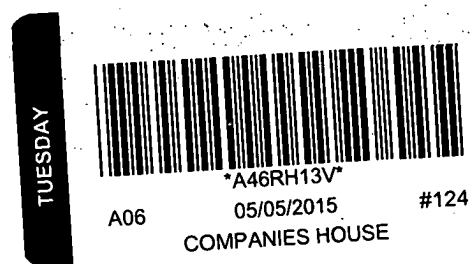


REGISTERED NUMBER: 02366995 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
FOR
YORKSHIRE ELECTRICITY GROUP PLC**



**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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YORKSHIRE ELECTRICITY GROUP PLC

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2014**

DIRECTORS:

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

SECRETARY:

J Elliott

REGISTERED OFFICE:

Lloyds Court
78 Grey Street
Newcastle upon Tyne
NE1 6AF

REGISTERED NUMBER:

02366995 (England and Wales)

AUDITOR:

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

YORKSHIRE ELECTRICITY GROUP PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present the annual reports and financial statements of Yorkshire Electricity Group plc (the "Company") for the year ended 31 December 2014, 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 7 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 Yorkshire Power Finance Limited and Northern Powergrid.

REVIEW OF THE YEAR

Throughout the year, the Company maintained its investments in both Yorkshire Power Finance Limited and Northern Powergrid. Given that the purpose of the Company is to act as a holding company, 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 2014.

CORE PRINCIPLES

Financial strength

Results, dividends and position at the year end

The Company made a profit after tax for the year of £48.9 million (2013: £49.2 million), which is consistent with the prior year. An interim dividend of £100.0 million was paid during the year (2013: Nil) and the directors recommend that no final dividend be paid in respect of the year (2013: Nil). The statement of financial position on page 11 shows that, as at 31 December 2014, the Company had total equity of £486.0 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.

YORKSHIRE ELECTRICITY GROUP PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

CORE PRINCIPLES - continued

Financial strength - continued

Statement of profit or loss commentary

The profit before tax at £51.3 million (2013: £52.0 million) was mainly due to finance income including an interim dividend received from Northern Powergrid.

Share capital and debt structure

There were no changes to the Company's share capital or debt structure 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 £48.5 million was broadly in line with 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 three 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 2014.

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 2014.

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

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

PRINCIPAL RISKS AND UNCERTAINTIES - continued

Interest rate risk

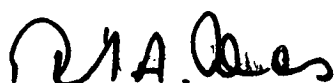
The Company is financed by long-term borrowings at fixed rates and has access to short-term borrowing facilities at floating rates of interest. As at 31 December 2014, 100% of the Company's borrowings were at fixed rates.

Currency risk

No material currency risks are faced by the Company.

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 written over the printed name.

P A Jones
Director

17 April 2015

YORKSHIRE ELECTRICITY GROUP PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report with the financial statements of the Company for the year ended 31 December 2014.

DIVIDENDS

During the year, an interim dividend of £100.0 million (63p per ordinary share) was paid (2013: £Nil). 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 2014 to the date of this report.

T E Fielden	Finance Director
J M France	Regulation Director
P J Goodman	Executive Vice President & Chief Financial Officer, Berkshire Hathaway Energy Company
P A Jones	President & Chief Executive Officer

FINANCIAL RISK MANAGEMENT

The main risks are liquidity and interest rate risk, further details of which can be found on pages 4 and 5 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 2014 and during the year it was the Company's policy not to hold any derivative financial instruments.

POLITICAL DONATIONS

During the year, no contributions were made to political organisations (2013: £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.

