

REGISTERED NUMBER: 02366995 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
FOR
YORKSHIRE ELECTRICITY GROUP PLC**



YORKSHIRE ELECTRICITY GROUP PLC

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YORKSHIRE ELECTRICITY GROUP PLC

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

DIRECTORS:

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

COMPANY SECRETARY:

J C Riley

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 2016

The directors present their strategic report for the year ended 31 December 2016.

BUSINESS REVIEW

The principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties, which include those of this Company, are discussed in the annual report and financial statements of Northern Powergrid Holdings Company.

KEY PERFORMANCE INDICATORS

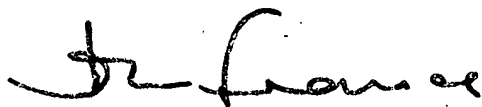
The directors manage the Company's operations on a group basis. The development, performance and position of Northern Powergrid Holdings Company, which include those of the Company, are discussed in the annual report and financial statements of Northern Powergrid Holdings Company.

PRINCIPAL ACTIVITY AND RESULT FOR THE YEAR

During the year the principal activity of the Company has been that of an investment company, maintaining its investments in Yorkshire Power Finance Limited and Northern Powergrid (Yorkshire) plc ("Northern Powergrid").

The profit after tax for the financial year ended 31 December 2016 was £35.3 million (2015: £34.8 million). This favourable variance was mainly due to a higher interim dividend of £28.7 million from Northern Powergrid in the current year (2015: £27.6 million), partially offset by lower net interest income of £0.9 million in the current year..

ON BEHALF OF THE BOARD:



J M France
Director

17 May 2017

YORKSHIRE ELECTRICITY GROUP PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2016.

DIVIDENDS

An interim dividend of £20.0 million (13p per ordinary share) was declared during the year (2015: £22.0 million, 14p per ordinary share). The directors do not propose a final dividend.

FUTURE DEVELOPMENTS

There have been no significant events since the year end. The Company will continue to act as an investment company.

DIRECTORS

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

T E Fielden
J M France
T H France (appointed 16 December 2016)
P J Goodman
P A Jones

During the year an indemnity contained in the Company's Articles of Association was in force for the benefit of the directors of the Company and as directors of associated companies, which was a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies, and the principal risks and uncertainties (including financial risks) of the Group, which include those of this Company, are discussed in the annual report and financial statements of Northern Powergrid Holdings Company.

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. 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 of IFRS 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.

YORKSHIRE ELECTRICITY GROUP PLC

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016**

GOING CONCERN

The financial statements have been prepared on the going concern basis which takes into account that the Company's wholly-owned subsidiary, Northern Powergrid (Yorkshire) plc, is a stable electricity distribution business operating an essential public service, regulated by the Gas and Electricity Markets Authority. In addition, the Company has access to short-term borrowing facilities made available by other companies in the Northern Powergrid Group. There is no uncertainty in the financial statements that would affect the director's judgements. Accordingly the directors continue to prepare the accounts on the going concern basis.

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 so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and that 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.

AUDITOR

Deloitte LLP 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.

ON BEHALF OF THE BOARD:



J M France
Director

17 May 2017

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 2016, 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 (IFRS) 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS 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, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and Report of the Directors have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Report of the Directors.

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

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.



David M Johnson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne
United Kingdom

Date: 16 May 2017

YORKSHIRE ELECTRICITY GROUP PLC

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 £'000	2015 £'000
CONTINUING OPERATIONS			
Revenue	3	636	524
Administrative expenses		<u>(7)</u>	<u>(5)</u>
OPERATING PROFIT		629	519
Finance costs	5	(1,780)	(2,420)
Finance income	5	<u>38,077</u>	<u>38,492</u>
PROFIT BEFORE INCOME TAX	6	36,926	36,591
Income tax	7	<u>(1,644)</u>	<u>(1,821)</u>
PROFIT FOR THE YEAR		<u><u>35,282</u></u>	<u><u>34,770</u></u>

The notes on pages 12 to 21 form part of these financial statements

YORKSHIRE ELECTRICITY GROUP PLC

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £'000	2015 £'000
PROFIT FOR THE YEAR	35,282	34,770
OTHER COMPREHENSIVE INCOME	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>35,282</u>	<u>34,770</u>

