

Registration number: 02366942 (England and Wales)

Northern Electric plc

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2024

Northern Electric plc

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Northern Electric plc
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Northern Electric plc

Strategic Report for the Year Ended 31 December 2024

The directors present their annual report and audited financial statements for the year ended 31 December 2024 of Northern Electric plc (the "Company"), which have been drawn up and are presented in accordance with the Companies Act 2006 (the "CA06").

Business model

The Company is part of the Northern Powergrid Holdings Company and its subsidiaries group of companies (the "Northern Powergrid Group") and acts as a holding company of Northern Powergrid (Northeast) plc ("NPg Northeast"), Integrated Utility Services Limited ("IUS") and Northern Powergrid Metering Limited ("NPg Metering"), alongside other smaller companies, collectively, (the "Group").

NPg Northeast is an authorised distributor under the Electricity Act 1989 and holds a licence granted by the Secretary of State. As a distribution network operator ("DNO"), NPg Northeast 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").

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

Revenue generated by the Company is primarily controlled by a distribution price control formula which is set out in the electricity distribution licence. The price control formula does not directly constrain profits from year-to-year but is a control on revenue that operates independently of a significant portion of the Company's costs. Allowed revenue is recovered from electricity suppliers via the application of Distribution use of System charges. These charges account for approximately 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 provides engineering contracting services and NPg Metering rents meters to energy suppliers.

Strategy

In common with the Northern Powergrid Group, 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 the Company'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.

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Strategic Report for the Year Ended 31 December 2024 (continued)

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.

As the largest contributor to the Group in terms of revenue, the Strategic Report primarily concentrates on the performance and progress of NPg Northeast throughout the reporting year.

FINANCIAL STRENGTH

Strategic objective: Strong finances that enable improvement and growth.

	(As restated)	
KPI	2024	2023
Operating Profit	£ 314.5 million	£ 216.2 million
Cash from operating activities	£ 590.2 million	£ 368.7 million
Cash used in investing activities	£(504.5) million	£(285.2) million
Credit Rating (Standard & Poor's)	A-	A-

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

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

Revenue: The Group's revenue at £670.7 million was £100.2 million higher than the prior year primarily due to inflation-driven increase in tariffs in the 2024/25 regulatory year.

Operating profit and position at the year-end: The Group's operating profit of £314.5 million was £98.3 million higher than the previous year, primarily reflecting higher revenue detailed above and a fall in Supplier of Last Resort payments amounting to £21.0 million, alongside an increase in IT related expenditure. The statement of financial position shows that, as at 31 December 2024, the Group had total equity of £1,402.7 million (2023: £1,485.2 million). The decrease in net assets (£82.5m) was driven by dividends of £277.4m and fair valuation re-measurements on pensions and cash flow hedges of £12.9m, offset by profits in the year of £207.7m and higher capital expenditure, mainly on asset resilience and decarbonisation-enabling investment on the network.

Finance costs and investments: Finance costs net of investment income at £33.7 million were £3.5 million lower than the prior year mainly reflecting an increase on interest earned due to the rate applied to the average intercompany borrowings balance during the year.

Taxation: The effective tax rate in the year was 26%. Tax charge for the year was £73.5 million which was £28.4 million higher than prior year of £45.1 million primarily due to higher profits. Details of the income tax expense are provided in Note 9 to the financial statements.

Share capital: The Company has one class of ordinary shares which carries no right to fixed income. Details of cumulative non-equity preference shares are contained in the borrowings Note 19. There were no changes to the Company's share capital during the year.

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Strategic Report for the Year Ended 31 December 2024 (continued)

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

- **Operating activities:** Net cash flow from operating activities at £590.2 million was £221.5 million higher than the previous year due to higher cash receipts from customers and reduced supplier payments.
- **Investing activities:** Cash flow used in investing activities at £504.5 million was £219.3 million higher than the previous year mainly driven by movement in intercompany treasury account and higher capital expenditure, mainly on asset resilience and decarbonisation-enabling investment on the network.
- **Financing activities:** Cash outflow from financing activities at £86.9 million was £4.7 million higher than the previous year, mainly due to lower net proceeds from borrowings.

Pensions: The Company is a participating and sponsoring employer in the 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 24 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.

KPI	2024	2023
Broad Measure of Customer Satisfaction ("BMCS")	91.0%	89.3%
BMCS Rank (out of 14)	9	12
BMCS Power Cuts	89.5%	88.6%
BMCS General Enquiries	94.8%	94.2%
BMCS Connections	90.3%	87.7%

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

Performance during the year: In respect of BMCS performance, an independent market research company carried out telephone surveys with the NPg Northeast'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. An increase was recorded in overall satisfaction scores at 91.0% compared to the prior year (89.3%), resulting in the BMCS rank improving to 9 out of 14.

To further enhance the service provided to customers, initiatives from NPg Northeast'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.

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Strategic Report for the Year Ended 31 December 2024 (continued)

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, NPg Northeast 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.

Northern Electric plc Strategic Report for the Year Ended 31 December 2024 (continued)

Connections to the network

Business Plan commitment: To reduce small work end-to-end connections lead times by 20% while offering more self-service options, greater support and more flexibility over delivery for both small and major works customers.

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 NPg Northeast to manage volumes whilst maintaining customer satisfaction (90.3%).

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. NPg Northeast 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: NPg Northeast 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 and our people, our communities.

The ongoing energy crisis and economic uncertainty continued to exacerbate the challenges facing vulnerable customers. As a result, NPg Northeast and its affiliate 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 NPg Northeast established the Community Energy Team to support community energy groups. Alongside, NPg Northeast 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.

KPI	2023/24		2022/23	
	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
KPI	2024		2023	
High voltage restoration time (minutes)	64.1		62.1	
Network investment (million)	£228.5		£189.7	

Northern Electric plc Strategic Report for the Year Ended 31 December 2024 (continued)

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 NPg Northeast's (together with its affiliate's) power cuts increased by 6.4%.

From a high voltage restoration perspective, NPg Northeast averaged 64.1 minutes (2023: 61.2 minutes), after allowing for severe weather incidents and other exemptions, which is an improved performance from the prior year.

NPg Northeast invested £228.5 million during the year through its approved Network investment strategy (2023: £189.7 million), which was designed to improve Network performance and increase resilience. Various major projects were undertaken to reinforce the primary Network, refurbish transformers, rebuild overhead lines, 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. NPg Northeast and its affiliate 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 ADAPTATION

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.

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

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Strategic Report for the Year Ended 31 December 2024 (continued)

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 Northern Powergrid Group has taken steps to understand the risks and opportunities presented by climate change and has established initiatives in response such as for NPg Northeast, an 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, NPg Northeast and its affiliate 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 NPg Northeast and Northern Powergrid (Yorkshire) plc 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 Ratings (“LiDAR”) to help more effectively target the work.

Collaboration with LRFs was positive with NPg Northeast and its affiliate attendance at meetings with 64 quarterly tactical business groups for each of the seven LRFs in the operating areas.

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Strategic Report for the Year Ended 31 December 2024 (continued)

Governance Arrangements

In respect of the management of climate-related risks and opportunities, the Northern Powergrid 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 Northern Powergrid Group level via the RAB.

As is the case for all types of risk across the Northern Powergrid 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 NPg Northeast’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 Northern Powergrid Group’s risk appetite, they are reported to the RAB.

The Northern Powergrid 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 Northern Powergrid 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 Northern Powergrid 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 Northern Powergrid Group’s strategy and business model and, has regard to this when making decisions such as reviewing and approving business plans and monitoring performance.

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Strategic Report for the Year Ended 31 December 2024 (continued)

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.

Northern Electric plc Strategic Report for the Year Ended 31 December 2024 (continued)

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.

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Strategic Report for the Year Ended 31 December 2024 (continued)

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.

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Strategic Report for the Year Ended 31 December 2024 (continued)

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.

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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.

Northern Electric plc

Strategic Report for the Year Ended 31 December 2024 (continued)

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.

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Strategic Report for the Year Ended 31 December 2024 (continued)

EMPLOYEE COMMITMENT

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

KPI	2024		2023	
	Actual	Target	Actual	Target
Northern Powergrid Group occupational safety and health administration ("OSHA") rate	0.23	0.09	0.43	0.09
Preventable vehicle accidents (PVAs)	7	11	8	14
Lost time accidents	1	0	1	0
Medical treatment accidents	2	1	2	1
Operational incidents	2	4	3	4
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 Northern Powergrid Group measures its safety performance using the OSHA rate, which is a measure used to capture safety incidents down to minor levels of medical treatment. The Northern Powergrid Group failed to meet its target of 0.09 having achieved an OSHA rate of 0.68 (2023: 0.43), which equated to 11 recordable incidents against a goal of two or fewer. PVA performance did show signs of improvement with 7 recorded against a target of 11 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 Group'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, the Group successfully completed two external surveillance visits on its ISO 45001 accreditation for its occupational health and safety management system.

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Strategic Report for the Year Ended 31 December 2024 (continued)

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 Group 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: 77) joined NPg Northeast's and Northern Powergrid (Yorkshire) plc's workforce renewal programme. At 31 December 2024, the Group had 1,639 employees (2023: 1,522).

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

Employee engagement

The board and senior management team continue to keep employees and trade union representatives informed of and involved as appropriate in developments that may impact them now or in the future. 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 Northern Powergrid Group's intranet.

The Berkshire Hathaway Energy code of business conduct ("Code of Conduct")

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

Employment of disabled persons

The 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.

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Strategic Report for the Year Ended 31 December 2024 (continued)

ENVIRONMENTAL RESPECT

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

KPI	2024		2023	
	Actual	Target	Actual	Target
Total oil/fluid lost (litres)	6,108	<10,073	8,823	<11,406
SF6 gas discharges (kg)	21.4	<11.8	7.45	<12.75
Environmental incidents	1	<3	0	<2
KPI	2024		2023	
Carbon footprint (tonnes)	6,791		15,222	
KWh Energy Consumed	20,325,432		20,160,750	
Business carbon footprint	Tonnes	Per km²	Tonnes	Per km²
Scope 1	2,497	0.17	2,252	0.15
Scope 2	2,682	0.18	2,481	0.17
Scope 3	1,612	0.11	1,379	0.72
Total carbon footprint (tonnes)	6,791	0.46	6,112	1.06

Notes:

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

The chosen business carbon footprint intensity ratio is based on the Company's licence area which equals 14,394km.

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 reduce our business carbon footprint by 20% and reduce oil loss by 15%.

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).

NPg Northeast's overall business carbon footprint, scope 1 and 2 emissions (excluding losses) increased to 5,179 tonnes during the year as a result of increased SF6 losses and other emissions. Whilst NPg Northeast and its affiliate 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.

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Strategic Report for the Year Ended 31 December 2024 (continued)

In relation to scope 3 emissions, NPg Northeast 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, NPg Northeast continues to work with other DNOs to ensure expertise and learnings and a consistent methodology are shared.

The volume of SF6 losses (21.4kg) increased year-on-year due to a number of significant leaks. In response, NPg Northeast 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 6,108 litres, which was significantly favourable to the target of 10,078 litres. To continue to minimise losses, NPg Northeast is committed to replacing 3,400km 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, NPg Northeast and its affiliate have 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 NPg Northeast’s wider environmental impact, plans have been developed to achieve zero waste to landfill by 2035 and to divert 90% of waste from all of NPg Northeast’s operations by 2028. NPg Northeast’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 NPg Northeast 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 NPg Northeast’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, NPg Northeast 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 NPg Northeast’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, NPg Northeast 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, NPg Northeast may pursue these.

From an environmental compliance perspective, NPg Northeast 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 the Group’s KPIs. The Group’s carbon footprint reporting framework is certified under the Certified Emissions Measurement and Reduction Scheme for compliance with ISO 14064-1:2006.

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Strategic Report for the Year Ended 31 December 2024 (continued)

To date, the Group's performance against a number of stretching KPIs to reduce carbon usage and minimise the effects of the Group 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, the NPg Northeast will continue to evolve its ambitions and enhance the implementation of environmental plans throughout the ED2 Period. The phased targets associated with waste to landfill, recycling, noise pollution and biodiversity and additional descriptions of all key measures can be found in annex 1.4 of the Business Plan, a copy of which can be found via the Northern Powergrid Group's website (our business plan).

Northern Electric plc Strategic Report for the Year Ended 31 December 2024 (continued)

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, NPg Northeast 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, NPg Northeast continued to develop and action innovative solutions that will reduce the need for traditional and potentially expensive reinforcement.

In the past year, NPg Northeast 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 NPg Northeast 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, NPg Northeast published its updated Distribution Future Energy Scenarios (available via the Northern Powergrid Group's corporate website).

From an innovation perspective, NPg Northeast 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 NPg Northeast's strategy, and the way in which NPg Northeast contributes more broadly to the evolution of the energy industry and the stakeholders with whom it interacts. NPg Northeast 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, NPg Northeast 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. NPg Northeast'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"), NPg Northeast 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 NPg Northeast's major investment decisions.

Northern Electric plc Strategic Report for the Year Ended 31 December 2024 (continued)

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, NPg Northeast 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 NPg Northeast 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.

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

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

Northern Electric plc

Strategic Report for the Year Ended 31 December 2024 (continued)

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 Northern Powergrid 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 and Information Security

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

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 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 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.

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Strategic Report for the Year Ended 31 December 2024 (continued)

Environment and climate protection

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, health and well-being initiatives and a diversity, equality and inclusion plan 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.
- Change programme in place to improve customer connection lead times and customer communication.
- Part of an industry work programme through the ENA.
- Policy team engages and with Government and Ofgem.
- 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, 98% of the Group's long-term borrowings were at fixed rates and the average maturity for these borrowings was 23 years.
- Financial covenant monitoring is in place.
- Regulatory adjustments control the effect of taxation changes.

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Strategic Report for the Year Ended 31 December 2024 (continued)

Internal control

The Company'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. As part of the statutory reporting process, the Group's external auditor reviews and tests a sample of internal controls and reports their findings and recommendations for improvements to the board.

Controls which are applicable to financial decisions are governed via a schedule of delegations of authority which are approved by the board (and applies to the Northern Powergrid Group) for the purpose of enabling the senior management team to make decisions up to certain financial limits, above which point the decision making reverts to the directors. These limits reflect the board's level of risk appetite and are reviewed 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 Northern Powergrid Group does not have a specific human rights policy. However, in accordance with the Core Principles, it remains fully committed to operating ethically and responsibly and with fairness and integrity. This is implemented through its policies and procedures, which are applicable to all stakeholder groups and encompasses employees' health, safety and welfare, dealings with customers (particularly those who are vulnerable), the impact of the Northern Powergrid Group on the environment and the contribution to sustainability.

To ensure that the Northern Powergrid Group maintains the highest level of ethical standards in the conduct of its business, Berkshire Hathaway Energy's Code of Conduct has been adopted (See 'Employees'). The Northern Powergrid Group has robust procedures in place to meet the requirements of the Bribery Act 2010 for which every employee must undertake annual training.

