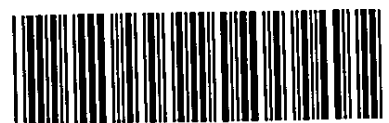


**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013  
FOR  
YORKSHIRE ELECTRICITY GROUP PLC**

**REGISTERED NUMBER: 02366995**

THURSDAY



\*A38XHF1J\*

A09

29/05/2014

#261

COMPANIES HOUSE

**CONTENTS OF THE REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>5</b>
<b>Report of the Independent Auditor</b>	<b>8</b>
<b>Statement of Profit or Loss</b>	<b>9</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>	<b>10</b>
<b>Statement of Financial Position</b>	<b>11</b>
<b>Statement of Changes in Equity</b>	<b>12</b>
<b>Statement of Cash Flows</b>	<b>13</b>
<b>Notes to the Financial Statements</b>	<b>14</b>

---

**YORKSHIRE ELECTRICITY GROUP PLC**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**DIRECTORS:**

T E Fielden  
J M France  
P J Goodman  
P A Jones

**COMPANY SECRETARY:**

J Elliott

**REGISTERED OFFICE:**

Lloyds Court  
78 Grey Street  
Newcastle upon Tyne  
NE1 6AF

**REGISTERED NUMBER:**

02366995 (England and Wales)

**AUDITORS:**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Newcastle upon Tyne  
United Kingdom

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors present the annual reports and financial statements of Yorkshire Electricity Group plc (the "Company") for the year ended 31 December 2013, which includes the Strategic Report, the Report of the Directors and the audited financial statements for that year. Pages 2 to 4 of this annual report comprise the Strategic Report and pages 5 to 6 comprise the Report of the Directors, which have been drawn up and presented in accordance with the Companies Act 2006.

**BUSINESS MODEL**

The Company is a subsidiary of Northern Powergrid Holdings Company and acts as a holding company in respect of its investments in Yorkshire Power Finance Limited and Northern Powergrid (Yorkshire) plc ("Northern Powergrid"), the activity of which is to distribute electricity to customers in West Yorkshire, East Yorkshire and almost all of South Yorkshire, together with parts of North Yorkshire, Derbyshire, Nottinghamshire, Lincolnshire and Lancashire.

The Northern Powergrid Holdings Company group (the "Northern Powergrid Group") operates a business model and strategy based on its six core principles (the "Core Principles"), which are financial strength, customer service, operational excellence, employee commitment, environmental respect and regulatory integrity. The core principles of the Northern Powergrid Group that are applicable to the Company are as follows:

Principle	Strategy	Indicator
Financial strength	Effective stewardship of the Company's financial resources, investing in assets and focusing on long-term opportunities, which contribute to the Company's future strength.	Profitability and cash flow
Regulatory integrity	Adhering to a policy of strict compliance with applicable laws, regulations, standards and policies.	Strong internal controls, regulatory engagement and industry influence.

**STRATEGIC OBJECTIVES**

Given that the purpose of the Company is to act as a holding company within the Northern Powergrid Group, the objective of the Company is to ensure that it secures an appropriate return on its investments in Northern Powergrid and Yorkshire Power Finance Limited.

**REVIEW OF THE YEAR**

Throughout the year, the Company maintained its investments in both Northern Powergrid and Yorkshire Power Finance Limited. Given that the purpose of the Company is to act as a holding company and the Company does not have any employees, the business of the Company is not sufficiently large or complex for analysis of key performance indicators to be appropriate as part of the operation of the Company. Details of key performance indicators used in the Northern Powergrid Group can be found in Northern Powergrid Holdings Company's annual reports and accounts for the year to 31 December 2013.

**CORE PRINCIPLES**

**Financial strength**

**Results, dividends and position at the year end**

The Company made a profit after tax for the year of £49.2 million (2012: £50.1 million), which is consistent with the prior year. No dividends were paid during the year (2012: £Nil) and the directors recommend that no final dividend be paid in respect of the year. The statement of financial position on page 11 shows that, as at 31 December 2013, the Company had total equity of £537.2 million. Given that it is part of the Northern Powergrid Group, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Further details of the other factors taken into account by the directors when forming that view are included in the Going Concern statement on page 6 in the Report of the Directors.