The notes on pages 12 to 21 form part of these financial statements

YORKSHIRE ELECTRICITY GROUP PLC (REGISTERED NUMBER: 02366995)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2016**

	Notes	2016 £'000	2015 £'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>
		<u>390,200</u>	<u>390,200</u>
CURRENT ASSETS			
Trade and other receivables	11	36,709	30,562
Cash and cash equivalents	12	<u>138,433</u>	<u>79,016</u>
		<u>175,142</u>	<u>109,578</u>
TOTAL ASSETS		<u><u>565,342</u></u>	<u><u>499,778</u></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>394,324</u>	<u>379,042</u>
TOTAL EQUITY		<u><u>514,083</u></u>	<u><u>498,801</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	15	<u>50,000</u>	-
CURRENT LIABILITIES			
Borrowings	15	340	-
Tax payable		<u>919</u>	<u>977</u>
		<u>1,259</u>	<u>977</u>
TOTAL LIABILITIES		<u><u>51,259</u></u>	<u><u>977</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>565,342</u></u>	<u><u>499,778</u></u>

The financial statements were approved by the Board of Directors on 17 May 2017 and were signed on its behalf by:

J M France
Director



The notes on pages 12 to 21 form part of these financial statements

YORKSHIRE ELECTRICITY GROUP PLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2015	108,594	366,272	11,093	72	486,031
Changes in equity					
Dividends	-	(22,000)	-	-	(22,000)
Total comprehensive income	-	34,770	-	-	34,770
Balance at 31 December 2015	<u>108,594</u>	<u>379,042</u>	<u>11,093</u>	<u>72</u>	<u>498,801</u>
Changes in equity					
Dividends	-	(20,000)	-	-	(20,000)
Total comprehensive income	-	35,282	-	-	35,282
Balance at 31 December 2016	<u>108,594</u>	<u>394,324</u>	<u>11,093</u>	<u>72</u>	<u>514,083</u>

The notes on pages 12 to 21 form part of these financial statements

YORKSHIRE ELECTRICITY GROUP PLC

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

		2016	2015
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	17	657	491
Finance costs paid		(1,440)	(2,420)
Interest received		9,377	10,892
Dividends received		28,700	27,600
Tax paid		<u>(1,702)</u>	<u>(2,144)</u>
Net cash from operating activities		<u>35,592</u>	<u>34,419</u>
Cash flows used in investing activities			
Loans advanced in year to Group undertakings		<u>(6,175)</u>	<u>(14,660)</u>
Net cash used in investing activities		<u>(6,175)</u>	<u>(14,660)</u>
Cash flows from financing activities			
New loans in year		50,000	-
Equity dividends paid		<u>(20,000)</u>	<u>(22,000)</u>
Net cash from / (used in) financing activities		<u>30,000</u>	<u>(22,000)</u>
Increase/(decrease) in cash and cash equivalents		59,417	(2,241)
Cash and cash equivalents at beginning of year		<u>79,016</u>	<u>81,257</u>
Cash and cash equivalents at end of year		<u>138,433</u>	<u>79,016</u>

The notes on pages 12 to 21 form part of these financial statements

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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. The company is limited by shares.

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 IFRS 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.

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

The fair value of amounts borrowed from other Group undertakings included in the financial statements involves the use of judgement. These judgements 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. There are no other areas where judgements or estimation uncertainty are applicable.

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES- continued

Adoption of new or revised standards

Amendments to IFRS made by the International Accounting Standards Board ("IASB") that are effective mandatorily for an accounting period that begins on or after 1 January 2016:

- Annual Improvements to IFRS 2012-2014 Cycle.

The Annual Improvements to IFRS 2012-2014 Cycle include a number of amendments to various IFRS. The application of these amendments has had no material impact on the Company's financial statements.

The Company has not applied the following new and revised IFRS that has been issued but is not yet effective for the year ending 31 December 2016:

- IFRS 9 - Financial Instruments
(1 January 2018).

A revised version of IFRS 9, Financial Instruments, was issued in July 2014 mainly to include: a) impairment requirements for financial assets; and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

The directors of the Company do not anticipate that the application of the new and revised IFRS will have a significant impact on the Company's financial statements.

Revenue

Revenue, which arises wholly in the United Kingdom, relates to an income stream in respect of the ownership of telecommunication assets. Applicable rental income regarding telecommunication masts is initially accounted for in the financial statements of Northern Powergrid along with their own masts but is transferred at the end of each quarter to the Company.

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.

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES - continued

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.