Section 172(1) statement

Decision-making at the Board

All matters which under the Company and Group'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 Group and its member.

Northern Electric plc

Strategic Report for the Year Ended 31 December 2024 (continued)

Long-term sustainability

As referenced throughout the Strategic Report, NPg Northeast'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, NPg Northeast delivers its service to fulfil the needs of the stakeholders with whom it interacts and in doing so, ensures all business relationships are conducted in an open and transparent manner. Consequently, fostering business relationships is a prerequisite of the activity performed by the 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 Northern Powergrid Group's commitment to comply with all laws wherever it does business and the expectation that all employees (including directors) manage their activities in a manner that is compliant with all standards, regulations and corporate policies. In addition, the Code of Conduct requires adherence to the highest level of ethical conduct and fair dealings with all customers, suppliers and competitors.

Employees

As detailed in '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 Northern Powergrid 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 Group'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 Northern Powergrid 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'). NPg Northeast 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

NPg Northeast 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, NPg Northeast and the directors provide regular reporting to Ofgem (including the annual regulatory certificates and Regulatory Accounts), contribute to various regulatory consultations and monitor regulatory compliance. Given the implications on the NPg Northeast's long-term strategy, the relationship with Ofgem and the evolving ED3 framework were regular items on the board agenda throughout the year.

Northern Electric plc Strategic Report for the Year Ended 31 December 2024 (continued)

Acting fairly between the Company's owners

The Company has one class of ordinary shares which are all held by Northern Powergrid Limited, a company owned by Northern Powergrid UK Holdings. The Company also has one class of preference shares, further details of which can be found in Note 20. As outlined in 'Strategy', the Northern Powergrid Group is owned by Berkshire Hathaway Energy. Further details of the shareholder relationship is set out in the 'Corporate Governance Statement'.

Statement pursuant to Listing Rule 14.3.27R Task Force on Climate-related Financial Disclosures ("TCFD")

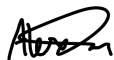
The non-financial reporting information pursuant to Section 414CA of the Companies Act 2006 has been reported throughout the Strategic Report and principal risks and uncertainties. The climate-related financial disclosures pursuant to Section 414CB (2A) can be found in the 'Adapting to Climate Change'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

The Company has complied with all of the requirements of LR 14.3.27R by including climate related financial disclosures consistent with the TCFD recommendations and recommended disclosures, with the exception of the scope 3 greenhouse emissions disclosures relating Metrics and Targets (b) . The Company has reported scope 3 emissions in relation to certain categories (being those required by Ofgem's reporting framework) . However, it is accepted that further work is required to develop the disclosures.

The steps the Company plans to take in order to be able to make the relevant disclosures in the future, and the timeframe within which it expects to be able to make those disclosures, is set out in Ofgem's 'Environmental Reporting Guidance', sections 3.8 to 3.13, a copy of which can be found via Ofgem's website. This includes a recommendation for the energy industry to work collaboratively to develop an appropriate methodology for reporting scope 3 emissions during the remainder of the ED2 period.

Approved by the Board on 11 June 2025 and signed on its behalf by:

A P Jones
Director



Northern Electric plc

Directors' Report for the Year Ended 31 December 2024

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 £277.4 million was paid (2023: £48.0 million). The directors recommend that no final dividend be paid in respect of the year (2023: £nil).

An interim dividend of £300.0 million was paid on the 26 March 2024 from NPg Northeast to the Company.

The Group's dividend policy is that dividends will be paid only after having due regard to available distributable reserves, available liquid funds and the financial resources and facilities needed to enable the Company 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 Northern Powergrid Group so as not to jeopardise any investment grade credit ratings. These strict parameters align with the conditions set out in NPg Northeast's distribution licence and are considered carefully by the board so as to ensure that the payment of any dividend does not cause NPg Northeast to breach any licence obligations in the future.

Directors of the Company

The directors who held office during the year under review and to the date of signing this report were:

A P Jones
S J Lockwood
J N Reynolds
J C Riley (appointed 17 October 2024)

During the year, none of the directors had an interest in any contract which was material to the business of the Company or Group. During the year and up to the date of approval of the Directors' Report, an indemnity contained in the Company's (and each company within the Northern Powergrid Group'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. There have been no significant events since the year end and the directors intend that:

- NPg Northeast will continue to develop its business by efficiently investing in the Network and improving the quality of supply and service provided to customers. NPg Northeast intends to continue to embrace the role of DSO by expanding its energy systems operations in order to allow its Network to form a key part of a whole energy system, which fosters flexibility and facilitates decarbonisation.
- IUS will 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.

There are no plans to change the existing business model of the Company, or any of the companies within the Group.

Research and development

The Group supports a programme of research that is expected to contribute to higher standards of performance and a more cost-effective operation of its business. During the year, the Group invested £5.6 million (2023: £2.0 million) in its research and development activities.

Northern Electric plc

Directors' Report for the Year Ended 31 December 2024 (continued)

Financial instruments

Financial risk management

Details of financial risks are included in the Principal Risks and Uncertainties, found in the Strategic Report and in Note 28 to the financial statements.

Financial derivatives

As at 31 December 2024 the Group held two derivative financial instrument (2023: two) to mitigate the interest rate risk on a floating interest rate loan. More details on derivative financial instruments are available in Note 29 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 and Group 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).

Vote holder and issuer notification

There have been no disclosures to the Company under Disclosure and Transparency Rule 5 (Vote Holder and Issuer Notification Rules).

Directors' biographies

Alex P Jones

Mr Jones joined the Northern Powergrid Group in January 2015 and became Finance Director in March 2022. He is a Chartered Accountant having completed his training with KPMG, spending seven years in their Restructuring practice. Prior to becoming Finance Director, Mr Jones was the Director of Performance and Planning, leading on the development of the Northern Powergrid Group's Business Plan. He has also spent time leading the Northern Powergrid Group's engineering and major projects operations teams.

Stephen J Lockwood

Appointed in April 2022, Mr Lockwood joined the Northern Powergrid Group in 1983 and became Group Financial Controller in 2016 before taking on the role of Head of Technical Accounting and Quality in 2023. Prior to this he held a number of finance roles in the Northern Powergrid Group. Mr Lockwood is a qualified Chartered Management Accountant and Chartered Tax Advisor.

Jennifer C Riley

Mrs Riley was appointed in October 2024 as a director of Northern Electric plc. Mrs Riley joined the Northern Powergrid Group in 2016 as the Company Secretary. Prior to this, she had held a number of roles at Farnell UK (formerly Premier Farnell plc). Mrs Riley is a Chartered Governance Professional and Company Secretary.

Board diversity

Of the four board directors of the Company, one is female (25%). Mrs Riley does not hold any of the positions outlined in Listing Rule 16.3.29 (ii). No members of the board are from a minority ethnic background.

All appointments are based on merit with due regard for diversity, inclusion and equal opportunity. The Northern Powergrid Group does not set diversity targets.

Northern Electric plc

Directors' Report for the Year Ended 31 December 2024 (continued)

CORPORATE GOVERNANCE STATEMENT

The Company has sought to apply the UK Corporate Governance Code 2018 (the "Code") and report on the application of the Principles and supporting Provisions. Given the nature of the securities in issue, the Company (nor any Company within the Northern Powergrid Group) is not required to adopt the Code, and it has not been voluntarily applied. However, the board has elected to operate within the spirit of the Code and explain below how the Company's governance framework aligns with the Principles and Provisions.

The directors confirm that the governance framework in place is appropriate to the circumstances of the Company and the Group. The framework is agreed with the Northern Powergrid Group's shareholder, Berkshire Hathaway Energy. The Company and the Group has not complied with Provisions 4, 9, 12, 17, 18, 19, 20, 23, 26, 32, 33, 35, 38, 40 and 41 as they are deemed not to be relevant to the Company's or the Group's circumstances (given it is privately owned) or for the reasons explained in the pages that follow. Consequently, the Company and Group do not intend to put actions in place in order to comply with the aforementioned provisions at this time. A copy of the Code can be found at <https://frc.org.uk/>.

BOARD LEADERSHIP AND COMPANY EXPOSURE

Strategic Ownership

The board (of the Company and the Group throughout) is collectively responsible for generating value for the Northern Powergrid Group's shareholder and wider society which is achieved through the delivery of a strategy which corresponds to Berkshire Hathaway Energy's six Core Principles. The strategy is set out in two forms of business plan (the Business Plan and Annual Plan), both of which are approved and monitored by the board and are designed to promote the long-term sustainable success of the Company and the Group whilst achieving the commitments developed to address stakeholder requirements.

For the purpose of scrutinising performance in respect of both business plans, the board review a range of financial and non-financial KPIs which correspond to the Core Principles and have been established to operate within a framework of internal controls.

The deliverables set out in the business plans shape the allocation of both financial and operational resource for which the board delegates the responsibility to a single senior management team who have specific functional responsibilities in respect of operations, safety, health and environment, asset management, customer service, business development, energy systems, regulation, economic analysis, human resources, information systems, legal and finance.

Northern Electric plc

Directors' Report for the Year Ended 31 December 2024 (continued)

Engagement and Values

The Company and Group has an established relationship with its shareholder, reflected by the leadership structure, whereby the President and Chief Executive Officer of the Northern Powergrid Group reports directly to the President and Chief Executive Officer of Berkshire Hathaway Energy. Frequent interaction and dialogue with Berkshire Hathaway Energy (which is maintained through regular governance reporting and meetings with the Northern Powergrid Group's President and Chief Executive Officer and senior management team) ensures that strategic views and board decisions are understood and aligned, and that appropriate values, standards and a desired culture of integrity, openness and transparency are set. Demonstrated by the adoption of Berkshire Hathaway Energy's 'Core Leadership Expectations', required behaviour and standards include the delivery of quality and improvement (for which all employees are responsible) to developing individuals and teams, building stakeholder relationships and establishing strategic direction (predominantly responsibilities of the senior management team and the board).

Employee engagement (and the investment therein) is implemented through consistent messaging and regular training which commences with the induction programme, during which colleagues are introduced to the Northern Powergrid Group, its business model, strategy and the Core Leadership Expectations. Throughout the year, every employee has regular meetings with line management and communications from the President and Chief Executive Officer in addition to having access to the board and senior leadership team during events (whether virtual or physical), via engagement visits and as a result of rotational working locations. Whilst there is direct exposure, given the Group's large and disparate workforce, the board elect to engage with employees via the senior management team and the reporting hierarchy which is deemed to be very effective. However, to supplement the existing arrangement, the board engages directly with members of each of the trade unions which represent the workforce.

A number of policies such as the Code of Conduct and Code of Practice and Business Ethics support the employee engagement programme and underpin the onward dissemination of the values, desired culture and expected standards of behaviour to the wider employee population. The board is able to reassure itself that corporate messaging concerning behaviour and culture is provided on an annual basis in the form of training on the aforementioned policies. In addition, the Northern Powergrid Group's non-executive directors and independent member routinely challenge the executive team on topics that are more difficult to track, including cultural change and diversity to establish how embedded the culture is. In the event employees have concerns regarding behaviour, ethics or compliance related matters, they are able to raise these confidentially via either internal or externally facilitated independent channels.

Throughout the year, the board routinely monitored the effectiveness of engagement with the Group's various stakeholders via updates and bespoke briefings. In addition, the directors participate in direct engagement with the Northern Powergrid Group's shareholder, Chair of ISG, the external auditor, employees (as detailed above) as well as various political and regulatory representatives. Further detail concerning the way in which the Company and Group participates in engagement with stakeholders can be found in the Strategic Report.

DIVISION OF RESPONSIBILITIES

The role of the President and Chief Executive Officer

The President and Chief Executive Officer combines the executive responsibility of running the Company and Group's business with the responsibility for the leadership of the Company and Northern Powergrid Group's various boards of directors, which includes directing the Company and the Group, ensuring its effectiveness and facilitating a constructive and open board culture. The Northern Powergrid Group's shareholder supports the role undertaken by the President and Chief Executive Officer and, through the shareholder's regular interaction with the President and Chief Executive Officer and input into and oversight of the principles governing to whom the board of the Company (and the wider Northern Powergrid Group) delegates its authority, ensures no one person has unfettered powers of decision. Chairpersons and senior independent non-executive directors are not routinely appointed to the Group's boards.

Northern Electric plc

Directors' Report for the Year Ended 31 December 2024 (continued)

Non-executive directors

The board of the Company comprises three executive directors and one non-executive director. There are two additional non-executive directors appointed within the Northern Powergrid Group. Each of the Northern Powergrid Group's non-executive directors and Mr Knowles (a member of the Group's audit committee) are considered to be independent. Although the board of the Company (nor that of any other Northern Powergrid Group company) does not include a balanced number of executive and non-executive directors, the board believes that the combination is appropriate, and it possesses the requisite skills and experience necessary to provide effective leadership, stewardship and control of the Company and the Group. The non-executive directors of the Company and the Northern Powergrid Group constructively challenge the executive board and senior management team on the delivery of the Company's and the Group's strategic objectives. In accordance with their individual areas of specialism, the non-executive directors chair a number of the Northern Powergrid Group's board sub-groups, which combined with the guidance and challenge they provide during routine board meetings, gives them additional opportunity to hold the executive directors and senior management team to account.

Time Commitment and Resources

To facilitate the delivery of their duties, the directors continually update their knowledge of and familiarity with the operations of the Company and the Group. This is supported by robust reporting arrangements, access to the Group's operations and interaction with its staff. Under the direction of the President and Chief Executive Officer, information is provided to the board in a timely manner to enable directors to commit sufficient time to the preparation for and attendance at board meetings. In addition, updates and briefings are circulated during the course of the regular board meeting cycle. The directors are able to utilise the advice and services of the Company Secretary and her team. Upon request, the directors have access to independent professional advice. A register of situational conflicts is held centrally to ensure independent judgment is maintained and time commitment is not jeopardised. Conflicts of interests are declared as a matter of routine pursuant to individual director's duties.

The board of NPg Northeast meet on a quarterly basis to review business performance, strategic initiatives and operational and risk-related issues. Additional board meetings are held as required. Meetings of the board are chaired by the President and Chief Executive. The board of the Company meet on a regular basis, with meetings predominantly aligned with reporting financial cycles.

Board committees and sub-groups

During the year, there were a number of committees and board sub-groups in operation, acting under delegated terms of reference which oversee the Company and Group and report regularly on their activities. Attendance at meetings by the Company and Group's appointed representatives during the year was as follows:

Northern Electric plc
Directors' Report for the Year Ended 31 December 2024 (continued)

Name	Position	Board meeting	Audit Committee	Health and Safety Committee	Risk Advisory Board ("RAB")	Science and Technology Advisory Panel ("STAP")
A P Jones	Finance Director	8/8	3/3	2/2	4/4	
S J Lockwood	Head of Technical Accounting and Quality	2	-	-	-	-
J N Reynolds	Independent non-executive Director	8/8	3/3 (Chair)			
J C Riley	Company Secretary	8/8	3/3	2/2	4/4	3/3
T H France	General Counsel	7/8		2/2	4/4	
P A Jones	President and Chief Executive Officer	8/8 (Chair)		2/2 (Chair)		
A J Maclellan	Commercial Director			2/2	4/4	1/3
A R Marshall	Independent non-executive Director			2/2	4/4(Chair)	
P C Taylor	Independent non-executive Director					2/3 (Chair)
M Knowles	Independent member (Audit Committee)		3/3		4/4	

Northern Electric plc

Directors' Report for the Year Ended 31 December 2024 (continued)

The senior leadership team attend meetings of the RAB and relevant members also attend meetings of the Health and Safety Committee and STAP. A number of independent members are also appointed to the STAP.