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Financial strength - continued**

**Share capital and debt structure**

There were no changes to the Company's share capital during the year

**Taxation**

Full details of the Company's taxation charge are provided in Note 7 to the accounts

**Net cash flow from operating activities**

The net cash flow from operating activities at £49.8 million was £54.7 million lower than the prior year, primarily due to the repayment of amounts owed to the Company from group undertakings in the prior year

**Dividend policy**

The Company's dividend policy is that dividends will be paid only after having due regard to available distributable reserves, available liquid funds and the financial resources and facilities needed to enable the Company to carry on its business for at least the next year

**Regulatory integrity**

The Northern Powergrid Group manages its business to the highest behavioural standards and adheres to a policy of strict compliance with all relevant standards, legislation and regulatory conditions. The Governance and Risk Management Group ("GRMG") is the Northern Powergrid Group's principal management forum with regard to corporate governance. The GRMG monitored and managed performance in risk-related and compliance areas and met on four occasions during the year. Further details regarding the activities of the GRMG and the main features of the Northern Powergrid Group's internal control and risk management systems can be found in Northern Powergrid Holdings Company's annual reports and accounts for the year to 31 December 2013.

**Main features of the internal control and risk management systems**

A rigorous internal control environment exists within the Northern Powergrid Group based on a framework of regular reporting, a series of operational and financial policy statements, investigations undertaken by internal audit and a stringent process for ensuring the implementation of any recommendations. The Northern Powergrid Group has risk management procedures in place, including centralised treasury operations, and the internal control environment is designed to meet the standards required by the United States Sarbanes-Oxley Act. Berkshire Hathaway Energy Company, the Company's parent company, requires a quarterly control risk self-assessment to be undertaken by all senior managers as part of its programme for compliance with the requirements of the United States Sarbanes-Oxley Act and, while no significant areas of weakness have been identified, any recommended improvements are implemented. Consequently, the directors consider that the governance framework in place is appropriate to the circumstances of the Company, given that the framework is agreed with Berkshire Hathaway Energy Company and includes regular reporting to and meetings with the Chairman and senior management of Berkshire Hathaway Energy Company.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risk facing the Company is not having sufficient liquidity to enable the Company to meet its liabilities as they fall due and to provide adequately for contingencies. Details of the principal risks and uncertainties facing the Northern Powergrid Group can be found in Northern Powergrid Holdings Company's annual reports and accounts for the year to 31 December 2013.

**Liquidity risk**

The principal risk facing the Company is not having sufficient liquidity to enable the Company to meet its liabilities as they fall due. In this respect, borrowing facilities are made available to the Company by other companies in the Northern Powergrid Group, if required.

**YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)**

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

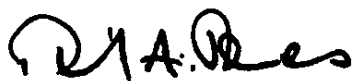
**PRINCIPAL RISKS AND UNCERTAINTIES - continued**

**Interest rate risk**

The Company is financed by long-term borrowings at fixed rates and has access to short-term borrowing facilities at floating rates of interest. As at 31 December 2013, 100% of the Company's borrowings were at fixed rates.

Details of the other financial risks faced by the Company can be found on page 5 in the Report of the Directors.

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to read 'P A Jones', is positioned above the printed name and title.

P A Jones  
Director

16 May 2014

**YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**DIVIDENDS**

No dividends were paid during the year (2012 £Nil) and the directors recommend that no final dividend be paid in respect of the year

**RESEARCH AND DEVELOPMENT**

Given that the Company acts as a holding company for companies in the Northern Powergrid Group, the Company does not undertake research and development

**FUTURE DEVELOPMENTS**

The financial position of the Company, as at the year end, is shown in the statement of financial position on page 11. There have been no significant events since the year end and it is the intention of the directors that the Company will continue to meet its obligations as they fall due and to act as a holding company.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report

T E Fielden  
J M France  
P J Goodman  
P A Jones

**FINANCIAL RISK MANAGEMENT**

The main risks are liquidity and interest rate risk, further details of which can be found on page 3 in the Strategic Report

