

Registration number: 02366942 (England and Wales)

Northern Electric plc

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2025

Northern Electric plc

Contents

Company Information	1
Strategic Report	2 to 24
Directors' Report	25 to 36
Consolidated Income Statement	45
Consolidated Statement of Comprehensive Income	46
Consolidated Statement of Financial Position	47 to 48
Statement of Financial Position	49 to 50
Consolidated Statement of Changes in Equity	51
Statement of Changes in Equity	52
Consolidated Statement of Cash Flows	53
Notes to the Financial Statements	54 to 121

Northern Electric plc
Company Information

Directors J N Reynolds
J C Riley
A P Jones
S J Lockwood

Company Secretary J C Riley

Registered office Lloyds Court
78 Grey Street
Newcastle upon Tyne
Tyne and Wear
NE1 6AF

Registration number 02366942 (England and Wales)

Auditor KPMG LLP
110 Quayside House
Newcastle upon Tyne
United Kingdom
NE1 3DX

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025

The directors present their annual report and audited consolidated financial statements for the year ended 31 December 2025 of Northern Electric plc (the "Company"), which have been drawn up and are presented in accordance with the Companies Act 2006 (the "CA06").

Business model

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

NPg Northeast is an authorised distributor under the Electricity Act 1989 and holds a licence granted by the Secretary of State. As a distribution network operator ("DNO"), NPg Northeast is regulated by the Office of Gas and Electricity Markets ("Ofgem"), which in turn, is governed by the Gas and Electricity Markets Authority ("GEMA"). Ofgem requires the DNOs to operate within a regulatory framework known as a price control, the purpose of which is to protect the interests of end consumers by setting an upper limit on the amount the DNOs can charge for the use of their networks. On 31 March 2025, NPg Northeast completed the second year of the RIIO-ED2 price control, which became effective on 1 April 2023, and will conclude on 31 March 2028 (the "ED2 period").

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

Revenue generated by NPg Northeast is primarily controlled by a distribution price control formula which is set out in the electricity distribution licence. The price control formula does not directly constrain profits from year-to-year but is a control on revenue that operates independently of a significant portion of the NPg Northeast's costs. Allowed revenue is recovered from electricity suppliers via the application of Distribution use of System charges. These charges account for approximately 8% of the electricity end users' overall electricity bill. NPg Northeast's opening base allowed revenue (excluding the effects of incentive schemes, volume or legislative driven adjustment mechanisms, any contract liabilities from the prior price control, and real price effects) has been set and provides NPg Northeast with some stability in terms of its income during the ED2 period. Opening base allowed revenues increased in line with inflation (as measured by CPI-H).

IUS provides engineering contracting services and NPg Metering rents meters to energy suppliers.

Strategy

In common with the Northern Powergrid Group, the Group operates a strategy based on six core principles (the "Core Principles"), which comprise Financial Strength, Customer Service, Operational Excellence, Employee Commitment, Environmental Respect and Regulatory Integrity. The Core Principles (which are applied by the Northern Powergrid Group's parent company, Berkshire Hathaway Energy Company ("Berkshire Hathaway Energy"), set out the basis on which the Company generates shareholder value over the longer-term and defines the standards by which the Northern Powergrid Group holds itself accountable. Each Core Principle is defined by a strategic objective which is linked to the commitments made in the Company's business plan (available via the Northern Powergrid Group website) for the ED2 period (the "Business Plan"). The directors refer to the values established by the Core Principles and the commitments contained within the Business Plan when considering the consequence of decisions they make.

The delivery of the Business Plan is supported by an annual business plan (the "Annual Plan") which is submitted to the Northern Powergrid Group's shareholder each financial year and is designed to phase progress towards the achievement of each commitment over the ED2 period. This ensures that the deliverables in both plans can be measured effectively by using a mix of financial and non-financial Key Performance Indicators ("KPIs").

The Strategic Report focuses on each Core Principle and the performance of the associated KPIs throughout the year in order to provide a summary of the success in achieving each strategic objective, progress made against certain Business Plan commitments and performance in relation to the Annual Plan.

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

Northern Electric plc
Strategic Report for the Year Ended 31 December 2025 (continued)

FINANCIAL STRENGTH

Strategic objective: Strong finances that enable improvement and growth.

KPI	(As restated)*	
	2025	2024
Operating Profit	£ 228.6 million	£ 314.5 million
Cash from operating activities	£ 300.3 million	£ 389.6 million
Cash used in investing activities	£ 468.7 million	£ 303.9 million
Credit Rating (Standard & Poor's)	A-	A-

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

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

Performance during the year: The Group continued to maintain good control in respect of both its capital and operating costs by effectively managing the financial risks that could have had an adverse impact on its business. At the end of year-two of the ED2 period. NPg Northeast is forecasting to deliver expenditure in line with allowances for the full ED2 period, the Company's and Northern Powergrid (Yorkshire) plc's (its "affiliate") expenditure was broadly in line with allowances, but below phased total expenditure allowances. Consequently, a number of work programmes were re-phased in support of achieving the 11% efficiency savings.

Revenue: The Group's revenue at £586.1 million was £84.6 million lower than the prior year primarily due to a decrease in tariffs with the average tariff decreasing by circa 30% when compared with 2024 tariffs, driven by reduced revenue allowances.

Operating profit and position at the year-end: The Group's operating profit of £228.6 million was £85.9 million lower than the previous year, primarily reflecting lower revenue detailed above alongside an increase in IT related expenditure. The statement of financial position shows that, as at 31 December 2025, the Group had total equity of £1,462.3 million (2024: £1,402.7 million). The decrease in net assets was driven by fair valuation re-measurements on pensions and cash flow hedges of £40.5 million, offset by profits in the year of £135.2 million and higher capital expenditure, mainly on asset resilience and decarbonisation-enabling investment on the network.

Finance costs and investments: Finance costs net of investment income at £45.4 million were £11.7 million higher than the prior year mainly reflecting lower finance income relating to the intercompany loans and higher interest paid to group undertakings.

Taxation: The effective tax rate in the year was 25%. Tax charge for the year was £48.7 million which was £24.8 million lower than prior year of £73.5 million primarily due to lower profits. Details of the income tax expense are provided in Note 10 to the financial statements.

Share capital: The Company has one class of ordinary shares which carries no right to fixed income. Details of cumulative non-equity preference shares are contained in the borrowings Note 20. There were no changes to the Company's share capital during the year.

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

- **Operating activities:** Net cash flow from operating activities at £300.3 million was £89.3 million lower than the previous year due to fewer cash receipts from customers.
- **Investing activities:** Cash flow used in investing activities at £468.7 million was £164.8 million higher than the previous year mainly driven by movement in intercompany treasury account and higher capital expenditure, mainly on asset resilience and decarbonisation-enabling investment on the network.
- **Financing activities:** Cash flow from financing activities at £176.7 million was £263.6 million higher than the previous year, mainly due to higher net proceeds from borrowings.

Northern Electric plc Strategic Report for the Year Ended 31 December 2025 (continued)

Pensions: The Company is a participating and sponsoring employer in the Group of the Electricity Supply Pension Scheme (the "DB Scheme"), a defined benefit scheme. Further details of the Group's commitments to the DB Scheme and the associated deficit repair payments are provided in Note 25 to the financial statements. The Group also participates in the Northern Powergrid Pension Scheme, which is a defined contribution scheme.

Insurance: As part of its insurance and risk strategy, the Group has in place insurance policies, which cover risks associated with employees, third party motor and public liability. The Group carries appropriate excesses on those policies and is effectively self-insured up to the level of those excesses.

CUSTOMER SERVICE

Strategic objective: Delivering exceptional customer service.

KPI	2025	2024
Broad Measure of Customer Satisfaction ("BMCS")	90.4%	91%
BMCS Rank (out of 14)	10	9
BMCS Power Cuts	89.4%	89.5%
BMCS General Enquiries	93.5%	94.8%
BMCS Connections	89.7%	90.3%

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

Performance during the year: In respect of the BMCS, an independent market research company carried out telephone surveys with NPg Northeast's customers to find out how satisfied they were with services related to unplanned or planned power cuts, quotations and subsequent connections, and general enquiries. A decline was recorded in overall satisfaction scores at 90.4% compared to the prior year (91.0%), resulting in the BMCS rank of 10 out of 14. Satisfaction scores were impacted in part as a result of the increased activity and demand around low carbon technology ("LCT") connections, as well as numerous weather-related events affecting the Network. Regardless, NPg Northeast will strive to continue to achieve its Business Plan commitments during the ED2 period by continuing to focus on the ways it can improve the service it provides to its customers.

To enhance the service provided to customers, NPg Northeast worked closely with new contractors to embed service standards and ensure consistency through stronger accountability. Key initiatives from the customer service improvement plan were implemented, including refining management routines for connections processes and improving the consistency of communications, particularly for those customers impacted by power cuts. In addition, an enhanced Operational Design model was introduced to support the delivery of 2026 improvement priorities.

Improvement activity scheduled for 2026 includes the development of guidance to facilitate managing key scenarios and customer interactions, an increased focus on areas of poor Network performance, and a review of the extra care support provided to the most vulnerable customers.

Northern Electric plc Strategic Report for the Year Ended 31 December 2025 (continued)

Connections to the network

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

Performance during the year: The time to connect continued to be challenging due to the increase in connections applications around service upgrades. However, time to quote remained on track as a result of increasing operational delivery capacity in response to the increased volumes. The overall customer satisfaction score for connections declined marginally year-on-year at 89.7% (2024: 90.3%).

The Major Connections programme has been significantly shaped by industry reforms designed to deliver the Government's decarbonisation ambitions through the Clean Power 2030 Action Plan, which addresses an increasingly over-subscribed connections queue by ensuring that only strategically aligned, deliverable projects progress. NPg Northeast has played an active role by participating in working groups and workshops, and influencing key policy decisions, while trading the impact of reform through a broad programme of customer engagement, including face-to-face sessions, social media posts and webinars.

As part of the reform, new project readiness and strategic alignment requirements were applied to existing accepted customer projects, driving significant investment in customer-facing improvements. This included the development and launch of an online customer evidence submission portal, enhancements to the existing online pipeline tool, and the introduction of a new customer enquiry portal. Together, these provided a more streamlined and efficient route for responding to customers.

Corporate responsibility

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

Performance during the year: NPg Northeast worked closely with key partners, including the local government, to support their decarbonisation plans, while continuing to champion inclusive services for those most at risk. As a consequence, support was scaled up with over 20,000 customers receiving tailored fuel poverty advice, and a further 5,868 customers were provided with guidance on their transition to net zero, generating (with its affiliate) £3.0 million in social benefit, as per Ofgem's output delivery incentive assessment.

Customer resilience initiatives were also strengthened with Priority Services Membership expanded to 76% of eligible households, 95.5% of the most vulnerable customers being contacted within one hour of a power cut, and enhanced winter kits being made available. Alongside, bespoke 'safe-talk' training equipped staff to support customers through difficult situations, while the new Community Energy Team worked with local groups to cut energy bills and boost impact.

Additional support activity included a donation to Community Action Northumberland to sponsor their Warm Hubs programme, the Net Zero Community Energy Fund provided grant funding to nine organisations totalling £50,000, and NPg Northeast established the Community Energy Team to support community energy groups. Alongside, NPg Northeast and all funded partners routinely promoted Priority Services Membership and shared energy efficiency materials and winter preparedness information to customers.

OPERATIONAL EXCELLENCE

Strategic objective: High-quality, efficient operators running a smart reliable energy system.

KPI	2024/25		2023/24	
	Actual	Target	Actual	Target
Customer minutes lost ("CML")	46.8	<41.1	49.5	<42.0
Customer interruptions ("CI")	51.0	<46.7	48.6	<47.7
KPI	2025		2024	
High voltage restoration time (minutes)	58.5		64.1	
Network investment (million)	£293.7		£228.5	

Business Plan commitment: To achieve 12% fewer unplanned power cuts and reduce the average length of unplanned power cuts by 25%.

Northern Electric plc Strategic Report for the Year Ended 31 December 2025 (continued)

Performance during the year: CML and CI are the KPIs set by Ofgem to measure (on a regulatory year basis) the quality of supply and system performance. CML measures the average number of supply minutes lost for every connected customer due to both planned and unplanned power cuts that last for three minutes or longer. CI measures the average number of supply interruptions per every 100 connected customers due to planned and unplanned power cuts that last for three minutes or longer. Performance was below target for CI and CML due to adverse weather conditions and increased planned works to remediate non-compliant equipment containing Polychlorinated Biphenyls (“PCB’s”). However, the duration of the NPg Northeast’s (together with its affiliate) power cuts decreased by 4.8% when compared to 2024.

From a high voltage restoration perspective, NPg Northeast averaged 58.5 minutes (2024: 60.2 minutes), after allowing for severe weather incidents and other exemptions, which was an improvement from the prior year.

NPg Northeast invested £274.5 million during the year through its approved Network investment strategy (2024: £228.5 million), which was designed to improve Network performance and increase resilience. Various major projects were undertaken to reinforce the primary Network, refurbish transformers, rebuild overhead lines, replace oil-filled cables, change deteriorated poles, replace switchgear and install and commission new remote-control points.

Further Network enhancements included the continued roll-out of the automatic power restoration system on the high voltage Network. At low voltage, the implementation of next generation technology devices continued with the addition of sensors and monitoring which detect developing faults so that they can be proactively managed.

Looking ahead to 2026, initiatives will be implemented as part of the Network Performance Improvement Plan. These include the continuation of the risk-based vegetation management programme which, will be refocussed to incorporate the findings from the Network Light Detection and Ranging surveys completed in 2025, additional ground-mounted and pole-mounted automation, the installation of fault management devices on the low voltage Network and further developing the operational incident response model.

CLIMATE CHANGE ADAPTATION

Strategic objective: Operate a highly reliable and resilient Network

KPI (Regulatory Year)	2024/25			2023/24		
	Annual	Cumulative	Target	Annual	Cumulative	Target
Flood Defences:						
High risk sites protected		98%	100%		100%	100%
Flood defence upgrades	-	127		-	127	
Major substation flood defences installed	1	86		2	85	
Vegetation Management:						
High voltage Network resilient to high winds (km cut)	29		4.6%	29		4.6%
High voltage Network resilient to high winds (km surveyed)	1,197		871	2,344		844
Vegetation management clearance spans	30,730		24,100	23,041		22,917
Collaboration:						
Local Resilience Forums (LRFs)	64		28	64		28

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

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

Performance during the year: The climate is changing and, despite international efforts to reduce greenhouse gas emissions, it is expected to continue to change over the course of the century. The Northern Powergrid Group has taken steps to understand the risks and opportunities presented by climate change and has established a number of programmes in response including flood mitigation, vegetation management, and overhead line resilience. In relation to performance against the KPIs established for the ED2 period, NPg Northeast and its affiliate installed one further substation defence. There are two sites where additional works are required to ensure that they meet the requirements for flood resilience. These sites have both had adequate mitigation measures put in place. However further permanent works are necessary to achieve full compliance. This resulted in a combined investment on flood mitigation works of £0.66 million in 2024/25.