Health and Safety Committee

Role: Meets bi-annually to manage the health and safety policy and performance of the Company and Group.

Duties:

- oversee the implementation and review the effectiveness of health and safety policy;
- develop the strategy for managing health and safety issues;
- monitor health and safety performance consider policy changes; and
- report to the board.

STAP

Role: Meets quarterly to provide independent and expert challenge and assurance to the Group's plans, as the sector transitions to the low-carbon energy future embodied in the national targets for decarbonisation.

Duties:

- provide strategic oversight and challenge of the Group's science, data and technology programmes, initiatives or projects, and promote a culture of change, creativity and innovative thinking;
- keep under review progress against ED2 (including decarbonisation) commitments;
- monitor the level of risk and opportunity associated with the programme; and
- report to the board.

Further detail concerning the Audit Committee and RAB can be found in 'Audit, risk and internal control' below.

Appointments

Given the nature of the relationship between the Northern Powergrid Group and its shareholder, a nominations committee has not been established for the purpose of identifying board appointments, or indeed considering the removal of directors. Instead, this function is undertaken by the appropriate representative of Berkshire Hathaway Energy and the President and Chief Executive Officer of the Northern Powergrid Group. All board appointments are subject to a formal and rigorous process and are considered with due regard to the board's overall composition including the balance of skills, experience and the promotion of diversity, inclusion and equal opportunity, ahead of recommendations being put to the board. Succession plans are in place for all board and senior management positions and are reviewed and agreed by the President and Chief Executive Officer of Berkshire Hathaway Energy. Prior to appointment, the commitments already held by directors are considered so as to ensure each individual has sufficient time to discharge their duties.

Northern Electric plc

Directors' Report for the Year Ended 31 December 2024 (continued)

Evaluation

The board of the Company (and that of each Northern Powergrid Group subsidiary) is subject to thorough evaluation as a consequence of its performance being continually monitored and assessed by Berkshire Hathaway Energy through the delivery of the Annual Plan. In addition, each year, the President and Chief Executive Officer of the Northern Powergrid Group considers the composition of the board as a whole and its effectiveness in achieving strategic objectives during the annual performance evaluation process. Off cycle reviews of the Northern Powergrid Group's governance arrangements (including the composition or board and sub-board groups) is also undertaken periodically to ensure its structure remains fit for purpose and evolves to reflect changes to strategic priorities. The Northern Powergrid Group does not and is not required to undertake external evaluation of its boards.

As a matter of routine, the committees and sub-groups that have been constituted on behalf of the Northern Powergrid Group have historically been evaluated through the activity delivered in accordance with their terms of reference. In addition, board committees and sub-groups are also subject to the aforementioned off-cycle governance reviews, whereby the scope, purpose, duties and membership are revisited so as to ensure they remain effective, are refreshed as appropriate and have the requisite level of skill and expertise.

The Company's Articles of Association requires the periodic retirement and re-election of directors. Appointments and reappointments are therefore put to the shareholders at the Company's Annual General Meetings. The notice period for all board members is less than one year.

Diversity policy

The Company and Group has adopted a number of policies (including the policy on diversity at work and the Code of Conduct) that collectively comprise the policy on diversity. Diversity is actively supported through recruitment, educational programmes, employee opportunities and the Global Days of Service charitable support programme. All appointments (which includes board, board committee, and senior management appointments) are based on merit with due regard for diversity, inclusion and equal opportunity. The Northern Powergrid Group does not set diversity targets. Further information concerning how the Group and Northern Powergrid Group is supporting gender diversity in the energy industry can be found in the Northern Powergrid Group's gender pay gap report via the Northern Powergrid Group's corporate website.

AUDIT, RISK AND INTERNAL CONTROL

Each of the Company's and Group's directors is responsible for the management of risk and the internal control environment which is designed to address Berkshire Hathaway Energy's United States Sarbanes-Oxley Act requirement. As part of this responsibility, the board has established and maintains robust procedures and processes which ensure the effectiveness of both the internal and external audit functions.

Audit committee

The audit committee meets twice per year as a minimum to consider the application of corporate reporting, risk management and internal control principles. Membership comprises, an independent non-executive director (chair), an independent member and the Finance Director. All members are considered to have relevant financial experience. Its duties include:

- carrying out the functions required by DTR 7.1.3R;
- overseeing the RAB;
- monitoring the internal audit plan;
- sub-delegating activities to another person or body as seen fit; and
- reporting to the board.

As referenced above, the performance of the audit committee is evaluated each year via a review process whereby its remit, terms of reference and the attributes of its members is assessed by the board and through the process whereby Berkshire Hathaway Energy's Finance team retains a degree of oversight of a number of duties including the financial audit process.

Northern Electric plc

Directors' Report for the Year Ended 31 December 2024 (continued)

Internal Audit

The internal audit team operates in an independent and objective manner without interference from the Company or the Group. This provides the flexibility to refocus the scope of the annual internal audit plan to align with changing priorities if required. Internal audit findings including the resilience of internal controls are reported to the board on a quarterly basis in order to keep the directors sufficiently apprised of areas of risk. An external assessment of the activity of the internal audit team confirmed it operates at the highest level in accordance with the Institute of Internal Audit standards.

External Audit

An appropriate relationship is maintained with the Northern Powergrid Group's external auditor to ensure independence and rigour is preserved. The Audit Engagement Lead has regular interaction with the Finance Director and routinely attends two board meetings per year to present the audit plan for the forthcoming year and subsequently disseminate the findings. It is at such meeting where the board consider the effectiveness of the external audit process, in terms of quality, timeliness, preparation and insight into technical matters and discuss any comments and issues raised. Matters (predominantly routine) raised by KPMG and considered by the board during the year included capitalisation of plant, property and equipment, the valuation of the defined benefit obligation and the prior period restatements set out in Note 1 to the financial statements. Any control findings raised by the external auditor are allocated to an owner and are tracked by the Finance Director or managed via the internal audit team, both of whom report their findings to the board.

Deloitte LLP had been the Company's external auditor since 1998. As such, and in accordance with the Statutory Auditors and Third Country Auditors Regulations 2016, the Audit Committee, in conjunction with the Northern Powergrid Group's procurement team, undertook a selection process, following which, a recommendation was put to the board and a resolution was put to the Company's shareholder at the 2024 Annual General Meeting to appoint KPMG as the Company's external auditor.

KPMG staff have full access to the Group's systems and premises for the purpose of conducting their audit work in a robust and efficient manner.

RAB

The RAB is chaired by one of the Northern Powergrid Group's independent non-executive directors and meets quarterly to ensure effective risk management and internal control processes are in place. Its duties include:

- contributing to the setting of the Northern Powergrid Group's risk tolerance and appetite;
- keeping under review current business risks and the effectiveness of internal controls;
- overseeing the processes for the identification of emerging risks; and
- reporting to the board, Berkshire Hathaway Energy and the Audit Committee.

Further detail concerning the procedures to manage risk, oversee the internal financial reporting control framework, set the board's risk appetite and the Company's principal risks can be found in the Strategic Report.

Northern Electric plc
Directors' Report for the Year Ended 31 December 2024 (continued)

REMUNERATION

As outlined above, the board has not elected to establish a remuneration committee for the purpose of determining executive directors' and senior managers' compensation. However, this does not reflect a lack of policy or rigour given the process is instead managed by the Northern Powergrid Group's shareholder. As a consequence, remuneration is strictly aligned to both the Company's and the Northern Powergrid Group's long-term strategy, the delivery of sustainable growth and Berkshire Hathaway Energy's values as defined by the Core Principles. No individual is involved in determining their own remuneration.

The Company's and the Northern Powergrid Group's executive directors' and senior managers' remuneration is considered on an annual basis and is explicitly linked to the employee performance evaluation process. Each individual's effectiveness is measured against both personal and Berkshire Hathaway Energy goals with all resulting awards based on merit and linked to the delivery of stretching accountabilities. Only basic salary is pensionable.

Non-executive director remuneration is also reviewed on an annual basis and is reflective of time commitment and level of responsibility. Any increases are made in line with the wider Northern Powergrid Group's employee population and is subject to continued satisfactory performance.

Northern Electric plc

Directors' Report for the Year Ended 31 December 2024 (continued)

Going Concern

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

The 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 Company is profitable with strong underlying cash flows;
- The Company benefits from strong investment-grade credit ratings;
- The Company meets its day to day working capital requirements from intercompany loans (via the current account mechanism) with the Northern Powergrid Group;
- Northern Powergrid Holdings Company, being the ultimate UK parent company, has indicated its intention to make available such funds as are needed by the Company through the intercompany current account mechanism;
- The Northern Powergrid Group as a whole is financed both in its operating companies and in other entities within the Northern Powergrid Group through the use of the current account mechanism. For that reason, financial health is also considered with reference to the Northern Powergrid Group, the directors therefore take into consideration a number of factors affecting the wider group
 - o The Northern Powergrid Group's main subsidiaries, NPg Northeast and NPg Yorkshire, are stable electricity distribution businesses operating an essential public service and are regulated by the Gas and Electricity Markets Authority ("GEMA"). In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000
 - o The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 17 years and has access to short-term committed borrowing facilities of £242 million provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada
 - o The Northern Powergrid 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 Group in April 2025, demonstrates that the Northern Powergrid Group's bonds remain attractive to investors and there is an active market with strong appetite to invest
 - o The Northern Powergrid Group has prepared forecasts which consider reasonable possible changes in trading performance, show that the Northern Powergrid Group has sufficient resources to settle its liabilities as they fall due for at least the 12 months from the date of these accounts; 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.

Northern Electric plc

Directors' Report for the Year Ended 31 December 2024 (continued)

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 group'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.

Non-financial and sustainability information statement

In accordance with Section 414CA(7) of the CA06, the directors have set out the information required by Section 414CB (1) to (6) in Strategic Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 on the same basis.

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 reasonable, relevant and reliable;
- 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.

Northern Electric plc
Directors' Report for the Year Ended 31 December 2024 (continued)

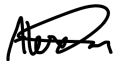
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply 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, Directors' Report, and Corporate Governance Statement 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.

In accordance with Disclosure Guidance and Transparency Rule ("DTR") 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Approved by the Board on 11 June 2025 and signed on its behalf by:



A P Jones
Director

Northern Electric plc

Independent Auditor's Report to the Members of Northern Electric plc

1 Our opinion is unmodified

We have audited the financial statements of Northern Electric Plc (“the Company”) for the year ended 31 December 2024 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the parent Company Statement of Financial Position, the parent Company Statement of Changes in Equity, and the 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 26th June 2024. The period of total uninterrupted engagement is for the one financial year ended 31 December 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Northern Electric plc

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

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Retirement Benefit Obligations

Gross Defined Benefit Obligations: £850.9m (2023: £949.7m)

Refer to page 62 (critical accounting estimates and judgements) and pages 59-134 (accounting policies and financial disclosures) .

The risk - Subjective valuation

The Company is the principal employer of a defined benefit pension scheme, Northern Powergrid Group of the ESPS, that is material in the context of the overall balance sheet and the results of the Group and Company.

Significant assumptions, including the discount rate, the inflation rate and the mortality rate, are made in valuing the Group's and Company's defined benefit pension obligations (before deducting the scheme assets) . Small changes in the assumptions and estimates with respect to the obligation would have a significant effect on the financial position of the Group and Company. The Group and Company engages external actuarial specialists to assist them in selecting appropriate assumptions and calculate the obligations.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the defined benefit obligations has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Our response

We performed the tests below rather than seeking to rely on any of the Group's or Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures included:

- **Benchmarking financial assumptions:** involved our actuarial specialists to develop an independent expectation over the key financial assumptions, including the discount rate and inflation rate, to compare the key financial assumptions against the market data.
- **Benchmarking demographic assumptions:** involved our actuarial specialists to assess management's process for development of key demographic assumptions, including the mortality, and the resulting assumptions, to compare the key demographic assumptions against market data.
- **Actuary's credentials:** assessed the competence, capabilities and objectivity of the Group's and Company's actuarial expert.
- **Sensitivity analysis:** assessed the sensitivity of the defined benefit obligation to changes in key assumptions.

Northern Electric plc

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

- **Assessing transparency:** considered adequacy of the Group's and Company's disclosures in respect of the sensitivity of the gross obligation to changes in key assumptions.

Our Results:

We found the valuation of the gross defined benefit obligation to be acceptable.

The split of total costs between operating and capital expenditure and the assessment of what is directly attributable to Property, Plant and Equipment

Expenditure allocated to property, plant and equipment: £58.6m

Refer to page 62 (critical accounting estimates and judgements) and pages 59-134 (accounting policies and financial disclosures) .

The risk - Accounting Treatment

The Group undertakes major capital projects, including enhancements to the distribution network.

The determination of costs as capital or operating expenditure, in line with IAS 16 Property, Plant and Equipment, depends on the ability to distinguish between enhancement and maintenance works. Under IAS 16, expenditure is capitalised when it is probable that the future economic benefits associated with the item will flow to the entity where such expenditure enhances or increases capacity of the network.

We determined that there is an elevated level of judgement involved in determining the costs to be capitalised or expensed, and an elevated level of estimation uncertainty involved, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Our response

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures included:

- **Accounting analysis:** assessed the Group's capitalisation policy for compliance with IAS 16.
- **Test of details:** critically assessed the capital nature of a sample of additions against the capitalisation policy;
- **Methodology implementation:** assessed the mathematical accuracy of the model used to calculate the level of expenditure capitalised, for a sample of costs capitalised;
- **Test of details:** challenged the Group on the selection and application of methods and performed sensitivity analysis on the percentage of expenditure that is capitalised, based on our understanding of the business and the nature of the costs; and
- **Assess transparency:** assessed the adequacy of the Group's disclosures with respect to its capitalisation policy, including the judgement involved in determining whether expenditure is capital in nature and the estimation involved in setting the capitalisation rate of 41.8%,

Our Results:

We found the Group's capitalisation of expenditure to be acceptable.

Northern Electric plc

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

3 Our application of materiality and an overview of the scope of our audit

Our application of materiality

Materiality for the Group financial statements as a whole was set at £7.8m, determined with reference to a benchmark of Group profit before tax, normalised by averaging over the last three years due to fluctuations in the business cycle, of £206.7m, of which it represents 3.8%.

