial assets	35	6,921	6,531
		324,129	289,356
Assets held for sale		15,800	-
		339,929	289,356
Total assets		8,796,570	8,472,423
Equity and liabilities			
Equity			
Share capital	22	(354,550)	(354,550)
Other reserves		810	810
Foreign currency translation reserve	23	24,082	9,282
Cash flow hedging reserve	23	(9,992)	(11,018)
Retained earnings		(3,091,237)	(2,868,375)
Equity attributable to owners of the Company		(3,430,887)	(3,223,851)
Non-controlling interests		(42,625)	(42,390)
Total equity		(3,473,512)	(3,266,241)

Northern Powergrid Holdings Company
(Registration number: 03476201)
Consolidated Statement of Financial Position as at 31 December 2024 (continued)

	Note	31 December 2024 £ 000	(As restated) 31 December 2023 £ 000
Non-current liabilities			
Lease liabilities		(23,343)	(19,363)
Loans and borrowings		(2,356,899)	(2,707,525)
Provisions	27	(45,288)	(52,323)
Deferred revenue	29	(1,595,726)	(1,547,612)
Deferred tax liabilities		(341,621)	(327,940)
Trade and other payables	28	(6,549)	-
		(4,369,426)	(4,654,763)
Current liabilities			
Lease liabilities		(5,618)	(6,332)
Trade and other payables	28	(359,813)	(298,728)
Loans and borrowings		(460,490)	(161,752)
Income tax liability		(20,473)	(354)
Deferred revenue	29	(75,466)	(69,430)
Provisions	27	(11,272)	(14,823)
		(933,132)	(551,419)
Liabilities directly associated with the assets held for sale		(20,500)	-
		(953,632)	(551,419)
Total liabilities		(5,323,058)	(5,206,182)
Total equity and liabilities		(8,796,570)	(8,472,423)

Further detail of prior year adjustments affecting the Statement of Financial Position can be found in Note 3.

Approved by the board on 31 July 2025 and signed on its behalf by:

T H France
Director

Northern Powergrid Holdings Company
(Registration number: 03476201)
Company Statement of Financial Position as at 31 December 2024

	Note	31 December 2024 £ 000	31 December 2023 £ 000
Assets			
Non-current assets			
Investments in subsidiaries, joint ventures and associates	17	376,289	376,289
Trade and other receivables	19	211,064	248,652
		587,353	624,941
Current assets			
Trade and other receivables	19	9,884	-
Total assets		597,237	624,941
Equity and liabilities			
Equity			
Share capital	22	(354,550)	(354,550)
Retained earnings		(242,687)	(5,234)
Total equity		(597,237)	(359,784)
Current liabilities			
Trade and other payables	28	-	(2,292)
Loans and borrowings		-	(260,086)
Income tax liability		-	(2,779)
		-	(265,157)
Total equity and liabilities		(597,237)	(624,941)

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 2024 of £437.5 million (2023: loss of £(20.3) million).

Approved by the Board on 31 July 2025 and signed on its behalf by:

T H France
Director

Northern Powergrid Holdings Company
Consolidated Statement of Changes in Equity for the Year Ended 31 December 2024

	Share capital £ 000	Other reserves £ 000	Foreign currency translation £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000	Non-controlling interests £ 000	Total equity £ 000
At 1 January 2024	354,550	(810)	(9,282)	11,019	2,868,375	3,223,852	42,390	3,266,242
Profit for the year	-	-	-	-	434,687	434,687	4,235	438,922
Other comprehensive income	-	-	(14,800)	(1,027)	(11,825)	(27,652)	-	(27,652)
Total comprehensive income	-	-	(14,800)	(1,027)	422,862	407,035	4,235	411,270
Dividends	-	-	-	-	(200,000)	(200,000)	(4,000)	(204,000)
At 31 December 2024	354,550	(810)	(24,082)	9,992	3,091,237	3,430,887	42,625	3,473,512

	Share capital £ 000	Other reserves £ 000	Foreign currency translation £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000	Non-controlling interests £ 000	Total equity £ 000
At 1 January 2023	354,550	(810)	(1,300)	17,425	2,897,544	3,267,409	40,682	3,308,091
Profit for the year (as restated)	-	-	-	-	178,826	178,826	1,708	180,534
Other comprehensive income (as restated)	-	-	(7,982)	(6,407)	(7,995)	(22,384)	-	(22,384)
Total comprehensive income	-	-	(7,982)	(6,407)	170,831	156,442	1,708	158,150
Dividends	-	-	-	-	(200,000)	(200,000)	-	(200,000)
At 31 December 2023	354,550	(810)	(9,282)	11,018	2,868,375	3,223,851	42,390	3,266,241

Northern Powergrid Holdings Company
Company Statement of Changes in Equity for the Year Ended 31 December 2024

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2024	354,550	5,234	359,784
Profit for the year	-	437,453	437,453
Total comprehensive income	-	437,453	437,453
Dividends	-	(200,000)	(200,000)
At 31 December 2024	354,550	242,687	597,237

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2023	354,550	225,537	580,087
Loss for the year	-	(20,303)	(20,303)
Total comprehensive income	-	(20,303)	(20,303)
Dividends	-	(200,000)	(200,000)
At 31 December 2023	354,550	5,234	359,784

Northern Powergrid Holdings Company
Consolidated Statement of Cash Flows for the Year Ended 31 December 2024

	Note	2024 £ 000	2023 £ 000
Cash flows from operating activities			
Profit for the year		438,922	180,534
Adjustments for:			
Depreciation and amortisation	6	329,760	349,525
Depreciation on right of use assets		6,727	7,088
Amortisation of deferred revenue		(70,286)	(67,070)
Profit on disposal of property plant and equipment	5	(452)	(3,106)
Impairment	6	8,000	129,000
Gain/ (loss) on derivatives		(1,086)	(11,185)
Retirement benefit obligation		(4,666)	(11,300)
Finance income	7	(6,449)	(1,409)
Finance costs	7	109,101	97,034
Income tax expense	11	83,046	3,238
		892,617	672,349
Decrease/(increase) in inventories	18	5,278	(4,513)
Increase in trade and other receivables	19	(15,542)	(4,081)
Increase/(decrease) in trade and other payables	28	42,887	(11,457)
Increase in contract assets	4	(3,234)	(1,228)
Receipt of customer contributions		137,172	131,615
Decrease in provisions	27	(18,564)	(10,706)
Cash generated from operations		1,040,614	771,979
Income taxes paid		(43,313)	(68,333)
Net cash flow from operating activities		997,301	703,646
Cash flows used in investing activities			
Acquisitions of property plant and equipment		(621,035)	(558,177)
Proceeds from sale of property plant and equipment		3,870	3,106
Acquisition of intangible assets	16	(16,452)	(17,577)
Interest received		5,549	1,939
Dividend income	7	1,474	615
Fixed asset investments	17	(230)	(796)
Net cash flows used in investing activities		(626,824)	(570,890)

Northern Powergrid Holdings Company
Consolidated Statement of Cash Flows for the Year Ended 31 December 2024 (continued)

	Note	2024 £ 000	2023 £ 000
Cash flows used in financing activities			
Proceeds from long-term borrowing draw downs		-	248,428
Transaction costs relating to loans and borrowings		-	(1,717)
Repayment of long-term borrowing		(47,772)	(44,028)
Movement on short-term borrowing		2,990	(27,537)
Payments to lease creditors		(5,403)	(10,922)
Non-controlling interest dividends		(4,000)	-
Movement in restricted cash		(5,514)	(280)
Interest paid		(105,464)	(91,729)
Dividends paid	31	(200,000)	(200,000)
Foreign exchange gain/loss		-	-
Net cash flows used in financing activities		(365,163)	(127,785)
Net increase in cash and cash equivalents		5,314	4,971
Cash and cash equivalents at 1 January		34,224	30,977
Effect of exchange rate fluctuations on cash held		(922)	(1,724)
Cash and cash equivalents at 31 December		38,616	34,224

1 General information

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

The principal activities of the Group is split between the following four areas:

- Northern Powergrid is the distribution of electricity to approximately 3.9 million customers connected to its electricity distribution network.
- IUS and IUS Ireland provide engineering contracting services.
- NPG Metering rents meters to energy suppliers.
- CE Resources holds interests in hydrocarbon permits and renewables projects in the United Kingdom and Australia.

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

2 Accounting policies

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

Summary of material 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.

2 Accounting policies (continued)

Basis of preparation
The consolidated financial statements of the group have been prepared in accordance with UK-adopted international accounting standards.

The preparation of consolidated 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.

The Company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions has been taken. In the transition to FRS 101 from UK-adopted IFRS, the Company has made no measurement and recognition adjustments.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

• The statement of cash flows;
• Certain disclosures regarding revenue;
• Certain disclosures regarding leases;
• Comparative period reconciliations for tangible fixed assets;
• Disclosures in respect of transactions with wholly owned subsidiaries;
• Disclosures in respect of capital management;
• Disclosures in respect of the compensation of Key Management Personnel; and
• Disclosures of transactions with a management entity that provides key management personnel services to the Company;
• Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Climate Change
No material impact from climate change within the accounts.

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

2 Accounting policies (continued)

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

The directors have responsibility over performing a going concern assessment and when considering continuing to adopt the going concern basis in preparing the annual reports and financial statements, they have considered a number of factors, including:

- The Group is profitable with strong underlying cash flows;
- The Group benefits from strong investment-grade credit ratings;
- The Group meets its day to day working capital requirements from intercompany loans (via the current account mechanism) with the Northern Powergrid Group;
- The Group as a whole is financed both in its operating companies and in other entities within the Group through the use of the current account mechanism. For that reason, financial health is also considered with reference to the Group, the directors therefore take into consideration a number of factors affecting the wider group

  o The Group's main subsidiaries, NPg Northeast and NPg Yorkshire, are stable electricity distribution businesses operating an essential public service and are regulated by the Gas and Electricity Markets Authority (“GEMA”). In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000;
  o The 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;
  o The Group benefits from strong investment-grade credit ratings which allow access to a range of financing options including the capital markets. A successful bond issue by the Northern Powergrid (Yorkshire) plc in April 2025, demonstrates that the Group’s bonds remain attractive to investors and there is an active market with strong appetite to invest;
  o The Group has prepared forecasts which consider reasonable possible changes in trading performance, show that the Group has sufficient resources to settle its liabilities as they fall due for at least the 12 months from the date of these accounts; and
  o Consideration was also given to the obligations contained in NPg Northeast plc and NPg Yorkshire plc licences to provide Ofgem with annual certificates, confirming that the directors have a reasonable expectation that the Northern Powergrid Group will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months.

Consequently, after making their assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2 Accounting policies (continued)

Basis of consolidation
The group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to the balance sheet date.

A subsidiary is an entity controlled by the Company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Judgements, estimation and uncertainties
Management may be required to make a number of judgements and assumptions regarding the future and about other sources of estimation uncertainity at the end of the reporting period that may have a significant risk of resulting in a material adjustment to the reported amounts of assets and liabilites within the next financial year:

- Determination of CGUs for Saturn Banks: The annual impairment assessment performed incorporates an assessment of an asset's cash generation unit. Saturn Banks, being the gas project in the Southern North Sea, is accounted for as a single CGU (consisting of gas wells, corresponding platforms and supporting pipeline infrastructure) on the basis that the assets are intrinsically interrelated, that they are monitored and managed as a single project, and there is an absence of a direct active route to market for the producing assets without the supporting pipeline infrastructure. Consequently, the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets, remains the Saturn Banks project as a whole, consisting of the producing assets and pipeline infrastructure.
- Discontinued Operations: In relation to the assets held for sale, an assessment has been performed to assess whether the potential transaction constitutes a discounted operation. The components do not represent a separate major line of business and there is no plan to dispose of the associated major line of business. Further, the subsidiaries were not acquired exclusively with a view to resale. Therefore the disposal group has not been classified as a discontinued operation.

2 Accounting policies (continued)

- Asset acquisition: On 30 August 2024, the Group obtained 100% ownership of IOG North Sea Limited (renamed to CalEnergy North Sea Limited), IOG Infrastructure Limited (renamed to CalEnergy Infrastructure Limited) and IOG UK Limited (renamed to CalEnergy SNS Limited), as well as certain assets from IOG plc. An assessment was performed as to whether the acquisition constituted a business combination or an asset acquisition, with the concentration test adopted. The assessment determined that the concentration test was met, and the transaction was therefore accounted for as an asset acquisition.
- Assets held for sale: In 2024, following the acquisition noted above, the Group entered into commercial discussions with a third party regarding the potential sale of the subsidiaries, CalEnergy Infrastructure Limited and CalEnergy North Sea Limited. At November 2024, the Directors considered the subsidiaries to meet the criteria as determined by IFRS 5.8 to be classified as held for sale at that date.

Key sources of estimation uncertainty

The following are the 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:

- Assumptions used when evaluating long-term pension plans - these assumptions and their possible impacts are disclosed in Note 30.
- Useful lives of property, plant and equipment - The useful economic lives of distribution system assets and other network related facilities, which principally comprise distribution equipment and other technical installations, are estimated based on management experience. When management identifies that actual useful economic lives differ materially from the estimates used, they are adjusted prospectively. This estimation uncertainity creates a risk of a material adjustment to the asset lives, and therefore the depreciation charge in the next financial year. The depreciation charge on these distribution system assets for the year is £237.6 million. Income for connections is recognised over the useful life of the associated distribution system asset, the amount recognised in the financial year was £70.3 million.

  Additionally, consideration has been given to any estimates over the longer-term which should be disclosed to allow for an understanding of the financial statements. The Group has no estimates of this nature to disclose.