Other financial risks are

**Trading risk**

Throughout the year under review, the Company's policy was that no trading in financial instruments should be undertaken

**Financial derivatives**

As at 31 December 2013 and during the year it was the Company's policy not to hold any derivative financial instruments

**Currency risk**

No material currency risks are faced by the Company

**POLITICAL DONATIONS**

During the year, no contributions were made to political organisations (2012 £Nil)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued**

In preparing these financial statements, International Accounting Standard 1 requires the directors to

- Properly select and apply accounting policies,
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- Make an assessment of the Company's ability to continue as a going concern

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

**GOING CONCERN**

The Company's business activities, together with details regarding its future development, performance and position are set out in the Strategic Report and the Report of the Directors. In addition, the Northern Powergrid Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk are included in this report and the appropriate notes to the accounts.

When considering continuing to adopt the going concern basis in preparing the annual reports and accounts, the directors have taken account of the fact that Northern Powergrid is a wholly-owned subsidiary of the Company. Northern Powergrid is a stable electricity distribution business operating an essential public service, is regulated by the Gas and Electricity Markets Authority ("GEMA") and, 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 their 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. In addition, the Company has access to short-term borrowing facilities made available by other companies in the Northern Powergrid Group and the directors, therefore, consider that the Company has sufficient liquidity to meet its current requirements.

Consequently, after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual reports and accounts.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the directors, who is a director of the Company as at the date of this report, confirms that

- a) so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- b) he has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.



**YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**AUDITOR**

A resolution to reappoint Deloitte LLP and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting. Deloitte LLP has indicated its willingness to continue in office.

**ON BEHALF OF THE BOARD.**

A handwritten signature in black ink, appearing to read 'P A Jones', is written over the printed name.

P A Jones  
Director

16 May 2014

## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF YORKSHIRE ELECTRICITY GROUP PLC**

We have audited the financial statements of Yorkshire Electricity Group plc (the "Company") for the year ended 31 December 2013, which comprise the Statement of Profit or Loss, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows and related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 a Report of the Auditor 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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on pages five and six, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Christopher Powell FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Newcastle upon Tyne

Date 20 May 2014

**YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)**

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 £'000	2012 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue	3	514	469
Administrative expenses		<u>(199)</u>	<u>(5)</u>
<b>OPERATING PROFIT</b>		315	464
Finance costs	5	(1,562)	(2,477)
Finance income	5	<u>53,244</u>	<u>55,322</u>
<b>PROFIT BEFORE INCOME TAX</b>		51,997	53,309
Income tax	7	<u>(2,793)</u>	<u>(3,259)</u>
<b>PROFIT FOR THE YEAR</b>		<u>49,204</u>	<u>50,050</u>

The notes on pages 14 to 20 form part of these financial statements

**YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>PROFIT FOR THE YEAR</b>	<b>49,204</b>	<b>50,050</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>49,204</u></b>	<b><u>50,050</u></b>

The notes on pages 14 to 20 form part of these financial statements

**YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)**

**STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2013**

	Notes	2013 £'000	2012 £'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	-	200
Investments	9	290,200	290,200
Trade and other receivables	10	<u>100,000</u>	<u>100,000</u>
		<u>390,200</u>	<u>390,400</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	10	36	541
Cash and cash equivalents	11	<u>156,288</u>	<u>134,432</u>
		<u>156,324</u>	<u>134,973</u>
<b>TOTAL ASSETS</b>		<u><b>546,524</b></u>	<u><b>525,373</b></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	12	108,594	108,594
Share premium	13	11,093	11,093
Other reserves	13	72	72
Retained earnings	13	<u>417,402</u>	<u>368,198</u>
<b>TOTAL EQUITY</b>		<u><b>537,161</b></u>	<u><b>487,957</b></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Borrowings	14	7,689	35,602
Tax payable		<u>1,674</u>	<u>1,814</u>
		<u>9,363</u>	<u>37,416</u>
<b>TOTAL LIABILITIES</b>		<u><b>9,363</b></u>	<u><b>37,416</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>546,524</b></u>	<u><b>525,373</b></u>