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:

	2016 £'000	2015 £'000
Rental income from telecommunication assets	<u>636</u>	<u>524</u>
Investment revenue (see note 5)	<u>38,077</u>	<u>38,492</u>
	<u>38,713</u>	<u>39,016</u>

4. EMPLOYEES AND DIRECTORS

No directors' or key personnel remuneration was charged for the year (2015: £nil). There are no directors' emoluments that are required to be disclosed under the Act (2015: £nil). There were no employees of the Company during the year (2015: nil).

As at 31 December 2016 one director was eligible for benefits under a defined benefit scheme (2015: one).

5. NET FINANCE INCOME

	2016 £'000	2015 £'000
Finance income:		
Dividends received	28,700	27,600
Bank interest received	127	61
Interest receivable on amounts owed by Group undertakings	<u>9,250</u>	<u>10,831</u>
	<u>38,077</u>	<u>38,492</u>

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31 DECEMBER 2016**

5. NET FINANCE INCOME (continued)

Finance costs:

Bank interest paid

Interest payable on amounts owed to Group undertakings

-	1
<u>1,780</u>	<u>2,419</u>

<u>1,780</u>	<u>2,420</u>
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Net finance income

<u>36,297</u>	<u>36,072</u>
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6. PROFIT BEFORE INCOME TAX

Analysis of auditor's remuneration is as follows:

2016 £'000	2015 £'000
---------------	---------------

Fees payable to the Company's auditor for the audit of the Company's annual accounts

<u>7</u>	<u>5</u>
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Total fees payable to the Company's auditor

<u>7</u>	<u>5</u>
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7. INCOME TAX

Analysis of tax expense

2016 £'000	2015 £'000
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Current tax

<u>1,644</u>	<u>1,821</u>
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Total tax expense in statement of profit or loss

<u>1,644</u>	<u>1,821</u>
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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:

2016 £'000	2015 £'000
---------------	---------------

Profit before income tax

<u>36,926</u>	<u>36,591</u>
---------------	---------------

Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 : 20.25%)

7,385	7,410
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Effects of:

Group dividends - non-taxable income

(5,740)	(5,589)
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Prior year adjustments

<u>(1)</u>	<u>-</u>
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Tax expense

<u>1,644</u>	<u>1,821</u>
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YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31 DECEMBER 2016**

7. INCOME TAX - continued

	2016 £'000	2015 £'000
Current tax expense:		
Payment for use of group losses	<u>1,644</u>	<u>1,821</u>
	<u>1,644</u>	<u>1,821</u>

The Finance No2 Act 2015 reduced the rate of corporation tax to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. The Finance Act 2016, which was substantively enacted on 6 September, 2016 further reduced the rate of corporation tax effective from 1 April 2020 to 17%.

8. DIVIDENDS

	2016 £'000	2015 £'000
Interim dividend at 13p per share (2015: 14p per share)	<u>20,000</u>	<u>22,000</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £'000
COST	
At 1 January 2016 and 31 December 2016	<u>300</u>

DEPRECIATION	
At 1 January 2016 and 31 December 2016	<u>300</u>

NET BOOK VALUE	
At 31 December 2016	<u>-</u>

	Plant and machinery £'000
COST	
At 1 January 2015 and 31 December 2015	<u>300</u>

DEPRECIATION	
At 1 January 2015 and 31 December 2015	<u>300</u>

NET BOOK VALUE	
At 31 December 2015	<u>-</u>

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2016

10. INVESTMENTS

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

Details of the investments of the Company at 31 December 2016 are listed below:

Name of company	Holding of shares	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings			
Held by the Company:			
Northern Powergrid (Yorkshire) plc	290,000,000 at £1	100%	Distribution of electricity
Yorkshire Power Finance Limited (registered office - PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands)	20 at \$1	1%	Finance company

Except where indicated, the registered office address of the above companies is Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.

There have been no movements in investments during the year.

11. TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
Current:		
Prepayments and accrued income	1	29
Amounts owed by Group undertakings	<u>36,708</u>	<u>30,533</u>
	<u>36,709</u>	<u>30,562</u>
Non-current:		
Amounts owed by Group undertakings	<u>100,000</u>	<u>100,000</u>
Aggregate amounts	<u>136,709</u>	<u>130,562</u>

Trade and receivables are carried at the lower of fair value and carrying amount, which the directors consider to be substantially the same at the statement of financial position date as there is limited exposure risk for the book value to be impaired. The maximum exposure to risk to the Company is the book value of these receivables less any provisions for impairment.