From a vegetation management perspective, a total of £18.0 million was invested by NPg Northeast and Northern Powergrid (Yorkshire) plc on works to clear spans and make the Network more resilient, including by creating corridors between vegetation and the Network to accommodate the falling distance of trees. The targets set at the beginning of ED2 were increased to reflect the actual volumes of work undertaken given a large number of surveys are undertaken which confirm continued compliance, and therefore cutting is not required. In addition, increased growth was observed, driven by wetter winters. The acceleration of the vegetation management programme will be supported by the use of Light Detection and Ratings (“LiDAR”) to help more effectively target the work. The first full LiDAR survey of the Network will be completed during the 2025/26 Regulatory Year.

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

Governance Arrangements

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

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

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

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

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

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

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

Risk Management

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

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

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

Strategy

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

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

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

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

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

Northern Electric plc Strategic Report for the Year Ended 31 December 2025 (continued)

Climate Change Adaptation

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

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

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

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

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

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

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

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

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

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

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

Northern Electric plc Strategic Report for the Year Ended 31 December 2025 (continued)

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

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

Mitigation activity:

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

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

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

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

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

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

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

Mitigation activity:

- Network and asset performance will continue to be monitored and will be modified once climate change begins to have a direct and longer-term impact.
- Standards and specifications will be updated to include projected changes in temperatures and ground movements. This includes reviews and changes to asset ratings and construction and design specifications as appropriate.

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

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

Assumptions: As for Precipitation (extreme prolonged rainfall)

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

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

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

Mitigation activity:

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

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

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

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

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

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

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

Mitigation activity:

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

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

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

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

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

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

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

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

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

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

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

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

Initiatives planned in this area include collaboration with:

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

Further information

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

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

The Northern Powergrid Group is currently working with Ofgem to complete a stress testing exercise which is focussed on the risks from extreme heat, wind and flooding. The outputs from this are anticipated in 2026 and will form the basis of the Business Plan and Climate Resilience Strategy for the ED3 period (2028-2033).

Northern Electric plc
Strategic Report for the Year Ended 31 December 2025 (continued)

EMPLOYEE COMMITMENT

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

KPI	2025		2024	
	Actual	Target	Actual	Target
Northern Powergrid Group occupational safety and health administration ("OSHA") rate	0.28	<0.09	0.23	<0.09
Preventable vehicle accidents (PVAs)	13	<11	7	<11
Lost time accidents	1	0	1	0
Contractor OSHA incidents	3	<3	2	<3
Medical treatment accidents	2	<1	2	<1
Operational incidents	5	<3	2	<4
Absence rate	3.46%		3.52%	

Health and safety

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

Performance during the year: In common with the Berkshire Hathaway Energy group, the Northern Powergrid Group measures its safety performance using the OSHA rate, which is a measure used to capture safety incidents down to minor levels of medical treatment. The Northern Powergrid Group failed to meet its target of 0.09 having achieved an OSHA rate of 0.28 (2024: 0.68), which equated to eight recordable incidents against a goal of two or fewer. NPg Northeast's PVA performance was disappointing with 13 accidents recorded in the year (2024:11). In terms of the Business Plan commitment, the number of contractor OSHA incidents was higher when compared to the prior year, resulting in further improvement actions being initiated.

In relation to the OSHA incidents, the majority were minor in nature (cuts, slips and trips and slow manoeuvring vehicle accidents), but the increase relative to the prior year reinforced the importance of NPg Northeast's health and safety performance improvement plan which covered colleague safety, contractor safety, health and well-being and public safety. Accordingly, initiatives undertaken and planned for 2026 included the continuation of driver training, enhancing personal protective equipment, the completion of an assurance programme on high -risk activities, safety training for all first line managers, and the renewal of the fleet vehicle telematics contract to equip drivers with the latest technology.

During the year, NPg Northeast successfully completed the ISO 45001 re-accreditation audit of our occupational health and safety management system.

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

Employees

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

Performance during the year: Building capacity remained a key priority, with a focus on expanding the intake of apprentices and engineers, in addition to enhancing working arrangements to ensure seamless customer support. This included increasing time spent together as teams, improving onboarding experiences and focusing on talent pipelines to facilitate retention and build capacity. NPg Northeast continued to foster strong relationships with the trade unions through established working groups.

Employee development continued via the CORE programme, designed to enhance leadership and management skills, leadership apprenticeships, and an approach to identifying and developing individual contributors. Routine training also took place in key areas such as customer service, cyber security and management development, and the rollout of the Core Leadership Expectations 360 programme was completed for senior leaders. A mentoring platform was also introduced to connect colleagues across the Northern Powergrid Group focussing on professional development.

Opportunities for learning and development will be expanded throughout 2026, with the launch of new skills modules.

During the year, 56 new recruits (2024: 89) joined NPg Northeast's and Northern Powergrid (Yorkshire) plc's Workforce Renewal Programme. At 31 December 2025, the Group had 1,802 employees (2024: 1,639).

The Northern Powergrid Group's gender pay gap report is available via the Northern Powergrid Group's website.

Employee engagement

The board and senior management team continue to keep employees and trade union representatives informed of and involved as appropriate in developments that may impact them now or in the future. Consultation for collectively bargained employees is agreed with trade union representatives in the form of a constitutional framework. In addition, the Group utilises focus groups and colleague panels to consult on improvements and changes.

In support of this process, the Director of People and Change routinely reports to the board and the Health and Safety Committee to ensure that the views of employees are considered and to facilitate the discussion of and any subsequent decision making in respect of employee related concerns or issues.

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

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

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

Employment of disabled persons

The Group's policy is to provide all protected groups, including disabled people, with equality at work in respect of employment, training, career development and promotion, having regard to their aptitudes and abilities. Should any member of staff become disabled during their employment, reasonable adjustments will be made, wherever possible.

Northern Electric plc
Strategic Report for the Year Ended 31 December 2025 (continued)

ENVIRONMENTAL RESPECT

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

KPI	2025		2024	
	Actual	Target	Actual	Target
Total oil/fluid lost (litres)	7,229	<9761	6,108	<10,073
SF6 gas discharges (kg)	14.55	<11.4	21.4	<11.8
Environmental incidents	1	<3	1	<3
KPI	2025		2024	
Carbon footprint (tonnes)	6,561		6,791	
KWh Energy Consumed	20,885,501		20,325,432	
Business carbon footprint	Tonnes	Per km ²	Tonnes	Per km ²
Scope 1	2,636	0.18	2,497	0.17
Scope 2	2,248	0.16	2,682	0.18
Scope 3	1,677	0.12	1,612	0.11
Total carbon footprint (tonnes)	6,561	0.46	6,791	0.46

Notes:

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

Contractor emissions are based on fuel usage and is the best available information at the time of publishing.

The chosen business carbon footprint intensity ratio is based on the NPg Northeast’s licence area which equals 14,394km²

The methodology adopted to calculate energy and business carbon footprint data is aligned with international standards, those required by Defra and BEIS and is audited annually and certified through the Certified Emissions Measurement and Reduction Scheme (“CEMARS”) for compliance with ISO 14064-1:2006.

Business Plan commitment: To reduce carbon emissions, pollution, and waste, and wherever possible, enhance the local environments in which we operate.

Performance during the year: The Group is committed to using natural resources responsibly and safeguarding the environment for future generations. This commitment is outlined in the Environmental RESPECT Policy (Responsibility, Efficiency, Stewardship, Performance, Evaluation, Communication, and Training) and delivered through the Environmental Action Plan, which addresses twelve key impact areas including Scope 1, 2, and 3 carbon emissions, SF₆ losses, visual amenity, biodiversity, and waste.

NPg Northeast’s overall business carbon footprint Scope 1 and 2 emissions (excluding losses) totalled 4,735 tonnes CO₂e for the year, an improvement on the prior year. Whilst NPg Northeast and its affiliate achieved reductions in Scope 1 and 2 emissions throughout ED1 and into the ED2 period, the current level remains marginally above the science-based target for reaching net zero, indicating that further action is needed to drive additional reductions.

Improvement initiatives include cutting emissions from the operational fleet by replacing diesel vehicles with Ultra-Low and Zero-Emission models, exploring emerging technologies such as hydrogen fuel cells, adopting alternative renewable fuels, and improving energy efficiency through facility upgrades at operational sites.

For Scope 3 emissions, NPg Northeast continued its partnership with the Supply Chain Sustainability School and implemented its carbon calculator to measure supply chain emissions, laying the groundwork for a reduction strategy in 2026. In addition, NPg Northeast collaborates with other DNOs to share expertise, insights, and ensure a consistent approach.

SF₆ losses totalled 14.55 kg, reflecting a year-on-year reduction, though still above target. In response, NPg Northeast continued to implement operational routines, address leaks promptly, and collaborate with other DNOs through the Energy Networks Association (“ENA”) to share best practices and trial innovative SF₆-free technologies.

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

During the year, total fluid loss from the Network of 7,229 litres, was within the target of 9,761 litres. However, to further minimise losses, NPg Northeast remains committed to replacing 3,400 km of cable during the ED2 period and continued to advance the use of perfluorocarbon tracer technology for leak detection and self-healing cable solutions.

To meet the requirement of identifying and removing or remediating non-compliant equipment containing PCBs by 31 December 2025, NPg Northeast and its affiliate collaborated with the Environment Agency and the ENA to develop a statistical model for determining non-compliant pole-mounted transformers. The model has been highly effective in reducing the overall burden and cost of the programme. Delivery in 2025 was significant, albeit, NPg Northeast will continue working with the Environment Agency during 2026, until compliance is achieved.

In relation to NPg Northeast's broader environmental impact, plans have been established to achieve zero waste to landfill by 2035 and divert 90% of waste from all operations by 2028. Network operations remain the largest source of waste, with excavations and related activities accounting for over 95% of total waste generated. Measures to improve performance include increased recycling and reuse of materials, with a target to recycle and reuse 85% of all materials by 2028, covering the additional volumes arising from Network investment projects and decarbonisation initiatives. Challenges remain around assessing and classifying materials from unplanned utility excavations as hazardous or non-hazardous prior to transport and disposal, which impacts the NPg Northeast's goal of reducing landfill waste. To address this, the Streetworks UK protocol was introduced during the year, implementing an industry-wide compliance obligation.

From a supply chain perspective, NPg Northeast will continue collaborating with suppliers to reduce Scope 3 emissions. To support this, an embodied carbon model will be developed to guide investment decisions, including material sourcing. At office locations, waste segregation facilities have been expanded by implementing "Simpler Recycling".

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

At present, NPg Northeast has no plans to use carbon offsetting to achieve its ED2 targets. The focus remains on reducing physical carbon emissions, as additional investment in the Network to enable decarbonisation delivers greater value for customers. However, at an initiative level, NPg Northeast may pursue ad-hoc offsetting opportunities where appropriate.

From an environmental compliance perspective, NPg Northeast operates under a United Kingdom Accreditation Service (UKAS) scheme for environmental management and is certified to ISO 14001:2015-a standard designed to enhance environmental performance, meet compliance obligations, and achieve environmental objectives, all of which support NPg Northeast's KPIs. NPg Northeast's carbon footprint reporting framework is certified under CEMARS for compliance with ISO 14064-1:2006. Additionally, NPg Northeast holds 'Energy & Utility Skills' certification for its Competence Management System for waste management.

To date, NPg Northeast's performance against several challenging KPIs aimed at reducing carbon usage and minimising environmental and stakeholder impacts has been largely positive. However, achieving carbon targets, while collaborating with suppliers and partners presents significant challenges and risks. Consequently, NPg Northeast will continue to refine its ambitions and strengthen the implementation of environmental plans throughout ED2, into ED3, and beyond. Details of phased targets for waste to landfill, recycling, noise pollution, and biodiversity, along with descriptions of all key measures, are provided in Annex 1.4 of the Business Plan, available via the Northern Powergrid Group's website (Our Business Plan).

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

Environmental Sustainability

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

Performance during the year: As the country takes action to reduce carbon emissions in line with the net zero target by 2050, the way in which electricity is produced and used is expected to have a substantial impact on the Network over time. Accordingly, NPg Northeast continues to implement its Distribution System Operator (“DSO”) strategy, and act as a key facilitator in the transition by placing decarbonisation at the heart of its investments and actions.

The operation of flexibility on the Network has continued to mature in 2025. In the past year, NPg Northeast increased tendering opportunities, improved market access for Flexibility Service Providers and established new forecasting and dispatch processes. By enabling customers to change their energy consumption and generation patterns, NPg Northeast facilitated a more efficient and greener Network by providing an alternative to both Reinforcement and generation curtailment requirements.

From an innovation perspective, NPg Northeast runs a portfolio of projects in the priority areas of customer vulnerability, resilience, and decarbonisation. Notably, the Community DSO project, a £3.2 million trial delivering smart local energy systems, was expanded in 2025 with the mobilization of two further trial sites to explore how consumer energy resources and flexibility can be utilised in communities.

To better understand how to prepare the Network for the future needs of its customers and the potential pathways to net zero, NPg Northeast published its updated Distribution Future Energy Scenarios. NPg Northeast also published its Energising Growth strategy, setting out how larger industrial and commercial customers are being supported alongside Local Authority stakeholders to drive regional decarbonisation, and in turn enable economic regional growth. This was further supported by the launch of our LAEP+ tool, which provided Local Authorities with key functionality to develop their Local Area Energy Plans, through enhanced conversations, and regional specific insight. Both publications are available via the Northern Powergrid Group’s website.

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

In conjunction, and with the support of the Independent Stakeholder Group (“ISG”), NPg Northeast operated its DSO Review Panel (“DRP”) for the purpose of making its decisions transparent and to allow the independent members to comment on and challenge NPg Northeast’s major investment decisions.

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

REGULATORY INTEGRITY

Strategic objective: Trustworthy, fair and balanced.

KPI: Completion of a quarterly regulatory compliance affirmation process.

Business Plan commitment: To manage the Group's business to the highest behavioural standards and adhere to a policy of strict compliance with all relevant standards, legislation and regulatory conditions.