Materiality for the parent Company financial statements as a whole was set at £3.6m determined with reference to a benchmark of the parent Company's total assets of which it represented 0.8%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% of materiality for the financial statements as a whole, which equates to £5.1m for the Group and £2.3m for the parent Company. We applied this percentage in our determination of performance materiality based on our understanding of the control environment obtained as part of our first year audit, and our understanding of the level of identified misstatements during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4m in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed the parent Company audit. The audit was performed using the materiality levels set out above.

Overview of the scope of our audit

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 8 components, having considered our evaluation of the Group's operational and legal structure, and our ability to perform audit procedures centrally. Of those, we identified 1 quantitatively significant component which contained the largest percentage of either total revenue or total assets of the Group, for which we performed audit procedures.

We also identified 1 component as requiring special audit consideration, owing to the Group risk relating to the gross defined benefit pension obligations residing in the component.

Additionally, having considered qualitative and quantitative factors, we selected 2 components with accounts contributing to the specific RMMs of the Group financial statements.

Accordingly, we performed audit procedures on 4 components, including the audit of the parent Company.

We set the component materialities, ranging from £3.1m to £6.2m, having regard to the mix of size and risk profile of the Group across the components.

Our audit procedures covered 93% of Group revenue. We performed audit procedures in relation to components that accounted for 93% of Group profit before tax, and 95% of Group total assets.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Northern Electric plc

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

4 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's 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 and parent 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 and parent Company's available financial resources over this period are 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.

Given the purpose of the Group, and since the entity is reliant on financial support from its intermediate parent Company, Northern Powergrid Holdings Company, we assessed the risk that this support would not be available. Our procedures on going concern also included:

- Inspecting letters received by the directors indicating the intermediate parent Company's intention to provide this support;
- Inspecting and critically assessing the internally provided cash flow projections over the going concern assessment period for the wider group, and the level of available financial resources indicated by those financial projections to assess the ability of the intermediate parent Company to make scheduled repayments to the Group, including repayments in line with the Group's external debt obligations; and
- Assessing the business reasons why the intermediate parent Company may or may not choose to provide this support.

We also 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.

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

5 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.

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.

Northern Electric plc

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

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 license 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.

Northern Electric plc

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

6 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report

Based solely on our work on the other information:

- 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.

7 We have nothing to report on the other 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.

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

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 39, the directors are responsible for: the preparation of the financial statements including 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's responsibilities

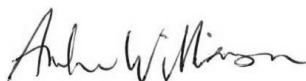
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

9 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
110 Quayside House
Newcastle upon Tyne
NE1 3DX

12 June 2025

Northern Electric plc
Consolidated Income Statement for the Year Ended 31 December 2024

(As restated)

	Note	2024 £ 000	2023 £ 000
Revenue	3, 4	670,688	570,538
Cost of sales		<u>(54,476)</u>	<u>(78,420)</u>
Gross profit		616,212	492,118
Distribution costs	3	(154,203)	(145,263)
Administrative expenses		<u>(147,512)</u>	<u>(130,660)</u>
Operating profit		314,497	216,195
Other gains		456	1,538
Finance income	5	20,537	16,704
Finance costs	5	<u>(54,243)</u>	<u>(53,916)</u>
Profit before tax		281,247	180,521
Income tax expense	9	<u>(73,529)</u>	<u>(45,143)</u>
Profit for the year		<u>207,718</u>	<u>135,378</u>
Profit attributable to:			
Owners of the Company		<u>207,718</u>	<u>135,378</u>

The above results were derived from continuing operations.

Please refer to Note 3 for details of the restatement.

Northern Electric plc
Consolidated Statement of Comprehensive Income for the Year Ended 31 December
2024

	Note	2024 £ 000	2023 £ 000
Profit for the year		207,718	135,378
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations (net)	24	(11,825)	(7,995)
Items that may be reclassified subsequently to profit or loss			
Loss on cash flow hedges (net)	9	<u>(1,027)</u>	<u>(5,261)</u>
Total comprehensive income for the year		<u>194,866</u>	<u>122,122</u>
Total comprehensive income attributable to:			
Owners of the Company		<u>194,866</u>	<u>122,122</u>

The notes on pages 59 to 134 form an integral part of these financial statements.

Northern Electric plc
(Registration number: 02366942)
Consolidated Statement of Financial Position as at 31 December 2024

		31 December	(As restated) 31 December	(As restated) 1 January
	Note	2024	2023	2023
		£ 000	£ 000	£ 000
Assets				
Non-current assets				
Property, plant and equipment	10	3,309,787	3,186,730	3,079,086
Right of use assets	11	12,013	11,229	12,787
Intangible assets	12	54,300	50,606	47,357
Equity accounted investments	13	3,289	3,633	3,982
Pension assets	24	138,700	148,600	151,500
Trade and other receivables	15	8,051	6,463	4,087
Other non-current financial assets	29	8,827	8,831	18,926
		<u>3,534,967</u>	<u>3,416,092</u>	<u>3,317,725</u>
Current assets				
Inventories	14	29,388	29,904	25,740
Trade and other receivables	15	178,254	342,948	349,542
Tax receivable	9	-	-	1,054
Cash and cash equivalents	16	13,440	14,760	13,439
Contract assets	4	10,286	7,052	5,824
Other current financial assets	29	4,496	5,861	2,781
		<u>235,864</u>	<u>400,525</u>	<u>398,380</u>
Total assets		<u>3,770,831</u>	<u>3,816,617</u>	<u>3,716,105</u>
Equity and liabilities				
Equity				
Share capital	17	(72,173)	(72,173)	(72,173)
Share premium		(158,748)	(158,748)	(158,748)
Capital redemption reserve		(6,185)	(6,185)	(6,185)
Cash flow hedging reserve	18	(9,992)	(11,019)	(16,280)
Retained earnings		<u>(1,155,598)</u>	<u>(1,237,104)</u>	<u>(1,157,721)</u>
Equity attributable to owners of the Company		<u>(1,402,696)</u>	<u>(1,485,229)</u>	<u>(1,411,107)</u>
Non-current liabilities				
Lease liabilities	20	(9,632)	(8,395)	(9,791)
Trade and other payables	22	(6,548)	-	-
Loans and borrowings	19	(1,119,735)	(1,153,068)	(1,193,131)
Provisions	21	(983)	(1,641)	(1,921)
Deferred revenue from contracts with customers	3, 23	(693,396)	(672,734)	(654,829)
Deferred tax liabilities	9	(171,291)	(165,505)	(167,588)
		<u>(2,001,585)</u>	<u>(2,001,343)</u>	<u>(2,027,260)</u>

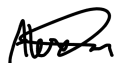
The notes on pages 59 to 134 form an integral part of these financial statements.

Northern Electric plc
(Registration number: 02366942)
Consolidated Statement of Financial Position as at 31 December 2024 (continued)

		31 December	(As restated) 31 December	(As restated) 1 January
	Note	2024	2023	2023
		£ 000	£ 000	£ 000
Current liabilities				
Lease liabilities	20	(2,942)	(3,231)	(3,402)
Trade and other payables	22	(188,609)	(155,769)	(117,404)
Loans and borrowings	19	(134,763)	(135,284)	(125,040)
Income tax liability	9	(5,655)	(3,245)	-
Deferred revenue from contracts with customers	3, 23	(32,181)	(30,219)	(29,379)
Provisions	21	(2,400)	(2,297)	(2,513)
		<u>(366,550)</u>	<u>(330,045)</u>	<u>(277,738)</u>
Total liabilities		<u>(2,368,135)</u>	<u>(2,331,388)</u>	<u>(2,304,998)</u>
Total equity and liabilities		<u><u>(3,770,831)</u></u>	<u><u>(3,816,617)</u></u>	<u><u>(3,716,105)</u></u>

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

Approved by the board on 11 June 2025 and signed on its behalf by:



.....
A P Jones
Director

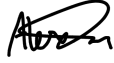
Northern Electric plc
(Registration number: 02366942)
Company Statement of Financial Position as at 31 December 2024

	Note	31 December 2024 £ 000	31 December 2023 £ 000
Assets			
Non-current assets			
Property, plant and equipment	10	1,534	1,541
Right of use assets	11	742	879
Investments in subsidiaries, joint ventures and associates	13	242,903	242,902
Pension assets		138,700	148,600
		<u>383,879</u>	<u>393,922</u>
Current assets			
Trade and other receivables	15	71,743	11,416
Income tax asset	9	844	4,367
		<u>72,587</u>	<u>15,783</u>
Total assets		<u>456,466</u>	<u>409,705</u>
Equity and liabilities			
Equity			
Share capital	17	(72,173)	(72,173)
Share premium		(158,748)	(158,748)
Capital redemption reserve		(6,185)	(6,185)
Retained earnings		(139,195)	(119,570)
Total equity		<u>(376,301)</u>	<u>(356,676)</u>
Non-current liabilities			
Lease liabilities	20	(697)	(850)
Loans and borrowings	19	(1,117)	(1,117)
Provisions	21	(983)	(956)
Deferred tax liabilities	9	(34,357)	(36,802)
		<u>(37,154)</u>	<u>(39,725)</u>
Current liabilities			
Lease liabilities	20	(153)	(64)
Trade and other payables	22	(35,853)	(6,557)
Loans and borrowings	19	(7,005)	(6,368)
Provisions	21	-	(315)
		<u>(43,011)</u>	<u>(13,304)</u>
Total liabilities		<u>(80,165)</u>	<u>(53,029)</u>
Total equity and liabilities		<u>(456,466)</u>	<u>(409,705)</u>

The notes on pages 59 to 134 form an integral part of these financial statements.

Northern Electric plc
(Registration number: 02366942)
Company Statement of Financial Position as at 31 December 2024 (continued)

Approved by the Board on 11 June 2025 and signed on its behalf by:

A P Jones
Director 

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 £311.1 million (2023: £51.3 million).

Northern Electric plc
Consolidated Statement of Changes in Equity for the Year Ended 31 December 2024

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2024	72,173	158,748	6,185	11,019	1,237,104	1,485,229
Profit for the year	-	-	-	-	207,718	207,718
Other comprehensive income/(expense)	-	-	-	(1,027)	(11,825)	(12,852)
Total comprehensive income	-	-	-	(1,027)	195,893	194,866
Dividends (note 25)	-	-	-	-	(277,400)	(277,400)
At 31 December 2024	<u>72,173</u>	<u>158,748</u>	<u>6,185</u>	<u>9,992</u>	<u>1,155,598</u>	<u>1,402,696</u>
	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2023 (As restated)	72,173	158,748	6,185	16,280	1,157,721	1,411,107
Profit for the year (As restated)	-	-	-	-	135,378	135,378
Other comprehensive income/(expense)	-	-	-	(5,261)	(7,995)	(13,256)
Total comprehensive income (As restated)	-	-	-	(5,261)	127,383	122,122
Dividends (note 25)	-	-	-	-	(48,000)	(48,000)
At 31 December 2023 (As restated)	<u>72,173</u>	<u>158,748</u>	<u>6,185</u>	<u>11,019</u>	<u>1,237,104</u>	<u>1,485,229</u>

Retained earnings at 1 January 2023 were previously reported as £1,144.6 million. Total equity at 1 January 2023 was reported as £1,398.0 million. Please refer to Note 3 for details of the prior year adjustment (£13.1 million).

The notes on pages 59 to 134 form an integral part of these financial statements.

Northern Electric plc
Company Statement of Changes in Equity for the Year Ended 31 December 2024

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2024	72,173	158,748	6,185	119,570	356,676
Profit for the year	-	-	-	311,050	311,050
Other comprehensive income	-	-	-	(14,025)	(14,025)
Total comprehensive income	-	-	-	297,025	297,025
Dividends	-	-	-	(277,400)	(277,400)
At 31 December 2024	<u>72,173</u>	<u>158,748</u>	<u>6,185</u>	<u>139,195</u>	<u>376,301</u>
	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2023	72,173	158,748	6,185	126,897	364,003
Profit for the year	-	-	-	51,323	51,323
Other comprehensive income	-	-	-	(10,650)	(10,650)
Total comprehensive income	-	-	-	40,673	40,673
Dividends	-	-	-	(48,000)	(48,000)
At 31 December 2023	<u>72,173</u>	<u>158,748</u>	<u>6,185</u>	<u>119,570</u>	<u>356,676</u>

The notes on pages 59 to 134 form an integral part of these financial statements.

Northern Electric plc
Consolidated Statement of Cash Flows for the Year Ended 31 December 2024

(As restated*)

	Note	2024 £ 000	2023 £ 000
GROUP			
Cash flows from operating activities			
Cash receipts from customers	3	789,750	693,455
Cash paid to suppliers and employees		(133,664)	(289,824)
Income taxes paid		(65,923)	(34,959)
Net cash from operating activities		<u>590,163</u>	<u>368,672</u>
Cash flows from investing activities			
Acquisition of PPE		(264,640)	(239,773)
Acquisition of intangible assets		(15,259)	(14,444)
Cash transferred to related parties		(226,536)	(31,973)
Interest received		803	416
Dividends received		1,083	615
Net cash flows used in investing activities		<u>(504,548)</u>	<u>(285,158)</u>
Cash flows from financing activities			
Interest paid		(39,254)	(39,090)
Financing transaction costs		(25)	(360)
Movement in short-term borrowings		(2,688)	(26,548)
Preference dividends paid		(8,983)	(8,983)
Payment of lease liabilities		(3,430)	(3,511)
Proceeds from loans and borrowings		9,200	37,300
Repayment of borrowings		(41,754)	(41,001)
Net cash flows from financing activities		<u>(86,934)</u>	<u>(82,193)</u>
Net (decrease)/increase in cash and cash equivalents		(1,320)	1,321
Cash and cash equivalents at 1 January		<u>14,760</u>	<u>13,439</u>
Cash and cash equivalents at 31 December		<u><u>13,440</u></u>	<u><u>14,760</u></u>

FRS 101 disclosure exemptions have been taken for the Company to not present a statement of cash flows

*Further detail can be found under 'Restatement of Cash Flow Statement' in Note 3.

The notes on pages 59 to 134 form an integral part of these financial statements.

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024

1 General information

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

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

- NPg Northeast is the distribution of electricity to approximately 1.6 million customers connected to its electricity distribution network.
- IUS provides engineering contracting services.
- NPg Metering rents meters to energy suppliers.

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.

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

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.

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Going Concern

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 Company is profitable with strong underlying cash flows;
- The Company benefits from strong investment-grade credit ratings;
- The Company meets its day to day working capital requirements from intercompany loans (via the current account mechanism) with the Northern Powergrid Group;
- Northern Powergrid Holdings Company, being the ultimate UK parent company, has indicated its intention to make available such funds as are needed by the Company through the intercompany current account mechanism;
- The Northern Powergrid Group as a whole is financed both in its operating companies and in other entities within the Northern Powergrid Group through the use of the current account mechanism. For that reason, financial health is also considered with reference to the Northern Powergrid Group, the directors therefore take into consideration a number of factors affecting the wider group:

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

- o The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 17 years and has access to short-term committed borrowing facilities of £242 million provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada

- o The Northern Powergrid 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 Group in April 2025, demonstrates that the Northern Powergrid Group's bonds remain attractive to investors and there is an active market with strong appetite to invest

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

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

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 uncertainty 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 liabilities within the next financial year.