YORKSHIRE ELECTRICITY GROUP PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014

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, 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 and the Report of the Directors 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

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

17 April 2015.

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 2014, 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, the Statement of Cash Flows and related notes 1 to 18. 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, 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 2014 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
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne
United Kingdom

Date: 23 April 2015

YORKSHIRE ELECTRICITY GROUP PLC

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 £'000	2013 £'000
CONTINUING OPERATIONS			
Revenue	3	505	514
Administrative expenses		<u>(5)</u>	<u>(199)</u>
OPERATING PROFIT		500	315
Finance costs	5	(1,618)	(1,562)
Finance income	5	<u>52,418</u>	<u>53,244</u>
PROFIT BEFORE INCOME TAX	6	51,300	51,997
Income tax	7	<u>(2,430)</u>	<u>(2,793)</u>
PROFIT FOR THE YEAR		<u><u>48,870</u></u>	<u><u>49,204</u></u>

YORKSHIRE ELECTRICITY GROUP PLC

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014	2013
	£'000	£'000
PROFIT FOR THE YEAR	48,870	49,204
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>48,870</u>	<u>49,204</u>

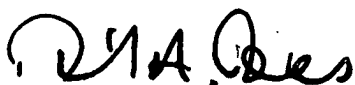
The notes on pages 14 to 22 form part of these financial statements

YORKSHIRE ELECTRICITY GROUP PLC

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2014**

	Notes	2014 £'000	2013 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	-	-
Investments	10	290,200	290,200
Trade and other receivables	11	<u>100,000</u>	<u>100,000</u>
		390,200	390,200
CURRENT ASSETS			
Trade and other receivables	11	15,874	36
Cash and cash equivalents	12	<u>81,276</u>	<u>156,288</u>
		97,150	156,324
TOTAL ASSETS		<u>487,350</u>	<u>546,524</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	108,594	108,594
Share premium	14	11,093	11,093
Other reserves	14	72	72
Retained earnings	14	<u>366,272</u>	<u>417,402</u>
TOTAL EQUITY		<u>486,031</u>	<u>537,161</u>
LIABILITIES			
CURRENT LIABILITIES			
Borrowings			-
Bank overdrafts	15	19	-
Interest bearing loans and borrowings	15	-	7,689
Tax payable		<u>1,300</u>	<u>1,674</u>
		1,319	9,363
TOTAL LIABILITIES		<u>1,319</u>	<u>9,363</u>
TOTAL EQUITY AND LIABILITIES		<u>487,350</u>	<u>546,524</u>

The financial statements were approved by the Board of Directors on 17 April 2015 and were signed on its behalf by:



P A Jones
Director

The notes on pages 14 to 22 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2013	108,594	368,198	11,093	72	487,957
Changes in equity					
Total comprehensive income	-	49,204	-	-	49,204
Balance at 31 December 2013	<u>108,594</u>	<u>417,402</u>	<u>11,093</u>	<u>72</u>	<u>537,161</u>
Changes in equity					
Dividends	-	(100,000)	-	-	(100,000)
Total comprehensive income	-	48,870	-	-	48,870
Balance at 31 December 2014	<u>108,594</u>	<u>366,272</u>	<u>11,093</u>	<u>72</u>	<u>486,031</u>

YORKSHIRE ELECTRICITY GROUP PLC

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

		2014	2013
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	17	519	997
Finance costs paid		(1,618)	(1,562)
Interest received		12,418	13,267
Dividends received		40,000	40,000
Tax paid		<u>(2,804)</u>	<u>(2,933)</u>
Net cash from operating activities		<u>48,515</u>	<u>49,769</u>
Cash flows used in investing activities			
Loans advanced in year to Group undertakings		<u>(15,857)</u>	<u>-</u>
Net cash used in investing activities		<u>(15,857)</u>	<u>-</u>
Cash flows used in financing activities			
Loan repayments in year to Group undertakings		(7,689)	(27,913)
Equity dividends paid		<u>(100,000)</u>	<u>-</u>
Net cash used in financing activities		<u>(107,689)</u>	<u>(27,913)</u>
(Decrease)/increase in cash and cash equivalents		(75,031)	21,856
Cash and cash equivalents at beginning of year		<u>156,288</u>	<u>134,432</u>
Cash and cash equivalents at end of year		<u><u>81,257</u></u>	<u><u>156,288</u></u>

The notes on pages 14 to 22 form part of these financial statements

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL INFORMATION

Yorkshire Electricity Group plc (the "Company") is a company incorporated in England and Wales 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, operations and activities are set out in the Strategic Report and in the Report of the Directors.