Performance during the year: In order to assure compliance with distribution licence and other regulatory obligations, NPg Northeast operates a regulatory compliance affirmation process. Responsible managers are required to review compliance with approximately 3,700 obligations on a quarterly basis and report on any identified non-compliances or perceived risks which are then addressed by members of the senior management team. To minimise the risk of NPg Northeast breaching its licence conditions and other statutory requirements (which could lead to financial penalties), the board reviews the outcomes of each exercise. Each quarterly regulatory compliance affirmation process was completed satisfactorily during the year.

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

On 6 November 2024, Ofgem initiated the process for determining the arrangements for the next electricity distribution price control period, which will begin on 1 April 2028, by issuing a consultation on the framework for ED3. Ofgem envisages that ED3 will have a critical role in the path to achieving net zero by 2050, which could involve a significant change in the level of Network investment. In that respect, Ofgem has stated that it will aim to keep the costs of the infrastructure needed for net zero as low as possible through maintaining a low cost of capital and driving further efficiency. NPg Northeast submitted its response to the consultation on the framework on 15 January 2025 and began the process of preparing its draft ED3 Business Plan, which, it is currently expected, will be submitted to Ofgem in July 2026 and will be followed, in December 2026, by submission of the final version.

Ofgem published the methodology consultation to further develop arrangements for ED3 on 08 October 2025, which was clear on the need to attract equity capital to secure the step-up in investment. NPg Northeast submitted its response to the methodology consultation on 03 December 2025. The process will culminate with Ofgem expected to issue its Draft Determinations in June 2027 and its Final Determinations in December 2027.

Northern Electric plc
Strategic Report for the Year Ended 31 December 2025 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The risk management programme includes regular reviews of the crisis management, disaster recovery and major incident plans. To determine the level of disaster preparedness and responsiveness against threats to business continuity, risk management plans and processes are periodically tested. This self-evaluation approach is reinforced by Berkshire Hathaway Energy, which benchmarks risk management activities across its business units and shares significant lessons learned. The business continuity and disaster recovery plans are tested regularly to ensure that as required, operational performance can remain resilient and employees are able to perform their duties safely.

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

Principal Risks

During the year, no notable changes have taken place. The Northern Powergrid Group's principal risks are not ranked or prioritised in any particular order. Given their sensitivity and ever-changing nature, the board has elected not to disclose the risk appetite associated with each risk.

Cyber and Information Security

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

Mitigations:

- Robust cyber security risk mitigation programme is in place.
- Accreditation under the ISO 27001 Information Security standard for operational, customer, employee and financial information.
- Compliant to the Network Information Security Directive and the Basic Cyber Assessment Frameworks.
- Compliance with the Centre for Internet Security Critical Security Controls.

Regulatory and policy positioning

Decisions taken resulting in negative impacts to our business model.

Mitigations:

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

Network resilience

Loss of the Network due to significant weather events, targeted physical attack or catastrophic asset failure resulting in sustained or widespread loss of essential supply.

Mitigations:

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

Safety

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

Mitigations:

- Overseen by the Health and Safety Committee.
- Safety Health and Improvement Plan and associated policies and procedures.
- Health and safety training, enhanced audit programme and inspection regimes are in place.
- ISO45001 safety management system in place.

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

Environment and climate protection

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

Mitigations:

- Programme to reduce fluid loss, business carbon footprint and remove assets containing PCBs.
- Environment improvement plan, Environment Action Plan and science-based targets.
- Path to carbon neutrality by 2040.
- Incident response, waste management and habitat protection programmes.
- ISO14001 environmental management system in place.

Resource availability

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

Mitigations:

- Mix of direct labour and contracted resource is used.
- Workforce renewal programmes in place to recruit and retain employees.
- Ongoing training and development builds internal capability.
- Employee engagement, health and well-being initiatives and a diversity, equality and inclusion plan in place.
- Good relationships with trade unions representatives.

Enabling the energy transition

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

Mitigations:

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

Customer Service

Loss of reputation, financial penalties.

Mitigations:

- Customer service improvement plan.
- Engagement with ISG and DRP.
- Relationship with customer support partners and organisations.
- Employee training and development.

Efficiency and output performance

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

Mitigations:

- Robust business planning process.
- Robust financial controls in place.
- Monthly executive business performance review.
- Comprehensive “Efficient Output Delivery” programme.

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

Financial risks

The exposure to interest rate, tax, liquidity and treasury risks.

Mitigations:

- 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 2025, 99% of the Group's long-term borrowings were at fixed rates and the average maturity for the long-term borrowings was 20 years.
- Financial covenant monitoring is in place.
- Regulatory adjustments control the effect of taxation changes.

Internal control

The Group's internal control exists to support the financial reporting process, including regular reporting, a series of operational and financial policies, investigations undertaken by internal audit and a stringent process for ensuring the implementation of internal audit recommendations. In addition, the Group utilises comprehensive business planning procedures, regularly reviews KPIs to assess progress towards its goals, and the internal audit function provides independent scrutiny. Financial controls include centralised treasury operations and established procedures for the planning, approving and monitoring of major capital expenditure.

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

Controls which are applicable to financial decisions are governed via a schedule of delegations of authority which are approved by the board (and applies to the Northern Powergrid Group) for the purpose of enabling the senior management team to make decisions up to certain financial limits, above which point the decision making reverts to the directors. These limits reflect the board's level of risk appetite and are reviewed regularly.

In accordance with Berkshire Hathaway Energy's requirements to comply with the Sarbanes-Oxley Act, the Group undertakes a quarterly risk control assessment confirming that the effectiveness of the system of internal controls have been reviewed during the year. A self-certification process is in place, in support of this review, requiring certain senior managers to confirm that the system of internal control in their area of the business is operating effectively. Consequently, the directors believe that a robust system of risk assessment and management is in place.

The Northern Powergrid Group does not have a specific human rights policy. However, in accordance with the Core Principles, it remains fully committed to operating ethically and responsibly and with fairness and integrity. This is implemented through its policies and procedures, which are applicable to all stakeholder groups and encompasses employees' health, safety and welfare, dealings with customers (particularly those who are vulnerable), the impact of the Northern Powergrid Group on the environment and the contribution to sustainability.

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

Section 172(1) statement

Decision-making at the Board

All matters which under the Company and Group's governance arrangements are reserved for decision by the directors are presented at board meetings. Directors are briefed on any potential impacts and risks for customers, and other stakeholders and how they are to be managed. The directors take these factors into account before making decisions, which together they believe are in the best interests of the Company and Group and its member.

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

Long-term sustainability

As referenced throughout the Strategic Report, NPg Northeast's business model is to make sufficient profit in order to invest in the Network thereby, ensuring the integrity of the electricity supply for its customers. To achieve this objective, NPg Northeast delivers its service to fulfil the needs of the stakeholders with whom it interacts and in doing so, ensures all business relationships are conducted in an open and transparent manner. Consequently, fostering business relationships is a prerequisite of the activity performed by the Group in the pursuit of its goals and the long-term sustainability of the Group is at the forefront of decision-making.

The Group's policy in respect of engaging with stakeholders is governed by the Core Principles and the Code of Conduct. The Core Principle of 'Regulatory Integrity' defines the Northern Powergrid Group's commitment to comply with all laws wherever it does business and the expectation that all employees (including directors) manage their activities in a manner that is compliant with all standards, regulations and corporate policies. In addition, the Code of Conduct requires adherence to the highest level of ethical conduct and fair dealings with all customers, suppliers and competitors.

Employees

As detailed in 'Employee Commitment', the Group works hard to ensure the health and safety of employees and to provide them with opportunities for advancement alongside fair terms whilst remunerating appropriately. Activities undertaken by the board in the year included reviewing health and safety performance, monitoring key appointment changes and reviewing the Northern Powergrid Group's gender pay gap report.

Customers

Customers, whether they are domestic or commercial, are the primary stakeholder group served by the Group and therefore the services offered are all tailored to provide a benefit or enhance an experience. During the year, the board regularly reviewed performance levels, closely monitored the response in respect of major storms and associated Network resilience and engaged with the Chair of the ISG. Further detail of NPg Northeast's relationship with customers and the support programmes provided is discussed in 'Customer Service'.

Producers and suppliers

The Group works closely with its supply chain and has measures in place to ensure the treatment of all suppliers is fair and equitable. Relations with suppliers is managed using a supplier registration system which supports a robust and transparent procurement process and ensures strict compliance with the prevention of slavery and human trafficking. As a consequence, the system allows the Group to make informed decisions which align with its values when awarding contracts. When considering suppliers, the board advocates prompt payment practices, which are reviewed regularly by the internal audit function, and the implementation of procedures to reduce the risk of modern slavery in supply chains - as set out in the Northern Powergrid Group's annual modern slavery statement.

Financial stakeholders

Financial information is routinely made available to financial stakeholders, including relationship banks and bondholders. Directors engage with stakeholders when entering into new financial arrangements. During the year, the board approved an interim dividend, the annual accounts and the tax strategy and met representatives from the Northern Powergrid Group's external auditor.

Community and environment

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

Regulator

NPg Northeast is in regular dialogue with Ofgem concerning new policy development and emerging risks or opportunities within the sector. As outlined in 'Regulatory Integrity', to meet its licence conditions, NPg Northeast and the directors provide regular reporting to Ofgem (including annual regulatory certificates), contribute to various regulatory consultations and monitor regulatory compliance. Given the implications on the NPg Northeast's long-term strategy, the relationship with Ofgem and the evolving ED3 framework were regular items on the board agenda throughout the year.

Acting fairly between the Company's owners

The Company has one class of ordinary shares which are all held by Northern Powergrid Limited, a company owned by Northern Powergrid UK Holdings. The Company also has one class of preference shares, further details of which can be found in Note 17. As outlined in 'Strategy', the Northern Powergrid Group is owned by Berkshire Hathaway Energy. Further details of the shareholder relationship is set out in the 'Corporate Governance Statement'.

Northern Electric plc

Strategic Report for the Year Ended 31 December 2025 (continued)

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

The non-financial reporting information pursuant to Section 414CA of the CA06 has been reported throughout the Strategic Report and principal risks and uncertainties. The climate-related financial disclosures pursuant to Section 414CB (2A) can be found in the ‘Adapting to Climate Change’ and ‘Environmental Respect’ sections of the Strategic Report.

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

The steps the Company plans to take in order to be able to make the relevant disclosures in the future, and the timeframe within which it expects to be able to make those disclosures, is set out in Ofgem’s ‘Environmental Reporting Guidance’, sections 3.8 to 3.13, a copy of which can be found via Ofgem’s website. This includes a recommendation for the energy industry to work collaboratively to develop an appropriate methodology for reporting scope 3 emissions during the remainder of the ED2 period. In addition, the Northern Powergrid Group is working in conjunction with Berkshire Hathaway Energy to enhance its carbon emission reporting as a result of the California Air Resources Board obligations.

Approved by the Board on 19 May 2026 and signed on its behalf by:



A P Jones
Director

Northern Electric plc

Directors' Report for the Year Ended 31 December 2025

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2025.

Dividends

During the year, an interim dividend of £35.2 million was paid (2024: £277.4 million). The directors recommend that no final dividend be paid in respect of the year (2024: £nil).

An interim dividend of £160.0 million was received (2024: £300.0 million) from NPg Northeast to the Company.

During October 2025, the Company declared and paid an interim dividend to Northern Powergrid Limited which was an unlawful distribution due to failure to comply with the procedural requirements of Part 23 of the Companies Act 2006. As a result, the Company has categorised the amount paid in excess of distributable reserves as a debt due from Northern Powergrid Limited to the Company (see Note 30). The Company is in the process of implementing steps to remedy the potential consequences of the unlawful distribution.

The Group's dividend policy is that dividends will be paid only after having due regard to available distributable reserves, available liquid funds and the financial resources and facilities needed to enable the Company and Group to carry on its business for at least the next year, with the Company and Group's long-term prospects and viability in mind. In addition, the level of dividends is set to maintain sufficient equity in the Northern Powergrid Group so as not to jeopardise any investment grade credit ratings. These strict parameters align with the conditions set out in NPg Northeast's distribution licence and are considered carefully by the board so as to ensure that the payment of any dividend does not cause NPg Northeast to breach any licence obligations in the future.

Directors of the Company

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

A P Jones
S J Lockwood
J N Reynolds
J C Riley

During the year, none of the directors had an interest in any contract which was material to the business of the Company or Group. During the year and up to the date of approval of the Directors' Report, an indemnity contained in the Company's (and each company within the Northern Powergrid Group's) Articles of Association was in force for the benefit of the directors of the Company and as directors of associated companies, which was a qualifying indemnity provision for the purposes of the CA06.

Future developments

The financial position of the Group, as at 31 December 2025, is shown in the consolidated statement of financial position. There have been no significant events since the year end and the directors intend that:

- NPg Northeast will continue to develop its business by efficiently investing in the Network and improving the quality of supply and service provided to customers. NPg Northeast intends to continue to embrace the role of DSO by expanding its energy systems operations in order to allow its Network to form a key part of a whole energy system, which fosters flexibility and facilitates decarbonisation.
- IUS will concentrate on its core skills of engineering contracting thereby delivering a high standard of service to its existing clients and pursuing opportunities to increase its portfolio.
- NPg Metering will retain its focus on pursuing opportunities in the market for meter asset provision.

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

Northern Electric plc
Directors' Report for the Year Ended 31 December 2025 (continued)

Research and development

The Group supports a programme of research that is expected to contribute to higher standards of performance and a more cost-effective operation of its business. During the year, the Group invested £1.3 million (2024: £5.6 million) in its research and development activities.

Financial instruments

Financial risk management

Details of financial risks are included in the Principal Risks and Uncertainties, found in the Strategic Report and in Note 29 to the financial statements.

Financial derivatives

As at 31 December 2025 the Group held two derivative financial instruments (2024: two) to mitigate the interest rate risk on a floating interest rate loan. More details on derivative financial instruments are available in Note 30 to the financial statements.

Northern Electric plc

Directors' Report for the Year Ended 31 December 2025 (continued)

Stakeholder engagement and environmental disclosures

In accordance with Paragraphs 10, 11 and 20 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, details concerning the employment of disabled persons, the relationship and engagement with employees and those with whom the Company and Group does business, in addition to information concerning greenhouse gas emissions can be found in the Section 172 Statement and the Strategic Report (Environmental Respect and Employee Commitment).