The financial statements were approved by the Board of Directors on 16 May 2014 and were signed on its behalf by



P A Jones  
Director

**YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Share premium £'000</b>	<b>Other reserves £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2012</b>	108,594	318,148	11,093	72	437,907
<b>Changes in equity</b>					
Total comprehensive income	-	50,050	-	-	50,050
<b>Balance at 31 December 2012</b>	<u>108,594</u>	<u>368,198</u>	<u>11,093</u>	<u>72</u>	<u>487,957</u>
<b>Changes in equity</b>					
Total comprehensive income	-	49,204	-	-	49,204
<b>Balance at 31 December 2013</b>	<u>108,594</u>	<u>417,402</u>	<u>11,093</u>	<u>72</u>	<u>537,161</u>

The notes on pages 14 to 20 form part of these financial statements

**YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

		<b>2013</b>	<b>2012</b>
		<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	16	997	55,273
Finance costs paid		(1,562)	(2,477)
Interest received		13,267	15,322
Dividends received		40,000	40,000
Tax paid		<u>(2,933)</u>	<u>(3,673)</u>
Net cash from operating activities		<u>49,769</u>	<u>104,445</u>
<b>Cash flows from investing activities</b>			
Dissolution of investments		<u>-</u>	<u>12,569</u>
Net cash from investing activities		<u>-</u>	<u>12,569</u>
<b>Cash flows used in financing activities</b>			
Loan repayments in year		<u>(27,913)</u>	<u>(17,067)</u>
Net cash used in financing activities		<u>(27,913)</u>	<u>(17,067)</u>
<b>Increase in cash and cash equivalents</b>		<b>21,856</b>	<b>99,947</b>
<b>Cash and cash equivalents at beginning of year</b>		<b><u>134,432</u></b>	<b><u>34,485</u></b>
<b>Cash and cash equivalents at end of year</b>		<b><u>156,288</u></b>	<b><u>134,432</u></b>

The notes on pages 14 to 20 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**1 GENERAL INFORMATION**

Yorkshire Electricity Group plc (the "Company") is a company originally incorporated in England and Wales under the Companies Act 1985 and is part of the Northern Powergrid Holdings Company group of companies (the "Northern Powergrid Group") The address of the registered office is Lloyds Court, 78 Grey Street, Newcastle-upon-Tyne, NE1 6AF

The nature of the Company's business model, strategic objectives and activities are set out in the Strategic Report on page 2

**2 ACCOUNTING POLICIES**

**Accounting convention and basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 (the "Act") that are applicable to companies reporting under IFRS

The accounts have been prepared under the historical cost convention The Company has relied upon Section 400 of the Act and has presented the accounts for the Company as an individual undertaking only and not as a Group undertaking

**Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further detail is contained within the Going Concern Statement in the Report of the Directors

**Judgements in applying accounting policies and key sources of estimation uncertainty**

Many of the amounts included in the financial statements involve the use of judgement and/or estimation These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements

**Adoption of new or revised standards**

In the current year, the directors are not aware of any new or revised Standards which have had a material impact on these financial statements

**Revenue**

Revenue, which arises wholly in the United Kingdom, relates to a minor income stream in respect of the ownership of telecommunications assets

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established

**Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost The charge for depreciation is calculated to write off assets to their residual values over their estimated useful economic lives of 10 years on a straight-line basis



**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**2 ACCOUNTING POLICIES - continued**

**Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions on the instrument

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

**Fair value measurements**

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the asset or liability.

**Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

**Taxation**

Income tax expense represents tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the statement of financial position date.

**Investments**

Investments are stated at cost less any provision for impairment in value.