  The following are the critical judgements, 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:

  The split of total costs between operating and capital expenditure and the assessment of what is directly attributable to property, plant and equipment.

  The allocation of expenditure 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 expenditure 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 amount of expenditure capitalised in the year was £128.0 million out of total costs of £291.7 million (2023: £109.4 million out of a total cost of £251.3 million), this is a capitalisation rate of 43.9% (2023: 43.5%).

2 Accounting policies (continued)

- Impairment of goodwill evaluation - determining whether goodwill is impaired requires an estimation on an annual basis of the fair value of cash generating units to which goodwill has been allocated. The carrying value of goodwill at the Statement of Financial Position date was £248.8 million. The fair value used as the basis for the goodwill impairment calculations are set out in Note 16.
- Recognition of deferred tax asset in relation to the tax attributes of the oil and gas business - determining on whether the tax attributes of the oil and gas business (as disclosed in Note 11) are recognised as a deferred tax asset under IAS 12 which requires the business to demonstrate that it is probable that future taxable profits should be available in order to offset these losses.
- Provision for decommissioning of exploration and production assets - The Group has recognised a provision for decommissioning obligations associated with the exploration and production assets. In determining the value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to fulfil decommissioning obligations in accordance with statutory requirements and the expected timing of those costs. The carrying amount of the provision as at 31 December 2024 was £34.4 million (2023: £35.2 million). The Group estimates that the costs would be realised in 12 to 16 years' time and calculates the provision using the DCF method based on the following assumptions:

  • Discount rate - 4.54% If the estimated pre-tax discount rate used in the calculation had been 1% higher than management's estimate, the carrying amount of the provision would have been £6.3m lower.
- Impairment of oil and gas assets -

  The Group is required to evaluate the assessment of impairment indicators (internal and external) and make judgements in assessing the factors that are required to be evaluated as part of the impairment indicators assessment. This includes reviewing significant changes that may have an adverse effect. The performance of non-current assets is impacted by environmental, technological, market, economic, legal or environmental changes. In light of recent regulatory and political changes, the Group determined that an impairment trigger had been met and an impairment test has been performed.

  Impairment is tested by comparing the recoverable amount of the Cash Generating Unit ('CGU') with the carrying value of certain net assets of the CGU. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The impairment test is performed on a single CGU. The recoverable amount of the CGU is the higher of their fair value less costs to sell and value in use. The recoverable amount has been determined as the fair value less costs to sell, wherein the fair value is determined through the 'income approach' valuation technique. In doing so, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of the assets exceeds its recoverable amount. Any impairment arising is recognised immediately in the statement of profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

  The calculation of discounted future cash flows for the CGU are most sensitive to the following assumptions:
- Commercial reserves - gas reserves are calculated on an entitlement basis of Commercial reserves include estimates of the amount of gas in place and an assumed tie-in to LAPS compression, assumptions about the reservoir performance over the life of the field and assumptions about commercial factors which, in turn, will be affected by the future gas price. Future production profiles are subsequently generated internally with input from operator profiles and technical opinion from management.
- Gas prices - long term assumptions for gas prices are used for future cash flows in accordance with the judgement of senior management and supported by industry views.

2 Accounting policies (continued)

- Fixed and variable operating costs - variables operating costs include examples such as pipeline tariffs, with fixed operating costs are primarily based on operator budgets.
- Capital expenditure - Field development is long-term and capital intensive and future capital expenditures are often an integral part of the development plan for gas assets.
- Third-party gas and tariff - assumptions made regarding potential third-party gas throughput into the Saturn Banks infrastructure as well as a corresponding tariff reflecting commercial discussions.
- Discount rates - Rates used are determined by incorporating the specific risks for the Group and Saturn Banks. A post-tax rate of 9% (2023: 9%) has been applied to the assessment.

A negative change in any of the above assumptions would cause the estimated future cash flows to be lower than the carrying value, resulting in an impairment loss greater than that recognised in the year.

The impairment assessment carried out concluded that no impairment should be recognised for the gas assets and greater detail is given in Note 12.

- Impairment of Renewable energy assets

  Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

  The Group is required to evaluate the assessment of impairment indicators (internal and external) and make judgements in assessing the factors that are required to be evaluated as part of the impairment indicators assessment. This includes reviewing significant changes that may have an adverse effect. The performance of non-current assets is impacted by environmental, technological, market, economic, legal or environmental changes.

  When it is not possible to determine the recoverable amount of an individual asset, then the recoverable amount of the assets cash-generating unit is instead determined. The smallest identifiable group of assets that generates cash inflows is considered to be each individual solar farm.

  The Group concluded that there were no impairment triggers and that no impairment should be recognised for the renewable energy assets as at December 2024 (2023: no impairment).

Other sources of estimation uncertainty

The following are the assumptions concerning the future and other sources of estimation uncertainty atthe end of the reporting period:

- Assets held for sale - The disposal group consisting of the assets held for sale and liabilities associated with the assets held for sale have been recognised at the lower of its carrying amount and the fair value less costs to sell. The fair value represents the latest view of consideration and represents an uncertainty on the basis that commercial discussions are ongoing and subject to change.

2 Accounting policies (continued)

New standards, interpretations and amendments

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
- Amendments to IAS 7 and IFRS 7: Supplier Finance Agreements

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

Other key accounting policies applied by the Group are as follows:

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 (below £5,000) will be excluded and costs expensed to the income statement as incurred.

The Group applies IFRS 16 to all leases 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 (which includes personal computers, small items of office furniture and telephones), the Group 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 Income Statement.
- Uses current expectations 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 implicit rate applied to determine the present value of the lease liabilities during the current period was 5.5% (2023: 5.5%).

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 Group separates the total amount of cash paid between the principal portion and the interest, both of which are presented within financing activities.

2 Accounting policies (continued)

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 14 Right of use assets.

All items included within metering equipment are subject to operating leases where the Northern Powergrid Metering is the lessor.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

Northern Transport Finance Limited ("NTFL") lease income is recognised in the profit and loss statement on a straight-line basis over the lease term. Lease income is presented under "other revenue" in Note 4. The lease receivables are presented in the statement of financial position under non-current assets for amounts due beyond 12 months and current assets for amounts due within 12 months.

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 income for connections is recognised over the life of the corresponding distribution system asset;
- Contracting revenue is recognised in line with expenditure;
- Meter asset lease income is accounted for under lease accounting;
- Vehicle lease income is accounted for under lease accounting;
- Gas revenue is the sale of natural gas and condensate, revenue is recognised when customers take physical possession and the title passes;
- Renewables revenue is the sale of renewable energy where revenue is recognised when electricity is generated;
-The Group utilises renewable derivatives, recognising gains or losses based on the difference between spot and contract prices; and
- Other revenue includes assessment and design fees and disconnections from the network and 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.

Any under/over-recovery in the regulatory year is trued up in subsequent years' revenue allowances in line with the regulatory framework. Hence, no accounting adjustments are made for under/over-recoveries in the year that they arise as they are contingent on future events. Due to the nature of the national electricity settlements processes billed revenue includes the reconciliations of data for prior periods. Invoices are raised one month in arrears and typically settles within the month.

2 Accounting policies (continued)

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

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

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

- For regulated use of system income the revenue for the service is recognised on the basis of agreed charging methodologies which is recognised on a per unit (volumetric i.e. kWh and capacity (kVA)) and fixed (per 'customer' per day) basis.
- For fixed price for contracted service the input method is used. 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 stage payment on long-term contracts the output method is used. Revenue is recognised by reference to stage of manufacture at the year end date using contractual rates specified in the contract. Revenue on materials is measured at the actual amount of the material used on the contract at the price specified in the contract.

The performance obligations involved in engineering contracting work are accounted for as follows:

- Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.
- Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.
- Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of the costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.
- When revenue recognised on the contract exceeds amounts billed, the excess is recognised as a contract asset.

2 Accounting policies (continued)

Other performance obligations include but are not limited to:
- Provision of vehicles over a specified period accounted for under lease accounting;
- Passage of milestones and completion of installation of equipment for engineering contracting.

During the year, the Group recognised revenues from the sale of gas and condensate in line with IFRS 15 Revenue from Contracts with Customers. The Group is considered to be the principal in it's contract with customers because it controls the gas before transferring it when sold. Revenue is recognised when performance obligations are satisfied (i.e. by transferring control). Transferring control of gas involves the customer taking physical possession and the title passing, generally on delivery of the gas to an agreed delivery point. In respect of gas sales, the delivery point is when the gas is delivered into the National Transmission System downstream of the Bacton gas terminal. Condensate is sold on an FCA basis ('free carrier' being when the seller delivers the goods, cleared for export, to the carrier. The risks are transfered when the goods are handed over to the carrier at an agreed location) when it is delivered onto the buyer's rail tank car loading manifold.

Performance obligations are satisfied at a point in time and at this point the Group recognises revenue. Contracts contain one performance obligation which is the provision of gas or condensate. The transaction price is the amount to which the Group expects to be entitled and is allocated based on standalone selling prices. Contracts for the sale of gas and condensate are priced with reference to quoted prices. All revenue from these contracts is disclosed as revenue from contracts with customers and any amounts payable to the customer for certain costs are recognised as a reduction of the transaction price and, therefore, a reduction in revenue since the payment to the customer is not in exchange for goods. The credit terms range between 20-40 days after the month-end, depending on the customer.

The Group recognises revenue from the supply of electricity to the Australian Energy Market Operator (AEMO). Revenue from the sale of electricity is delivered at market price (merchant black price) and settled weekly. Revenue is recognised when electricity is generated, which is registered at spot price at 5-minute intervals. For each MWh of electricity that is generated, the solar farms (the renewable energy assets) are entitled to one Large Generation Certificate ("LGC"). Revenue relating to the sale of LGC's on the market is recognised when the registry is updated to reflect that the LGC is no longer legally owned by the solar farm.

In addition, the Group is exposed to electricity price movements in the National Electricity Market (NEM). To manage its electricity price risk, each solar farm has entered into a vPPA with an external customer. The vPPA operates as a contract for difference derivative financial instrument with the following terms:

There is no physical delivery of electricity, the contract is financially settled.
The financial settlements are net, based on the difference between the agreed fixed price per MWh and the spot price in the market.
The vPPA contracts a specified percentage of generation from each solar farm.
For each MWh that is purchased under the terms of the vPPA, one Large Generation Certificate ("LGC") is also transferred.

If the merchant black price on the NEM is lower than the vPPA prices, the customer pays the calculated difference to the Group and if the merchant black price on the NEM is higher than vPPA prices, the Group pays the calculated difference to the customer. Payments are contractually obliged. Invoices are raised monthly with payments being due 28 days after the transaction week.

2 Accounting policies (continued)

Revenue from electricity sales to the NEM is recorded in accordance with the policy above.

The associated energy settlement under the vPPA for the generation is recognised in the profit or loss as other gains and losses.

The contract for difference under the vPPA is recognised as a derivative at fair value in profit or loss. The change in the fair value is also recognised in the profit and loss as other gains and losses.

As above, revenue relating to LGCs is recognised when legal ownership is transferred to the customer.

Contract modifications
The group's contracts are often amended for changes in contract specifications and requirements. Contract modification exists when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the group's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

a. Prospectively as an additional separate contract:
b. Prospectively as a termination of the existing contract and creation of a new contract;
c. As part of the original contract using a cumulative catch up; or
d. As a combination of b) and c).

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes. Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end as management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Investments in joint venture entities are initially recognised at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognising its share of future losses.

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.

2 Accounting policies (continued)

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 along with costs from transfer of inventories used in capital projects. Overheads are allocated to property, plant and equipment which are derived from a detailed analysis of operating costs.

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 and ready for use.

Adopted assets and associated contributions are recorded upon completion where such assets are adopted by the Company under a Deed of Gift adoption agreement.

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.

Oil and gas assets
Exploration and appraisal costs are accounted for on the successful efforts basis. All costs relating to licence and data acquisition, geological and geophysical activity and exploration and appraisal drilling are initially capitalised as intangible oil and gas assets pending determination of the commercial potential of the relevant oil and gas properties. Exploration costs, which are not incurred under a specific licence, are written off in the period incurred. If prospects are subsequently deemed to be unsuccessful on completion of evaluation, the associated costs are charged to the statement of profit or loss in the period in which that determination is made. If the prospects are deemed to be commercially viable, such costs are transferred to tangible oil and gas assets under property, plant and equipment.

Depreciation, depletion and amortisation for oil and gas properties is calculated on a unit-of-production basis, using the ratio of oil and gas production in the period to the estimated quantities of proven and probable reserves at the end of the period plus production in the period, on a field-by-field basis. Proven and probable reserve estimates are based on a number of underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Management uses established industry techniques to generate its estimates and regularly references its estimates against those of joint venture partners or external consultants. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

Where there has been a change in economic or commercial conditions that indicates a possible impairment in a field, the recoverability of the net book value relating to that field, less any provisions for decommissioning costs, is assessed by comparison with the estimated discounted future net cash flows based on management's expectations of future gas and oil prices and future costs. Any impairment identified is charged to the statement of profit or loss as additional depreciation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to 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 on a straight-line basis:

Asset class	**Depreciation method and rate**
Distribution system:	
- Generation assets	15 years

2 Accounting policies (continued)

- Conventional metering equipment	up to 5 years
- Information Technology equipment	up to 10 years
- Land	not depreciated
- Other system assets	45 years
Land and buildings:	
- Freehold buildings	up to 60 years
- Leasehold buildings	lower of lease period or 60 years
- Non-Operational land	not depreciated
Furniture, fittings and equipment	up to 10 years
Metering equipment	up to 15 years
Renewables	up to 35 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any material changes in those estimates accounted for on a prospective basis. Due to the significance of the Groups's investment in property, plant and equipment, variations in estimates could impact operating results both positively and negatively although, historically, few changes have been required.