Vote holder and issuer notification

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

Directors' biographies

Alex P Jones

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

Stephen J Lockwood

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

John N Reynolds OBE

Mr. Reynolds was appointed in January 2011 as a director of Northern Powergrid Holdings Company and in October 2017 as Chairman of the audit committee and a director of the Company. Mr Reynolds is the Chief Executive Officer of Castle Water. He is a Fellow of the Institution of Engineering & Technology, a Fellow of the Energy Institute and is a former commission member of the Water Industry Commission for Scotland. Mr Reynolds chaired the Church of England Ethical Investment Advisory Group, and is a former council member of the Central Finance Board of the Methodist Church. He is the author of a number of books and articles on business ethics. Mr. Reynolds previously held senior management roles at HSBC and Houlihan Lokey.

Jennifer C Riley

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

Board diversity

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

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

Northern Electric plc
Directors' Report for the Year Ended 31 December 2025 (continued)

CORPORATE GOVERNANCE STATEMENT

The Company has sought to apply the UK Corporate Governance Code 2024 (the "Code") and report on the application of the Principles and supporting Provisions. Given the nature of the securities in issue, the Company (nor any Company within the Northern Powergrid Group) is not required to adopt the Code, and it has not been voluntarily applied. However, the board has elected to operate within the spirit of the Code and explain below how the Company's and Northern Powergrid Group's governance framework aligns with the Principles and Provisions.

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

BOARD LEADERSHIP AND COMPANY EXPOSURE

Strategic Ownership

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

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

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

Northern Electric plc

Directors' Report for the Year Ended 31 December 2025 (continued)

Engagement and Values

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

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

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

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

DIVISION OF RESPONSIBILITIES

The role of the President and Chief Executive Officer

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

Northern Electric plc
Directors' Report for the Year Ended 31 December 2025 (continued)

Non-executive directors

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

Time Commitment and Resources

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

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

Board committees and sub-groups

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

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

Northern Electric plc

Directors' Report for the Year Ended 31 December 2025 (continued)

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

Health and Safety Committee

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

Duties:

- Oversee the implementation and review the effectiveness of health and safety policy;
- Develop the strategy for managing health and safety issues;
- Monitor health and safety performance consider policy changes; and
- Report to the board.

STAP

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

Duties:

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

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

Appointments

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

Evaluation

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

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

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

Northern Electric plc

Directors' Report for the Year Ended 31 December 2025 (continued)

Diversity policy

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

AUDIT, RISK AND INTERNAL CONTROL

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

Audit committee

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

- Carrying out the functions required by DTR 7.1.3R;
- Overseeing the RAB;
- Monitoring the internal audit plan;
- Sub-delegating activities to another person or body as seen fit; and
- Reporting to the board.

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

Internal Audit

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

External Audit

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

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

Northern Electric plc

Directors' Report for the Year Ended 31 December 2025 (continued)

RAB

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

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

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

REMUNERATION

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

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

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

Northern Electric plc

Directors' Report for the Year Ended 31 December 2025 (continued)

Going Concern

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

The Company's financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

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

- The Company is profitable with strong underlying cash flows;
- The Company benefits from strong investment-grade credit ratings;
- The Company meets its day to day working capital requirements from intercompany loans (via the current account mechanism) with the Northern Powergrid Group;
- Northern Powergrid Holdings Company, being the ultimate UK parent company, has indicated its intention to make available such funds as are needed by the Company through the intercompany current account mechanism. . As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so;
- The Northern Powergrid Group as a whole is financed both in its operating companies and in other entities within the Northern Powergrid Group through the use of the current account mechanism. For that reason, financial health is also considered with reference to the Northern Powergrid Group, the directors therefore take into consideration a number of factors affecting the wider group:
 - The Northern Powergrid Group's main subsidiaries, Northern Powergrid (Northeast) plc and Northern Powergrid (Yorkshire) plc, are stable electricity distribution businesses operating an essential public service and are regulated by the Gas and Electricity Markets Authority ("GEMA"). In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000;
 - The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 19 years and has access to short-term committed borrowing facilities of £242 million provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada;
 - The Northern Powergrid Group benefits from strong investment-grade credit ratings which allow access to a range of financing options including the capital markets. Based on the directors evaluation of current market conditions, they understand successful bond issuances by the Northern Powergrid Group during 2025, demonstrates that the Northern Powergrid Group's bonds remain attractive to investors and there is an active market with strong appetite to invest. The Northern Powergrid Group plans to issue debt in the form of bonds in going concern period to support the continued funding of its planned capital expenditure programme;
 - The Northern Powergrid Group has prepared forecasts which consider reasonable possible downside sensitivities. This indicates that the Northern Powergrid Group has sufficient covenant headroom and adequate resources to settle its liabilities as they fall due for at least the 12 months from the date of these accounts; and
 - Consideration was also given to the obligations contained in Northern Powergrid (Northeast) plc and Northern Powergrid (Yorkshire) plc licences to provide Ofgem with annual certificates, confirming that the directors have a reasonable expectation that the Northern Powergrid Group will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months.

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

Northern Electric plc

Directors' Report for the Year Ended 31 December 2025 (continued)

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the CA06.

Reappointment of auditor

A resolution to re-appoint KPMG LLP as the Company's auditor and authorise the directors to determine their remuneration will be proposed at the annual general meeting.

Non-financial and sustainability information statement

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and are required to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the CA06. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

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

Northern Electric plc
Directors' Report for the Year Ended 31 December 2025 (continued)

Approved by the Board on 19 May 2026 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'A P Jones', with a horizontal line extending to the right.

A P Jones
Director

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

1 Our opinion is unmodified

We have audited the financial statements of Northern Electric plc (“the Company”) for the year ended 31 December 2025 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the parent Company Statement of Financial Position, the parent Company Statement of Changes in Equity and the related notes, including the accounting policies in Note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent Company’s affairs as at 31 December 2025 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 26th June 2024. The period of total uninterrupted engagement is for the two financial years ended 31 December 2025. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Northern Electric plc

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

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

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2024), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Retirement Benefit Obligations

Gross Defined Benefit Obligations: £878.5m (2024: £850.9m).

Refer to page 57 (critical accounting estimates and judgements), page 63 (accounting policies) and pages 104-112 (financial disclosures)

The risk - Subjective valuation

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

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

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

Our response

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

Our procedures included:

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

Our Results

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

Northern Electric plc

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

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

Expenditure allocated to property, plant and equipment: £61.6m (2024: £58.6m).

Refer to page 57 (critical accounting estimates and judgements).

The risk - Accounting treatment

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

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

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

Our response

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

Our procedures included:

Accounting analysis: assessed the Group's capitalisation policy for compliance with IAS 16.

Test of details: critically assessed the capital nature of a sample of additions against the capitalisation policy;

Methodology implementation: assessed the mathematical accuracy of the model used to calculate the level of expenditure capitalised, for a sample of costs capitalised;

Test of details: challenged the Group on the selection and application of methods and performed sensitivity analysis on the percentage of expenditure that is capitalised, based on our understanding of the business and the nature of the costs; and

Assess transparency: assessed the adequacy of the Group's disclosures with respect to its capitalisation policy, including the judgement involved in determining whether expenditure is capital in nature and the estimation involved in setting the effective capitalisation rate of 44.4%. (2024: 41.8%).

Our Results:

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

Northern Electric plc

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

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

Our application of materiality

Materiality for the Group financial statements as a whole was set at £19.0m (2024: £7.8m), determined with reference to a benchmark of Group total assets, of which it represents 0.5% (2024: 3.8% of normalised Group profit before tax.).

The benchmark in the previous period was profit before tax normalised by averaging over the last three years. We selected Group total assets as the benchmark in the current period because we have concluded that total assets are more relevant to the users of the financial statements in determining the performance of the Group.

Materiality for the parent Company financial statements as a whole was set at £3.6m (2024: £3.6m) determined with reference to a benchmark of the parent Company's total assets of which it represents 1.0% (2024: 0.8%).

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

Performance materiality was set at 65% (2024: 65%) of materiality for the financial statements as a whole, which equates to £12.3m (2024: £5.1m) for the Group and £2.3m (2024: £2.3m) for the parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.0m (2024: £0.4m) in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

Overview of the scope of our audit

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

In total, we identified 8 (2024: 8) components, having considered our evaluation of the Group's operational and legal structure, and our ability to perform audit procedures centrally. Of those, we identified 2 (2024: 1) quantitatively significant components which contained the largest percentage of either total revenue or total assets of the Group, for which we performed audit procedures.

We also identified 1 (2024: 1) component as requiring special audit consideration, owing to the Group risk relating to the gross defined benefit pension obligations residing in the component.

Additionally, we selected 1 (2024: 2) component with accounts contributing to the specific risks of the Group financial statements.

Accordingly, we performed audit procedures on 4 (2024: 4) components, including the audit of the parent Company.

We set the component materialities, ranging from £5.7m to £16.5m (2024: £3.1m to £6.2m), having regard to the mix of size and risk profile of the Group across the components.

Our audit procedures covered 94% (2024: 93%) of Group revenue. We performed audit procedures in relation to components that accounted for 94% (2024: 93%) of Group profit before tax, and 95% (2024: 95%) of Group total assets.

The Group auditor performed the audit of the parent Company.

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

Northern Electric plc

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

4 Going concern

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group and parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group and parent Company's available financial resources over this period are refinancing risks, uncertainties around inflationary rises in operating costs and regulatory price control outcomes.

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

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

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

We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

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

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

Northern Electric plc

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

5 Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors, the audit committee, and internal audit, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes and attending Group audit committee meetings.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries with unusual characteristics compared to the total journal population, with consideration to entries recognised at the end-of-period.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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

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

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

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

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

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

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

Northern Electric plc

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

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

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

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

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

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

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

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

7 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Northern Electric plc

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

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 35, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Williamson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
110 Quayside House
Newcastle upon Tyne
NE1 3DX

19 May 2026

Northern Electric plc
Consolidated Income Statement for the Year Ended 31 December 2025

	Note	2025 £ 000	2024 £ 000
Revenue	3, 4	586,076	670,688
Cost of sales		<u>(56,236)</u>	<u>(54,476)</u>
Gross profit		529,840	616,212
Distribution costs	3	(155,687)	(154,203)
Administrative expenses		<u>(145,528)</u>	<u>(147,512)</u>
Operating profit	5	228,625	314,497
Other gains		679	456
Finance income	6	12,674	20,537
Finance costs	6	<u>(58,045)</u>	<u>(54,243)</u>
Profit before tax		183,933	281,247
Income tax expense	10	<u>(48,738)</u>	<u>(73,529)</u>
Profit for the year		<u>135,195</u>	<u>207,718</u>
Profit attributable to:			
Owners of the Company		<u>135,195</u>	<u>207,718</u>

The above results were derived from continuing operations.

The notes on pages 54 to 121 form an integral part of these financial statements.

Northern Electric plc**Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2025**

	Note	2025 £ 000	2024 £ 000
Profit for the year		135,195	207,718
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations (net)	25	(36,775)	(11,825)
Items that may be reclassified subsequently to profit or loss			
Loss on cash flow hedges (net)	10	<u>(3,692)</u>	<u>(1,027)</u>
Total comprehensive income for the year		<u>94,728</u>	<u>194,866</u>
Total comprehensive income attributable to:			
Owners of the Company		<u>94,728</u>	<u>194,866</u>

The notes on pages 54 to 121 form an integral part of these financial statements.

Northern Electric plc
(Registration number: 02366942)
Consolidated Statement of Financial Position as at 31 December 2025

	Note	31 December 2025 £ 000	31 December 2024 £ 000
Assets			
Non-current assets			
Property, plant and equipment	11	3,458,169	3,309,787
Right of use assets	12	12,852	12,013
Intangible assets	13	56,550	54,300
Equity accounted investments	14	3,435	3,289
Defined benefit pension scheme surplus	25	96,200	138,700
Trade and other receivables	16	-	8,051
Other non-current financial assets	30	-	8,827
		<u>3,627,206</u>	<u>3,534,967</u>
Current assets			
Inventories	15	43,793	29,388
Trade and other receivables	16	339,485	178,254
Tax receivable	10	6,757	-
Cash and cash equivalents	17	21,659	13,440
Contract assets	4	6,005	10,286
Other current financial assets	30	8,400	4,496
		<u>426,099</u>	<u>235,864</u>
Total assets		<u>4,053,305</u>	<u>3,770,831</u>
Equity and liabilities			
Equity			
Share capital	18	(72,173)	(72,173)
Share premium		(158,748)	(158,748)
Capital redemption reserve		(6,185)	(6,185)
Cash flow hedging reserve	19	(6,300)	(9,992)
Retained earnings		<u>(1,218,848)</u>	<u>(1,155,598)</u>
Equity attributable to owners of the Company		<u>(1,462,254)</u>	<u>(1,402,696)</u>
Non-current liabilities			
Lease liabilities	21	(10,915)	(9,632)
Trade and other payables	23	(4,368)	(6,548)
Loans and borrowings	20	(1,307,187)	(1,119,735)
Provisions	22	(540)	(983)
Deferred revenue from contracts with customers	3, 24	(703,912)	(693,396)
Deferred tax liabilities	10	<u>(171,251)</u>	<u>(171,291)</u>
		<u>(2,198,173)</u>	<u>(2,001,585)</u>

The notes on pages 54 to 121 form an integral part of these financial statements.

Northern Electric plc**(Registration number: 02366942)****Consolidated Statement of Financial Position as at 31 December 2025 (continued)**

		31 December 2025 £ 000	31 December 2024 £ 000
Current liabilities			
Lease liabilities	21	(2,970)	(2,942)
Trade and other payables	23	(174,394)	(188,609)
Loans and borrowings	20	(178,556)	(134,763)
Income tax liability	10	-	(5,655)
Deferred revenue from contracts with customers	3, 24	(34,115)	(32,181)
Provisions	22	<u>(2,843)</u>	<u>(2,400)</u>
		<u>(392,878)</u>	<u>(366,550)</u>
Total liabilities		<u>(2,591,051)</u>	<u>(2,368,135)</u>
Total equity and liabilities		<u>(4,053,305)</u>	<u>(3,770,831)</u>

Approved by the board on 19 May 2026 and signed on its behalf by:

.....
A P Jones
Director

The notes on pages 54 to 121 form an integral part of these financial statements.