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 24.
- 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 uncertainty 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 £100.1m. Income for connections is recognised over the useful life of the associated distribution system asset, the amount recognised in the financial year was £31.4m.

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 £58.6 million out of total costs of £140.3 million (2023: £49.6 million out of a total cost of £118.7 million), this is a capitalisation rate of 41.8% (2023: 41.8%).

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments effective

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 in a Sale and Leaseback
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

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

Leases

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

The Group has taken practical expedients as per below:

- For short-term leases (lease term of 12 months or less) and leases of assets less than £5,000 (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 Statement of Profit or Loss.
- Applies the implicit rate in the lease and uses the IBR when this isn't readily available;

The weighted average lessee's incremental borrowing rate is applied to determine the present value of the lease liabilities during the current period was 5.5% in comparison to the incremental borrowing rate used in 2023 of 2.33%.

The Group recognises depreciation of right-of-use assets (within administration expenses) and interest on lease liabilities (within finance costs) in the Statement of Profit and Loss.

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

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

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 which are recognised by the following means:

- Distribution use of system income is recognised on a per unit (volumetric i.e. kWh and capacity (kVA)) and fixed (per 'customer' per day) basis;
- Work for related parties relates to revenue generated from services provided to related parties within the Northern Powergrid Holdings group;
- 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 provision income is accounted for under lease accounting;
- Intercompany recharges for services provided are based on costs incurred; 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.

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.

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Fee arrangements

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

- For regulated 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 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.

Other performance obligations include but are not limited to:

- Provision of vehicles over a specified period accounted for under lease accounting; and
- Passage of milestones and completion of installation of equipment for engineering contracting.

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

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.

Investments in subsidiaries

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for 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 applies the simplified model for the calculation of expected credit losses which may result in a provision for impairment.

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.

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Trade payables

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

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

Borrowings

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

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

Intercompany Short-term loans (Current Accounts)

The Northern Powergrid group operates a central treasury function operated through its subsidiary Yorkshire Electricity Group plc. As a result, every company within the Northern Powergrid group has a relationship with Yorkshire Electricity Group plc as either an intercompany debtor or creditor.

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

Monthly interest is applied to an intercompany creditor balance on the last day of the preceding month at the aggregate of the compounded reference rate (currently SONIA) and the margin (currently 20bps) applicable under the most recent revolving facility agreement to which Northern Powergrid Holdings Company is a party.

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

Provisions

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

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

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Impairment of non-financial assets

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

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

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

Share capital

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

Dividends

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

Defined benefit pension obligation

The net funded position of the defined benefit pension scheme is recognised in the Company in accordance with IAS 19 Employee Benefits. Individual companies whose employees participate in the scheme account for their contribution to the scheme. The company accounts for the difference between defined pension costs calculated in accordance with IAS19 and contributions paid by the individual companies.

Tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Any such reduction is reversed when the probability of future taxable profits improves.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2024.

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

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.

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

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

Classification and measurement

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

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

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

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

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

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

Financial assets at amortised cost

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

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

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

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

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.

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.

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.

Financial liabilities

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

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Financial liabilities

If the terms of a financial liabilities are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the Group recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Impairment of financial assets

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 company has identified GDP growth in the UK to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes to this.

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 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.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

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 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.

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 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.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

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.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

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, as follows:

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

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 measured 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

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 10 years

Derecognition

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

2 Accounting policies (continued)

Finance income and costs policy

Interest income or expense is recognised using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset to the amortised cost of the financial liability.

Capitalised interest costs are presented within interest paid in the financing activities section of the cash flow statement.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

3 Prior period adjustments

Adopted assets - Adjustment 1

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 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 Income Statement and the Statement of Financial Position.

Pension costs - Adjustment 2

The Financial Statements have been restated to correct the amount of pension costs that have been capitalized in the Group. The defined benefit pension contributions paid by entities in the wider Northern Powergrid Group reduces the defined benefit cost to be recognised by the Group which includes the principal employer of the defined benefit pension scheme. The Group has a policy of capitalising the pension costs of employees where their work is directly attributable to the development of PPE. In previous years, the contributions received by the Group from the wider Northern Powergrid Group entities were reflected in the amounts considered for capitalisation, reducing the amount capitalised. The amount capitalised should have reflected only the IAS 19 pension costs of employees of the Group whose work was directly attributable to the development of PPE. The comparatives have been restated accordingly.

These two matters, which impact the Group only, have been corrected in the Consolidated Income Statement and the Consolidated Statement of Financial Position as shown below:

	2023 (As restated) £'000	Adjustment 1 £'000	Adjustment 2 £'000	2023 (previous) £ 000
Consolidated Income Statement:				
Revenue	(570,538)	(54)	-	(570,484)
Distribution costs	145,263	54	(1,011)	146,220
Taxation	45,143		253	44,890
Profit for the year	<u>135,378</u>		<u>758</u>	<u>134,620</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

3 Prior period adjustments (continued)

Consolidated Statement of Financial Position:	31 Dec 2023 (As restated) £ 000	Adjustment 1 £ 000	Adjustment 2 £ 000	31 Dec 2023 (previous) £ 000
Property, plant and equipment	3,186,730	4,847	18,492	3,163,391
Deferred revenue non-current	(672,734)	(4,667)	-	(668,067)
Deferred revenue current	(30,219)	(180)	-	(30,039)
Deferred tax	(165,505)	-	(4,623)	(160,882)
Retained earnings	<u>(1,237,104)</u>	<u>-</u>	<u>(13,869)</u>	<u>(1,223,235)</u>
	<u>1,081,168</u>	<u>-</u>	<u>-</u>	<u>1,081,168</u>

	1 Jan 2023 (As restated) £ 000	Adjustment 1 £ 000	Adjustment 2 £ 000	1 Jan 2023 (previous) £ 000
Property, plant and equipment	3,079,086	2,406	17,481	3,059,199
Deferred revenue non-current	(654,829)	(2,353)	-	(652,476)
Deferred revenue current	(29,379)	(53)	-	(29,326)
Deferred tax	(167,588)	-	(4,370)	(163,218)
Retained earnings	<u>(1,157,721)</u>	<u>-</u>	<u>(13,111)</u>	<u>(1,144,610)</u>
	<u>1,069,569</u>	<u>-</u>	<u>-</u>	<u>1,069,569</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

3 Prior period adjustments (continued)

Restatement of Cash Flow Statement

During the current year, the Group reflected on the presentation of cash inflows and outflows in the cash flow statement. In the prior year the cash flow statement showed cash flows flowing through the Group's bank accounts together with transactions made by other entities within the wider Northern Powergrid Group on the Group's behalf and recorded in the inter-company current account. The Group's cash flow statement should have only shown the cash flows flowing through the Group's bank accounts. The comparatives have been restated accordingly.

The prior year cash flow statement was presented using the indirect method, which reconciled profit before tax to net cash flows from operating activities by adjusting for non-cash items and changes in working capital. The restatement involves presenting cash flows from operating activities using the direct method, which shows major classes of gross cash receipts and gross cash payments relating to the Group.

The impact on the operating, investing and financing cash flows is as follows:

Consolidated Cash Flow Statement:	2023 (As restated) £'000	2023 (Previous) £'000	Difference £ 000
Operating	368,672	367,393	1,279
Investing	(285,158)	(242,911)	(42,247)
Financing	<u>(82,193)</u>	<u>(378,383)</u>	<u>296,190</u>
Net cash flow	<u><u>1,321</u></u>	<u><u>(253,901)</u></u>	<u><u>255,222</u></u>

The reason for all changes relates to amounts paid for or received by other entities within the wider Northern Powergrid Group on the Group's behalf. These are settled through the intercompany current account mechanism which was previously included as a cash equivalent. Non-cash investing and financing activities were previously disclosed in the Statement of Cash Flows, these are now disclosed in Note 31, which includes non-cash settlements of intercompany interest and dividends. These changes also impact the Net Debt Reconciliation in Note 26.

Linked to the above, the intercompany current account of £255.2 million was previously disclosed as cash equivalents as at 31st December 2022. This should have been presented as a receivable and this has been restated accordingly. Trade and other receivables of £94.3 million have been restated to £349.5 million and cash of £268.6 million has been restated to £13.4 million.

Related Parties

During the preparation of the current year's financial statements, it was identified that certain related party balances were either inaccurate or omitted from the prior year's related party note. These have been corrected in the current year's Statutory Accounts. This restatement has no impact on the primary financial statements. More details can be found in the Related party transactions note (Note 30).

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

4 Revenue & Segmental Analysis

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

	(As restated)	
	2024	2023
	£ 000	£ 000
Distribution revenue	470,438	370,379
Work for related parties	34,002	34,928
Connections revenue	31,355	30,017
Contracting revenue	40,851	41,445
Meter asset rental	90,723	89,679
Other revenue	3,319	4,090
	<u>670,688</u>	<u>570,538</u>

Work for related parties which was reported within distribution revenue in the comparative year has now been presented in a separate line to be consistent with the current year.

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

Connection revenue is recognised over the life of the corresponding item of property, plant and equipment against which the contribution was received.

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

The tables below represent the internal information provided to the President and Chief Executive Officer of the Group who is the Chief Operating Decision Maker for the purposes of resource allocation and segmental performance appraisal. The Group operates in three principal areas of activity, those of the distribution of electricity, engineering contracting, and smart meter rental in the United Kingdom.

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.

The Group is separated into the following segments:

Regulated Networks (Distribution): Northern Powergrid (Northeast) plc

Contracting: Integrated Utility Services Limited

Metering: Northern Powergrid Metering Limited

Other: Includes intercompany recharges for services provided

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

4 Revenue & Segmental Analysis (continued)

	Distribution	Contracting	Metering	Other¹¹	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
2024					
Revenue	535,795	40,851	90,723	3,319	670,688
Inter-segment sales	388	7,475	-	(7,863)	-
Total revenue	<u>536,183</u>	<u>48,326</u>	<u>90,723</u>	<u>(4,544)</u>	<u>670,688</u>
Operating profit	<u>264,146</u>	<u>2,427</u>	<u>38,711</u>	<u>9,213</u>	<u>314,497</u>
Other gains					456
Finance costs					(54,243)
Finance income					<u>20,537</u>
Profit before tax					<u>281,247</u>
Capital additions	242,231	58	40,301	8,796	291,386
Depreciation and amortisation	<u>109,430</u>	<u>336</u>	<u>49,972</u>	<u>8,553</u>	<u>168,291</u>
Segment assets	<u>3,210,680</u>	<u>15,773</u>	<u>297,052</u>	<u>242,813</u>	<u>3,766,318</u>
Unallocated corporate assets					<u>4,514</u>
Total assets					<u>3,770,832</u>
Segment liabilities	<u>(818,931)</u>	<u>(9,684)</u>	<u>(163,259)</u>	<u>(99,936)</u>	<u>(1,091,810)</u>
Unallocated corporate liabilities					<u>(1,276,326)</u>
Total liabilities					<u>(2,368,136)</u>
Segment net assets	<u>2,391,749</u>	<u>6,089</u>	<u>133,793</u>	<u>142,877</u>	<u>2,674,508</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

4 Revenue & Segmental Analysis (continued)

Unallocated net corporate liabilities	<u>(1,271,812)</u>
Total net assets	<u><u>1,402,696</u></u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

4 Revenue & Segmental Analysis (continued)

(Restated)	Distribution	Contracting	Metering	Other¹¹	Total
2023	£ 000	£ 000	£ 000	£ 000	£ 000
Revenue*	435,324	41,445	89,679	4,090	570,538
Inter-segment sales	416	6,649	-	(7,065)	-
Total revenue	<u>435,740</u>	<u>48,094</u>	<u>89,679</u>	<u>(2,975)</u>	<u>570,538</u>
Operating profit	<u>166,056</u>	<u>2,103</u>	<u>37,760</u>	<u>10,276</u>	<u>216,195</u>
Other gains					1,538
Finance costs					(53,916)
Finance income					16,704
Profit before tax					<u>180,521</u>
Capital additions*	204,630	507	65,772	(965)	269,944
Depreciation and amortisation*	<u>116,985</u>	<u>687</u>	<u>52,059</u>	<u>(7,313)</u>	<u>162,418</u>
Segment assets	<u>2,810,945</u>	<u>14,693</u>	<u>310,076</u>	<u>432,693</u>	<u>3,568,407</u>
Unallocated corporate assets					248,210
Total assets					<u>3,816,617</u>
Segment liabilities	<u>(554,741)</u>	<u>(8,771)</u>	<u>(193,820)</u>	<u>(322,568)</u>	<u>(1,079,900)</u>
Unallocated corporate liabilities					(1,251,488)
Total liabilities					<u>(2,331,388)</u>
Segment net assets	<u>2,256,204</u>	<u>5,922</u>	<u>116,256</u>	<u>110,124</u>	<u>2,488,506</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

4 Revenue & Segmental Analysis (continued)

Unallocated net corporate liabilities	<u>(1,003,277)</u>
Total net assets	<u><u>1,485,229</u></u>

[1]: Included in Other are the Company and consolidation adjustment balances.

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

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:

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	<u>(82,280)</u>	<u>(49,821)</u>
	<u><u>10,286</u></u>	<u><u>7,052</u></u>

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

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

5 Finance income and costs

	2024	2023
	£ 000	£ 000
Finance income		
Other finance income	20,537	16,704
Finance costs		
Interest on borrowings at amortised cost	(54,560)	(54,003)
Interest expense on leases	(440)	(316)
Borrowing costs included in cost of qualifying asset	757	403
Total finance costs	<u>(54,243)</u>	<u>(53,916)</u>
Net finance costs	<u>(33,706)</u>	<u>(37,212)</u>

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.23% (2023: 3.02%) to expenditure on such assets.

6 Staff costs

	2024	2023
Group	£ 000	£ 000
Salaries	88,384	74,948
Social security costs	10,625	9,031
Defined benefit pension (credit)/cost	(4,160)	230
Defined contribution pension cost	7,731	5,999
	<u>102,580</u>	<u>90,208</u>
Less capitalised to property plant and equipment	<u>(52,510)</u>	<u>(49,029)</u>
	<u>50,070</u>	<u>41,179</u>

A proportion of the Group's employees are members of the DB Scheme, details of which are given in the Employee Benefit Obligations Note 24.

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

	2024	2023
	No.	No.
Distribution	1,451	1,344
Engineering contracting	175	165
Other	13	13
	<u>1,639</u>	<u>1,522</u>

The Company had an average monthly number of 13 employees during the year ended 31 December 2024 (2023:13).