Goodwill
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Intangible assets
Software development activities undertaken by the Group, including internally generated software and software acquired for internal use are 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 software is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. Intangible assets acquired separately are measure on initial recognition at cost.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Software as a service ('SAAS') contract costs are expensed to the income statement. For SAAS and cloud based technology, assessment is made as to whether the Group controls the software or whether the software is controlled by the third-party provider. Where the Group does not control the software, any configuration and customisation costs are expensed.

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	up to 15 years

2 Accounting policies (continued)

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.

Generation credits
Large Scale Generation Certificates ("LGCs") are considered Government Grants under IAS20 Government Grants. Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions of the grant and the grant will be received.

Government Grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. The LGC's are therefore recognised in the same period as the electricity that is generated. This appropriately matches the costs of generating the asset (i.e. the associated power generation) with the income from the grant. At each period end, for LGCs remaining on the balance sheet, an assessment of the value is completed.

No further conditions are required to be met in relation to these grants and we recognise these through revenue when registered.

Investments in associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting except when classified as held for sale. Investments in associates or joint venture entities are initially recognised at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of future losses.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Fixed asset investments are stated at cost less provision or amounts written off for impairment in value.

Investments in subsidiaries
Investments in subsidiaries are accounted 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.

2 Accounting policies (continued)

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. Amounts borrowed under overdraft facilities are included within borrowings on the statement of financial position, however included within cash and cash equivalents on the statement of cash flows.

Restricted cash
The restricted cash balance relates to accounts created in accordance with the external borrowing in relation to the Australian Renewables solar farms, as well as cash held for decommissioning security agreement in relation to exploration and production assets.

Intercompany Short-term loans (Current Accounts)
The Northern Powergrid group operates a central treasury function operated through it's 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.

Trade receivables
Trade receivables are amounts due from customers for goods and 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 transaction price less provision for impairment.The Group always recognises lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Inventories
Inventory is not held for sale, consists primarily of spare parts and expected to be consumed in the normal course of operating and maintaining the network assets. Cost is determined using an average cost basis.

Cost includes all directly attributable costs incurred in bringing the inventories to their present location and condition.

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.

Deferred financing costs include all incremental costs directly attributable to the issuance of debt instruments, such as legal fees, underwriting fees, and other professional fees are recognized as part of the carrying amount of the financial liability.

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, the right to defer settlement must have substance and exist at the reporting date. The terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification as current or non-current.

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.

Decommissioning Provision

The Group records a provision for decommissioning costs to remediate the environmental damage of the exploration and production activities and the renewables activities. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

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)

Non-current assets held for sale
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell . Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Impairment losses on initial classification as held for sale are recognised in profit and loss.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Foreign exchange
In preparing the financial statements of the group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

Financial instruments

Initial recognition
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.

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

2 Accounting policies (continued)

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

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

Financial liabilities are classified into one of the following two categories:
· financial liabilities at amortised cost; or
· financial liabilities at 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:

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 FVTOCI or 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
A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:
· the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the 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
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.

2 Accounting policies (continued)

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

Derecognition

Financial assets
The 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; and

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

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

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

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 FVTPL, 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.

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.

2 Accounting policies (continued)

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 2024 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.

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In the statement of financial position, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

2 Accounting policies (continued)

Hedge accounting
Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets and liabilities.

The group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the group formally documents the relationship between the hedging instruments and hedge items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting that changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

2 Accounting policies (continued)

These hedging relationships are discussed below.

Cash flow hedges
The group makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, then the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income ("OCI") and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central clearing counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

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 is 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 Prior period adjustments

Adopted Assets
The Financial Statements have been restated to incorporate the impact of under reporting of the value of distributions network assets adopted from other parties.

Distribution network assets are on occasions constructed by other parties who then transfer them to the Group. At the date of transfer the value of property, plant and equipment is increased with an equal increase in the value of deferred revenue. The assets are depreciated in line with the depreciation policy for those assets with a similar release of the deferred revenue. It was discovered during the year that not all adopted assets had been captured in the Consolidated Financial Statements. There is no impact on the Company Financial Statements.

This had no impact on prior years' profits or net assets, however impacts the constituent parts of the previously reported figures in the Consolidated Income Statement and the Consolidated Statement of Financial Position (no impact on the Consolidated Cash Flow Statement) shown below:

Consolidated Income Statement:

	2023 (As restated) £ 000	2023 (As previously reported) £ 000	Difference £ 000
Revenue	(1,130,991)	(1,130,773)	(218)
Distribution costs	343,790	343,572	218
Total	(787,201)	(787,201)	-

Consolidated Statement of Financial Position:

	31 Dec 2023 (As restated) £ 000	31 Dec 2023 (Previous) £ 000	Difference £'000
Property, plant and equipment	7,665,392	7,648,597	16,795
Deferred revenue non-current	(1,547,612)	(1,531,281)	(16,331)
Deferred revenue current	(69,430)	(68,966)	(464)
Total	6,048,350	6,048,350	-

3 Prior period adjustments (continued)

	1 Jan 2023 (As restated) £ 000	1 Jan 2023 (Previous) £ 000	Difference £ 000
Property, plant and equipment	7,571,768	7,562,034	9,734
Deferred revenue non-current	(1,513,998)	(1,504,481)	(9,517)
Deferred revenue current	(66,902)	(66,685)	(217)
Total	5,990,868	5,990,868	-

4 Revenue & Segmental Analysis

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

	2024 £ 000	(As restated) 2023 £ 000
Distribution revenue	1,075,608	842,703
Connections revenue	70,286	67,288
Contracting revenue	34,054	38,183
Meter asset leasing	90,723	89,679
Gas revenue	19,060	36,771
Renewables revenue	28,680	45,937
Gain on Renewables derivative	4,311	8,448
Other revenue	1,754	1,982
	1,324,476	1,130,991

The tables below represent the internal information provided to the President and Chief Executive Officer of the Group for the purposes of resource allocation and segmental performance appraisal. The Group operates in five principal areas of activity, those of the distribution of electricity, engineering contracting, gas exploration and smart meter rental in the United Kingdom & renewables in Australia.

Reportable segments are those that meet two or more of the following criteria under IFRS 8:
- Its reported revenue is 10% or more of the combined revenue of all segments;
- The absolute measure of its profit or loss is 10% or more of the combined reported profit; and
- Its assets are 10% or more of the combined assets of all segments.

NPg Northeast and NPg Yorkshire are aggregated into a single operating segment, "Distribution", as they have similar characteristics and are similar in the nature of their products and services, their processes, and the type of customer that utilise their products and services. The distribution segment includes distribution revenue and connections revenue listed above. Connections revenue is recognised over the life of the corresponding item of property, plant and equipment against which the contribution was received. All other revenue is included in "other" in the segmental analysis.

"Other revenue" comprises engineering contracting, hydrocarbon exploration, renewables, smart meter rental and business support units.

Further detail of prior year adjustments affecting Revenue in the Income Statement can be found in Note 3.

4 Revenue & Segmental Analysis (continued)

2024	Distribution £ 000	Other £ 000	Total £ 000
Revenue	1,145,894	178,582	1,324,476
Inter-segment sales	2,233	(2,233)	-
Total revenue	1,148,127	176,349	1,324,476
Operating profit	614,270	9,898	624,168
Other gains			452
Finance costs			(109,101)
Finance income			6,449
Profit before tax			521,968
Capital additions	583,124	80,925	664,049
Depreciation and amortisation	254,949	81,882	336,831
Amortisation of deferred revenue	70,286	-	70,286
Segment assets	7,630,677	917,569	8,548,246
Unallocated corporate assets			248,325
Total assets			8,796,571
Segment liabilities	(1,969,009)	(305,225)	(2,274,234)
Unallocated corporate liabilities			(3,048,825)
Total liabilities			(5,323,059)
Segment net assets	5,661,668	612,344	6,274,012
Unallocated net corporate liabilities			(2,800,499)
Total net assets			3,473,512

Unallocated corporate liabilities include loans and borrowings and taxation that are reviewed by the Chief Operating Decision Maker at a group level and are considered in the context of the performance of the overall group.

4 Revenue & Segmental Analysis (continued)

2023 (as restated)	**Distribution £ 000**	**Other £ 000**	**Total £ 000**
Revenue	909,991	221,000	1,130,991
Inter-segment sales	1,116	(1,116)	-
Total revenue	911,107	219,884	1,130,991
Operating profit	366,876	(90,585)	276,291
Other gains			3,106
Finance costs			(97,034)
Finance income			1,409
Profit before tax			183,772
Capital additions	508,143	84,198	592,341
Depreciation and amortisation	251,776	104,837	356,613
Amortisation of deferred revenue	67,070	-	67,070
Segment assets	7,278,725	1,021,401	8,300,125
Unallocated corporate assets			172,298
Total assets			8,472,423
Segment liabilities	(1,913,662)	(325,773)	(2,239,435)
Unallocated corporate liabilities			(2,966,747)
Total liabilities			(5,206,182)
Segment net assets	5,365,063	695,628	6,060,688
Unallocated net corporate liabilities			(2,794,449)
Total net assets			3,266,239

Sales to the E.ON group in 2024 of £177.9 million (2023: £116.5 million) and to British Gas plc in 2024 of £147.5 million (2023: £141.6 million) are included within the Distribution segment.

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. All contract assets relate to engineering contracting work within Integrated Utility Services. Contracts in progress at statement of financial position date:

4 Revenue & Segmental Analysis (continued)

Assets recognised from costs to fulfil a contract with customers

	31 December 2024 £ 000	31 December 2023 £ 000
Contract costs incurred plus recognised profit less recognised losses to date	92,566	56,873
Less: progress billings	(82,280)	(49,821)
	10,286	7,052

At 31 December 2024, no retentions are held by customers for contract work (2023: £nil).

Advances received from customers for contract work amounted to £nil (2023: £nil).

The Company recognised £10.3m contract assets at 31 December 2024 (2023: £7.1m).

5 Other gains

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

	2024 £ 000	2023 £ 000
Gain on disposal of property, plant and equipment	452	3,106

6 Operating profit

Arrived at after charging/(crediting)

	2024 £ 000	(As restated) 2023 £ 000
Depreciation expense	315,658	335,918
Depreciation on right of use assets	6,727	7,088
Amortisation expense	14,103	13,607
Impairment loss	8,000	129,000
Research and development	2,277	4,304
Trade and other receivables loss allowance	1,767	1,276
Connections revenue	(70,286)	(67,288)

Amortisation expense is included in administration costs within the statement of profit or loss on page 37.

More information on impairment is disclosed in Property, Plant and Equipment (Note 12).

Further detail of prior year adjustments affecting Operating Profit in the Income Statement can be found in Note 3.

7 Finance income and costs

	2024 £ 000	2023 £ 000
Finance income		
Dividend income	134	-
Other finance income	6,315	1,409
Total finance income	6,449	1,409
Finance costs		
Interest on bank overdrafts and borrowings	(111,404)	(99,210)
Interest expense on leases	(1,083)	(835)
Borrowing costs included in cost of qualifying asset	3,386	3,011
Total finance costs	(109,101)	(97,034)
Net finance costs	(102,652)	(95,625)

Borrowing costs included in the costs of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.23% within NPg Northeast (2023: 3.02%), 3.76% within NPg Yorkshire (2023: 3.35%). £nil incurred in 2024 within oil and gas assets (2023: 4.50%).

8 Staff costs

Group

	2024 £ 000	2023 £ 000
Salaries	174,252	151,015
Social security costs	20,644	18,108
Defined benefit pension cost	400	(800)
Defined contribution pension cost	15,894	12,622
	211,190	180,945
Less capitalised to property, plant and equipment	(119,192)	(104,429)
	91,998	76,516

A proportion of the Group's employees are members of the defined benefit scheme, details of which are given in the Employee Benefit Obligations Note 30.

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

8 Staff costs (continued)

	2024 No.	2023 No.
Distribution	2,680	2,505
Engineering contracting	175	168
Hydrocarbon exploration and development	28	22
Other	13	13
	2,896	2,708

The Company had no employees in the years ended 31 December 2024 and 31 December 2023.

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2024 £	2023 £
Highest paid		
Short-term employee benefits	848,160	754,943
Other long-term benefits	-	513,244
	848,160	1,268,187
Total		
Short-term employee benefits	1,153,312	1,039,478
Post-retirement benefits - defined contribution	10,137	8,324
Other long-term benefits	-	604,048
	1,163,449	1,651,850
Post retirement benefits		
Directors who are members of a defined contribution scheme	2	2
Directors who are members of a defined benefit scheme	-	-

	2024 £	2023 £
Key personnel remuneration		
Short-term employee benefits	2,348,949	2,099,325
Post-retirement benefits - defined benefit	79,447	66,098
Post-retirement benefits - defined contribution	244,438	264,265
Other long-term benefits	125,000	501,400
	2,797,834	2,931,088

9 Directors' remuneration (continued)

	2024 £	2023 £
Total directors and key personnel:		
Short-term employee benefits	3,570,661	3,138,803
Post retirement benefits - defined benefit	79,447	66,098
Post retirement benefits - defined contribution	265,375	272,589
Other long-term benefits	125,000	1,105,448
	4,040,483	4,582,938

Other key personnel includes a number of senior functional managers who, whilst not board directors, have authority and responsibility for planning, directing and controlling activities of the Group.