Northern Electric plc
(Registration number: 02366942)
Company Statement of Financial Position as at 31 December 2025

	Note	31 December 2025 £ 000	31 December 2024 £ 000
Assets			
Non-current assets			
Property, plant and equipment	11	2,001	1,534
Right of use assets	12	606	742
Investments in subsidiaries, joint ventures and associates	14	242,903	242,903
Defined benefit pension scheme surplus	25	<u>96,200</u>	<u>138,700</u>
		<u>341,710</u>	<u>383,879</u>
Current assets			
Trade and other receivables	16	178,088	71,743
Income tax asset	10	<u>6,866</u>	<u>844</u>
		<u>184,954</u>	<u>72,587</u>
Total assets		<u><u>526,664</u></u>	<u><u>456,466</u></u>
Equity and liabilities			
Equity			
Share capital	18	(72,173)	(72,173)
Share premium		(158,748)	(158,748)
Capital redemption reserve		(6,185)	(6,185)
Retained earnings		<u>(249,161)</u>	<u>(139,195)</u>
Total equity		<u>(486,267)</u>	<u>(376,301)</u>
Non-current liabilities			
Lease liabilities	21	(450)	(697)
Loans and borrowings	20	(1,117)	(1,117)
Provisions	22	(659)	(983)
Deferred tax liabilities	10	<u>(23,740)</u>	<u>(34,357)</u>
		<u>(25,966)</u>	<u>(37,154)</u>
Current liabilities			
Lease liabilities	21	(157)	(153)
Trade and other payables	23	(5,543)	(35,853)
Loans and borrowings	20	<u>(8,731)</u>	<u>(7,005)</u>
		<u>(14,431)</u>	<u>(43,011)</u>
Total liabilities		<u>(40,397)</u>	<u>(80,165)</u>
Total equity and liabilities		<u><u>(526,664)</u></u>	<u><u>(456,466)</u></u>

Approved by the Board on 19 May 2026 and signed on its behalf by:



A P Jones
Director

Northern Electric plc
(Registration number: 02366942)
Company Statement of Financial Position as at 31 December 2025 (continued)

The Directors have taken the exemption offered under section 408 of the Act from publishing a separate statement of profit or loss. The Company reported a profit for the financial year ended 31 December 2025 of £84.4 million (2024: £311.1 million).

Northern Electric plc
Consolidated Statement of Changes in Equity for the Year Ended 31 December 2025

	Share capital	Share premium	Capital redemption reserve	Cash flow hedging reserve
	£ 000	£ 000	£ 000	£ 000
At 1 January 2025	72,173	158,748	6,185	9,992
Profit for the year	-	-	-	-
Other comprehensive expense	-	-	-	(3,692)
Total comprehensive income	-	-	-	(3,692)
Dividends	-	-	-	-
At 31 December 2025	<u>72,173</u>	<u>158,748</u>	<u>6,185</u>	<u>6,300</u>
	Share capital	Share premium	Capital redemption reserve	Cash flow hedging reserve
	£ 000	£ 000	£ 000	£ 000
At 1 January 2024	72,173	158,748	6,185	11,019
Profit for the year	-	-	-	-
Other comprehensive expense	-	-	-	(1,027)
Total comprehensive income	-	-	-	(1,027)
Dividends	-	-	-	-
At 31 December 2024	<u>72,173</u>	<u>158,748</u>	<u>6,185</u>	<u>9,992</u>

The notes on pages 54 to 121 form an integral part of these financial statements.

Northern Electric plc

Company Statement of Changes in Equity for the Year Ended 31 December 2025

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000
At 1 January 2025	72,173	158,748	6,185
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Dividends	-	-	-
At 31 December 2025	<u>72,173</u>	<u>158,748</u>	<u>6,185</u>
	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000
At 1 January 2024	72,173	158,748	6,185
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Dividends	-	-	-
At 31 December 2024	<u>72,173</u>	<u>158,748</u>	<u>6,185</u>

The notes on pages 54 to 121 form an integral part of these financial statements.

Northern Electric plc
Consolidated Statement of Cash Flows for the Year Ended 31 December 2025

	Note	2025 £ 000	(As restated) 2024 £ 000
GROUP			
Cash flows from operating activities			
Cash receipts from customers		688,822	789,750
Cash paid to suppliers and employees		(344,109)	(334,277)
Income taxes paid		(44,431)	(65,923)
Net cash from operating activities		<u>300,282</u>	<u>389,550</u>
Cash flows from investing activities			
Acquisition of PPE		(281,405)	(264,640)
Acquisition of intangible assets		(19,044)	(15,259)
Cash paid to related parties		(169,670)	(25,923)
Interest received		589	803
Dividends received		814	1,083
Net cash flows used in investing activities		<u>(468,716)</u>	<u>(303,936)</u>
Net cash flows from/(used in) financing activities			
Interest paid		(37,636)	(39,254)
Financing transaction costs		(172)	(25)
Movement in short-term borrowings		13,976	(2,688)
Preference dividends paid		(8,982)	(8,983)
Payment of lease liabilities		(4,086)	(3,430)
Proceeds from loans and borrowings		248,212	9,200
Repayment of borrowings		(34,659)	(41,754)
Net cash flows from/(used in) financing activities		<u>176,653</u>	<u>(86,934)</u>
Net increase/(decrease) in cash and cash equivalents		8,219	(1,320)
Cash and cash equivalents at 1 January		<u>13,440</u>	<u>14,760</u>
Cash and cash equivalents at 31 December		<u><u>21,659</u></u>	<u><u>13,440</u></u>

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

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

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025

1 General information

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

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

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

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

2 Accounting policies

Statement of compliance

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

Summary of material accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2025.

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

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

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with UK-adopted international accounting standards and under historical cost accounting rules.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

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

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

Climate change

No material impact on the judgements and estimates made in the preparation of the financial statements has been identified

Principal activity

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

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Going Concern

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

The Company's financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

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

- The Company is profitable with strong cash generation;
- The Company benefits from strong investment-grade credit ratings;
- The Company meets its day to day working capital requirements from intercompany loans (via the current account mechanism) with the Northern Powergrid Group;
- Northern Powergrid Holdings Company, being the ultimate UK parent company, has indicated its intention to make available such funds as are needed by the Company through the intercompany current account mechanism. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so;
- The Northern Powergrid Group as a whole is financed both in its operating companies and in other entities within the Northern Powergrid Group through the use of the current account mechanism. For that reason, financial health is also considered with reference to the Northern Powergrid Group, the directors therefore take into consideration a number of factors affecting the wider group:
 - The Northern Powergrid Group's main subsidiaries, Northern Powergrid (Northeast) plc and Northern Powergrid (Yorkshire) plc, are stable electricity distribution businesses operating an essential public service and are regulated by the Gas and Electricity Markets Authority ("GEMA"). In carrying out its functions, GEMA has a statutory duty under the Electricity Act 1989 to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations under Part 1 of the Electricity Act 1989 (including the obligations imposed by the electricity distribution licence) or by the Utilities Act 2000;
 - The Northern Powergrid Group is financed by long-term borrowings with an average maturity of 19 years and has access to short-term committed borrowing facilities of £242 million provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada;
 - The Northern Powergrid Group benefits from strong investment-grade credit ratings which allow access to a range of financing options including the capital markets. Based on the directors' evaluation of current market conditions, they understand successful bond issuances by the Northern Powergrid Group during 2025, demonstrates that the Northern Powergrid Group's bonds remain attractive to investors and there is an active market with strong appetite to invest. The Northern Powergrid Group plans to issue debt in the form of bonds in going concern period to support the continued funding of its planned capital expenditure programme;
 - The Northern Powergrid Group has prepared forecasts which consider reasonable possible downside sensitivities. This indicates that the Northern Powergrid Group has sufficient covenant headroom and adequate resources to settle its liabilities as they fall due for at least the 12 months from the date of these accounts; and
 - Consideration was also given to the obligations contained in Northern Powergrid (Northeast) plc and Northern Powergrid (Yorkshire) plc licences to provide Ofgem with annual certificates, confirming that the directors have a reasonable expectation that the Northern Powergrid Group will have sufficient financial and operational resources available for the continuation of business for a period of at least 12 months.

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

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Judgements, estimation and uncertainties

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Assumptions used when evaluating long-term pension plans - these assumptions and their possible impacts are disclosed in Note 25.
- Useful lives of property, plant and equipment - The useful economic lives of distribution system assets and other network related facilities, which principally comprise distribution equipment and other technical installations, are estimated based on management experience. When management identifies that actual useful economic lives differ materially from the estimates used, they are adjusted prospectively. This estimation uncertainty creates a risk of a material adjustment to the asset lives, and therefore the depreciation charge in the next financial year. The depreciation charge on these distribution system assets for the year is £114.4m. Income for connections is recognised over the useful life of the associated distribution system asset, the amount recognised in the financial year was £32.8m.

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

Critical Judgements

The following are the critical judgements, that the directors have made in the process of applying the Northern Powergrid Group's accounting policies and that have the most significant effect on amounts recognised in the consolidated financial statements:

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

The allocation of expenditure to property, plant and equipment which results in higher capital expenditure and a reduction in operating costs. Costs are capitalised where it is probable that future economic benefits associated with the asset will flow to the enterprise; and the cost of the item can be reliably measured.

The allocation of expenditure to capital is derived from a detailed analysis of the costs and their relevant cost drivers, which is reviewed on an annual basis. This portion of costs that are capitalised is an estimation, however there has been no change in the methodology since the prior year.

The amount of expenditure capitalised in the year was £61.6 million out of total costs of £138.9 million (2024: £58.6 million out of a total cost of £140.3 million), this is a capitalisation rate of 44.4% (2024: 41.8%).

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Changes in accounting policy

The Directors reviewed all new and amended IFRS standards effective during the year and those issued but not yet effective, noting no material impact on the Company's results or financial position. This review included IFRS 18, which has been issued and adopted in the UK, effective for periods beginning on or after 1 January 2027 with early adoption permitted; while it will change certain presentation and disclosure requirements, it is not expected to materially affect the Company's recognition or measurement of transactions.

Leases

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

The Group has taken practical expedients as per below:

- For short-term leases (lease term of 12 months or less) and leases of low-value assets less than £5k (which includes personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in the Statement of Profit or Loss.

- Applies the implicit rate in the lease and uses the incremental borrowing rate ("IBR") when this isn't readily available;

Lessee

The weighted average lessee's incremental borrowing rate is applied to determine the present value of the lease liabilities during the current period was 5.5% in comparison to the incremental borrowing rate used in 2024 of 5.55%.

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

Right-of-use assets are depreciated over the shorter of the useful life of the asset or the lease term. For information regarding the depreciation charge per class of asset and carrying value, please refer to Note 13 Right of use assets.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Lessor

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

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

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

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

Northern Transport Finance Limited (“NTFL”), a wholly owned subsidiary, provides motor vehicle finance arrangements to Group employees. All agreements are in sterling, with vehicles typically leased for 3-5 years and returned at contract end. Early terminations require a customer settlement reflecting shared risk.

The agreements carry fixed interest rates for the full term, with an average effective rate of approximately 6.5% (2024: 6.5%). Lease income is recognised on a straight-line basis over the lease term and presented within “Other revenue”.

Following a review, the Group determined that it retains the risks and rewards of ownership of the leased vehicles. Accordingly, the arrangements have been reclassified as operating leases, with related balances at 31 December 2025 reclassified from finance lease receivables to property, plant and equipment. The impact on the prior year is immaterial and no adjustment to opening reserves was required.

Revenue recognition

Recognition

The Group earns revenue from the provision of services which are recognised by the following means:

- Distribution use of system income is recognised on a per unit (volumetric i.e. kWh and capacity (kVA)) and fixed (per 'customer' per day) basis;
- Work for related parties relates to revenue generated from services provided to related parties within the Northern Powergrid Holdings group;
- Customer contributions income for connections is recognised over the life of the corresponding distribution system asset;
- Contracting revenue is recognised in line with expenditure;
- Intercompany recharges for services provided are based on costs incurred;
- Other revenue includes assessment and design fees and disconnections from the network and are recognised by reference to the proportion of total costs of providing the service; and
- Revenue relating to the provision of meter assets is accounted for under IFRS 16 Leases and is outside the scope of IFRS 15.

Revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

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

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

Fee arrangements

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

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

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

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

Other performance obligations include but are not limited to:

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

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Contract modifications

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

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

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

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

Investments in subsidiaries

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

Cash and cash equivalents

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

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at transaction price less provision for impairment. The Group applies the simplified model for the calculation of expected credit losses which may result in a provision for impairment.

Inventories

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

Trade payables

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

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

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Borrowings

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

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

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the right to defer settlement must have substance and exist at the reporting date. The terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification as current or non-current

Intercompany short-term loans (Current Accounts)

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

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

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

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

Provisions

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

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

Impairment of non-financial assets

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

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

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Share capital

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

Dividends

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

Defined benefit pension obligation

The Group contributes to the Northern Powergrid Group of the Electricity Supply Pension Scheme (the "DB Scheme"), a defined benefit scheme that shares risk between various entities under common control. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual group entities and accordingly the Group financial statements account for the Northern Powergrid Group of the ESPS as if it were a defined contribution scheme.

Contributions to the Northern Powergrid Group of the ESPS are charged to the statement of profit or loss or capitalised as part of property, plant and equipment. Contributions are agreed through agreement between the Trustees of the DB Scheme and the Northern Powergrid Group. The capital costs of ex-gratia and supplementary pensions are normally charged to the statement of profit or loss in the period in which they are granted.

The Group also participates in a defined contribution scheme. Contributions payable to the defined contribution scheme are charged to the statement of profit or loss in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Tax

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

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

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

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

Financial instruments

Initial recognition

The Group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Classification and measurement

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

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

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

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

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

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

Financial assets at amortised cost

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

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

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

Financial assets at fair value through other comprehensive income

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through the profit or loss

Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Derecognition

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Financial liabilities

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

Modification of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

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

Impairment of financial assets

For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2025 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified GDP growth in the UK to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes to this.

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are not recoverable:

- when there is a breach of financial covenants by the debtor; and
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Derivative financial instruments

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

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

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

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

Hedge accounting

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

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

These hedging relationships are discussed below.

Cash flow hedges

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

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

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

2 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation along with costs from transfer of inventories used in capital projects. Overheads are allocated to property, plant and equipment which are derived from a detailed analysis of operating costs.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Costs include professional fees, and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation on these assets, on the same basis as other assets, commences when the assets are commissioned and ready for use.

Adopted assets and associated contributions are recorded upon completion where such assets are adopted by the Company under a Deed of Gift adoption agreement. Assets are derecognised when they are disposed of, profit or loss on disposal is recognised in other gains or losses in the statement of profit or loss.

Leased vehicles are provided to employees under lease arrangements and are treated as operating leases, as the Group retains the associated risks and rewards. These vehicles are included within Motor Vehicles in Property, Plant and Equipment. Refer to Lessor accounting note for further information.