**Trade receivables**

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

**Trade payables**

Trade payables are not interest bearing and are stated at their nominal values.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and demand 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.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**2 ACCOUNTING POLICIES - continued**

**Borrowings**

Borrowings are classified as other financial liabilities at amortised cost. They are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement for redemption and direct issue costs, are accounted for on an accruals basis in the statement of profit or loss using the effective interest rate method. They are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

**3 REVENUE**

The following is an analysis of the Company's revenue for the year from continuing operations

	2013 £'000	2012 £'000
Other operating income	<u>514</u>	<u>469</u>
	514	469
Investment revenue (see note 5)	<u>53,244</u>	<u>55,322</u>
	<u>53,758</u>	<u>55,791</u>

**4 EMPLOYEES AND DIRECTORS**

No directors' or key personnel remuneration was charged for the current or the prior year. There are no directors' emoluments that are required to be disclosed under the Act and there were no employees of the Company during the current or the prior year.

As at 31 December 2013 one director was eligible for benefits under a defined benefit scheme (2012: one)

Fees paid to the Company's Auditor for the audit of the Company's annual accounts of £5,000 were charged to the Company for the year (2012: £5,000)

There were no fees payable in relation to non-audit services in the current or the prior year.

**5 NET FINANCE INCOME**

	2013 £'000	2012 £'000
Finance income		
Dividends received	40,000	40,000
Interest receivable on amounts owed by Group undertakings	<u>13,244</u>	<u>15,322</u>
	<u>53,244</u>	<u>55,322</u>
	2013 £'000	2012 £'000
Finance costs		
Interest payable on amounts owed to Group undertakings	<u>1,562</u>	<u>2,477</u>
	<u>51,682</u>	<u>52,845</u>
Net finance income	<u>51,682</u>	<u>52,845</u>

**YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**6 PROFIT BEFORE INCOME TAX**

The profit before income tax is stated after charging depreciation of £0.2m (2012: £Nil)

**7 INCOME TAX**

**Analysis of tax expense**

	2013 £'000	2012 £'000
Current tax	<u>2,793</u>	<u>3,259</u>
Total tax expense in statement of profit or loss	<u><u>2,793</u></u>	<u><u>3,259</u></u>

**Factors affecting the tax expense**

The income tax charge for the year in the statement of profit or loss is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities before income tax	<u>51,997</u>	<u>53,309</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.50%)	12,089	13,061
Effects of: Group dividends	(9,300)	(9,800)
Prior year adjustments	(43)	(2)
Other	<u>47</u>	<u>-</u>
Tax expense	<u><u>2,793</u></u>	<u><u>3,259</u></u>
Current tax expense	2,836	3,261
Payment for use of group losses	(43)	(2)
Under provision for prior years	<u><u>2,793</u></u>	<u><u>3,259</u></u>

There are no unrecognised deferred tax assets for deductible temporary differences, unused tax losses or unused tax credits.

**YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**8 PROPERTY, PLANT AND EQUIPMENT**

	<b>Plant and machinery £'000</b>
<b>COST</b>	
At 1 January 2013	
and 31 December 2013	<u><b>300</b></u>
<b>DEPRECIATION</b>	
At 1 January 2013	<b>100</b>
Charge for year	<u><b>200</b></u>
At 31 December 2013	<u><b>300</b></u>
<b>NET BOOK VALUE</b>	
At 31 December 2013	<u><u><b>-</b></u></u>
At 31 December 2012	<u><u><b>200</b></u></u>

**9 INVESTMENTS**

Investments represent the cost and net book value of shares held in subsidiary undertakings

Details of the principal investments of the Company at 31 December 2013 are listed below

<b>Name of Company</b>	<b>Country of Registration</b>	<b>Holding of Ordinary Shares</b>	<b>Proportion of voting rights and shares</b>	<b>Nature of Business</b>
Northern Powergrid (Yorkshire) plc	England and Wales	290,000,000 £1 shares	100%	Distribution of electricity
Yorkshire Power Finance Limited	Cayman Islands	20 \$1 shares	1%	Finance company

There have been no movements in investments during the year

During the year ended 31 December 2012, the value of investments fell, reflecting the dissolution of Yorkshire Electricity Distribution Services Limited on 9 May 2012

**YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**10 TRADE AND OTHER RECEIVABLES**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Current		
Other debtors	<b>20</b>	<b>502</b>
Amounts owed by Group undertakings	<b>16</b>	<b>39</b>
	<b><u>36</u></b>	<b><u>541</u></b>
Non-current		
Amounts owed by Group undertakings	<b><u>100,000</u></b>	<b><u>100,000</u></b>
Aggregate amounts	<b><u>100,036</u></b>	<b><u>100,541</u></b>

The directors consider that the carrying amount of trade and other receivables approximates their fair value calculated by discounting the future cash flows at the market rate at the statement of financial position date. The maximum exposure to risk to the Company is the book value of these receivables less any provisions for impairment. The fair valuation of assets is based on Level 1 inputs.