2. ACCOUNTING POLICIES

Accounting convention and basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have also been prepared in accordance with IFRSs as adopted by the European Union and with those parts of the Companies Act 2006 (the "Act") that are applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions which are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, 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 Company 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.

The principal accounting policies are set out below.

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.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2014**

2. ACCOUNTING POLICIES- continued

Adoption of new or revised standards

Amendments to IFRSs made by the International Accounting Standards Board ("IASB") that are effective mandatorily for an accounting period that begins on or after 1 January 2014 have not impacted these financial statements.

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective for the year ending 31 December 2014:

- Annual Improvements to IFRSs 2010-2012 Cycle (1 July 2014); and
- Annual Improvements to IFRSs 2011-2013 Cycle (1 July 2014).

The Annual Improvements to IFRSs 2010-2012 Cycle and IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

Revenue

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

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.

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.

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

The income tax expense represents the sum of the tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2014**

2. ACCOUNTING POLICIES - continued

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.

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:

	2014	2013
	£'000	£'000
Rental income from telecommunication assets	<u>505</u>	<u>514</u>
Investment revenue (see note 5)	<u>52,418</u>	<u>53,244</u>
	<u>52,923</u>	<u>53,758</u>

4. EMPLOYEES AND DIRECTORS

No directors' or key personnel remuneration was charged for the year (2013: £nil). There are no directors' emoluments that are required to be disclosed under the Act (2013: £nil). There were no employees of the Company during the year (2013: nil).

As at 31 December 2014 one director was eligible for benefits under a defined benefit scheme (2013: one)

Auditor's remuneration of £5,000 was charged to the Company for the year (2013: £5,000) in relation to the audit of the Company. There were no fees payable in relation to non-audit services in 2014 or 2013.

YORKSHIRE ELECTRICITY GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2014**

5. NET FINANCE INCOME

	2014	2013
	£'000	£'000
Finance income:		
Dividends received	40,000	40,000
Bank interest received	12	-
Interest receivable on amounts owed by Group undertakings	<u>12,406</u>	<u>13,244</u>
	<u>52,418</u>	<u>53,244</u>
Finance costs:		
Bank interest paid	2	-
Interest payable on amounts owed to Group undertakings	1,431	1,562
Foreign exchange gains/losses	<u>185</u>	<u>-</u>
	<u>1,618</u>	<u>1,562</u>
Net finance income	<u>50,800</u>	<u>51,682</u>

6. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging:

	2014	2013
	£'000	£'000
Depreciation - owned assets	<u>-</u>	<u>200</u>

7. INCOME TAX

Analysis of tax expense

	2014	2013
	£'000	£'000
Current tax	<u>2,430</u>	<u>2,793</u>
Total tax expense in statement of profit or loss	<u>2,430</u>	<u>2,793</u>

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2014

7. INCOME TAX - continued

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before income tax	<u>51,300</u>	<u>51,997</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	11,030	12,089
Effects of:		
Group dividends – non-taxable income	(8,600)	(9,300)
Prior year adjustments	-	(43)
Other	-	47
Tax expense	<u>2,430</u>	<u>2,793</u>
	2014 £'000	2013 £'000
Current tax expense:		
Payment for use of group losses	2,430	2,836
Over provision for prior years	-	(43)
	<u>2,430</u>	<u>2,793</u>

The Finance Act 2013 included a provision that the standard rate of corporation tax in the United Kingdom was to reduce from 23% to 21% from April 2014 and to 20% from April 2015.

8. DIVIDENDS

	2014 £'000	2013 £'000
Interim dividend at 63p per share (2013: 0p per share)	<u>100,000</u>	<u>-</u>

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2014

9. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £'000
COST	
At 1 January 2014	
and 31 December 2014	<u>300</u>
DEPRECIATION	
At 1 January 2014	
and 31 December 2014	<u>300</u>
NET BOOK VALUE	
At 31 December 2014	<u>-</u>
	Plant and machinery £'000
COST	
At 1 January 2013	
and 31 December 2013	<u>300</u>
DEPRECIATION	
At 1 January 2013	100
Charge for year	<u>200</u>
At 31 December 2013	<u>300</u>
NET BOOK VALUE	
At 31 December 2013	<u>-</u>

10. 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 2014 are listed below:

Name of Company	Country of Registration	Holding of Ordinary Shares	Proportion of voting rights and shares	Nature of Business
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.