Relief vehicles are vehicles held by the company for temporary or contingency use by the users of the lease scheme. These vehicles are included within Property, Plant and Equipment.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Distribution system:	
- Generation assets	15 years
- Conventional metering equipment	up to 5 years
- Information technology equipment	up to 10 years
- Land	not depreciated
- Other system assets	45 years
Land and buildings:	
- Freehold buildings	up to 60 years
- Leasehold buildings	lower of lease period or 60 years
- Non-operational land	not depreciated
Furniture, fittings and equipment	up to 10 years
Metering equipment	up to 15 years
Leased vehicles	33% straight line
Relief vehicles	20% straight line

Intangible assets

Software development activities undertaken by the Group, including internally generated software and software acquired for internal use are recognised if the conditions set out in IAS 38 relating to the recognition of intangible assets are met. The amount initially recognised for internally generated software is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. Intangible assets acquired separately are measure on initial recognition at cost.

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

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

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Software development	up to 10 years

Derecognition

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

2 Accounting policies (continued)

Finance income and costs policy

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

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

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

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

3 Prior period adjustments

Restatement of Cash Flow Statement

During the current year, the Company identified that certain cash flows relating to payments to suppliers and employees, and payments to related parties, amounting to £200.6 million, were incorrectly classified in the prior year consolidated cash flow statement. Accordingly, the comparative cash flow information has been restated, with the relevant amounts reclassified to the appropriate line items to better reflect the nature of the underlying cash flows.

This restatement has no impact on profit, equity, or retained earnings.

	2024 (As restated) £'000	2024 (Previous) £'000	Difference £ 000
Consolidated Cash Flow Statement:			
Cash flows from operating activities			
Cash paid to suppliers and employees	<u>(334,277)</u>	<u>(133,664)</u>	<u>(200,613)</u>
Cash flows from investing activities			
Cash paid to related parties	<u>(25,923)</u>	<u>(226,536)</u>	<u>200,613</u>

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

4 Revenue & Segmental Analysis

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

	2025	2024
	£ 000	£ 000
Distribution revenue	386,832	470,438
Work for related parties	37,766	34,002
Connections revenue	32,806	31,355
Contracting revenue	36,744	40,851
Meter asset rental	81,020	90,723
Other revenue	10,908	3,319
	<u>586,076</u>	<u>670,688</u>

Other revenue includes assessment and design fees, disconnections from the network and operating lease income.

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

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

Reportable segments are those that meet two or more of the following criteria under IFRS 8:

- Its reported revenue is 10% or more of the combined revenue of all segments;
- The absolute measure of its profit or loss is 10% or more of the combined reported profit; and
- Its assets are 10% or more of the combined assets of all segments.

The Group is separated into the following segments:

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

Contracting: Integrated Utility Services Limited

Metering: Northern Powergrid Metering Limited

Other: Includes intercompany recharges for services provided

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

4 Revenue & Segmental Analysis (continued)

2025	Distribution £ 000	Contracting £ 000	Metering £ 000
Revenue	457,404	36,744	81,020
Inter-segment sales	<u>491</u>	<u>6,712</u>	<u>-</u>
Total revenue	<u>457,895</u>	<u>43,456</u>	<u>81,020</u>
Operating profit	<u>162,463</u>	<u>2,622</u>	<u>33,662</u>
Other gains			
Finance costs			
Finance income			
Profit before tax			
Capital additions	306,331	108	8,640
Depreciation and amortisation	<u>132,212</u>	<u>196</u>	<u>46,141</u>
Segment assets	<u>3,349,982</u>	<u>19,408</u>	<u>264,219</u>
Segment liabilities	<u>(815,944)</u>	<u>(9,348)</u>	<u>(162,662)</u>
Unallocated corporate liabilities			
Total liabilities			
Segment net assets	<u>2,534,037</u>	<u>10,060</u>	<u>101,557</u>
Unallocated net corporate liabilities			
Total net assets			

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

4 Revenue & Segmental Analysis (continued)

2024	Distribution £ 000	Contracting £ 000	Metering £ 000
Revenue	535,795	40,851	90,723
Inter-segment sales	<u>388</u>	<u>7,475</u>	<u>-</u>
Total revenue	<u>536,183</u>	<u>48,326</u>	<u>90,723</u>
Operating profit	<u>264,146</u>	<u>2,427</u>	<u>38,711</u>
Other gains			
Finance costs			
Finance income			
Profit before tax			
Capital additions	242,231	58	40,301
Depreciation and amortisation	<u>109,430</u>	<u>336</u>	<u>49,972</u>
Segment assets	<u>3,210,680</u>	<u>15,773</u>	<u>297,052</u>
Unallocated corporate assets			
Total assets			
Segment liabilities	<u>(818,931)</u>	<u>(9,684)</u>	<u>(163,259)</u>
Unallocated corporate liabilities			
Total liabilities			
Segment net assets	<u>2,391,749</u>	<u>6,089</u>	<u>133,793</u>
Unallocated net corporate liabilities			
Total net assets			

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

4 Revenue & Segmental Analysis (continued)

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

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

Assets recognised from costs to fulfil a contract with customers

Contract costs incurred plus recognised profit less recognised losses to date
Less: progress billings

At 31 December 2025, no retentions are held by customers for contract work (2024: £nil).

The Group recognised £11.3 million contract assets at 31 December 2025 (2024: £10.3 million).

31 D

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

5 Operating profit

Arrived at after charging/(crediting)

	2025	2024
	£ 000	£ 000
Depreciation expense	158,006	153,082
Depreciation of right-of-use assets	3,426	3,583
Amortisation expense	17,227	11,509
Research and development	1,300	5,600
Trade and other receivables loss allowance	<u>5,551</u>	<u>5,458</u>

6 Finance income and costs

	2025	2024
	£ 000	£ 000
Finance income		
Other finance income	12,674	20,537
Finance costs		
Interest on borrowings at amortised cost	(58,396)	(54,560)
Interest expense on leases	(643)	(440)
Borrowing costs included in cost of qualifying asset	<u>994</u>	<u>757</u>
Total finance costs	<u>(58,045)</u>	<u>(54,243)</u>
Net finance costs	<u>(45,371)</u>	<u>(33,706)</u>

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.23% (2024: 3.23%) to expenditure on such assets.

7 Staff costs

	2025	2024
	£ 000	£ 000
Group		
Salaries	105,857	88,384
Social security costs	12,022	10,625
Defined benefit pension cost/(credit)	(4,041)	(4,160)
Defined contribution pension cost	<u>8,312</u>	<u>7,731</u>
	122,150	102,580
Less capitalised to property plant and equipment	<u>(61,146)</u>	<u>(52,510)</u>
	<u>61,004</u>	<u>50,070</u>

A proportion of the Group's employees are members of the DB Scheme, details of which are given in the Employee Benefit Obligations Note 25.

Northern Electric plc**Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)****7 Staff costs (continued)**

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

	2025	2024
	No.	No.
Distribution	1,571	1,451
Engineering contracting	187	175
Other	15	13
	<u>1,773</u>	<u>1,639</u>

The Company had an average monthly number of 13 employees during the year ended 31 December 2025 (2024: 13).

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2025	2024
	£	£
Highest paid		
Short-term employee benefits	122,209	117,907
Post retirement benefits - defined benefit	4,003	-
Post retirement benefits - defined contribution	-	4,748
Other long-term benefits	13,234	-
	<u>139,446</u>	<u>122,655</u>
Total		
Short-term employee benefits	267,078	273,558
Post retirement benefits - defined benefit	-	13,674
Post retirement benefits - defined contribution	11,650	12,101
Other long-term benefits	13,234	16,500
	<u>291,962</u>	<u>315,833</u>
Post retirement benefits		
No. of Directors who were members of a defined contribution scheme in the year	2	2
No. of Directors who were members of a defined benefit scheme in the year	1	1
	2025	2024
	£	£
Key personnel remuneration		
Short-term employee benefits	1,370,041	1,325,119
Post retirement benefits - defined benefit	26,831	26,050
Post retirement benefits - defined contribution	116,317	115,373
Other long-term benefits	255,039	50,000
	<u>1,768,228</u>	<u>1,516,542</u>
	2025	2024
	£	£
Total directors and key personnel:		
Short-term employee benefits	1,637,119	1,598,677
Post retirement benefits - defined benefit	26,831	39,724
Post retirement benefits - defined contribution	127,967	127,474
Other long-term benefits	268,273	66,500
	<u>2,060,190</u>	<u>1,832,375</u>

Other key personnel includes a number of senior functional managers who, whilst not board directors, have authority and responsibility for planning, directing and controlling activities of the Group. The total director and key personnel remuneration for the year amounts £2.6 million (2024: £1.8 million).

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

9 Auditor's remuneration

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

	2025	2024
	£ 000	£ 000
Fees payable to the auditor for audit of the Company's annual accounts	232	50
Fees payable to the auditor for the audit of the Company's subsidiaries	1,360	303
Agreed upon procedures - regulatory reporting	88	-
Total audit fees	<u>1,680</u>	<u>353</u>

Current year audit fees include £0.93 million (2024: £0.35 million) in respect of the audit of these financial statements and £0.66 million of additional fees in respect of the audit of the financial statements for year ended 31 December 2024.

10 Income tax

Tax charged in the income statement

	2025	2024
	£ 000	£ 000
Current taxation		
UK corporation tax	34,980	65,132
UK corporation tax adjustment to prior periods	(508)	(2,406)
	<u>34,472</u>	<u>62,726</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	13,365	8,560
Deferred tax expense from unrecognised temporary difference from prior period	901	2,243
Total deferred taxation	<u>14,266</u>	<u>10,803</u>
Tax expense in the income statement	<u>48,738</u>	<u>73,529</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

10 Income tax (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2024: higher than) than the standard rate of corporation tax in the UK of 25% (2024 - 25%)

The differences are reconciled below:

	2025 £ 000	2024 £ 000
Profit before tax	<u>183,933</u>	<u>281,247</u>
Corporation tax at standard rate	45,983	70,312
Tax effect of result of joint venture entities	(241)	(193)
Decrease in current tax from adjustment for prior periods	(508)	(2,406)
Permanent differences (including non-taxable dividends)	(1,935)	(1,262)
Pension contributions recognised in other comprehensive income	2,450	2,200
Increase in deferred tax from adjustment for prior periods	901	2,243
Non-deductible interest	2,250	2,250
Other tax effects for reconciliation between accounting profit and tax (income)/expense	<u>(162)</u>	<u>385</u>
Total tax charge	<u>48,738</u>	<u>73,529</u>

Finance Act 2025 confirmed that the corporation tax rate will remain at 25% from 1 April 2025 as previously enacted. Deferred tax balances are therefore measured at 25% at 31 December 2025.

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

Amounts recognised in other comprehensive income

	2025		
	Before tax	Tax (expense)	Net of tax
	£ 000	benefit	£ 000
Loss on cash flow hedges	(4,923)	1,231	(3,692)
Remeasurement of post employment benefit obligations	<u>(52,300)</u>	<u>15,525</u>	<u>(36,775)</u>
	<u>(57,223)</u>	<u>16,756</u>	<u>(40,467)</u>
	2024		
	Before tax	Tax (expense)	Net of tax
	£ 000	benefit	£ 000
Loss on cash flow hedges	(1,369)	342	(1,027)
Remeasurement of post employment benefit obligations	<u>(18,700)</u>	<u>6,875</u>	<u>(11,825)</u>
	<u>(20,069)</u>	<u>7,217</u>	<u>(12,852)</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

10 Income tax (continued)

Deferred tax

Group

Deferred tax movement during the year:

	At 1 January 2025 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2025 £ 000
Accelerated tax depreciation	134,676	11,582	-	146,258
Pension benefit obligations	34,430	2,503	(13,075)	23,858
Other items	2,182	181	(1,231)	1,132
Holdover relief	3	-	-	3
	<u>171,291</u>	<u>14,266</u>	<u>(14,306)</u>	<u>171,251</u>

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

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

The other items of £1.1 million (2024: £2.2 million liability) includes the deferred tax impact of cash flow hedges, provisions and employee benefits which are deductible on a paid basis. Within pension benefit obligations the movement in the year represents pension costs on the movement in retirement benefit obligation/asset. A proportion of the movement has been capitalised in property, plant and equipment.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

10 Income tax (continued)

Company

Deferred tax movement during the year:

	At 1 January 2025 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2025 £ 000
Accelerated tax depreciation	(5)	1	-	(4)
Pension benefit obligations	<u>34,362</u>	<u>2,457</u>	<u>(13,075)</u>	<u>23,744</u>
	<u>34,357</u>	<u>2,458</u>	<u>(13,075)</u>	<u>23,740</u>

Deferred tax movement during the prior year:

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

11 Property, plant and equipment

Group

	Land and buildings £ 000	Distribution system £ 000	Metering equipment £ 000	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Total £ 000
Cost						
At 1 January 2024	6,534	4,294,557	547,325	94,066	-	4,942,482
Additions	-	228,463	40,301	7,419	-	276,183
Disposals	-	(10,221)	(11,293)	-	-	(21,514)
As at 31 December 2024	<u>6,534</u>	<u>4,512,799</u>	<u>576,333</u>	<u>101,485</u>	<u>-</u>	<u>5,197,151</u>
At 1 January 2025	6,534	4,512,799	576,333	101,485	-	5,197,151
Additions	-	267,974	8,639	12,366	19,219	308,198
Disposals	-	(17,565)	(25,246)	-	(3,436)	(46,247)
At 31 December 2025	<u>6,534</u>	<u>4,763,208</u>	<u>559,726</u>	<u>113,851</u>	<u>15,783</u>	<u>5,459,102</u>
Depreciation						
At 1 January 2024	<u>6,534</u>	<u>1,388,381</u>	<u>276,774</u>	<u>84,062</u>	<u>-</u>	<u>1,755,751</u>
At 1 January 2024	6,534	1,388,381	276,774	84,062	-	1,755,751
Charge for year	-	99,393	49,967	3,722	-	153,082
Eliminated on disposal	-	(10,221)	(11,248)	-	-	(21,469)
As at 31 December 2024	<u>6,534</u>	<u>1,477,553</u>	<u>315,493</u>	<u>87,784</u>	<u>-</u>	<u>1,887,364</u>
At 1 January 2025	6,534	1,477,554	315,493	87,784	-	1,887,365
Charge for the year	2	104,314	46,141	3,953	3,596	158,006
Eliminated on disposal	(589)	(17,565)	(25,246)	-	(1,038)	(44,438)
At 31 December 2025	<u>5,947</u>	<u>1,564,303</u>	<u>336,388</u>	<u>91,737</u>	<u>2,558</u>	<u>2,000,933</u>
Carrying amount						
At 31 December 2024	<u>-</u>	<u>3,035,246</u>	<u>260,840</u>	<u>13,701</u>	<u>-</u>	<u>3,309,787</u>
At 31 December 2025	<u>587</u>	<u>3,198,905</u>	<u>223,338</u>	<u>22,114</u>	<u>13,225</u>	<u>3,458,169</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