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2024	2023
	£	£
Highest paid		
Short-term employee benefits	117,907	110,663
Post retirement benefits - defined contribution	4,748	3,488
Other long-term benefits	-	33,953
	<u>122,655</u>	<u>148,104</u>
Total		
Short-term employee benefits	273,558	185,594
Post retirement benefits - defined benefit	13,674	29,744
Post retirement benefits - defined contribution	12,101	3,488
Other long-term benefits	16,500	44,613
	<u>315,833</u>	<u>263,439</u>
Post retirement benefits		
No. of Directors who were members of a defined contribution scheme in the year	<u>2</u>	<u>1</u>
No. of Directors who were members of a defined benefit scheme in the year	<u>1</u>	<u>1</u>
	2024	2023
	£	£
Key personnel remuneration		
Short-term employee benefits	1,325,119	1,206,990
Post retirement benefits - defined benefit	26,050	-
Post retirement benefits - defined contribution	115,373	129,883
Other long-term benefits	50,000	460,360
	<u>1,516,542</u>	<u>1,797,233</u>
	2024	2023
	£	£
Total directors and key personnel:		
Short-term employee benefits	1,598,677	1,392,584
Post retirement benefits - defined benefit	39,724	29,744
Post retirement benefits - defined contribution	127,474	133,371
Other long-term benefits	66,500	504,973
	<u>1,832,375</u>	<u>2,060,672</u>

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. The total director and key personnel remuneration for the year amounts £1.8m (2023: £2.1m).

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

8 Auditor's remuneration

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

	2024	2023
	£ 000	£ 000
Fees payable to the auditor for audit of the Company's annual accounts	50	71
Fees payable to the auditor for audit of the Company's subsidiaries pursuant to legislation	303	368
Total audit fees	353	439
Audit of regulatory reporting	-	69
Other services	-	7
Total auditor's remuneration	<u>353</u>	<u>515</u>

Other services relate to non-statutory audit services of the pension schemes.

9 Income tax

Tax charged in the income statement

	2024	(As restated)
	£ 000	2023
		£ 000
Current taxation		
UK corporation tax	65,132	43,247
UK corporation tax adjustment to prior periods	(2,406)	(1,333)
	<u>62,726</u>	<u>41,914</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	8,560	3,240
Deferred tax expense/(credit) from unrecognised temporary difference from prior period	2,243	(380)
Deferred tax credit relating to changes in tax rates or laws	-	369
Total deferred taxation	<u>10,803</u>	<u>3,229</u>
Tax expense in the income statement	<u>73,529</u>	<u>45,143</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

9 Income tax (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2023: higher) than the standard rate of corporation tax in the UK of 25% (2023 - 23.5%)

The differences are reconciled below:

	2024	2023
	£ 000	£ 000
Profit before tax	<u>281,247</u>	<u>180,521</u>
Corporation tax at standard rate	70,312	42,459
Increase in deferred tax due to changes in tax rates or laws	-	369
Tax effect of result of joint venture entities	(193)	(54)
Decrease in current tax from adjustment for prior periods	(2,406)	(1,333)
Permanent differences (including non-taxable dividends)	(1,262)	(929)
Pension contributions recognised in other comprehensive income	2,200	2,655
Increase/(decrease) in deferred tax from adjustment for prior periods	2,243	(380)
Non-deductible interest	2,250	2,117
Other tax effects for reconciliation between accounting profit and tax expense/(income)	<u>385</u>	<u>239</u>
Total tax charge	<u><u>73,529</u></u>	<u><u>45,143</u></u>

Finance Act 2024 confirmed that the corporation tax rate will remain at 25% from 1 April 2023 as previously enacted. Deferred tax balances are therefore measured at 25% at 31 December 2024 (after taking into account the estimated effect of timing differences which will reverse at the 19% rate prior to 1 April 2023).

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

Amounts recognised in other comprehensive income

	2024		
	Before tax	Tax (expense)	Net of tax
	£ 000	benefit	£ 000
	£ 000	£ 000	£ 000
Loss on cash flow hedges	(1,369)	342	(1,027)
Remeasurement of post employment benefit obligations	<u>(18,700)</u>	<u>6,875</u>	<u>(11,825)</u>
	<u><u>(20,069)</u></u>	<u><u>7,217</u></u>	<u><u>(12,852)</u></u>
	2023		
	Before tax	Tax (expense)	Net of tax
	£ 000	benefit	£ 000
	£ 000	£ 000	£ 000
Loss on cash flow hedges	(7,015)	1,754	(5,261)
Remeasurement of post employment benefit obligations	<u>(14,200)</u>	<u>6,205</u>	<u>(7,995)</u>
	<u><u>(21,215)</u></u>	<u><u>7,959</u></u>	<u><u>(13,256)</u></u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

9 Income tax (continued)

Deferred tax

Group

Deferred tax movement during the year:

	(As restated) At 1 January 2024 £ 000	Reclassification £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000
Accelerated tax depreciation	132,530	(6,061)	8,207	-
Pension benefit obligations	30,929	6,061	2,115	(4,675)
Other items	2,043	-	481	(342)
Holdover relief	3	-	-	-
	<u>165,505</u>	<u>-</u>	<u>10,803</u>	<u>(5,017)</u>
				At 31 December 2024 £ 000
Accelerated tax depreciation				134,676
Pension benefit obligations				34,430
Other items				2,182
Holdover relief				<u>3</u>
				<u>171,291</u>

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.

	(As restated) At 1 January 2023 £ 000	(As restated) Recognised in income £ 000	Recognised in other comprehensive income £ 000	(As restated) At 31 December 2023 £ 000
Accelerated tax depreciation	131,624	906	-	132,530
Pension benefit obligations	32,104	2,383	(3,558)	30,929
Other items	3,835	(38)	(1,754)	2,043
Holdover relief	25	(23)	-	3
	<u>167,588</u>	<u>3,228</u>	<u>(5,312)</u>	<u>165,505</u>

The other items of £2.2m (2023: £2.0m liability) 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 pension costs on the movement in retirement benefit obligation/asset. A proportion of the movement has been capitalised in property, plant and equipment.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

9 Income tax (continued)

Company

Deferred tax movement during the year:

	At 1 January 2024 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2024 £ 000
Accelerated tax depreciation	(7)	2	-	(5)
Pension benefit obligations	<u>36,809</u>	<u>2,228</u>	<u>(4,675)</u>	<u>34,362</u>
	<u>36,802</u>	<u>2,230</u>	<u>(4,675)</u>	<u>34,357</u>

Deferred tax movement during the prior year:

	At 1 January 2023 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2023 £ 000
Accelerated tax depreciation	(8)	1	-	(7)
Pension benefit obligations	<u>37,361</u>	<u>2,998</u>	<u>(3,550)</u>	<u>36,809</u>
	<u>37,353</u>	<u>2,999</u>	<u>(3,550)</u>	<u>36,802</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

10 Property, plant and equipment

Group

	Land and buildings £ 000	(Restated) Distribution system £ 000	Metering equipment £ 000	Furniture, fittings and equipment £ 000
Cost or valuation				
At 1 January 2023	6,534	4,087,729	507,083	90,108
Prior period adjustment	-	25,343	-	-
At 1 January 2023 (restated)	6,534	4,113,072	507,083	90,108
Additions (restated)	-	189,669	65,772	4,074
Disposals	-	(8,184)	(25,530)	(116)
As at 31 December 2023 (restated)	<u>6,534</u>	<u>4,294,557</u>	<u>547,325</u>	<u>94,066</u>
At 1 January 2024	6,534	4,294,557	547,325	94,066
Additions	-	228,463	40,301	7,419
Disposals	-	(10,221)	(11,293)	-
At 31 December 2024	<u>6,534</u>	<u>4,512,799</u>	<u>576,333</u>	<u>101,485</u>
Depreciation				
At 1 January 2023	6,534	1,295,557	249,314	80,850
Prior period adjustment	-	5,456	-	-
At 1 January 2023 (restated)	6,534	1,301,013	249,314	80,850
Charge for year (restated)	-	95,554	52,027	3,328
Eliminated on disposal	-	(8,184)	(24,567)	(116)
As at 31 December 2023 (restated)	<u>6,534</u>	<u>1,388,383</u>	<u>276,774</u>	<u>84,062</u>
At 1 January 2024	6,534	1,388,381	276,774	84,062
Charge for the year	-	99,393	49,967	3,722
Eliminated on disposal	-	(10,221)	(11,248)	-
At 31 December 2024	<u>6,534</u>	<u>1,477,553</u>	<u>315,493</u>	<u>87,784</u>
Carrying amount				
At 1 January 2023	<u>-</u>	<u>2,812,059</u>	<u>257,769</u>	<u>9,258</u>
At 31 December 2023	<u>-</u>	<u>2,906,174</u>	<u>270,551</u>	<u>10,004</u>
At 31 December 2024	<u>-</u>	<u>3,035,246</u>	<u>260,840</u>	<u>13,701</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

10 Property, plant and equipment (continued)	(Restated)
	Total £ 000
Cost or valuation	
At 1 January 2023	4,691,454
Prior period adjustment	<u>25,343</u>
At 1 January 2023 (restated)	4,716,797
Additions (restated)	259,515
Disposals	<u>(33,830)</u>
As at 31 December 2023 (restated)	<u><u>4,942,482</u></u>
At 1 January 2024	4,942,482
Additions	276,183
Disposals	<u>(21,514)</u>
At 31 December 2024	<u>5,197,151</u>
Depreciation	
At 1 January 2023	1,632,255
Prior period adjustment	<u>5,456</u>
At 1 January 2023 (restated)	1,637,711
Charge for year (restated)	150,909
Eliminated on disposal	<u>(32,867)</u>
As at 31 December 2023 (restated)	<u><u>1,755,753</u></u>
At 1 January 2024	1,755,751
Charge for the year	153,082
Eliminated on disposal	<u>(21,469)</u>
At 31 December 2024	<u>1,887,364</u>
Carrying amount	
At 1 January 2023	<u>3,079,086</u>
At 31 December 2023	<u>3,186,729</u>
At 31 December 2024	<u><u>3,309,787</u></u>

For more information on the prior year restatements, please refer to Note 3.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

10 Property, plant and equipment (continued)

Expenditure recognised in the carrying amount of property, plant and equipment in the course of construction was as follows:

	31 December 2024 £ 000	31 December 2023 £ 000
Distribution system	<u>187,867</u>	<u>184,298</u>

Contractual commitments for the acquisition of property, plant and equipment were as follows:

	31 December 2024 £ 000	31 December 2023 £ 000
Distribution system	<u>35,543</u>	<u>33,834</u>

Company

	Land and buildings £ 000	Distribution system land £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation				
At 1 January 2024	<u>280</u>	<u>1,259</u>	<u>3,634</u>	<u>5,173</u>
At 31 December 2024	<u>280</u>	<u>1,259</u>	<u>3,634</u>	<u>5,173</u>
Depreciation				
At 1 January 2024	84	-	3,548	3,632
Charge for the year	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
At 31 December 2024	<u>91</u>	<u>-</u>	<u>3,548</u>	<u>3,639</u>
Carrying amount				
At 31 December 2024	<u>189</u>	<u>1,259</u>	<u>86</u>	<u>1,534</u>
At 1 January 2023	<u>203</u>	<u>1,259</u>	<u>86</u>	<u>1,548</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

11 Right of use assets

Group

	Fleet £ 000	Property £ 000	Land £ 000	Total £ 000
Cost or valuation				
At 1 January 2023	16,676	4,019	1,923	22,618
Additions	1,967	-	-	1,967
Disposals	<u>(1,026)</u>	<u>(181)</u>	<u>-</u>	<u>(1,207)</u>
At 31 December 2023	<u>17,617</u>	<u>3,838</u>	<u>1,923</u>	<u>23,378</u>
At 1 January 2024	17,617	3,838	1,923	23,378
Additions	2,623	1,744	-	4,367
Disposals	<u>(2,400)</u>	<u>(435)</u>	<u>-</u>	<u>(2,835)</u>
At 31 December 2024	<u>17,840</u>	<u>5,147</u>	<u>1,923</u>	<u>24,910</u>
Depreciation				
At 1 January 2023	8,011	1,688	155	9,854
Charge for year	2,911	527	64	3,502
Eliminated on disposal	<u>(1,026)</u>	<u>(181)</u>	<u>-</u>	<u>(1,207)</u>
At 31 December 2023	<u>9,896</u>	<u>2,034</u>	<u>219</u>	<u>12,149</u>
At 1 January 2024	9,896	2,034	219	12,149
Charge for the year	2,926	593	64	3,583
Eliminated on disposal	<u>(2,400)</u>	<u>(435)</u>	<u>-</u>	<u>(2,835)</u>
At 31 December 2024	<u>10,422</u>	<u>2,192</u>	<u>283</u>	<u>12,897</u>
Carrying amount				
At 31 December 2024	<u>7,418</u>	<u>2,955</u>	<u>1,640</u>	<u>12,013</u>
At 31 December 2023	<u>7,721</u>	<u>1,804</u>	<u>1,704</u>	<u>11,229</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

11 Right of use assets (continued)

Company

	Property £ 000	Total £ 000
Cost or valuation		
At 1 January 2023	1,366	1,366
At 31 December 2023	1,366	1,366
At 1 January 2024	1,366	1,366
At 31 December 2024	1,366	1,366
Depreciation		
At 1 January 2023	350	350
Charge for year	137	137
At 31 December 2023	487	487
At 1 January 2024	487	487
Charge for the year	137	137
At 31 December 2024	624	624
Carrying amount		
At 31 December 2024	742	742
At 31 December 2023	879	879

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

12 Intangible assets

Group

	Software development £ 000	Total £ 000
Cost or valuation		
At 1 January 2023	149,597	149,597
Additions	14,444	14,444
At 31 December 2023	<u>164,041</u>	<u>164,041</u>
At 1 January 2024	164,041	164,041
Additions	15,203	15,203
At 31 December 2024	<u>179,244</u>	<u>179,244</u>
Amortisation		
At 1 January 2023	102,240	102,240
Amortisation charge	11,195	11,195
At 31 December 2023	<u>113,435</u>	<u>113,435</u>
At 1 January 2024	113,435	113,435
Amortisation charge	11,509	11,509
At 31 December 2024	<u>124,944</u>	<u>124,944</u>
Carrying amount		
At 31 December 2024	<u>54,300</u>	<u>54,300</u>
At 31 December 2023	<u>50,606</u>	<u>50,606</u>

As at year-end, the amount of contractual commitments for the acquisition of intangible assets amounted to £5.2 million (2023: £4.1m).