10 Auditor's remuneration

The auditor's remuneration for the year was as follows:

	2024 £ 000	2023 £ 000
Fees payable to the auditor for audit of the Company's annual accounts	280	300
Fees payable to the auditor for audit of the Company's subsidiaries pursuant to legislation	850	1,114
Total audit fees	1,130	1,414
Audit of regulatory reporting	-	139
Other services	-	139
Total auditor's remuneration	1,130	1,692

11 Income tax

Tax charged in the income statement

	2024 £ 000	2023 £ 000
Current taxation		
UK corporation tax	74,787	78,632
UK corporation tax adjustment to prior periods	(8,512)	(893)
Petroleum revenue tax	(132)	(19)
	66,143	77,720
Deferred taxation		
Arising from origination and reversal of temporary differences	12,174	(28,485)
Deferred tax expense from unrecognised temporary difference from a prior period	6,292	5,016
Deferred tax expense/(credit) relating to changes in tax rates or laws	-	722
Deferred Energy Profits Levy	(1,563)	(51,735)
Total deferred taxation	16,903	(74,482)

11 Income tax (continued)

	2024 £ 000	2023 £ 000
Tax expense in the income statement	83,046	3,238

11 Income tax (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2023 - lower than the standard rate of corporation tax in the UK) of 25.00% (2023 - 23.50%).

The differences are reconciled below:

	2024 £ 000	2023 £ 000
Profit before tax	521,968	183,772
Corporation tax at standard rate	130,559	43,224
Increase in deferred tax due to changes in tax rates or laws	-	722
Tax effect of result of joint venture entities	(193)	(54)
Decrease in current tax from adjustment for prior periods	(8,512)	(893)
Permanent differences (including non-taxable dividends)	(2,768)	(2,040)
Pension contributions recognised in other comprehensive income	2,200	2,656
Increase in deferred tax from adjustment for prior periods	6,292	5,016
Non-deductible interest	740	701
Current year and prior year tax losses which are not recognised for deferred tax	3,549	346
Petroleum revenue tax	(106)	212
Overseas taxes- non taxable foreign exchange	(1,314)	(624)
Difference in tax rates arising on ring fence trade	3,777	(12,289)
Increase (decrease) from changes in tax provisions due to legislation	7,910	-
Deferred Energy Profits Levy	(14,075)	(51,735)
Deferred tax asset not recognised	(44,515)	41,838
Recognition of additional ring fence allowances	390	(23,115)
Benefit of overseas tax losses	(861)	609
Initial recognition exemption	(786)	(1,296)
Other tax effects for reconciliation between accounting profit and tax expense/(income)	759	(40)
Total tax charge	83,046	3,238

Finance Act 2025 confirmed that the corporation tax rate will remain at 25%. Deferred tax balances are therefore measured at 25% at 31 December 2024.

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

11 Income tax (continued)

Amounts recognised in other comprehensive income

	2024 Before tax £ 000	Tax (expense) benefit £ 000	Net of tax £ 000
Gain/(loss) on cash flow hedges (net)	(1,369)	342	(1,027)
Foreign currency translation gains/(losses)	(14,800)	-	(14,800)
Remeasurements of post employment benefit obligations (net)	(18,700)	6,875	(11,825)
	(34,869)	7,217	(27,652)

	2023 Before tax £ 000	Tax (expense) benefit £ 000	Net of tax £ 000
Gain/(loss) on cash flow hedges (net)	(8,652)	2,245	(6,407)
Foreign currency translation gains/(losses)	(7,982)	-	(7,982)
Remeasurements of post employment benefit obligations	(14,200)	6,205	(7,995)
	(30,834)	8,450	(22,384)

11 Income tax (continued)

Deferred tax

Group

Deferred tax movement during the year:

	At 1 January 2024 £ 000	Reclassification £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	FX translation £ 000	At 31 December 2024 £ 000
Accelerated tax depreciation	366,008	(10,526)	14,534	-	-	370,016
Pension benefit obligations	26,306	10,526	2,272	(4,675)	-	34,429
Other items	4,000	-	(795)	(342)	-	2,863
Rollover/holdover relief	44	-	-	-	-	44
Losses	(87,385)	-	2,352	-	1,919	(83,114)
Energy Profits Levy	18,967	-	(1,584)	-	-	17,383
	327,940	-	16,779	(5,017)	1,919	341,621

A reclassification has been processed in the year which has moved deferred tax in relation to pension benefit obligations capitalised from pension benefit obligations to accelerated depreciation.

11 Income tax (continued)

	At 1 January 2023 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2023 £ 000
Accelerated tax depreciation	418,286	(52,278)	-	366,008
Pension benefit obligations	27,734	2,130	(3,558)	26,306
Other items	980	5,265	(2,245)	4,000
Rollover/holdover relief	104	(61)	-	44
Losses	(109,184)	21,799	-	(87,385)
Energy Profits Levy	70,702	(51,735)	-	18,967
	408,622	(74,880)	(5,803)	327,940

Also included on the Statement of Financial Position is a deferred PRT balance of £246k (2023: £143k).

11 Income tax (continued)

The other deferred tax liability of £2.9 million (2023: £4.0 million) includes the deferred tax impact of cash flow hedges, provisions and employee benefits which are deductible on a paid basis. Within pension benefit obligations the movement in the year represents deferred tax on the movement in retirement benefit obligation/ asset. A proportion of the movement has been capitalised in property, plant and equipment.

There is an unrecognised deferred tax asset of £9.3 million (2023: £72.8 million) in relation to the tax attributes of a group company's hydrocarbon exploration projects as at 31 December 2024. This position will be re-assessed at the end of the next reporting period. There is no expiration date of these losses.

The Energy Profits Levy ("EPL") was introduced from 26 May 2022 to apply a 25% levy on profits earned from the production of UK oil and gas from 26 May 2022 to 31 March 2025. The EPL was subsequently increased to 35% from 1 January 2023 and extended to 31 March 2028. Finance Act 2025 further increased the rate of the EPL to 38% from 1 November 2024 and extended the levy to 31 March 2030. The deferred tax liability includes a deferred EPL liability of £17.4 million which has been measured at 38%.

The Spring Budget 2024 announced a further extension of the EPL rules to 31 March 2029 however as this is not yet enacted legislation, no impact of the extension is included in the accounts.

The Company had no deferred tax asset/liability as at 31 December 2024 (2023: £nil).

In May 2023, the IASB issued International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12 Income Taxes to clarify the application of IAS 12 to tax legislation enacted or substantively enacted to implement Pillar Two. The amendments include a mandatory temporary exception from accounting for deferred tax on such tax law. The amendments were adopted by the UK in July and the temporary exception has been applied by the Group at 31 December 2024.

The Group is affected by Pillar Two legislation. The overall impact is not fully known or reasonably estimable as of December 2024. Safe harbor analyses in accordance with Pillar Two guidance have been conducted based on available 2023 country-by-country data at a jurisdictional level. The Group will continue to assess and monitor its exposure to Pillar Two taxes on a jurisdiction-by-jurisdiction basis, however, does not expect Pillar Two taxes to have a material impact on the Group’s financial statements.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

12 Property, plant and equipment

Group

	Land and buildings £ 000	(Restated) Distribution system £ 000	Metering equipment £ 000	Oil & gas assets £ 000	Furniture, fittings and equipment £ 000	Renewables £ 000	Total (restated) £ 000
Cost or valuation							
At 1 January 2023	8,404	9,371,404	585,785	363,080	119,679	276,278	10,724,630
Prior period adjustment	-	9,804	-	-	-	-	9,804
At 1 January 2023	8,404	9,381,208	585,785	363,080	119,679	276,278	10,734,434
Additions (restated)	-	480,823	65,772	15,188	12,981	-	574,764
Disposals	-	(21,259)	(25,530)	-	(163)	-	(46,952)
Foreign exchange movements	-	-	-	(364)	-	(14,678)	(15,042)
At 31 December 2023 (restated)	8,404	9,840,772	626,027	377,904	132,497	261,600	11,247,204
At 1 January 2024	8,404	9,840,772	626,027	377,904	132,497	261,600	11,247,204
Additions	-	555,568	40,301	37,469	12,586	1,673	647,597
Disposals	-	(42,273)	(11,293)	-	(33)	-	(53,599)
Foreign exchange movements	-	-	-	-	(2)	(20,133)	(20,135)
Reclassification to assets held for sale (Note 13)	-	-	-	(23,800)	-	-	(23,800)
At 31 December 2024	8,404	10,354,067	655,035	391,573	145,048	243,140	11,797,267

12 Property, plant and equipment (continued)

Depreciation	**Land and buildings £ 000**	**(Restated) Distribution system £ 000**	**Metering equipment £ 000**	**Oil & gas assets £ 000**	**Furniture, fittings and equipment £ 000**	**Renewables £ 000**	**Total (restated) £ 000**
At 1 January 2023	5,723	2,658,402	324,121	68,673	101,740	3,937	3,162,596
Prior period adjustment	-	70	-	-	-	-	70
At 1 January 2023	5,723	2,658,472	324,121	68,673	101,740	3,937	3,162,666
Charge for year (restated)	181	234,256	52,027	32,919	7,165	9,587	336,135
Eliminated on disposal	-	(21,259)	(24,567)	-	(163)	-	(45,989)
Impairment	-	-	-	129,000	-	-	129,000
At 31 December 2023 (restated)	5,904	2,871,469	351,581	230,592	108,742	13,524	3,581,812
At 1 January 2024	5,904	2,871,469	351,581	230,592	108,742	13,524	3,581,812
Charge for the year	206	237,556	49,967	12,464	8,461	7,004	315,658
Eliminated on disposal	-	(37,937)	(11,248)	-	(33)	-	(49,218)
At 31 December 2024	6,110	3,071,088	390,300	243,056	117,170	20,528	3,848,252
Carrying amount							
At 31 December 2023 (restated)	2,500	6,969,303	274,446	147,312	23,755	248,076	7,665,392
At 31 December 2024	2,294	7,282,979	264,735	148,517	27,878	222,612	7,949,015

12 Property, plant and equipment (continued)

Accelerated depreciation on asset disposals is included within the depreciation charge within the year.

Further detail of prior year adjustments affecting the Statement of Financial Position can be found in Note 3.

Included in the additions figure for oil and gas assets is the value recognised on the acquisition, as per Note 15, totaling £40.8 million.

An impairment assessment has been performed for the Saturn Banks CGU (representing the portion of the operation not held for sale) and no impairment has been recognised for the year ended 31 December 2024.

In performing an impairment review, the recoverable amount of £151m as at 31 December 2024 was based on fair value less cost of sell and was determined at a CGU level, being that of Saturn Banks Phase 1 assets. In determining the recoverable amount for the CGU, the cash flows to 2045 were discounted at a rate of 9% (2023: 9%) on a post-tax basis.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for the CGU. The potential adverse effects of these changes on the impairment assessment are outlined below. Note 2 provides further detail regarding the assumptions adopted.

• LAPS compression - The cash flows reflect assumed tie-in to LAPS compression. Failure to implement this would result in an impairment charge of £58.5m.
• Capital expenditure - The cash flows have been determined on the basis of investment in capital expenditure to facilitate future production and expansion of operations and pipeline. The impact of not implementing this spend would result in a full impairment. A one year delay in implementing this capital expenditure would result in an impairment charge of £16.5m.
• Tariff prices and volumes - The cash flows reflect assumptions regarding third-party gas producer utilising our infrastructure. A 10% reduction in the assumed tariff prices would result in an impairment charge of £18.1m. A 10% reduction in tariff volumes would result in an impairment charge of £23.9m.
• Gas prices - The cash flows are dependent on gas production with assumptions made on the basis of estimated future gas pricing. A 10% reduction in gas prices would result in an impairment charge of £4.7m.
• Production volumes - The cash flows reflect current assumptions on gas reserves and production profiles generated by internal specialists. A 10% reduction in production volumes would result in an impairment charge of £4.1m.
• Discount rates - The cash flows are discounted at a discount rate that reflects the risks for the Group and the assets. A rise in the discount rate to 10% (i.e., +1%) would result in an impairment of £17.8m.

If one or more of these sensitivities occur in combination, this could result in a materially larger impairment.

Assets in the Course of Construction

Assets in the course of construction included above:	Distribution system £ 000	Furniture, fittings and equipment £ 000	Total £ 000
At 1 January 2023	432,483	-	432,483
Additions	474,440	10,137	484,577
Commissioned	(427,063)	(10,137)	(437,200)
At 31 December 2023	479,860	-	479,860

12 Property, plant and equipment (continued)

At 1 January 2024	479,859	-	479,859
Additions	552,306	12,278	564,584
Commissioned	(526,954)	(12,278)	(539,232)
Written-off	(2,407)	-	(2,407)
At 31 December 2024	502,804	-	502,804

Contractual commitments for the acquisition of property, plant and equipment

	31 December 2024 £ 000	31 December 2023 £ 000
Distribution system	106,586	84,473

13 Asset held for sale

In 2024, the Group entered into commercial discussions with a third party regarding the potential sale of the subsidiaries, CalEnergy Infrastructure Limited and CalEnergy North Sea Limited. At 30 November 2024, the Directors considered the subsidiaries to meet the criteria as determined by IFRS 5.8 to be classified as held for sale at that date. The subsidiaries were acquired on 30 August 2024 alongside CalEnergy SNS Limited (see Note 15 for acquisition considerations). This transaction is expected to complete in Q3 of 2025.