11 Property, plant and equipment (continued)

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

	31 December 2025 £ 000	31 December 2024 £ 000
Distribution system	<u>189,010</u>	<u>187,867</u>

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

	31 December 2025 £ 000	31 December 2024 £ 000
Distribution system	<u>56,681</u>	<u>35,543</u>

Company

	Land and buildings £ 000	Distribution system £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost				
At 1 January 2025	280	1,259	3,634	5,173
Additions	<u>-</u>	<u>-</u>	<u>474</u>	<u>474</u>
At 31 December 2025	<u>280</u>	<u>1,259</u>	<u>4,108</u>	<u>5,647</u>
Depreciation				
At 1 January 2025	91	-	3,548	3,639
Charge for the year	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
At 31 December 2025	<u>98</u>	<u>-</u>	<u>3,548</u>	<u>3,646</u>
Carrying amount				
At 31 December 2025	<u>182</u>	<u>1,259</u>	<u>560</u>	<u>2,001</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

12 Right of use assets

Group	Fleet £ 000	Property £ 000	Land £ 000	Total £ 000
Cost or valuation				
At 1 January 2024	17,617	3,838	1,923	23,378
Additions	2,623	1,744	-	4,367
Disposals	(2,400)	(435)	-	(2,835)
At 31 December 2024	<u>17,840</u>	<u>5,147</u>	<u>1,923</u>	<u>24,910</u>
At 1 January 2025	17,840	5,147	1,923	24,910
Additions	3,177	1,088	-	4,265
Disposals	(4,953)	(603)	-	(5,556)
At 31 December 2025	<u>16,064</u>	<u>5,632</u>	<u>1,923</u>	<u>23,619</u>
Depreciation				
At 1 January 2024	9,896	2,034	219	12,149
Charge for year	2,926	593	64	3,583
Eliminated on disposal	(2,400)	(435)	-	(2,835)
At 31 December 2024	<u>10,422</u>	<u>2,192</u>	<u>283</u>	<u>12,897</u>
At 1 January 2025	10,422	2,192	283	12,897
Charge for the year	2,691	671	64	3,426
Eliminated on disposal	(4,953)	(603)	-	(5,556)
At 31 December 2025	<u>8,160</u>	<u>2,260</u>	<u>347</u>	<u>10,767</u>
Carrying amount				
At 31 December 2025	<u>7,904</u>	<u>3,372</u>	<u>1,576</u>	<u>12,852</u>
At 31 December 2024	<u>7,418</u>	<u>2,955</u>	<u>1,640</u>	<u>12,013</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

12 Right of use assets (continued)

Company

	Property £ 000	Total £ 000
Cost or valuation		
At 1 January 2025	1,366	1,366
At 31 December 2025	<u>1,366</u>	<u>1,366</u>
Depreciation		
At 1 January 2025	624	624
Charge for the year	<u>137</u>	<u>137</u>
At 31 December 2025	<u>761</u>	<u>761</u>
Carrying amount		
At 31 December 2025	<u><u>605</u></u>	<u><u>605</u></u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

13 Intangible assets

Group

	Software development £ 000	Total £ 000
Cost or valuation		
At 1 January 2024	164,041	164,041
Additions	<u>15,203</u>	<u>15,203</u>
At 31 December 2024	<u>179,244</u>	<u>179,244</u>
At 1 January 2025	179,244	179,244
Additions	<u>19,477</u>	<u>19,477</u>
At 31 December 2025	<u>198,721</u>	<u>198,721</u>
Amortisation		
At 1 January 2024	113,435	113,435
Amortisation charge	<u>11,509</u>	<u>11,509</u>
At 31 December 2024	<u>124,944</u>	<u>124,944</u>
At 1 January 2025	124,944	124,944
Amortisation charge	<u>17,227</u>	<u>17,227</u>
At 31 December 2025	<u>142,171</u>	<u>142,171</u>
Carrying amount		
At 31 December 2025	<u>56,550</u>	<u>56,550</u>
At 31 December 2024	<u>54,300</u>	<u>54,300</u>

As at year-end, the amount of contractual commitments for the acquisition of intangible assets amounted to £5.1 million (2024: £5.2 million).

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

14 Investments

	Investment in joint ventures £ 000	Share in other undertakings £ 000	Total £ 000
At 1 January 2024	3,612	21	3,633
Profit from investments	739	-	739
Dividends paid by investments	<u>(1,083)</u>	<u>-</u>	<u>(1,083)</u>
At 31 December 2024	3,268	21	3,289
Profit from investments	1,229	-	1,229
Dividends paid by investments	<u>(1,083)</u>	<u>-</u>	<u>(1,083)</u>
At 31 December 2025	<u><u>3,414</u></u>	<u><u>21</u></u>	<u><u>3,435</u></u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

14 Investments (continued)

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

Summary of the Company investments

	31 December 2025 £ 000	31 December 2024 £ 000
Investments in subsidiaries	<u>242,903</u>	<u>242,903</u>

Group subsidiaries

Details of the Group subsidiaries as at 31 December 2025 are as follows:

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held	
			2025	2024
CE Electric Services Limited	Dormant	England and Wales	100%	100%
Central PowerGrid Limited	Dormant	England and Wales	100%	100%
East PowerGrid Limited	Dormant	England and Wales	100%	100%
Eastern PowerGrid Limited	Dormant	England and Wales	100%	100%
Infrastructure North Limited	Dormant	England and Wales	100%	100%
Integrated Utility Services Limited	Engineering contracting	England and Wales	100%	100%
IUS Limited	Dormant	England and Wales	100%	100%
Midlands PowerGrid Limited	Dormant	England and Wales	100%	100%
NEDL Limited	Dormant	England and Wales	100%	100%
North East PowerGrid Limited	Dormant	England and Wales	100%	100%
North Eastern PowerGrid Limited	Dormant	England and Wales	100%	100%
North PowerGrid Limited	Dormant	England and Wales	100%	100%
North West PowerGrid Limited	Dormant	England and Wales	100%	100%
North Western PowerGrid Limited	Dormant	England and Wales	100%	100%
Northern Electric Distribution Limited	Dormant	England and Wales	100%	100%
Northern Electric Properties Limited (02522939)*	Property holdings & management company	England and Wales	100%	100%
Northern Electric Share Scheme Trustee Limited	Dormant	England and Wales	100%	100%
Northern Electricity (North East) Limited	Dormant	England and Wales	100%	100%
Northern Electricity (Yorkshire) Limited	Dormant	England and Wales	100%	100%
Northern Electricity Limited	Dormant	England and Wales	100%	100%
Northern Electricity Networks Company (North East) Limited	Dormant	England and Wales	100%	100%
Northern Electricity Networks Company (Yorkshire) Limited	Dormant	England and Wales	100%	100%
Northern Electricity Networks Company Limited	Dormant	England and Wales	100%	100%
Northern Electrics Limited	Dormant	England and Wales	100%	100%

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held	
			2025	2024
Northern Energy Funding Company Limited	Dormant	England and Wales	100%	100%
Northern Powergrid Metering Limited	Meter asset provider	England and Wales	100%	100%
Northern Powergrid (Northeast) plc	Distribution of electricity	England and Wales	100%	100%
Northern Powergrid (North West) Limited	Dormant	England and Wales	100%	100%
Northern Power Networks Company (North East) Limited	Dormant	England and Wales	100%	100%
Northern Power Networks Company (Yorkshire) Limited	Dormant	England and Wales	100%	100%
Northern Power Networks Company Limited	Dormant	England and Wales	100%	100%
Northern Transport Finance Limited	Car finance company	England and Wales	100%	100%
Northern Utility Services Limited	Dormant	England and Wales	100%	100%
PowerGrid (Central) Limited	Dormant	England and Wales	100%	100%
PowerGrid (East) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Eastern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Midlands) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North East) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North Eastern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North West) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North Western) Limited	Dormant	England and Wales	100%	100%
PowerGrid (North) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Northern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South East) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South Eastern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South West) Limited	Dormant	England and Wales	100%	100%
PowerGrid (South Western) Limited	Dormant	England and Wales	100%	100%

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office and country of incorporation	Proportion of ownership interest and voting rights held	
			2025	2024
PowerGrid (South) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Southern) Limited	Dormant	England and Wales	100%	100%
PowerGrid (West) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Western) Limited	Dormant	England and Wales	100%	100%
PowerGrid (Yorkshire) Limited	Dormant	England and Wales	100%	100%
South East PowerGrid Limited	Dormant	England and Wales	100%	100%
South Eastern PowerGrid Limited	Dormant	England and Wales	100%	100%
South PowerGrid Limited	Dormant	England and Wales	100%	100%
South West PowerGrid Limited	Dormant	England and Wales	100%	100%
South Western Powergrid	Dormant	England and Wales	100%	100%
Southern PowerGrid Limited	Dormant	England and Wales	100%	100%
West PowerGrid Limited	Dormant	England and Wales	100%	100%
Western PowerGrid Limited	Dormant	England and Wales	100%	100%
YEDL Limited	Dormant	England and Wales	100%	100%
Yorkshire Electricity Distribution Limited	Dormant	England and Wales	100%	100%
Yorkshire PowerGrid Limited	Dormant	England and Wales	100%	100%
Northern Electric Finance plc**	Finance company	England and Wales	100%	100%

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

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

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

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

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

14 Investments (continued)

Group joint ventures

Details of the Group joint ventures as at 31 December 2025 are as follows:

Name of Joint-ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the Group	
			2025	2024
Vehicle Lease and Service Limited	Transport services	Centre for Advanced Industry, 3rd Floor, Coble Dene, North Shields, NE29 6DE England and Wales	50%	50%
VLS Limited	Dormant	Centre for Advanced Industry, 3rd Floor, Coble Dene, North Shields, NE29 6DE England and Wales	50%	50%

The class of shares related to the joint ventures above are ordinary shares.

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

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

	31 December 2025 £ 000	31 December 2024 £ 000
Current assets	33,996	31,231
Non-current assets	10,604	9,497
Current liabilities	(15,706)	(14,690)
Non-current liabilities	(22,060)	(19,506)
Net assets	<u>6,834</u>	<u>6,532</u>
Group's share of net assets	<u>3,417</u>	<u>3,268</u>
Revenue	<u>21,208</u>	<u>20,453</u>
Profit for the year	<u>1,791</u>	<u>1,478</u>
Groups share of profit for the year	<u>896</u>	<u>739</u>

15 Inventories

	Group		Company	
	31 December 2025 £ 000	31 December 2024 £ 000	31 December 2025 £ 000	31 December 2024 £ 000
Raw materials and consumables	42,567	28,536	-	-
Vehicle inventory	<u>1,226</u>	<u>852</u>	-	-
	<u>43,793</u>	<u>29,388</u>	-	-

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

16 Trade and other receivables

	Group		Company	
	31 December 2025 £ 000	31 December 2024 £ 000	31 December 2025 £ 000	31 December 2024 £ 000
Distribution use of system receivables and accrued income*	57,090	75,264	-	-
Trade receivable	25,690	23,067	-	67
Lease receivable	-	3,934	-	-
Loss allowance	(5,551)	(5,458)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net trade receivables	77,229	96,807	-	67
Receivables from related parties	236,384	68,769	172,958	70,998
Social security and other taxes	2,459	-	1,770	443
Prepayments	8,198	7,594	272	235
Other receivables	15,215	5,084	3,088	-
	<hr/>	<hr/>	<hr/>	<hr/>
	339,485	178,254	178,088	71,743
Non-current lease receivables	-	8,052	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>339,485</u>	<u>186,306</u>	<u>178,088</u>	<u>71,743</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

16 Trade and other receivables (continued)

* All accrued income relates to distribution revenue.

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

Within Distribution use of system receivables and accrued income above is £32.3 million of distribution accrued income (2024: £43.7 million).

Trade receivables include work in progress, representing recoverable amounts due from third parties for damage to our network that have not yet been invoiced.

More information on receivables from related parties can be found within Note 2 and Note 31.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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

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

	31 December 2025 £ 000	31 December 2024 £ 000
At 1 January	5,458	8,150
Amounts utilised/written off in the year	(604)	(3,542)
Amounts recognised in the income statement	<u>697</u>	<u>850</u>
At 31 December	<u><u>5,551</u></u>	<u><u>5,458</u></u>

The loss allowance is made on amount due net of VAT which would be recoverable from His Majesty's Revenue and Customs when the debt is written off.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on a financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment the Company considers historical experience as well as forward-looking information that is available without undue cost or effort. Forward-looking information includes the future prospects of the industries in which the Company's debtors operate obtained from economic expert reports, financial analysts, government bodies, relevant think-tanks and other similar organisations. In particular the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

16 Trade and other receivables (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Distribution use of system receivables

The customers served by the Group's distribution network are supplied predominantly by a number of electricity supply businesses (circa 110) with the E.ON group accounting for approximately 15.5% of distribution revenues in 2025 (2024: 16.2%) and British Gas plc accounting for approximately 14.0% of distribution revenues in 2025 (2024: 13.5%). Ofgem under Code Governance arrangements, set out a framework known as Credit Cover within the Distribution Connection and Use of System Agreement (DCUSA), which sets credit limits for each supply business based on its credit rating (taken from a credit agency). If no score is available, then they can build up their credit limit through good payment history. In addition, suppliers can provide other forms of collateral to cover their value at risk (measured as being equivalent to 45 days usage) or if their credit rating alone is not sufficient to cover their value at risk. Acceptable collateral typically is provided in the form of a parent company guarantee, letter of credit, cash or an escrow account. Included within other payables are customer cash deposits of which there was £2.5m as at 31st December 2025 (2024: £2.5m).

Provided the Group has implemented credit control, billing and collection processes in line with Ofgem's best practice guidelines and can demonstrate compliance with the guidelines or is able to satisfactorily explain departure from the guidelines, any bad debt losses arising from supplier default will be recovered through an increase in future years allowed income. Included in the Group's use of system ("UoS") receivables are 0 debtors with a carrying value of £nil, which have been placed into administration (2024: £nil).

Other distribution trade receivables

Sales of goods and services comprise all income streams which are not classified as DUoS income. Examples of non-DUoS income streams would be service alterations/disconnections, assessment and design fees, and recovery of amounts for damage caused by third parties to the distribution system. The average credit period on sales of goods and services is 30 days. Interest is not generally charged on the trade receivables paid after the due date.