The majority of the costs classified under intangible assets relate to the development and implementation of IT software systems. These systems are integral to the Company's operations, enhancing efficiency and supporting the management of our energy distribution network.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

13 Investments

	Investment in joint ventures £ 000	Share in other undertakings £ 000	Total £ 000
At 1 January 2023	3,961	21	3,982
Profit from investments	266	-	266
Dividends paid by investments	<u>(615)</u>	<u>-</u>	<u>(615)</u>
At 31 December 2023	3,612	21	3,633
Profit from investments	739	-	739
Dividends paid by investments	<u>(1,083)</u>	<u>-</u>	<u>(1,083)</u>
At 31 December 2024	<u><u>3,268</u></u>	<u><u>21</u></u>	<u><u>3,289</u></u>

More information on the joint venture can be found on page 97.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

13 Investments (continued)

Summary of the Company investments

	31 December	31 December
	2024	2023
	£ 000	£ 000
Investments in subsidiaries	<u>242,903</u>	<u>242,902</u>

Group subsidiaries

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

13 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held	
			2024	2023
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	England and Wales	100%	100%
IUS Limited	Dormant	England and Wales	100%	100%
Midlands PowerGrid Limited	Dormant	England and Wales	100%	100%
NEDL Limited	Dormant	England and Wales	100%	100%
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 Properties Limited (02522939)*	Property holdings & 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 Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

13 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held	
			2024	2023
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%
Northern Energy Funding Company Limited	Dormant	England and Wales	100%	100%
Northern Powergrid Metering Limited	Meter asset provider	England and Wales	100%	100%
Northern Powergrid (Northeast) plc	Distribution of electricity	England and Wales	100%	100%
Northern Powergrid (North West) Limited	Dormant	England and Wales	100%	100%
Northern Power Networks Company (North East) Limited	Dormant	England and Wales	100%	100%
Northern Power Networks Company (Yorkshire) Limited	Dormant	England and Wales	100%	100%
Northern Power Networks Company Limited	Dormant	England and Wales	100%	100%
Northern Transport Finance Limited	Car finance company	England and Wales	100%	100%
Northern Utility Services Limited	Dormant	England and Wales	100%	100%
PowerGrid (Central) Limited	Dormant	England and Wales	100%	100%
PowerGrid (East) Limited	Dormant	England and Wales	100%	100%

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

13 Investments (continued)

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

13 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held	
			2024	2023
South PowerGrid Limited	Dormant	England and Wales	100%	100%
South West PowerGrid Limited	Dormant	England and Wales	100%	100%
South Western Powergrid	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 PowerGrid Limited	Dormant	England and Wales	100%	100%
Northern Electric Finance plc**	Finance company	England and Wales	100%	100%

*These companies have taken advantage of s479A Companies Act exemption from audit.

**These companies are indirectly owned subsidiaries, with the rest of the above being directly owned.

All dormant companies have taken advantage of s480 (dormant entities) exemption from audit.

The class of shares related to the above companies are ordinary shares.

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 Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

13 Investments (continued)

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	and 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 related to the joint ventures above are ordinary shares.

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

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

	31 December 2024 £ 000	31 December 2023 £ 000
Current assets	31,231	27,878
Non-current assets	9,497	9,475
Current liabilities	(14,690)	(12,501)
Non-current liabilities	(19,506)	(17,699)
Net assets	<u>6,532</u>	<u>7,152</u>
Group's share of net assets	<u>3,268</u>	<u>3,576</u>
Revenue	<u>20,453</u>	<u>19,512</u>
Profit for the year	<u>1,478</u>	<u>532</u>
Groups share of profit for the year	<u>739</u>	<u>266</u>

14 Inventories

	Group (As restated)		Company	
	31 December 2024 £ 000	31 December 2023 £ 000	31 December 2024 £ 000	31 December 2023 £ 000
Raw materials and consumables	28,536	28,662	-	-
Work in progress	-	607	-	-
Vehicle inventory	852	635	-	-
	<u>29,388</u>	<u>29,904</u>	<u>-</u>	<u>-</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

14 Inventories (continued)

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.

15 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*	75,264	59,298	-	-
Trade receivables	23,067	30,552	67	50
Lease receivable	3,934	3,858	-	-
Loss allowance	<u>(5,458)</u>	<u>(8,150)</u>	<u>-</u>	<u>-</u>
Net trade receivables	96,807	85,558	67	50
Receivables from related parties	68,769	242,733	70,998	9,876
Social security and other taxes	-	-	443	1,199
Prepayments	7,594	7,934	235	291
Other receivables	<u>5,084</u>	<u>6,723</u>	<u>-</u>	<u>-</u>
	178,254	342,948	71,743	11,416
Non-current lease receivables	<u>8,052</u>	<u>6,463</u>	<u>-</u>	<u>-</u>
	<u><u>186,306</u></u>	<u><u>349,411</u></u>	<u><u>71,743</u></u>	<u><u>11,416</u></u>

* All accrued income relates to distribution revenue.

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

Within Distribution use of system receivables and accrued income above is £43.7m of distribution accrued income (2023: £32.4m).

More information on receivables from related parties can be found within Note 2 and Note 30.

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.

As the Company'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:

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

15 Trade and other receivables (continued)

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

	31 December	31 December
	2024	2023
	£ 000	£ 000
At 1 January	8,150	9,579
Amounts utilised/written off in the year	(3,542)	(2,561)
Amounts recognised in the income statement	850	1,132
At 31 December	<u>5,458</u>	<u>8,150</u>

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

15 Trade and other receivables (continued)

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 Company 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 Company'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.

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 16.2% of distribution revenues in 2024 (2023: 18.1%) and British Gas plc accounting for approximately 13.5% of distribution revenues in 2024 (2023: 14.5%). 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 best practice guidelines and can demonstrate compliance with the guidelines or is able to satisfactorily explain departure from the guidelines, any losses arising from supplier default will be recovered through an increase in future 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).

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

15 Trade and other receivables (continued)

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.

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.

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

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

15 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 10. 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
	<u>469,292</u>	<u>499,708</u>

The Group's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in Note 28 "Financial risk review".

16 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	2,240	810	-	-
Other cash and cash equivalents	11,200	13,950	-	-
	<u>13,440</u>	<u>14,760</u>	<u>-</u>	<u>-</u>

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

17 Share capital

Allotted, issued, and fully paid:

The Company has one class of ordinary shares which carries no right to fixed income. Details of cumulative non-equity preference shares are contained in the borrowings Note 19.

	Share value	No. of shares	2024 £ 000	2023 £ 000
Ordinary shares	56 12/13p	127,689,809	72,173	72,173

18 Reserves

Group

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

	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
Loss on cash flow hedge (net)	(1,027)	-	(1,027)
Remeasurements of post employment benefit obligations (net)	-	(11,825)	(11,825)
	<u>(1,027)</u>	<u>(11,825)</u>	<u>(12,852)</u>

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

Prior period

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

	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
Loss on cash flow hedge (net)	(5,261)	-	(5,261)
Remeasurements of post employment benefit obligations	-	(7,995)	(7,995)
	<u>(5,261)</u>	<u>(7,995)</u>	<u>(13,256)</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

18 Reserves (continued)

Company

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

	Retained earnings £ 000	Total £ 000
Remeasurements of post employment benefit obligations	<u>(14,025)</u>	<u>(14,025)</u>

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

	Retained earnings £ 000	Total £ 000
Remeasurements of post employment benefit obligations	<u>(10,650)</u>	<u>(10,650)</u>

19 Loans and borrowings

	Group		Company	
	2024 £ 000	2023 £ 000	2024 £ 000	2023 £ 000
Non-current loans and borrowings	1,119,735	1,153,068	1,117	1,117
Current loans and borrowings	<u>134,746</u>	<u>135,284</u>	<u>7,005</u>	<u>6,368</u>
	<u>1,254,481</u>	<u>1,288,352</u>	<u>8,122</u>	<u>7,485</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

19 Loans and borrowings (continued)

Group

	Carrying value		Fair value	
	2024	2023	2024	2023
	£ 000	£ 000	£ 000	£ 000
Short-term loans	79,260	72,883	79,260	72,883
Amortising loan 2026 - 2.3012%*	94,920	135,502	96,117	137,476
Bond 2035 - 5.125%	153,647	153,550	150,467	158,526
Bond 2049- 2.75%	150,225	150,161	92,098	106,192
Bond 2052 - 3.25%	355,096	355,018	233,823	272,362
Bond 2062 - 1.875%	297,837	297,742	132,772	159,538
European Investment Bank 2027 - 2.564%	120,128	120,128	111,524	111,677
Cumulative preference shares	3,368	3,368	140,153	133,454
	<u>1,254,481</u>	<u>1,288,352</u>	<u>1,036,214</u>	<u>1,152,108</u>

The group's exposure to market and liquidity risks, including maturity analysis, relating to loans and borrowings is disclosed in Note 28 "Financial risk review".

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%

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

Company

	Carrying value		Fair value	
	2024	2023	2024	2023
	£ 000	£ 000	£ 000	£ 000
Short-term loans	3,968	5,580	3,968	4,118
Cumulative preference shares	3,368	3,368	140,153	133,454
	<u>7,336</u>	<u>8,948</u>	<u>144,121</u>	<u>137,572</u>

Of the total financial liabilities of £1,254.5 million, £1,175.2 million (2023: £1,215.5 million) relates to external borrowings and preference shares (111,662,378 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:

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

19 Loans and borrowings (continued)

- 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.

20 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 50 years.

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

	31 December 2024	31 December 2023
	£ 000	£ 000
Within one year	3,285	3,524
In two to five years	7,870	6,996
In over five years	3,504	2,381
Total lease payment	<u>14,659</u>	<u>12,901</u>
Unearned interest	<u>(2,085)</u>	<u>(1,275)</u>
Total lease liability	<u>12,574</u>	<u>11,626</u>

The discounted amount due within one year totalled £3,231k (2023: £3,231k).

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

20 Obligations under leases (continued)

Company

Lease Liability

The Company holds one single lease relating to the main office building within Newcastle upon Tyne.

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

	31 December 2024 £ 000	31 December 2023 £ 000
Within one year	172	86
In two to five years	687	687
In over five years	48	219
Total lease payment	<u>907</u>	<u>992</u>
Unearned interest	<u>(57)</u>	<u>(78)</u>
Total lease liability	<u>850</u>	<u>914</u>

21 Provisions

Group

	Legal proceedings £ 000	Other £ 000	Total £ 000
At 1 January 2024	1,001	3,339	4,340
Additional provisions	1,676	325	2,001
Provisions used	<u>(1,684)</u>	<u>(1,273)</u>	<u>(2,957)</u>
At 31 December 2024	<u>993</u>	<u>2,391</u>	<u>3,384</u>
Non-current liabilities	<u>-</u>	<u>983</u>	<u>983</u>
Current liabilities	<u>992</u>	<u>1,408</u>	<u>2,400</u>

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.

The provisions are not discounted on the grounds of materiality. The impact of discounting is immaterial to the financial statements, as the effect on the present value of the provision is not significant enough to influence the economic decisions of users of the financial statements. Therefore, the provisions are presented at their nominal value.

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 EATL is £0.2m (2023: £0.3m).

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

21 Provisions (continued)

Company

	Other provisions £ 000	Total £ 000
At 1 January 2024	1,271	1,271
Additional provisions	56	56
Provisions used	<u>(344)</u>	<u>(344)</u>
At 31 December 2024	<u>983</u>	<u>983</u>

The Company's provisions relate to the actuarial assessment of the costs of unfunded pension arrangements in respect of former employees. This is expected to be realised over the next 20 years.

Also included above 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 EATL is £0.2m (2023: £0.3m).

22 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	71,329	68,670	-	-
Trade payables	16,231	4,842	1,795	2,242
Accrued expenses	38,721	49,027	2,909	3,991
Amounts due to related parties	30,200	-	30,200	-
Social security and other taxes	12,925	5,334	116	143
Other payables	<u>19,203</u>	<u>27,896</u>	<u>834</u>	<u>189</u>
	<u>188,609</u>	<u>155,769</u>	<u>35,854</u>	<u>6,565</u>
Non-current liabilities				
Payments on account	<u>6,549</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-current liabilities	<u>6,549</u>	<u>-</u>	<u>-</u>	<u>-</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

22 Trade and other payables (continued)

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 £10.5m (2023:£8.8m). 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, £3.9m has been classified as current and £6.6m 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 £1.5m (2023:£0.5m).

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 29.

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.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

23 Contract Liabilities (Deferred Revenue)

	(As restated)	
	31 December	31 December
Group	2024	2023
	£ 000	£ 000
Opening balance	702,953	681,802
Prior year restatement	-	2,406
Revised opening balance	<u>702,953</u>	<u>684,208</u>
Additions (prior year restated)	54,105	48,761
Released to Income Statement (prior year restated)	<u>(31,482)</u>	<u>(30,017)</u>
Closing balance	<u><u>725,576</u></u>	<u><u>702,953</u></u>

	(As restated)	
	31 December	31 December
	2024	2023
	£ 000	£ 000
Current	32,181	30,219
Non-current	<u>693,395</u>	<u>672,734</u>
	<u><u>725,576</u></u>	<u><u>702,953</u></u>

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

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

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

24 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.

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

24 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 £8.4m.

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.

Investment objectives for the DB Scheme

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

24 Pension and other schemes (continued)

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.

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.

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

24 Pension and other schemes (continued)

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:

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

24 Pension and other schemes (continued)

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

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	31 December
	2024	2023
	Years	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	<u>29.30</u>	<u>30.10</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

24 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

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

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
Re-measurement (loss)/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	<u>(2,500)</u>	<u>(1,400)</u>
Fair value at end of year	<u>989,600</u>	<u>1,098,300</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

24 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	31 December	31 December
	2024	2023
	£ 000	£ 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
	<u>989,600</u>	<u>1,098,300</u>

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.

Scheme liabilities

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

	31 December	31 December
	2024	2023
	£ 000	£ 000
Present value at start of year	(949,700)	(965,500)
Current service cost	(4,400)	(5,100)
Actuarial gains/(losses) arising from changes in demographic assumptions	2,700	34,400
Actuarial gains/(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	<u>(850,900)</u>	<u>(949,700)</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

24 Pension and other schemes (continued)

Amounts recognised in the income statement

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

Amounts taken to the Statement of Comprehensive Income

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

Sensitivity analysis

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

	31 December 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	<u>840,800</u>	<u>850,900</u>	<u>861,100</u>	<u>945,000</u>	<u>957,600</u>	<u>970,400</u>
	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	<u>860,700</u>	<u>850,900</u>	<u>845,200</u>	<u>966,700</u>	<u>957,600</u>	<u>946,600</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

24 Pension and other schemes (continued)

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

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.

25 Dividends

	31 December 2024 £ 000	31 December 2023 £ 000
Dividend of £2.17 (2023 - £0.38) per ordinary share	<u>277,400</u>	<u>48,000</u>

26 Net debt reconciliation

Group

	At 1 January 2024 £ 000	Net cash flows £ 000	Other changes £ 000	At 31 December 2024 £ 000
Cash and cash equivalents	14,760	(1,320)	-	13,440
Lease liabilities	(11,626)	3,430	(4,378)	(12,574)
Borrowings	<u>(1,288,352)</u>	<u>35,242</u>	<u>(1,388)</u>	<u>(1,254,498)</u>
	<u>(1,285,218)</u>	<u>37,352</u>	<u>(5,766)</u>	<u>(1,253,632)</u>
	At 1 January 2023 £ 000	(As restated) Net cash flows £ 000	(As restated) Other changes £ 000	At 31 December 2023 £ 000
Cash and cash equivalents	13,439	1,321	-	14,760
Lease liabilities	(13,193)	3,511	(1,944)	(11,626)
Borrowings	<u>(1,318,171)</u>	<u>30,249</u>	<u>(430)</u>	<u>(1,288,352)</u>
	<u>(1,317,925)</u>	<u>35,081</u>	<u>(2,374)</u>	<u>(1,285,218)</u>

Other changes include accrued interest movement and amortisation of borrowings.