An assessment was performed to assess whether the transaction constitutes a discontinued operation. The components do not represent a separate major line of business and there is no plan to dispose of the associated major line of business, i.e. the exploration and production business. Further, the subsidiaries were not acquired exclusively with a view to resale. As such, the results for the year for CalEnergy Infrastructure Limited and CalEnergy North Sea Limited have not been presented separately as discontinued operations.

The major classes of assets and liabilities of CalEnergy Infrastructure Limited and CalEnergy North Sea Limited that are classified as held for sale as at 31 December 2024 are, as follows:

Assets	**£ 000**
Property, plant and equipment	23,800
	23,800

Liabilities	**£ 000**
Decommissioning Provision	(20,500)
	(20,500)

Net assets directly associated with the disposal group	3,300

13 Asset held for sale (continued)

Write-down of property, plant and equipment

Immediately before the recognition of the disposal group as held for sale, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified. Following the classification, a write-down of £8.0 million was recognised at 30 November 2024 to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. This was recognised as an impairment in the statement of profit or loss.

As at 31 December 2024, there was no further write-down as the carrying amount of the disposal group did not fall below its fair value less costs to sell.

14 Right of use assets

Group

	Fleet £ 000	Property £ 000	Land £ 000	Total £ 000
Cost or valuation				
At 1 January 2023	31,871	7,395	10,200	49,466
Additions	2,729	-	650	3,379
Disposals	(2,214)	(181)	-	(2,395)
At 31 December 2023	32,386	7,214	10,850	50,450
Additions	5,355	1,754	116	7,225
Disposals	(4,491)	(779)	-	(5,270)
Foreign exchange movements	-	-	(1,348)	(1,348)
At 31 December 2024	33,250	8,189	9,618	51,057
Depreciation				
At 1 January 2023	14,741	3,431	318	18,490
Charge for year	5,428	977	683	7,088
Eliminated on disposal	(2,214)	(181)	-	(2,395)
At 31 December 2023	17,955	4,227	1,001	23,183
Charge for the year	5,414	1,043	270	6,727
Eliminated on disposal	(4,491)	(779)	-	(5,270)
Foreign exchange movements	-	-	(166)	(166)
At 31 December 2024	18,878	4,491	1,105	24,474
Carrying amount				
At 31 December 2024	14,372	3,698	8,513	26,583
At 31 December 2023	14,431	2,987	9,849	27,267

15 Acquisitions

On 30 August 2024, CalEnergy Resources (Operator) Limited ('CERO') acquired 100% of the share capital of IOG UK Limited (renamed to CalEnergy SNS Limited), IOG Infrastructure Limited (renamed to CalEnergy Infrastructure Limited), IOG North Sea Limited (renamed to CalEnergy North Sea Limited) and certain assets of IOG plc. The total consideration of the acquisition was £14.7 million. The acquisition followed IOG plc (the previous parent company of IOG UK Limited, IOG Infrastructure Limited and IOG North Sea Limited) entering into administration on 11 October 2024, as a result of financial difficulties and unsuccessful drilling efforts.

The Group determined that the transaction constituted an asset acquisition rather than a business combination, based on the results of the concentration test, which was met. As the assets acquired and liabilities assumed did not meet the definition of a business under IFRS 3 'Business Combinations', the transaction was accounted for accordingly as an asset acquisition. Individual assets and liabilities at acquisition date were identified and the purchase price was allocated to non-financial assets.

The opening balance sheet of the acquisition is shown below:

	£000
Non-current assets	
Property, plant and equipment	40,733
Right of use assets	328
Total non-current assets	41,061
Current assets	
Cash and cash equivalents	3
Restricted cash	5,786
Inventories	29
Trade and other receivables	7,491
Total current assets	13,309
Total assets	54,370
Non-current liabilities	
Provisions	(27,279)
Lease liabilities	(343)
Total non-current liabilities	(27,622)
Current liabilities	
Lease Liabilities	(17)
Trade and other payables	(12,014)
Total current liabilities	(12,031)
Total liabilities	(39,653)
Net assets	14,718

16 Intangible assets

Group

	Goodwill £ 000	Software development £ 000	Oil & Gas exploration £ 000	Total £ 000
Cost or valuation				
At 1 January 2023	248,843	190,221	83,350	522,414
Additions	-	14,422	3,155	17,577
Disposals	-	-	(61,425)	(61,425)
At 31 December 2023	248,843	204,643	25,080	478,566
At 1 January 2024	248,843	204,643	25,080	478,566
Additions	-	15,292	1,160	16,452
At 31 December 2024	248,843	219,935	26,240	495,018
Amortisation				
At 1 January 2023	-	142,844	79,601	222,445
Amortisation charge	-	11,204	2,403	13,607
Amortisation eliminated on disposals	-	-	(61,425)	(61,425)
At 31 December 2023	-	154,048	20,579	174,627
At 1 January 2024	-	154,048	20,579	174,627
Amortisation charge	-	11,522	2,581	14,103
At 31 December 2024	-	165,570	23,160	188,730
Carrying amount				
At 31 December 2024	248,843	54,365	3,080	306,288
At 31 December 2023	248,843	50,595	4,501	303,939

During the year the amount of contractual commitments for the acquisition of intangible assets amounted to £5.2 million (2023: £4.1 million).

Disposals of oil & gas exploration costs and accumulated amortisation is in relation to interests in licenses that the Group no longer intends to take forward for development.

16 Intangible assets (continued)

Goodwill

All the goodwill arose on the acquisition of Yorkshire Power Group Limited prior to the adoption of IFRS by the Group. In accordance with the transitional rules on first time adoption, the allocation of goodwill to cash generating units ("CGU") has not been reassessed from that used in the previous UK GAAP accounts.

The Group's regulated network activities comprise two cash generating units ("CGUs") with carrying values as follows:

	2024 £ m	2023 £ m
Northern Powergrid (Northeast) plc	2,463	2,352
Northern Powergrid (Yorkshire) plc (including Goodwill)	3,555	3,398
	6,018	5,750

The carrying values of the CGUs comprise tangible and intangible assets with finite lives and are net of deferred revenues. In addition, the Northern Powergrid (Yorkshire) plc CGU includes goodwill of £248.8 million (2023: £248.8 million).

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from fair value less costs of disposal calculations with reference to recent market transactions for similar assets. The key assumptions for the calculations are those regarding the premium to Regulatory Asset Value ("RAV").

The RAV premiums of 60% used to determine the fair value was assessed against the RAV premiums implicit in comparable market transactions. The fair value measurement is categorised as Level 2 in the fair value hierarchy.

The current carrying value of the Northern Powergrid (Yorkshire) plc CGU is at 1.23 times premiums to RAV and the Northern Powergrid (Northeast) plc CGU is 1.17 times premiums to RAV. We have noted transactions of 1.61- and 1.57-times premiums to RAV which provides an external benchmark that our internal valuation is supportable. We have utilised an estimated RAV as at 31 December of £2,121 million for Northern Powergrid (Northeast) plc and £2,898 million for Northern Powergrid (Yorkshire) plc.

The application of these assumptions did not give rise to an impairment charge in 2024 (2023: £nil).

The below analysis provides the headroom on our base case assessment of 1.6 times premia to RAV along with a 5% downside sensitivity.

The sensitivity of changes in the assumptions used in the impairment calculation is:

16 Intangible assets (continued)

RAV premium sensitivity	Variable used	Fair value £ 000	Headroom/ (Impairment) £ 000
Base case:			
Northern Powergrid (Northeast) plc	60%	3,394	921
Northern Powergrid (Yorkshire) plc	60%	4,637	1,072
Downside 5% RAV premium reduction:			
Northern Powergrid (Northeast) plc	55%	3,288	815
Northern Powergrid (Yorkshire) plc	55%	4,492	927

17 Investments

	Investment in joint ventures £ 000	Investment in associate £ 000	Share in other undertakings £ 000	Total £ 000
At 1 January 2023	3,961	-	21	3,982
Additions	-	796	-	796
Profit from investments	266	(796)	-	(530)
Dividends paid by investments	(615)	-	-	(615)
At 31 December 2023	3,612	-	21	3,633
Additions	-	-	2	2
Profit/(loss) from investments	994	-	-	994
Dividends paid by investments	(1,340)	-	-	(1,340)
At 31 December 2024	3,266	-	23	3,289

Summary of the Company investments

	31 December 2024 £ 000	31 December 2023 £ 000
Investments in subsidiaries	376,289	376,289

17 Investments (continued)

Group subsidiaries
Details of the Group subsidiaries as at 31 December 2024 are as follows:

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held 2024	2023
Northern Powergrid UK Holdings*	Holding company	England and Wales	99%	99%
Yorkshire Power Group Limited	Holding Company	England and Wales	100%	99%
CalEnergy Gas Limited*	Hydrocarbon exploration and development	England and Wales	100%	100%
CalEnergy Gas (Holdings) Limited*	Holding company	England and Wales	100%	100%
CalEnergy Resources Limited*	Holding company	England and Wales	100%	100%
CalEnergy Resources Poland Sp. zo.o	Hydrocarbon exploration and development	AL. Wilanowska 206 app. 19, 02-765, Warsaw, Poland	100%	100%
CalEnergy Resources (Australia) Limited*	Hydrocarbon exploration and development	England and Wales	100%	100%
CE Electric Services Limited	Dormant	England and Wales	100%	100%
Central Powergrid Limited	Dormant	England and Wales	100%	100%
East PowerGrid Limited	Dormant	England and Wales	100%	100%
Eastern PowerGrid Limited	Dormant	England and Wales	100%	100%
Infrastructure North Limited	Dormant	England and Wales	100%	100%
Integrated Utility Services Limited	Engineering contracting services	England and Wales	100%	100%
Integrated Utility Services Limited	Engineering contracting services	C11 Gateway, Rosemount Business Park, Ballycoolin, Dublin 15, Ireland	100%	100%
IUS Limited	Dormant	England and Wales	100%	100%
Midlands PowerGrid Limited	Dormant	England and Wales	100%	100%

17 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held 2024	2023
NEDL Limited	Dormant	England and Wales	100%	100%
North East PowerGrid Limited	Dormant	England and Wales	100%	100%
North Eastern Powergrid Limited	Dormant	England and Wales	100%	100%
North PowerGrid Limited	Dormant	England and Wales	100%	100%
North West PowerGrid Limited	Dormant	England and Wales	100%	100%
North Western PowerGrid Limited	Dormant	England and Wales	100%	100%
Northern Electric Distribution Limited	Dormant	England and Wales	100%	100%
Northern Electric Finance plc	Finance company	England and Wales	100%	100%
Northern Electric plc**	Holding company	England and wales	100%	100%
Northern Electric Properties Limited*	Property holding and management company	England and Wales	100%	100%
Northern Electric Share Scheme Trustee Limited	Dormant	England and Wales	100%	100%
Northern Electricity (North East) Limited	Dormant	England and Wales	100%	100%
Northern Electricity (Yorkshire) Limited	Dormant	England and Wales	100%	100%
Northern Electricity Limited	Dormant	England and Wales	100%	100%
Northern Electricity Networks Company (North East) Limited	Dormant	England and Wales	100%	100%
Northern Electricity Networks Company (Yorkshire) Limited	Dormant	England and Wales	100%	100%
Northern Electricity Networks Company Limited	Dormant	England and Wales	100%	100%
Northern Electrics Limited	Dormant	England and Wales	100%	100%

17 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held 2024	2023
Northern Energy Funding Company Limited	Dormant	England and Wales	100%	100%
Northern Metering Services Limited	Dissolved	England and Wales	0%	100%
Northern Powergrid Gas Limited*	Holding company	England and Wales	100%	100%
Northern Powergrid Limited	Holding company	England and Wales	100%	100%
Northern Powergrid Metering Limited	Meter asset provider	England and Wales	100%	100%
Northern Powergrid (Northeast) plc	Distribution of electricity	England and Wales	100%	100%
Northern PowerGrid (North West) Limited	Dormant	England and Wales	100%	100%
Northern Powergrid (Yorkshire) plc	Distribution of electricity	England and Wales	100%	100%
Northern Power Networks Company (North East) Limited	Dormant	England and Wales	100%	100%
NewGen Drilling Pty Limited	Hydrocarbon exploration and development	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia	100%	80%
Northern Power Networks Company (Yorkshire) Limited	Dormant	England and Wales	100%	100%
Northern Powergrid Networks Company Limited	Dormant	England and Wales	100%	100%
Northern Transport Finance Limited	Car finance company	England and Wales	100%	100%
Northern Utility Services Limited	Dormant	England and Wales	100%	100%
PowerGrid (Central) Limited	Dormant	England and Wales	100%	100%
PowerGrid (East) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Eastern) Limited	Dormant	England and Wales	100%	100%

17 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held 2024	2023
PowerGrid (Midlands) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North East) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North Eastern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North West) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North Western) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Northern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South East) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South Eastern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South West) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South Western) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Southern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (West) Limited	Dormant	England and Wales	100%	100%
Powergrid (Western) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Yorkshire) Limited	Dormant	England and Wales	100%	100%
South East PowerGrid Limited	Dormant	England and Wales	100%	100%
South Eastern PowerGrid Limited	Dormant	England and Wales	100%	100%
South PowerGrid Limited	Dormant	England and Wales	100%	100%

17 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held 2024	2023
South West PowerGrid Limited	Dormant	England and Wales	100%	100%
South Western PowerGrid Limited	Dormant	England and Wales	100%	100%
Southern PowerGrid Limited	Dormant	England and Wales	100%	100%
West PowerGrid Limited	Dormant	England and Wales	100%	100%
Western Powergrid Limited	Dormant	England and Wales	100%	100%
YEDL Limited	Dormant	England and Wales	100%	100%
Yorkshire Electricity Distribution Limited	Dormant	England and Wales	100%	100%
Yorkshire Electricity Group plc	Holdings company	England and Wales	100%	100%
Yorkshire Power Finance Limited	Finance company	PO Box 309, Ugland House, SOuth Church Street, George Town, Grand Cayman, Cayman Islands	100%	100%
Yorkshire Powergrid Limited	Dormant	England and Wales	100%	100%
CalEnergy Resources (UK) Limited	Hydrocarbon exploration and development	England and Wales	100%	100%
Canadian Solar Investment Trust	Holding company	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Suntop Holding Trust	Holding company	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Gunnedah Holding Trust	Holding company	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Suntop Asset Trust	Asset trust	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%

17 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held 2024	2023
Gunnedah Asset Trust	Asset trust	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Canadian Solar Investment Management Pty Ltd	Investment management	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Suntop Holdco Pty Ltd	Trustee	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Suntop SF Pty Ltd	Trustee	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Suntop Finco Pty Ltd	Finance company	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Canadian Solar Investments Holdco Pty	Holding company	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Candian Solar Investments Finco Pty Ltd	Finance company	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Gunnedah Holdco Pty Ltd	Trustee	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Gunnedah SF Pty Ltd	Trustee	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
Gunnedah Finco Pty Ltd	Finance company	Level 1, 12 St Georges Terrace, Perth, W A 6000, Australia Australia	100%	100%
The Northern Powergrid Foundation***			100%	100%
Cal Energy Resources (Operator) Limited	Holding company	England and Wales	100%	0%

17 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held 2024	2023
Cal Energy Infrastructure Limited	Hydrocarbon exploration and development	England and Wales	100%	0%
Cal Energy North Sea Limited	Hydrocarbon exploration and development	England and Wales	100%	0%
Cal Energy SNS Limited*	Hydrocarbon exploration and development	England and wales	100%	0%

The class of shares held in the above subsidiaries are ordinary shares.