Within current amounts owed by Group undertakings is £36.692m lent to CalEnergy Gas (Holdings) Limited, a company within the Northern Powergrid Group, repayable on demand and at the variable base interest rate.

The £100.0m loan to Northern Powergrid (Northeast) Limited, is repayable in 2037 and is at a fixed rate of 5.9%.

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2016

12. CASH AND CASH EQUIVALENTS

	2016 £'000	2015 £'000
Short-term deposits	50,282	53,935
Amounts owed by Group undertakings	<u>88,151</u>	<u>25,081</u>
	<u>138,433</u>	<u>79,016</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

	2016 £'000	2015 £'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.

14. RESERVES

	Retained earnings £'000	Share premium £'000	Other reserves £'000	Totals £'000
At 1 January 2016	379,042	11,093	72	390,207
Profit for the year	35,282	-	-	35,282
Dividends	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
At 31 December 2016	<u>394,324</u>	<u>11,093</u>	<u>72</u>	<u>405,489</u>
	Retained earnings £'000	Share premium £'000	Other reserves £'000	Totals £'000
At 1 January 2015	366,272	11,093	72	377,437
Profit for the year	34,770	-	-	34,770
Dividends	<u>(22,000)</u>	<u>-</u>	<u>-</u>	<u>(22,000)</u>
At 31 December 2015	<u>379,042</u>	<u>11,093</u>	<u>72</u>	<u>390,207</u>

Other reserves refer to a capital redemption reserve that was in place when the Company was acquired by the Group.

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31 DECEMBER 2016**

15. BORROWINGS

	Book Value		Fair Value	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Amounts owed to Group undertakings	<u>50,340</u>	<u>-</u>	<u>55,164</u>	<u>-</u>
The borrowings are repayable as follows:				
On demand or within one year	340	-	340	-
After five years	<u>50,000</u>	<u>-</u>	<u>54,824</u>	<u>-</u>
	<u>50,340</u>	<u>-</u>	<u>55,164</u>	<u>-</u>
Analysis of borrowings:				
Northern Powergrid Limited 2026 - 3.6%	<u>50,340</u>	<u>-</u>	<u>55,164</u>	<u>-</u>

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 fair value of short-term borrowings is equal to their book value. All loans are non-secured and are denominated in sterling.

The fair valuation of long-term liabilities above is based on Level 3 inputs.

Interest on the fixed interest rate loan above, which was received in October 2016, exposes the Company to fair value interest rate risk.

The Company has no undrawn committed borrowing facilities.

The following table details the remaining contractual maturities for the non-derivative financial liabilities included in the table above. The table has been drawn up based on the discounted cash flows of financial liabilities based on the earliest possible date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Less than 3 months	3 months to 1 year	1 to 5 years	5+ years	Total
	£'000	£'000	£'000	£'000	£'000
2016:					
Fixed interest rate liability	<u>-</u>	<u>1,800</u>	<u>7,200</u>	<u>59,000</u>	<u>68,000</u>
2015:					
Fixed interest rate liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2016

16. RELATED PARTY DISCLOSURES

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

	Finance income from related parties	Amounts owed by / (to related parties)	Finance costs paid to related parties	Loans to and accrued interest from related parties
	£'000	£'000	£'000	£'000
Related Party				
2016:				
Yorkshire Power Group Limited	1,453	(277,534)	-	-
Vehicle Lease and Service Limited	-	(2,412)	-	-
Other Group undertakings	36,497	317,757	1,780	136,708
	<u>37,950</u>	<u>37,811</u>	<u>1,780</u>	<u>136,708</u>
2015:				
Yorkshire Power Group Limited	-	(258,987)	412	-
Vehicle Lease and Service Limited	-	(1,230)	-	-
Other Group undertakings	38,431	285,298	2,007	130,533
	<u>38,431</u>	<u>25,081</u>	<u>2,419</u>	<u>130,533</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

	2016 £'000	2015 £'000
Profit before income tax	36,926	36,591
Finance costs	1,780	2,420
Finance income	(38,077)	(38,492)
	629	519
Decrease/(increase) in trade and other receivables	<u>28</u>	<u>(28)</u>
Cash generated from operations	<u>657</u>	<u>491</u>

YORKSHIRE ELECTRICITY GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2016

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.