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2014

11. TRADE AND OTHER RECEIVABLES

	2014 £'000	2013 £'000
Current:		
Other receivables	-	20
Prepayments and accrued income	1	-
Amounts owed by Group undertakings	<u>15,873</u>	<u>16</u>
	<u>15,874</u>	<u>36</u>
Non-current		
Amounts owed by Group undertakings	<u>100,000</u>	<u>100,000</u>
	<u>100,000</u>	<u>100,000</u>
Aggregate amounts	<u>115,874</u>	<u>100,036</u>

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.

12. CASH AND CASH EQUIVALENTS

	2014 £'000	2013 £'000
Bank overdraft	-	97
Short-term deposits	3	2,195
Amounts owed by Group undertakings	<u>81,273</u>	<u>153,996</u>
	<u>81,276</u>	<u>156,288</u>

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.

13. CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
Ordinary shares of 68 2/11p each		
Allotted, called up and fully paid (159,270,954)	<u>108,594</u>	<u>108,594</u>

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

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2014

14. RESERVES

	Retained earnings £'000	Share premium £'000	Other reserves £'000	Totals £'000
At 1 January 2014	417,402	11,093	72	428,567
Profit for the year	48,870	-	-	48,870
Dividends	(100,000)	-	-	(100,000)
At 31 December 2014	<u>366,272</u>	<u>11,093</u>	<u>72</u>	<u>377,437</u>
	Retained earnings £'000	Share premium £'000	Other reserves £'000	Totals £'000
At 1 January 2013	368,198	11,093	72	379,363
Profit for the year	<u>49,204</u>	-	-	<u>49,204</u>
At 31 December 2013	<u>417,402</u>	<u>11,093</u>	<u>72</u>	<u>428,567</u>

15. BORROWINGS

The directors' consideration of liquidity, interest rate and foreign currency risk are described in the Strategic Report.

	2014 £'000	2013 £'000
Bank overdraft	19	-
Amounts owed to Group undertakings	-	<u>7,689</u>
	<u>19</u>	<u>7,689</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.

During the year, the Company repaid the amounts owed to CalEnergy Gas (Holdings) Limited and advanced further monies to CalEnergy Gas (Holdings) Limited such that CalEnergy Gas (Holdings) Limited now owes amounts to the Company (see notes 11 and 16).

The Company has no undrawn committed borrowing facilities.

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2014

16. RELATED PARTY DISCLOSURES

Transactions entered into and balances outstanding at the year-end were as follows:

Related Party	Finance income from related parties £'000	Amounts owed by / (to) related parties £'000	Finance costs paid to related parties £'000	Loans to and accrued interest from related parties £'000
2014:				
Yorkshire Power Group Limited	-	(237,454)	346	-
Vehicle Lease and Service Limited	-	(4,051)	-	-
Other Group undertakings	<u>52,406</u>	<u>322,778</u>	<u>1,085</u>	<u>115,873</u>
	<u>52,406</u>	<u>81,273</u>	<u>1,431</u>	<u>115,873</u>
2013:				
Yorkshire Power Group Limited	-	(137,108)	396	-
Vehicle Lease and Service Limited	-	(708)	-	-
Other Group undertakings	<u>53,244</u>	<u>284,123</u>	<u>1,166</u>	<u>100,016</u>
	<u>53,244</u>	<u>146,307</u>	<u>1,562</u>	<u>100,016</u>

Interest on loans from Northern Powergrid Group companies is charged at a commercial rate.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

17. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2014 £'000	2013 £'000
Profit before income tax	51,300	51,997
Depreciation charges	-	200
Finance costs	1,618	1,562
Finance income	<u>(52,418)</u>	<u>(53,244)</u>
	500	515
Decrease in trade and other receivables	<u>19</u>	<u>482</u>
Cash generated from operations	<u>519</u>	<u>997</u>

18. 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.