The subsidiary undertakings listed below are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of section 479A ('s479A') of the Act as this Company has guaranteed all outstanding liabilities at the end of the financial year of the subsidiary companies to which the guarantee relates, until they are satisfied in full, in accordance with section 479C of the Act.

*These companies have taken advantage of s479A Companies Act exemption from audit. Their Company registration numbers are:

• Northern Powergrid UK Holdings (03270696);
• CalEnergy Gas (Holdings) Limited (02772202);
• Northern Electric Properties Limited (02522939);
• Northern Powergrid Gas Limited (04328138);
• CalEnergy Gas Limited (04370508);
• CalEnergy Resources Limited (0450881);
• CalEnergy SNS Limited (08619688);
• CalEnergy Resources (Australia) Limited (06550141); and
• CalEnergy Resources (UK) Limited (11999607).

**The Group also owns 69% of the Northern Electric plc cumulative preference shares. The terms of the cumulative preference shares are contained in the Financial Statements of Northern Electric plc.

***The company is limited by guarantee without share capital.

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

Northern Powergrid UK Holdings is a direct subsidiary of the Company. All of the other above companies are indirect subsidiaries. The class of shares related to the above companies are ordinary shares.

17 Investments (continued)

Group associates

Details of the Group associates as at 31 December 2024 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the Group 2024	2023
Baltic Gas Sp. Z o.o	General partner in Baltic Gas project	ul. Stary Dwor 9, 80-758 Ddansk, Poland	50%	50%
Baltic Gas Sp. Z o.o. i Wspolnicy Spolka Komandytowa	Hydrocarbon exploration and development	ul. Stary Dwor 9, 80-758 Gdansk, Poland	50%	50%

The class of shares held in the above associates are ordinary shares.

17 Investments (continued)

Summarised financial information in respect of the Group's joint venture is set out below:

Group joint ventures
Details of the Group joint ventures as at 31 December 2024 are as follows:

Name of Joint-ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the Group 2024	2023
Vehicle Lease and Service Limited	Transport services	Centre for Advanced Industry, 3rd floor, Coble Dene, North Shields, NE29 6DE, England and Wales	50%	50%
VLS Limited	Dormant	Centre for Advanced Industry, 3rd Floor, Coble Dene, North Shields, NE29 6DE, England and Wales	50%	50%

The class of shares held in the above joint ventures are ordinary shares.

Joint ventures and associates are not strategic to the Group’s activities.

17 Investments (continued)

Summarised financial information in respect of the Group's joint venture is set out below:

	31 December 2024 £ 000	31 December 2023 £ 000
Net assets	6,534	7,152
Group's share of net assets	3,266	3,576
Revenue	20,454	19,512
Profit for the year	1,987	532
Group's share of profit for the year	994	266

Accounted for using the equity method.

18 Inventories

	Group	
	31 December 2024 £ 000	31 December 2023 £ 000
Raw materials and consumables	28,557	31,548
Generation credits	2,364	2,892
Work in progress	-	1,947
Vehicle inventory	852	635
	31,773	37,022

Work in progress that was included within inventories in 2023 is now included in trade receivables. This relates to recoverable amounts from third parties from damages to our network that have not yet been billed.

19 Trade and other receivables

	Group		Company	
	31 December 2024 £ 000	**31 December 2023 £ 000**	**31 December 2024 £ 000**	**31 December 2023 £ 000**
Distribution use of system receivables and accrued income*	172,844	131,903	-	-
Engineering contracting receivables	5,441	7,755	-	-
Trade receivables	24,501	57,769	-	-
Finance lease receivable	5,196	3,858	-	-
Loss allowance	(9,931)	(16,371)	-	-
Net trade receivables	198,051	184,914	-	-
Loans to related parties	-	-	9,884	-
Prepayments	24,079	15,774	-	-
Other receivables	-	154	-	-
	222,130	200,842	9,884	-
Non-current trade receivables	-	-	211,064	248,652
Non-current finance lease receivable	7,641	6,463	-	-
	229,771	207,305	220,948	248,652

* *Accrued income in 2024 was £99.9 million (2023: £72.0 million) all of which relates to distribution revenue.*

The average credit period on receivables is 30 days. No interest is charged on outstanding trade 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.

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. None of the trade receivables that have been written off is subject to enforcement activities.

As the Group's historical credit loss experience does shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is distinguished as follows:

- Distribution businesses: DUoS receivables, damages receivables, and other receivables;
- Metering: contracted meters, contracted churn, and non-contracted churn; and
- Engineering contracting: construction contracts receivables.

The movement in the loss allowance was as follows:

19 Trade and other receivables (continued)

	2024 £ 000	2023 £ 000
At 1 January	16,371	17,102
Amounts utilised/written off in the year	(8,207)	(2,007)
Amounts recognised in the income statement	1,767	1,276
At 31 December	9,931	16,371

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.

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 Company considers historical experience as well as forward-looking information that is available without undue cost or effort. Forward-looking information includes the future prospects of the industries in which the 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.

19 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 17.1% of distribution revenues in 2024 (2023: 12.2%) and British Gas plc accounting for approximately 14.3% of distribution revenues in 2024 (2023: 14.8%). 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.

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. Losses incurred to date have not been material therefore no ECL has been made on DUoS balances.

Other distribution trade receivables
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.

Engineering contracting receivables
The average credit period on Engineering contracting receivables is 30 days. Interest is not generally charged on receivables paid after due date. Included in the Group's construction contracts balance are debtors with a carrying amount of £2.8 million (2023: £4.2 million), which are past due at the reporting date for which the Group has provided for an irrecoverable amount of £0.8 million (2023: £0.5 million) based on past experience. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2023: 60 days).

Included in the Group's construction contracts balance are debtors with a carrying amount of £nil (2023: £nil) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

19 Trade and other receivables (continued)

Lease receivables

Meter asset provision

Included in lease receivables are balances relating to the provision of meters through Northern Powergrid Metering Limited with a carrying amount of £18.3 million (2023: £19.7 million). The average credit period on these receivables is 30 days. Interest is not generally charged on receivables paid after the due date.

The Group writes off a lease 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 debtor is over 1 year past due. None of the trade receivables that have been written off are subject to enforcement activities.

For receivables where there is no specific provisions, a provision is made for debts past their due date based on lifetime expected credit loss determined by reference to past default experience.

Vehicle finance leases

Northern Transport Finance Limited ("NTFL"), a wholly owned subsidiary, enters into credit finance arrangements for motor vehicles with employees in the Group. All agreements are denominated in sterling. The term of the finance agreements is predominantly three years.

The interest rate inherent in the agreements is fixed at the contract date for all of the term of the agreement. The average effective interest rate contracted is approximately 6.5% (2023: 6.5%) per annum. ECL has been assessed as immaterial.

The interest rate inherent in the agreements is fixed at the contract date for all of the term of the agreement.

The directors consider the carrying value of lease receivables approximates their fair value. The maximum risk exposure is the book value of these receivables, less the residual value of the leased assets.

2024	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
Within one year	4,855	(70)	4,785
Between one to five years	8,509	(457)	8,052
	13,364	(527)	12,837

2023	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
Within one year	3,903	(45)	3,858
Between one to five years	7,067	(604)	6,463
	10,970	(649)	10,321

19 Trade and other receivables (continued)

Operating lease receivables

Operating leases relate to the metering assets owned by the Group with lease terms of 10-15 years, these are disclosed in Note 12. The lessee does not have an option to purchase the meters at the expiry of the lease period.

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

	31 December 2024 £ 000	31 December 2023 £ 000
Within one year	84,045	85,848
In two to five years	198,959	236,459
Over five years	186,288	177,401
	469,292	499,708

The Group's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in Note 34.

20 Cash and cash equivalents

	Group		Company	
	31 December 2024 £ 000	31 December 2023 £ 000	31 December 2024 £ 000	31 December 2023 £ 000
Cash at bank	13,987	20,247	-	-
Other cash and cash equivalents	24,629	13,977	-	-
Total included in current assets in the statement of financial position	38,616	34,224	-	-

Included in other cash and cash equivalents is the money market funds.

21 Restricted cash

	Group		Company	
	31 December 2024 £ 000	31 December 2023 £ 000	31 December 2024 £ 000	31 December 2023 £ 000
Restricted cash	14,403	3,103	-	-

The Group maintains Restricted Cash accounts under the Common Terms Deed related to its Australian Renewables solar farms, with restrictions tied to the Debt Service Reserve Account, Maintenance Reserve Account, and Curtailment Review Event Account.

Additional Restricted Cash accounts have been established under the Decommissioning Security Agreement for exploration and production assets. These balances are held by a third party in the Company's name as security to cover future decommissioning obligations.

22 Share capital

Allotted, called up and fully paid shares

	31 December 2024		31 December 2023	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	354,550	354,550	354,550	354,550

The Company has 400 million shares authorised for issue. The Company has one class of ordinary shares which carries no right to fixed income. Details of the cumulative non-equity preference shares are contained in the loans and borrowings Note 25.

23 Reserves

Group

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	Foreign currency translation £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
Gain on cash flow hedges (net)	-	(1,027)	-	(1,027)
Foreign currency translation losses	(14,800)	-	-	(14,800)
Remeasurements of post employment benefit obligations	-	-	(11,825)	(11,825)
	(14,800)	(1,027)	(11,825)	(27,652)

There had been no movement on share premium and capital redemption reserve.

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Foreign currency translation £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
Gain on cash flow hedges (net)	-	(4,857)	-	(4,857)
Cumulative (gain)/loss arising on cash flow hedges reclassified to profit or loss	-	(1,550)	-	(1,550)
Foreign currency translation losses	(7,982)	-	-	(7,982)
Remeasurements of post employment benefit obligations (as restated)	-	-	(7,995)	(7,995)
	(7,982)	(6,407)	(7,995)	(22,384)

24 Non-controlling interests

	Non-controlling interests £ 000
At 1 January 2024	42,390
Profit for the year	4,235
Total comprehensive income	4,235
Dividends	(4,000)
At 31 December 2024	42,625

	Non-controlling interests £ 000
At 1 January 2023	40,682
Profit for the year	1,708
Total comprehensive income	1,708
At 31 December 2023	42,390

25 Loans and borrowings

	Group		Company	
	2024	**2023**	**2024**	**2023**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Non-current loans and borrowings	2,356,899	2,707,525	-	-
Current loans and borrowings	460,490	161,752	-	260,086
	2,817,389	2,869,277	-	260,086

Group

	Carrying value		Fair value	
	2024	**2023**	**2024**	**2023**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Short-term loans	75,042	65,860	75,042	65,860
Bank overdraft	-	6,211	-	6,211
Eurobond due 2033 (5.265%)	249,029	248,791	255,459	269,739
Bond 2025 - 2.50%	152,749	152,445	152,825	147,688
Amortising loan 2025 - 3.0842%	109,840	125,029	109,840	124,859
Amortising loan 2026 - 2.9520%*	94,920	135,502	96,117	137,476
Bond 2028 - 7.25%	192,326	192,701	200,680	209,082
Bond 2032 - 4.375%	151,696	151,526	143,486	150,007
Bond 2035 - 5.125%	153,647	153,550	150,467	158,526
Bond 2035 - 5.125%	204,855	204,725	200,123	211,117
Bond 2052 - 3.25%	355,096	355,018	233,823	272,362
European Investment Bank 2025 - 2.073%	50,086	50,086	50,086	47,135
European Investment Bank 2027 - 2.564%	250,267	250,267	232,342	232,660
Cumulative preference shares	34,114	34,114	43,270	41,201
2049 - 2.750% Northern Electric Finance plc	150,225	150,161	92,098	106,192
2059 - 2.250%- Northern Powergrid (Yorkshire) plc	295,660	295,549	143,889	173,238
2062 - 1.875% - Northern Powergrid (Northeast) plc	297,837	297,742	132,772	159,538
	2,817,389	2,869,277	2,312,319	2,512,891

The Group's exposure to market and liquidity risks, including maturity analysis, relating to loans and borrowings is disclosed in Note 34.