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

Interest and preference dividends paid of £48.2 million (2023: £48.1 million) as shown in the Statement of Cash Flows is not shown in the reconciliation above as it is approximately equal to the interest expense.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

27 Classification of financial assets and financial liabilities

Group

The classification of financial assets and financial liabilities by accounting categorisation for the year ended 31 December 2024 was as follows:

	Financial assets at amortised cost £ 000	Financial assets at fair value - hedging instruments £ 000	Financial liabilities at amortised cost £ 000
Non-current assets			
Trade and other receivables	8,052	-	-
Other non-current financial assets (Note 29)	-	8,827	-
	<u>8,052</u>	<u>8,827</u>	<u>-</u>
Current assets			
Trade and other receivables	170,530	-	-
Cash and cash equivalents	13,440	-	-
Other current financial assets (Note 29)	-	4,496	-
	<u>183,970</u>	<u>4,496</u>	<u>-</u>
Total financial assets	<u><u>192,022</u></u>	<u><u>13,323</u></u>	<u><u>-</u></u>
Non-current liabilities			
Long term lease liabilities	-	-	(9,632)
Loans and borrowings	-	-	(1,119,735)
	<u>-</u>	<u>-</u>	<u>(1,129,367)</u>
Current liabilities			
Current portion of long term lease liabilities	-	-	(2,942)
Trade and other payables	-	-	(104,355)
Loans and borrowings	-	-	(134,763)
	<u>-</u>	<u>-</u>	<u>(242,060)</u>
Total financial liabilities	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(1,371,427)</u></u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

27 Classification of financial assets and financial liabilities (continued)

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

	Financial assets at amortised cost £ 000	Financial assets at fair value - hedging instruments £ 000	Financial liabilities at amortised cost £ 000
Assets			
Non-current assets			
Trade and other receivables	6,463	-	-
Other non-current financial assets (Note 29)	-	8,831	-
	<u>6,463</u>	<u>8,831</u>	<u>-</u>
Current assets			
Trade and other receivables	342,948	-	-
Cash and cash equivalents	14,760	-	-
Other current financial assets (Note 29)	-	5,861	-
	<u>357,708</u>	<u>5,861</u>	<u>-</u>
Total financial assets	<u><u>364,171</u></u>	<u><u>14,692</u></u>	<u><u>-</u></u>
Liabilities			
Non-current liabilities			
Long term lease liabilities	-	-	(8,395)
Loans and borrowings	-	-	(1,153,068)
	<u>-</u>	<u>-</u>	<u>(1,161,463)</u>
Current liabilities			
Current portion of long term lease liabilities	-	-	(3,231)
Trade and other payables	-	-	(150,435)
Loans and borrowings	-	-	(135,284)
	<u>-</u>	<u>-</u>	<u>(288,950)</u>
Total financial liabilities	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(1,450,413)</u></u>

Fair values are derived from level 1 inputs.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

28 Financial risk review

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 19 offset by equity of the Company (comprising issued capital, reserves and retained earnings as detailed in Notes 17 and 18).

At 31 December 2024, 98% of the Group's long-term borrowings were at fixed rates (2023: 98%) and the average maturity for these borrowings was 23 years (2023: 23 years).

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 credit risk exposure is shown below:

Group

		Gross carrying amount £ 000	Loss allowance £ 000	Net carrying amount £ 000
2024	Notes			
Trade and other receivables	15	184,171	(5,459)	178,712
Cash and short-term deposits	16	13,440	-	13,440
Contract assets	15	10,286	-	10,286
Other non-current financial assets		8,827	-	8,827
Other current financial assets		4,496	-	4,496
		<u>221,220</u>	<u>(5,459)</u>	<u>215,761</u>
		Gross carrying amount £ 000	Loss allowance £ 000	Net carrying amount £ 000
2023	Notes			
Trade and other receivables	15	357,561	(8,150)	349,411
Cash and short-term deposits	16	14,760	-	14,760
Contract assets	15	7,052	-	7,052
		<u>379,373</u>	<u>(8,150)</u>	<u>371,223</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

28 Financial risk review (continued)

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. The expected credit loss (ECL) has been assessed as immaterial for related parties and contract assets.

The carrying amount of the Group's financial assets at FVTPL as disclosed in Note 27 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Amounts due from Group undertakings are regarded as low credit risk as the Group has a strong capacity to meet its contractual cash flow obligations and maintains an investment grade credit rating.

Liquidity risk

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

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

Maturity analysis for financial liabilities

The following table sets out the remaining undiscounted contractual cash flows of financial liabilities by type.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

28 Financial risk review (continued)

Group

	Less than 3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000	More than 5 years £ 000
2024				
Non-interest bearing	104,355	-	-	-
Short-term interest bearing	4,220	75,632	-	-
Long-term interest bearing	-	78,436	341,159	1,752,019
	<u>108,575</u>	<u>154,068</u>	<u>341,159</u>	<u>1,752,019</u>
				Total £ 000
Non-interest bearing				104,355
Short-term interest bearing				79,852
Long-term interest bearing				<u>2,171,614</u>
				<u>2,355,821</u>
2023				
Non-interest bearing	101,426	-	-	-
Short-term interest bearing	7,044	66,338	-	-
Long-term interest bearing	-	77,895	345,867	1,554,688
	<u>108,470</u>	<u>144,233</u>	<u>345,867</u>	<u>1,554,688</u>
				Total £ 000
Non-interest bearing				101,426
Short-term interest bearing				73,382
Long-term interest bearing				<u>1,978,450</u>
				<u>2,153,258</u>

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 98% (2023: 98%) 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 20bps plus a credit adjustment spread. In aggregate, 20% of the amortising long-term loan and the capital expenditure facility loans are at a floating rate of interest at SONIA plus 165bps and 175bps 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.

More information on the use of cash flow hedges to manage interest rate risk on is available in Note 29.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

28 Financial risk review (continued)

Financial risk

The Group is not subject to significant risk relating to foreign exchange.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

29 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 by risk category of components of equity and analysis of other comprehensive income items (net of tax) resulting from hedge accounting. All derivative financial instruments relate to cash flow hedges.

	2024		2023	
	Assets £ 000	Liabilities £ 000	Assets £ 000	Liabilities £ 000
Non-current	8,827	-	8,831	-
Current	4,496	-	5,861	-
	<u>13,323</u>	<u>-</u>	<u>14,692</u>	<u>-</u>

The maturity of financial instruments was as follows:

	3 months to 1 year £ 000	1 to 5 years £ 000	More than 5 years £ 000	Total £ 000
2024				
Notional principal	31,246	105,657	-	136,903
Cash flow hedge	4,496	8,827	-	13,323
	<u>35,742</u>	<u>114,484</u>	<u>-</u>	<u>150,226</u>
2023				
Notional principal	33,403	129,880	-	163,283
Cash flow hedge	2,171	12,521	-	14,692
	<u>35,574</u>	<u>142,401</u>	<u>-</u>	<u>177,975</u>

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rate borrowings. The interest rate swaps and interest payments on the underlying loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The interest rate swaps are settled on a quarterly basis and are based on receiving a floating rate of interest based on SONIA and paying a fixed rate of 0.8955% on the amortising long-term loans and 0.8505% on the capital expenditure facility loans. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

29 Derivatives held for risk management and hedge accounting (continued)

Effectiveness testing

The Group is using regression analysis to assess the effectiveness of the interest rate swap on a retrospective and prospective basis throughout the term of the hedging relationship. The dollar offset method was also performed at inception, showing zero ineffectiveness.

Nature of the risk being hedged

The Group is hedging the risk of variability in cash flows indexed to SONIA. Further details of the Group's risk management is available in the strategic report, pages 22 to 27, and in financial risk review, Note 28.

30 Related party transactions

Directors' advances, credits and guarantees

During the year, 2 directors (2023: 1) and 2 key personnel (2023: 4) utilised the services provided by Northern Transport Finance Limited. The amounts included in lease receivables owed by these directors and key personnel were £61,912 (2023: £65,888).

Remuneration of key management personnel

Remuneration of key management personnel is disclosed in Note 7.

Group

	Sales to £ 000	Purchases from £ 000	Amounts owed from/(to) £ 000	Finance (income)/costs £ 000
2024				
Integrated Utility Services (Eire)	1,806	(2,279)	152	-
CE Gas Limited	832	-	-	-
Northern Powergrid Limited	-	-	-	-
Northern Powergrid (Yorkshire) plc	40,028	(13,376)	(2,590)	(809)
Vehicle Lease and Service Limited	61	(4,894)	(560)	773
Yorkshire Electricity Group	-	-	(490)	(13,825)
Berkshire Hathaway Energy	-	-	(30,200)	-
Northern Powergrid Holding Company	476	-	-	-
	<u>43,203</u>	<u>(20,549)</u>	<u>(33,689)</u>	<u>(13,861)</u>
			Dividends paid/(received)	Borrowings to/(from) £ 000
2024				
Integrated Utility Services (Eire)			-	-
CE Gas Limited			-	-
Northern Powergrid Limited			277,400	-
Northern Powergrid (Yorkshire) plc			-	-
Vehicle Lease and Service Limited			(1,083)	-
Yorkshire Electricity Group			-	68,769
Berkshire Hathaway Energy			-	-
Northern Powergrid Holdings Company			-	-
			<u>276,317</u>	<u>68,769</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

30 Related party transactions (continued)

	Sales to £ 000	Purchases from £ 000	Amounts owed from/(to) £ 000	Finance (income)/costs £ 000
2023 (as restated)				
Integrated Utility Services (Eire)	2,235	(2,932)	681	-
CE Gas Limited	662	-	-	-
Northern Powergrid (Yorkshire) plc	39,643	(15,367)	(2,707)	(786)
Vehicle Lease and Service Limited	37	(5,132)	(560)	231
Yorkshire Electricity Group	-	-	(490)	(11,855)
Northern Powergrid Limited	-	-	-	-
	<u>42,577</u>	<u>(23,431)</u>	<u>(3,077)</u>	<u>(12,410)</u>
			Dividends paid /(received) £000	Borrowings to/(from) £ 000
2023 (as restated)				
Integrated Utility Services (Eire)			-	-
CE Gas Limited			-	-
Northern Powergrid (Yorkshire) plc			-	-
Vehicle Lease and Service Limited			(615)	-
Yorkshire Electricity Group			-	242,733
Northern Powergrid Limited			48,000	-
			<u>47,385</u>	<u>242,733</u>

Intercompany balances with Yorkshire Electricity Group relate to intercompany current account transactions. Further details can be found on Note 2. As explained in Note 3, the comparatives have been restated. The main changes relate to the inclusion of the dividend payment (£48.0 million) to Northern Powergrid Limited and the finance income from Yorkshire Electricity Group (£11.9 million).

31 Non-cash investing and financing activities

The following items were settled by other entities within the Northern Powergrid Group through the intercompany current account mechanism.

	2024 £ 000	2023 £ 000
GROUP		
Non-cash investing activities		
Interest received	18,107	15,010
Non-cash financing activities		
Interest paid	(4,289)	(3,167)
Dividends paid	<u>(277,400)</u>	<u>(48,000)</u>
Total non-cash financing activities	<u>(263,582)</u>	<u>(36,157)</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2024 (continued)

32 Parent and ultimate parent undertaking

The Company's immediate parent is Northern Powergrid Limited.

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

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Berkshire Hathaway Inc., incorporated in United States 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 Northern Powergrid Holdings Company, incorporated in England and Wales.

The registered address of Northern Powergrid Holdings Company is::
Lloyds Court, 78 Grey Street, Newcastle upon Tyne, Tyne and Wear, NE1 6AF

33 Other reserves

At the Company's Annual General Meeting in August 1994, the shareholders gave approval to on-market purchases of up to 10% of its shares and this was given effect on 21 September 1994 when 12,370,400 shares were purchased. This transaction resulted in the creation of a capital redemption reserve of £6.2m. Under section 831(4) of the Companies Act 2006 this reserve is treated as an un-distributable reserve.

Northern Electric plc
Unaudited Pro Forma Supplementary Group Cash Flows

	2024	2023
	£ 000	£ 000
GROUP		
Cash flows from/(used in) operating activities		
Profit for the year	207,718	135,378
Depreciation and amortisation	164,697	162,049
Depreciation on right of use assets	3,593	3,503
Amortisation of deferred revenue	(31,301)	(30,017)
Profit on disposal of property plant and equipment	(456)	(1,538)
Retirement benefit obligation	(8,800)	(8,645)
Finance income	(20,537)	(16,704)
Finance costs	54,243	53,916
Income tax expense	73,529	45,143
Net cash from operating activities	<u>442,686</u>	<u>343,085</u>
Increase in inventories	516	(4,164)
Increase in trade and other receivables	(10,859)	(8,141)
Increase in trade and other payables	66,957	12,287
Increase in contract assets	(3,234)	(1,228)
Receipt of customer contributions	51,737	68,109
Decrease in provisions	(555)	(496)
Cash generated from operations	547,248	409,452
Income tax paid	<u>(58,116)</u>	<u>(33,253)</u>
Net cash flow from operating activities	<u><u>489,132</u></u>	<u><u>376,199</u></u>
Cash flows from/(used in) in investing activities		
Acquisitions of property plant and equipment	(301,773)	(256,827)
Proceeds from sale of property plant and equipment	1,419	2,501
Acquisition of intangible assets	(15,259)	(14,444)
Interest received	19,702	16,438
Dividend income	1,179	615
Net cash flows used in investing activities	<u>(294,732)</u>	<u>(251,717)</u>
Cash flows from/(used in) in financing activities		
Repayment of long-term borrowing	(40,431)	(41,001)
Movement in short-term borrowing	6,391	9,330
Repayment of lease liabilities	(3,430)	(3,511)
Movement in intercompany treasury account	173,964	(242,733)
Interest expense on leases	(440)	(316)
Interest paid	(54,374)	(52,152)
Dividends paid	<u>(277,400)</u>	<u>(48,000)</u>
Net cash flows from/(used in) financing activities	<u><u>(195,720)</u></u>	<u><u>(378,383)</u></u>

This page does not form part of the statutory financial statements.

Northern Electric plc
Unaudited Pro Forma Supplementary Group Cash Flows

	2024	2023
	£ 000	£ 000
Net decrease in cash and cash equivalents	(1,320)	(253,901)
Cash and cash equivalents at 1 January	<u>14,760</u>	<u>268,661</u>
Cash and cash equivalents at 31 December	<u><u>13,440</u></u>	<u><u>14,760</u></u>

The proforma supplementary statement of cash flows above shows the amounts settled by Yorkshire Electricity Group plc on behalf of the Group as if they were cash inflows and outflows of the Group.