**11 CASH AND CASH EQUIVALENTS**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Short-term deposits	<b><u>156,288</u></b>	<b><u>134,432</u></b>

Cash and cash equivalents comprise cash balances and other short-term deposits, having a maturity of less than three months and being subject to an insignificant risk of changes in value. The carrying value of these assets approximates their fair value, calculated by discounting future cash flows at the market rate at the statement of financial position date. The maximum risk exposure of these assets is their book value.

**12 CALLED UP SHARE CAPITAL**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Ordinary shares of 68 2/11p each		
Allotted, called up and fully paid (159,270,954)	<b><u>108,594</u></b>	<b><u>108,594</u></b>

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

**13 RESERVES**

	<b>Retained earnings</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Totals</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2013	<b>368,198</b>	<b>11,093</b>	<b>72</b>	<b>379,363</b>
Profit for the year	<b><u>49,204</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>49,204</u></b>
At 31 December 2013	<b><u>417,402</u></b>	<b><u>11,093</u></b>	<b><u>72</u></b>	<b><u>428,567</u></b>

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**14 FINANCIAL LIABILITIES - BORROWINGS**

	2013 £'000	2012 £'000
Amounts owed to Group undertakings	<u>7,689</u>	<u>35,602</u>

The directors consider that the carrying amount of borrowings approximates their fair value calculated by discounting the future cash flows at the market rate at the statement of financial position date. The fair valuation of liabilities is based on Level 1 inputs.

Interest is charged at a floating rate, thus exposing the Company to cash flow interest rate risk. A 1% movement in interest rates would have an approximate effect on the financial statements of the Company of £0.1 million.

The loans are non-secured.

The Company has no undrawn committed borrowing facilities.

**15 RELATED PARTY DISCLOSURES**

The Company received ordinary dividends of £40,000,000 from Northern Powergrid (Yorkshire) plc during the year (2012: £40,000,000).

The Company has advanced loans to other companies in the Northern Powergrid Group. The total interest included in finance income in the statement of profit or loss for the year ended 31 December 2013 was £13,244,000 (2012: £15,322,000). Included within trade and other receivables is £100,016,000 as at 31 December 2013 (2012: £100,039,000).

The Company has received loans from companies in the Northern Powergrid Group. Interest is charged at a commercial rate of interest. The total interest included in finance costs in the statement of profit or loss for the year ended 31 December 2013 was £1,562,000 (2012: £2,477,000). Included within borrowings is £7,689,000 as at 31 December 2013 (2012: £35,602,000).

**16 RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	2013 £'000	2012 £'000
Profit before income tax	51,997	53,309
Depreciation charges	200	-
Finance costs	1,562	2,477
Finance income	<u>(53,244)</u>	<u>(55,322)</u>
	515	464
Decrease in trade and other receivables	<u>482</u>	<u>54,809</u>
Cash generated from operations	<u>997</u>	<u>55,273</u>

**17 ULTIMATE CONTROLLING PARTY**

The immediate parent undertaking of Yorkshire Electricity Group plc is Yorkshire Power Group Limited. The ultimate controlling party and ultimate parent undertaking of Yorkshire Power Group Limited is Berkshire Hathaway, Inc., a company incorporated in the United States of America.

Copies of the group accounts of Berkshire Hathaway, Inc. (the parent undertaking of the largest group preparing group accounts) which include Yorkshire Electricity Group plc and the group accounts of Northern Powergrid Holdings Company, the smallest parent undertaking to prepare group accounts in the UK, can both be obtained from the Company Secretary, Northern Powergrid Holdings Company, Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.