Included within short-term loans is a £75m capital expenditure facility which is 80% swapped at a fixed rate of 2.6005%, with the remaining 20% floating at SONIA plus 1.75%

25 Loans and borrowings (continued)

* 2026 £218m Amortising Loan is 80% swapped at a fixed rate of 2.5455%, with the remaining 20% floating at SONIA plus 1.65%.

Within the total financial liabilities, £2,742.3 million relates to external borrowings and preference shares (34,473,672 shares) whose fair value is determined with reference to quoted market prices. The directors' estimates of the fair value of internal borrowings are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions or dealer quotes for similar instruments. The valuation of liabilities set out above is based on Level 1 inputs.

The terms of the cumulative preference shares:

- entitle holders, in priority to holders of all other classes of shares, to a fixed cumulative preferential dividend of 8.061p (net) per share per annum payable half-yearly in equal amounts on 31 March and 30 September;
- on a return of capital on a winding up, or otherwise, will carry the right to repayment of capital together with a premium of 99p per share and a sum equal to any arrears or accruals of dividend. This right is in priority to the rights of ordinary shareholders;
- carry the right to attend a general meeting of Northern Electric plc and vote if, at the date of the notice convening the meeting, payment of the dividend to which they are entitled is six months or more in arrears, or if a resolution is to be considered at the meeting for the winding-up of Northern Electric plc or abrogating, varying or modifying any of the special rights attaching to them; and
- are redeemable in the event of the revocation by the Secretary of State of Northern Electric plc's Public Electricity Supply Licence at the value given above.

During the year ended 31 December 2001, under the terms of the Northern Electric plc's transfer scheme, as approved by the Secretary of State in accordance with the provisions of the Utilities Act 2000, the Northern Electric plc's Public Electricity Supply Licence was converted into an Electricity Distribution Licence and an Electricity Supply Licence.

More details on the classification of loans and borrowings is available in Note 33.

The Group's capital management and exposure to market and liquidity risk, including maturity analysis, in respect of loans and borrowings is disclosed in financial risk review Note 34.

Company

	Carrying value		Fair value	
	2024	**2023**	**2024**	**2023**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Amounts owed to Group undertakings	-	260,086	-	260,086
	-	260,086	-	260,086

26 Obligations under leases

Group

Lease liability
Lease commitments relate to fleet vehicles from Vehicle Lease and Service Limited, a joint venture, with terms of up to 7 years and land and buildings with terms of up to 100 years.

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

	31 December 2024 £ 000	31 December 2023 £ 000
Within one year	6,203	6,336
Between two to five years	14,582	13,306
In over five years	13,563	13,997
Total undiscounted lease payments	34,348	33,639
Impact of discounting	(5,387)	(7,944)
Total lease liability	28,961	25,695

The discounted amount due within one year totalled £5.6 million (2023: £6.3 million).

Impact of discounting is future interest on leases not yet earned at the balance sheet date.

The Company has no lease commitments.

27 Provisions

Group

	PPA Liability £ 000	Legal proceedings £ 000	Abandonment £ 000	Other £ 000
At 1 January 2024	24,916	3,108	35,232	3,890
Additional provisions	-	3,528	-	529
Assumption remeasurement	-	-	(5,957)	-
Acquisition	-	-	27,279	-
Unwinding of discount	(7,973)	-	1,712	-
Provisions used	-	(3,279)	(2,951)	(1,014)
Asset held for sale	-	-	(20,500)	-
Increase (decrease) due to foreign exchange differences	(1,547)	-	(413)	-
At 31 December 2024	15,396	3,357	34,402	3,405
Non-current liabilities	9,363	-	34,402	1,523
Current liabilities	6,033	3,357	-	1,882

	Total £ 000
At 1 January 2024	67,146
Additional provisions	4,057
Assumption remeasurement	(5,957)
Acquisition	27,279
Unwinding of discount	(6,261)
Provisions used	(7,244)
Asset held for sale	(20,500)
Increase (decrease) due to foreign exchange differences	(1,960)
At 31 December 2024	56,560
Non-current liabilities	45,288
Current liabilities	11,272

PPA Liability: The Power Purchase Agreement (PPA) is a virtual contract for difference which provides Amazon with ~67% of generated electricity and associated Large Scale Generation Certificates (“LGCs”) from the two solar farms over a ten-year period. The provision is made for the difference between the expected value from the supply of LGCs under the contract and the book value at the point when the entity was acquired, which is unwound through the remaining life of the contract. The virtual contract for difference is accounted for as an embedded derivative - refer to Note 35.

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.

27 Provisions (continued)

Abandonment provision relates to the decommissioning of the Group's exploration and evaluation assets. The decommissioning is recorded at the Group's share of expected costs to be incurred. It is not expected that these costs will be incurred over the next 12 months. The provision has been estimated using existing technology at current prices.

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.

Also included within 'other' are pension provisions which relate to the Group's share of expected settlements of liabilities relating to pension deficit repair of Electricity Association Technology Limited ("EATL") and are expected to be settled over a period of approximately one year. As at 31 December 2024 the provision relating to the EATL is £0.4 million (2023: £0.6 million). Another item included is a provision to cover the actuarial assessment of the costs of unfunded pension arrangements in respect of former employees. As at 31 December 2024 provision relating to unfunded pensions is £1.0 million (2023: £0.9 million). This is expected to be realised over the next 20 years.

At 31 December 2024, the Company had no provisions for liabilities and charges (2023: £nil).

28 Trade and other payables

	Group		Company	
	31 December 2024 £ 000	31 December 2023 £ 000	31 December 2024 £ 000	31 December 2023 £ 000
Current liabilities				
Payments on account	153,359	147,172	-	-
Trade payables	43,362	21,797	-	-
Accrued expenses	73,345	78,150	-	125
Amounts due to related parties	30,200	1,393	-	1,372
Social security and other taxes	32,109	15,034	-	-
Other payables	27,438	35,182	-	795
Total current liabilities	359,813	298,728	-	2,292
Non-current liabilities				
Trade and other payables	6,549	-	-	-
Total non-current liabilities	6,549	-	-	-

Payments on Account are primarily advanced customer contributions for which no associated distribution asset has been constructed or yet to be completed.

Included within the Payment on Account line is innovation funding received from the National Energy System Operator (NESO) for the Community DSO project of £10.5 million (2023:£8.8 million). The funding will be released over a period of time until 2028. This funding was successfully bid for and is aimed at supporting the development and implementation of a decentralised system operator model within the community. The performance obligations associated with this funding include the establishment of infrastructure, engagement with local stakeholders and reporting on project progress and outcomes across the industry. Based on the latest project schedule, £3.9 million has been classified as current and £6.6 million as non-current as at the reporting date. For the comparative year, the total amount was incorrectly included in current other payables. As the Directors do not consider the effect on the prior period financial statements to be material, this has not been adjusted. The related income recognised in the current year was £1.5 million (2023:£0.5 million).

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review Note 34.

The directors consider that the carrying amount of other financial liabilities approximates their fair value, calculated by discounting future cash flows at market rate at the statement of financial position date. The valuation is based on Level 1 inputs. Trade creditors and accruals principally comprise amounts outstanding for trade purchases and on-going costs. Invoices are paid at the end of the month following the date of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The standard payment term for trade payables is net monthly.

29 Contract Liabilities (Deferred Revenue)

	31 December 2024 £ 000	(As restated) 31 December 2023 £ 000
Group		
Opening balance	1,617,042	1,571,166
Prior year restatement	-	9,734
Revised opening balance	1,617,042	1,580,900
Additions (prior year restated)	124,900	103,431
Released to Income Statement (prior year restated)	(70,751)	(67,289)
Closing balance	1,671,191	1,617,042

	31 December 2024 £ 000	(As restated) 31 December 2023 £ 000
Current	75,466	69,430
Non-current	1,595,726	1,547,612
	1,671,192	1,617,042

Further detail of prior year adjustments affecting the Statement of Financial Position can be found in Note 3.

Contract liabilities are deferred customer contribution payments for distribution system assets where work has commenced or is completed. The Company's policy is to release the customer contribution to revenue on a straight-line basis, in line with the useful life of the associated distribution system asset.

30 Pension and other schemes

Defined benefit pension schemes
Electricity Supply Pension Scheme

The Group contributes to two pension schemes, which it operates on behalf of the participating companies within the Group. 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.

The Group agrees the defined benefit pension scheme contribution rate applied to pensionable pay as part of the triennial valuation. The agreed rates are applied consistently to all contributing employees.

The assets and liabilities of the scheme are recorded in the Company, with individual companies recording contribution paid. Differences between pension costs calculated in accordance with IAS19 and contributions paid by individual companies are recorded in the Company.

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.

30 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 contributions. The next actuarial valuation is underway as 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 Northern Powergrid Group to the DB Scheme in respect of future benefits which are accruing, reduced from 49.1% to 46.1% of pensionable pay with effect from 1 July 2023. These contributions were determined as part of the 31 March 2022 actuarial valuation. These rates 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 contributions to the DB Scheme for the next financial year are expected to be £8.4 million.

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 12 years at 31 December 2024.

30 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% (2023: 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.

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 UK Retail Price Index) and higher inflation will lead 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.

30 Pension and other schemes (continued)

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.

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).

Legislative risk
The risk that new legislation, or clarification to existing legislation, increases the benefits due to members. Please note the results shown in this report reflects our understanding of the benefits due at the date of the report make no allowance for any potential impact on benefits of recent case law.

In June 2023, the English High Court issued a judgment involving the Virgin Media NTL Pension Plan which held that amendments to the plan's rules in relation to benefit changes were invalid in the absence of a confirmation from the scheme actuary under Section 37 of the Pension Schemes Act 1993. Virgin Media appealed the judgment. The Court of Appeal heard the case on 25 July 2024 and dismissed the appeal.

While the ruling only applied to the specific pension plan in question it could be expected to apply across other 'UK contracted out' pension plans. The Trustees of The Northern Powergrid Group of ESPS continue to receive legal advice regarding this matter and, subject to any subsequent development on the issue, are of the view that firstly, as the scheme had been historically managed at the ESPS level, and secondly, as there are Protected Persons in the Scheme (as detailed in the statute book The Electricity (Protected Persons) (England and Wales) Pension Regulations 1990), the impact is expected to be nil or minimal. The defined benefit obligation has been calculated based on the pension benefits currently being administered, and at this stage the Company do not consider it necessary to make any adjustments as a result of the Virgin Media Court Ruling. Any subsequent developments following the Court of Appeal's judgment will be monitored by the Company.

Reporting at 31 December 2024
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 to 31 December 2024. 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 (as a percentage of pensionable pay) 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:

30 Pension and other schemes (continued)

	31 December 2024 %	31 December 2023 %
Discount rate	5.50	4.55
Future salary increases	3.30	3.00
Future pension increases	2.85	2.65
Inflation- CPI	2.70	2.35
Inflation - RPI	3.05	2.75
Proportion of pension exchanged for additional cash at retirement	10.00	10.00

30 Pension and other schemes (continued)

The Group has updated the inflation risk premium used to derive RPI assumption from 0.6% at 31st December 2023 to 0.4% at 31st December 2024 in order to be consistent with market practices. This has resulted in increase in the DBO of approximately £12 million.

Post retirement mortality assumptions

	31 December 2024 Years	31 December 2023 Years
Life expectancy for male currently aged 60	26.00	26.70
Life expectancy for female currently aged 60	28.00	28.90
Life expectancy at 60 for male currently aged 45	26.90	27.40
Life expectancy at 60 for female currently aged 45	29.30	30.10

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 2024 £ 000	31 December 2023 £ 000
Fair value of scheme assets	989,600	1,098,300
Present value of scheme liabilities	(850,900)	(949,700)
Defined benefit pension scheme surplus	138,700	148,600

Scheme assets

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

	31 December 2024 £ 000	31 December 2023 £ 000
Fair value at start of year	1,098,300	1,117,000
Interest income	48,900	52,700
Remeasurement gains on scheme assets	(101,800)	(3,000)
Employer contributions	9,200	10,500
Contributions by scheme participants	400	400
Benefits paid	(62,900)	(77,900)
Administrative expenses paid	(2,500)	(1,400)
Fair value at end of year	989,600	1,098,300

Analysis of assets

The major categories of scheme assets are as follows:

30 Pension and other schemes (continued)

	31 December 2024 £ 000	31 December 2023 £ 000
Developed market equity	72,000	71,700
Emerging market equity	2,100	2,100
Property	103,100	103,300
Reinsurance	70,000	93,800
Listed infrastructure	47,000	53,500
Investment grade corporate bonds	100,700	49,700
Other debt (non-investment grade)	153,600	191,400
Fixed interest gilts	8,100	37,500
Liability driven investments	342,100	454,500
Cash and cash equivalents including derivatives	90,900	40,800
	989,600	1,098,300

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.

30 Pension and other schemes (continued)

Scheme liabilities

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

	31 December 2024 £ 000	31 December 2023 £ 000
Present value at start of year	(949,700)	(965,500)
Current service cost	(4,400)	(5,100)
Actuarial gains arising from changes in demographic assumptions	2,700	34,400
Actuarial losses arising from changes in financial assumptions	80,900	(18,300)
Actuarial gains/(losses) arising from experience adjustments	(500)	(27,300)
Interest cost	(42,400)	(45,400)
Benefits paid	62,900	77,900
Contributions by scheme participants	(400)	(400)
Present value at end of year	(850,900)	(949,700)

Amounts recognised in the income statement

	31 December 2024 £ 000	31 December 2023 £ 000
Current service cost	4,400	5,100
Administrative fees	2,500	1,400
Net interest	(6,500)	(7,300)
Total amount recognised	400	(800)
Costs included in cost of qualifying assets	(2,030)	(2,500)
Total amount recognised in income statement	(1,630)	(3,300)

30 Pension and other schemes (continued)

Amounts taken to the Statement of Comprehensive Income

	31 December 2024 £ 000	31 December 2023 £ 000
Actuarial (gains) and losses arising from changes in demographic assumptions	(2,700)	(34,400)
Actuarial (gains) and losses arising from changes in financial assumptions	(80,900)	18,300
Actuarial (gains) and losses arising from experience adjustments	500	27,300
Return on plan assets in excess of that recognised in net interest	101,800	3,000
Amounts recognised in the Statement of Comprehensive Income	18,700	14,200

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 occuring at the end of the reporting period, while holding all other assumptions constant:

		31 December 2024			31 December 2023	
Adjustment to discount rate	**+ 0.1% £ 000**	**0.0% £ 000**	**- 0.1% £ 000**	**+ 0.1% £ 000**	**0.0% £ 000**	**- 0.1% £ 000**
Present value of total obligation	840,800	850,900	861,100	945,000	957,600	970,400

		31 December 2024			31 December 2023	
Adjustment to rate of inflation	**+ 0.1% £ 000**	**0.0% £ 000**	**- 0.1% £ 000**	**+ 0.1% £ 000**	**0.0% £ 000**	**- 0.1% £ 000**
Present value of total obligation	860,700	850,900	845,200	966,700	957,600	946,600

		31 December 2024			31 December 2023	
Adjustment to mortality age rating assumption	**+ 1 Year £ 000**	**None £ 000**	**- 1 Year £ 000**	**+ 1 Year £ 000**	**None £ 000**	**- 1 Year £ 000**
Present value of total obligation	880,400	850,900	820,500	993,800	957,600	920,600

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.

31 Dividends

	31 December 2024 £ 000	31 December 2023 £ 000
Dividend of £0.56 (2023: £0.56) per ordinary share	200,000	200,000

32 Net debt reconciliation

Group

2024

	At 1 January 2024 £ 000	Cash flows £ 000	Other changes £ 000	At 31 December 2024 £ 000
Cash and cash equivalents	34,224	4,392	-	38,616
Borrowings	(2,869,277)	44,782	7,106	(2,817,389)
Right-of-use asset leases	(25,695)	3,986	(7,234)	(28,943)
	(2,860,748)	53,160	(128)	(2,807,716)

2023

	At 1 January 2023 £ 000	Cash flows £ 000	Other changes £ 000	At 31 December 2023 £ 000
Cash and cash equivalents	30,977	3,247	-	34,224
Borrowings	(2,696,928)	(176,682)	4,333	(2,869,277)
Right-of-use asset leases	(32,403)	10,922	(4,214)	(25,695)
	(2,698,354)	(162,513)	119	(2,860,748)

Other changes include accrued interest movement, amortisation of borrowings, new leases, and acquisitions in the prior year.

33 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 2024 was as follows:

	Financial assets at amortised cost £ 000	Financial assets & liabilities at FVTOCI £ 000	Financial liabilities at amortised cost £ 000
Assets			
Non-current assets			
Trade and other receivables	7,641	-	-
Other non-current financial assets (Note 35)	-	24,878	-
	7,641	24,878	-
Current assets			
Trade and other receivables	198,015	-	-
Cash and cash equivalents	38,616	-	-
Restricted cash	14,403	-	-
Other current financial assets (Note 35)	-	6,921	-
	251,034	6,921	-
Total assets	258,675	31,799	-
Liabilities			
Non-current liabilities			
Long term lease liabilities	-	-	(23,343)
Loans and borrowings	-	-	(2,356,899)
	-	-	(2,380,242)
Current liabilities			
Current portion of long term lease liabilities	-	-	(5,618)
Trade and other payables	-	-	(174,345)
Loans and borrowings	-	-	(460,490)
	-	-	(640,453)
Total liabilities	-	-	(3,020,695)

33 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 FVTOCI £ 000	Financial liabilities at amortised cost £ 000
Assets			
Non-current assets			
Trade and other receivables	6,463	-	-
Other non-current financial assets (Note 35)	-	27,630	-
	6,463	27,630	-
Current assets			
Trade and other receivables	200,842	-	-
Cash and cash equivalents	34,224	-	-
Restricted cash	3,103	-	-
Other current financial assets (Note 35)	-	6,531	-
	238,169	6,531	-
Total assets	244,632	34,161	-
Liabilities			
Non-current liabilities			
Long term lease liabilities	-	-	(19,363)
Loans and borrowings	-	-	(2,707,525)
	-	-	(2,726,888)
Current liabilities			
Current portion of long term lease liabilities	-	-	(6,332)
Trade and other payables	-	-	(298,728)
Loans and borrowings	-	-	(161,752)
	-	-	(466,812)
Total liabilities	-	-	(3,193,700)

Fair values are derived from level 1 inputs.

34 Financial risk review

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

Capital management
The Group manages its capital centrally to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2023.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 25 offset by equity of the Company (comprising issued capital, reserves and retained earnings as detailed in Notes 23 and 24).

The covenants associated with some of the Group's borrowings 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 75% and 75% respectively. The definition of Senior Total Net Debt excludes any subordinated debt and certain debt incurred on a non-recourse basis. In addition, it excludes any fair value and accounting adjustments.

The Group's Senior Total Net Debt as at 31 December 2024 totalled £2,513.4m (2023: £2,533.4 million). Using the RAV value as at March 2025, as outlined by Ofgem in its ED2 price control financial model published in January 2025, 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 2025 of £5,019.3 million (2023: £4,657.5 million). The Senior Total Net Debt to RAV ratio for the Group is therefore estimated at 50.1% (2023: 54.4%).

At 31 December 2024, the Group had available £242.0 million (2023: £235.8 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

At 31 December 2024, 99% of the Group's long-term borrowings were at fixed rates (2023: 99%) and the average maturity for these borrowings was 16 years (2023: 17).

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

Credit risk
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 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. The Group's receivables are subject to expected credit loss calculations disclosed further within the trade receivables (Note 19). The Group's credit risk exposure is shown below:

34 Financial risk review (continued)

Group

2024	Notes	Gross carrying amount £ 000	Loss allowance £ 000	Net carrying amount £ 000
Trade and other receivables	19	239,702	(9,931)	229,771
Income tax asset	11	246	-	246
Cash and short-term deposits	20	38,616	-	38,616
Restricted cash	21	14,403	-	14,403
Contract assets	4	10,286	-	10,286
		303,253	(9,931)	293,322

2023	Notes	Gross carrying amount £ 000	Loss allowance £ 000	Net carrying amount £ 000
Trade and other receivables	19	223,676	(16,371)	207,305
Income tax asset	11	725	-	725
Cash and short-term deposits	20	34,224	-	34,224
Restricted cash	21	3,103	-	3,103
Contract assets	4	7,052	-	7,052
		268,780	(16,371)	252,409

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 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 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 Company's short, medium, and long-term funding and liquidity management requirements. The Company manages liquidity by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group has access to a £200 million revolving credit facility provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada. The facility was executed in December 2021 for a period of three years, with two 1-year extension options. The Group exercised both extension options option which extended the termination date to December 2026. In addition, the Group has access to a £42 million overdraft facility provided by Lloyds Bank plc, which is reviewed annually, these borrowings are repayable on demand. At 31 December 2024, the Group had available £242.0 million (2023: £235.8 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Maturity analysis for financial liabilities

The following table sets out the remaining contractual maturities of financial liabilities by type.

34 Financial risk review (continued)

Group

2024	**Less than 3 months £ 000**	**3 months - 1 year £ 000**	**1-5 years £ 000**	**More than 5 years £ 000**
Non-interest bearing	174,345	-	-	-
Short-term interest bearing	60,161	-	-	-
Long-term interest bearing	61,905	106,502	1,090,824	1,584,166
	296,411	106,502	1,090,824	1,584,166

2024	**Total £ 000**
Non-interest bearing	174,345
Short-term interest bearing	60,161
Long-term interest bearing	2,843,397
	3,077,903

2023	**Less than 3 months £ 000**	**3 months - 1 year £ 000**	**1-5 years £ 000**	**More than 5 years £ 000**
Non-interest bearing	204,191	-	-	-
Short-term interest bearing	6,220	66,338	-	-
Long-term interest bearing	1,331	145,728	1,202,783	2,832,251
	211,742	212,066	1,202,783	2,832,251

2023	**Total £ 000**
Non-interest bearing	204,191
Short-term interest bearing	72,558
Long-term interest bearing	4,182,093
	4,458,842

2023	**Less than 3 months £ 000**	**3 months - 1 year £ 000**	**1-5 years £ 000**	**More than 5 years £ 000**
Non-interest bearing	795	-	-	-
Short-term interest bearing	260,086	-	-	-
	260,881	-	-	-

34 Financial risk review (continued)

2023	Total £ 000
Non-interest bearing	795
Short-term interest bearing	260,086
	260,881

Market risk
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'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 2024 the Group had 99% (2023: 99%) of long term debt at fixed rates. Short-term loans under the multicurrency revolving credit facility are charged at a floating rate of interest at SONIA plus 0.20% plus a credit adjustment spread. In aggregate, 20% of the amortising long-term loans and the capital expenditure facility loans are at a floating rate of interest at SONIA plus 1.55% and 1.60% respectively, 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 £0.5m 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. The 1% sensitivity is utilised as it is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates and is applied to variable interest rate borrowings.

More information on the use of cash flow hedges to manage interest rate risk on is available in Note 35.

Financial risk
The Group is exposed to price risk on CE Resources' revenues. During the year there was no revenue relating to the sale of commodities therefore a 1% change in commodity prices would not have a material impact on the net assets of the Group.

The Group is not subject to significant risk relating to foreign exchange. The Group has entities operating in Euros, Australian dollars, and polish złoty; a 1% change in exchange rates in these currencies would not have a material impact on the financial statements.

35 Derivatives held for risk management and hedge accounting

Derivatives held for risk management

Derivatives are financial instruments that derive their value from the price of an underlying item such as interest rates, foreign exchange rates, credit spreads, commodities, equity or other indices. In accordance with Board approved policies, derivatives are transacted to manage our exposure to fluctuations in interest rate. The Group uses derivatives to manage these risks from our financing portfolio to optimise the overall cost of accessing the debt capital markets.

The following table provides a reconciliation of the fair values arising. Derivative financial instruments related to interest rate swaps for cash flow hedging purposes and embedded derivatives associated with virtual power purchase agreements. The only material value relates to interest rate swaps. Included in derivative assets are embedded derivatives recognised on the virtual contract for difference Power Purchase Agreement ("PPA" – refer to Note 27). Reflecting the immaterial values at 31 December 2024, additional reporting generally arising under the accounting standards for certain embedded derivatives has not been disclosed.

	2024		2023	
	Assets £ 000	**Liabilities £ 000**	**Assets £ 000**	**Liabilities £ 000**
Non-current	24,878	-	27,630	-
Current	6,921	-	6,531	-
	31,799	-	34,161	-

The maturity of financial instruments was as follows:

	Less than 3 months £ 000	**3 months to 1 year £ 000**	**1 to 5 years £ 000**	**Total £ 000**
2024				
Notional principal	-	36,887	212,294	249,181
Cash flow hedge	-	8,124	21,510	29,634
	-	45,011	233,804	278,815
2023				
Notional principal	1,275	34,918	235,736	271,929
Cash flow hedge	265	3,219	37,716	41,200
	1,540	38,137	273,452	313,129

Effectiveness testing

Qualitative features of the interest rate swaps demonstrate fully matched terms between the cash flows of the hedging instruments and the cash flows of the hedged items, resulting in full hedge effectiveness.

Nature of the risk being hedged

The Group is hedging the risk of variability in cash flows indexed to SONIA or BBSY. Further details of the Group's risk management is available in the Strategic Report, and in financial risk review, Note 34.

36 Related party transactions

Directors' advances, credits and guarantees

During the year, 2 directors (2023: 2) and 4 key personnel (2023: 4) utilised the services provided by Northern Transport Finance Limited. The amounts included in finance lease receivables owed by these directors and key personnel at the end of the period were £61,912 (2023: £65,888).

Group

Income and receivables from related parties

2024	Joint ventures £ 000
Sale of goods	134
Receivable	876

2023	Joint ventures £ 000
Sale of goods	115

Expenditure with and payables to related parties

2024	Parent £ 000	Joint ventures £ 000
Purchase of goods	-	10,266
Amounts payable to related party	30,200	-

2023	Parent £ 000	Joint ventures £ 000
Purchase of goods	-	10,225
Amounts payable to related party	1,393	-

Amounts due to parent as shown above relate to amounts owed to Berkshire Hathaway Energy Company for on-going costs and is repayable on demand and doesn't carry any interest.

Joint venture in the tables above relate to Vehicle Lease and Services Limited.

37 Parent and ultimate parent undertaking

The Company's immediate parent is Berkshire Hathaway Energy Company.

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

Relationship between entity and parents

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

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

The parent of the smallest group in which these financial statements are consolidated is Berkshire Hathaway Energy Company, incorporated in United States of America.

The registered address of Berkshire Hathaway Energy Company is:
3555 Farnam Street, Omaha, Nebraska 68131