Engineering contracting receivables

The average credit period on Engineering contracting receivables is 30 days. Interest is not generally charged on receivables paid after due date. Included in the Group's construction contracts balance are debtors with a carrying amount of £4.7 million (2024: £2.8 million), which are past due at the reporting date for which the Group has provided for an irrecoverable amount of £0.6 million (2024: £0.8 million) based on past experience. The Group does not hold any collateral over these balances. The average age of these receivables is 74 days (2024: 60 days).

Included in the Group's construction contracts balance are debtors with a carrying amount of £nil (2024: £nil) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Lease receivables

Meter asset provision

Included in lease receivables are balances relating to the provision of meters through Northern Powergrid Metering Limited with a carrying amount of £15.5 million (2024: £18.3 million). The average credit period on these receivables is 30 days. Interest is not generally charged on receivables paid after the due date.

The Group writes off a lease receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the debtor is over 1 year past due. None of the trade receivables that have been written off are subject to enforcement activities.

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

Northern Electric plc**Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)****16 Trade and other receivables (continued)****Operating lease receivables**

Operating leases relate to the metering assets owned by the Group with lease terms of 10-15 years, these are disclosed in Note 11. The lessee does not have an option to purchase the meters at the expiry of the lease period.

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

	31 December 2025 £ 000	31 December 2024 £ 000
Within one year	74,688	84,045
In two to five years	155,935	198,959
Over five years	<u>167,743</u>	<u>186,288</u>
	<u>398,366</u>	<u>469,292</u>

The Group's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in Note 29 "Financial risk review".

17 Cash and cash equivalents

	Group		Company	
	31 December 2025 £ 000	31 December 2024 £ 000	31 December 2025 £ 000	31 December 2024 £ 000
Cash at bank	509	2,240	-	-
Other cash and cash equivalents	<u>21,150</u>	<u>11,200</u>	<u>-</u>	<u>-</u>
	<u>21,659</u>	<u>13,440</u>	<u>-</u>	<u>-</u>

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

18 Share capital

Allotted, issued, and fully paid:

The Company has one class of ordinary shares which carries no right to fixed income. Details of cumulative non-equity preference shares are contained in the borrowings Note 20.

	Share value	No. of shares	2025 £ 000	2024 £ 000
Ordinary shares	56 12/13p	127,689,809	72,173	72,173

19 Reserves

Group

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

	Cash flow hedging reserve £ 000	Retained earnings £ 000	Total £ 000
Loss on cash flow hedge (net)	(3,692)	-	(3,692)
Remeasurements of post employment benefit obligations (net)	-	(36,775)	(36,775)
	<u>(3,692)</u>	<u>(36,775)</u>	<u>(40,467)</u>

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

Prior period

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

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

19 Reserves (continued)

Company

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

	Retained earnings £ 000	Total £ 000
Remeasurements of post employment benefit obligations	<u>(39,225)</u>	<u>(39,225)</u>

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

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

20 Loans and borrowings

	Group		Company	
	2025 £ 000	2024 £ 000	2025 £ 000	2024 £ 000
Non-current loans and borrowings	1,307,187	1,119,735	1,117	1,117
Current loans and borrowings	<u>178,556</u>	<u>134,746</u>	<u>8,731</u>	<u>7,005</u>
	<u>1,485,743</u>	<u>1,254,481</u>	<u>9,848</u>	<u>8,122</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

20 Loans and borrowings (continued)

Group	Carrying value		Fair value	
	2025	2024	2025	2024
	£ 000	£ 000	£ 000	£ 000
Short-term loans	93,682	79,260	93,682	79,260
Amortising loan 2026 - 2.3012%*	61,283	94,920	61,835	96,117
Bond 2035 - 5.125%	153,748	153,647	153,483	150,467
Bond 2049- 2.75%	150,291	150,225	92,428	92,098
Bond 2052 - 3.25%	355,176	355,096	236,728	233,823
Bond 2062 - 1.875%	297,933	297,837	126,181	132,772
European Investment Bank 2027 - 2.564%	120,128	120,128	116,147	111,524
Northern Powergrid (Northeast) plc 2037 5.375% Bond	250,134	-	249,573	-
Cumulative preference shares	3,368	3,368	150,203	140,153
	<u>1,485,743</u>	<u>1,254,481</u>	<u>1,280,260</u>	<u>1,036,214</u>

The group's exposure to market and liquidity risks, including maturity analysis, relating to loans and borrowings is disclosed in Note 29 "Financial risk review".

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

*2026 £218m Amortising Loan is 80% swapped at a fixed rate of 2.4455%, with the remaining 20% floating at SONIA plus 1.75%.

Company

	Carrying value		Fair value	
	2025	2024	2025	2024
	£ 000	£ 000	£ 000	£ 000
Short-term loans	6,522	3,968	6,522	3,968
Cumulative preference shares	3,368	3,368	150,203	140,153
	<u>9,890</u>	<u>7,336</u>	<u>156,725</u>	<u>144,121</u>

Of the total financial liabilities of £1,485.7 million, £1,392.0 million (2024: £1,254.5 million) relates to external borrowings and preference shares (111,662,378 shares) whose fair value is determined with reference to quoted market prices. The directors' estimates of the fair value of internal borrowings are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions or dealer quotes for similar instruments. The valuation of liabilities set out above is based on Level 1 inputs.

The terms of the cumulative preference shares:

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

20 Loans and borrowings (continued)

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

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

21 Obligations under leases

Group

Lease liability

Lease commitments relate to fleet vehicles from Vehicle Lease and Service Limited, a joint venture, with terms of up to 7 years and land and buildings with terms of up to 50 years.

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

	31 December 2025 £ 000	31 December 2024 £ 000
Within one year	3,515	3,285
In two to five years	8,516	7,870
In over five years	3,475	3,504
Total lease payment	<u>15,506</u>	<u>14,659</u>
Unearned interest	<u>(1,620)</u>	<u>(2,085)</u>
Total lease liability	<u>13,885</u>	<u>12,574</u>

The discounted amount due within one year totalled £3.52 million (2024: £3.23 million).

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

21 Obligations under leases (continued)

Company

Lease Liability

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

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

	31 December 2025 £ 000	31 December 2024 £ 000
Within one year	172	172
In two to five years	515	687
In over five years	48	48
Total lease payment	<u>735</u>	<u>907</u>
Unearned interest	<u>(129)</u>	<u>(57)</u>
Total lease liability	<u>606</u>	<u>850</u>

22 Provisions

Group

	Legal proceedings £ 000	Other £ 000	Total £ 000
At 1 January 2025	993	2,391	3,384
Additional provisions	2,932	981	3,913
Provisions used	<u>(1,911)</u>	<u>(2,003)</u>	<u>(3,914)</u>
At 31 December 2025	<u>2,014</u>	<u>1,369</u>	<u>3,383</u>
Non-current liabilities	<u>-</u>	<u>540</u>	<u>540</u>
Current liabilities	<u>2,014</u>	<u>829</u>	<u>2,843</u>

Legal proceedings: Provision has been made to cover costs arising from utility damages, public liability, fines and motoring third party claims. Settlement is expected substantially within 12 months.

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

Other: Primarily consists of a provision for future safe disposal of transformers which contain oil contaminated with Polychlorinated Biphenyls (PCBs), and for an amount to cover claims made under Section 74 of the New Road and Street Works Act 1991.

Also included within 'other' are pension provisions which relate to the Group's share of expected settlements of liabilities relating to pension deficit repair of Electricity Association Technology Limited ("EATL") and are expected to be settled over a period of approximately one year. As at 31 December 2025 the provision relating to EATL is £0.2 million (2024: £0.2 million).

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

22 Provisions (continued)

Company

	Other provisions £ 000	Total £ 000
At 1 January 2025	983	983
Decrease in existing provisions	(324)	(324)
At 31 December 2025	<u>659</u>	<u>659</u>

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

Also included above are pension provisions which relate to the Group's share of expected settlements of liabilities relating to pension deficit repair of Electricity Association Technology Limited ("EATL") and are expected to be settled over a period of approximately one year. As at 31 December 2025 the provision relating to EATL is £0.2 million (2024: £0.2 million).

23 Trade and other payables

	Group		Company	
	31 December 2025 £ 000	31 December 2024 £ 000	31 December 2025 £ 000	31 December 2024 £ 000
Current liabilities				
Payments on account	69,668	71,329	-	-
Trade payables	28,142	16,231	440	1,795
Accrued expenses	54,154	38,721	3,759	2,909
Amounts due to related parties	-	30,200	-	30,200
Social security and other taxes	-	12,925	106	116
Other payables	22,430	19,203	1,238	834
	<u>174,394</u>	<u>188,609</u>	<u>5,543</u>	<u>35,854</u>
Non-current liabilities				
Payments on account	4,368	6,549	-	-
Non-current liabilities	<u>4,368</u>	<u>6,549</u>	<u>-</u>	<u>-</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

23 Trade and other payables (continued)

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

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review Note 28.

Included within the Payment on Account line is innovation funding received from the National Energy System Operator (NESO) for the Community DSO project of £10.1 million (2024: £10.5 million). The funding will be released over a period of time until 2028. This funding was successfully bid for and is aimed at supporting the development and implementation of a decentralised system operator model within the community. The performance obligations associated with this funding include the establishment of infrastructure, engagement with local stakeholders and reporting on project progress and outcomes across the industry. Based on the latest project schedule, £3.9 million has been classified as current and £6.6 million as non-current as at the reporting date. For the comparative year, the total amount was incorrectly included in current other payables. As the Directors do not consider the effect on the prior period financial statements to be material, this has not been adjusted. The related income recognised in the current year was £1.5 million (2024: £1.5 million).

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

Northern Electric plc**Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)****24 Contract Liabilities (Deferred Revenue)**

	31 December 2025 £ 000	31 December 2024 £ 000
Group		
Opening balance	725,576	702,953
Additions	45,257	54,105
Amortisation	<u>(32,806)</u>	<u>(31,482)</u>
Closing balance	<u>738,027</u>	<u>725,576</u>

	31 December 2025 £ 000	31 December 2024 £ 000
Current	34,115	32,181
Non-current	<u>703,912</u>	<u>693,395</u>
	<u>738,027</u>	<u>725,576</u>

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

25 Pension and other schemes

Defined benefit pension schemes

Electricity Supply Pension Scheme

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

- The Northern Powergrid Group of the ESPS (the "DB Scheme"); and
- The Northern Powergrid Pension Scheme.

The Northern Powergrid Pension Scheme was introduced for new employees of the Group from July 1997 and is a money purchase arrangement accounted for as a defined contribution scheme.

The DB Scheme is a defined benefit scheme for directors and employees, which provides pension and other related retirement benefits based on final pensionable pay. The DB Scheme closed to staff commencing employment with the Group on or after 23 July 1997. Active members who joined before this date, including some active members under The Electricity (Protected Persons) (England and Wales) Pension Regulations 1990, continue to build up future pension benefits.

Under the DB Scheme, employees are typically entitled to annual pensions on retirement at age 63 of one-eightieth of final pensionable salary for each year of service plus an additional tax-free cash lump sum at retirement of three times pension. Benefits are also payable on death and following other events such as withdrawing from active service.

No other post-retirement benefits are provided to members of the DB Scheme.

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

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

Pension regulation

The UK pensions market is regulated by the Pensions Regulator whose key statutory objectives in relation to UK defined benefit plans are to:

- protect the benefits of members;
- promote and to improve understanding of good administration;
- reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund ("PPF"); and
- minimise any adverse impact on the sustainable growth of an employer.

The Pensions Regulator has various powers including the power to:

- wind up a scheme where winding up is necessary to protect members' interests;
- appoint or remove a trustee;
- impose a schedule of company contributions where trustees and company fail to agree on appropriate contributions; and
- impose contributions where there has been a detrimental action against the scheme.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

25 Pension and other schemes (continued)

Role of Trustees

The DB Scheme is administered by a board of Trustees which is legally separate from the Company. The assets of the DB Scheme are held in a separate trustee-administered fund. The board of Trustees is made up of Trustees appointed by the company, as the Principal Employer of the DB Scheme, Trustees elected by the membership and an independent trustee. The Company are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment strategy plus the day-to-day administration of the benefits payable. They also are responsible for jointly agreeing with the Principal Employer the level of contributions due to the DB Scheme.

Funding requirements

UK legislation requires that pension schemes are funded prudently (i.e. to a level in excess of the current expected cost of providing benefits). The next actuarial valuation of the DB Scheme will be carried out by the Trustee's actuarial advisors, Aon, at a date no later than 31 March 2028. Such valuations are required by law to take place at intervals of no more than three years. Following each valuation, the Trustees and the Northern Powergrid Group must agree the contributions required (if any) such that the DB Scheme is fully funded over time on the basis of suitably prudent assumptions.

At the latest funding valuation as at 31 March 2025, the funding surplus was assessed to be £2.3 million. In light of this, the Company are not currently paying any deficit contributions. The next actuarial valuation will be at 31 March 2028 and is expected to be completed by 30 June 2029, by which time a new contribution schedule will be agreed.

The contributions payable by the Northern Powergrid Group to the DB Scheme in respect of future benefits which are accruing, reduced from 46.1% to 24.9% of pensionable pay with effect from 1 January 2026. These contributions were determined as part of the 31 March 2025 actuarial valuation and will remain in place until such a time as a new schedule of contributions is agreed between the Trustees and the Company as part of the 31 March 2028 valuation.

The Northern Powergrid Group's total contributions to the DB Scheme for the next financial year are expected to be £4.7 million.

The Trust Deed provides the Northern Powergrid Group with an unconditional right to a refund of surplus assets assuming the gradual settlement of plan liabilities over time. Furthermore, in the ordinary course of business the Trustees have no right to unilaterally wind up, or otherwise augment the benefits due to members of the DB Scheme. Based on these rights, any net surplus in the plan is recognised in full.

Profile of the scheme

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees and current pensioners. The overall duration of the DB Scheme's obligation was assessed to be about 12 years based on the results of the 31 March 2025 funding valuation. This is the weighted-average time over which benefit payments are expected to be made.

At 31 March 2025, broadly, about 22% of the liabilities are attributable to current employees (duration about 17 years), 5% to former employees (duration about 16 years) and 73% to current pensioners (duration about 10 years). We anticipate that the overall duration of the Scheme's obligation will have remained around 12 years at 31 December 2025, due to the minimal movements in yields.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

25 Pension and other schemes (continued)

Investment objectives for the DB Scheme

The Trustees aim to achieve the DB Scheme's investment objectives through investing partly in a diversified mix of growth assets which, over the long term, are expected to grow in value by more than low risk assets like cash and gilts. This is done with a broad liability driven investing framework that uses cash, gilts and other hedging instruments like swaps in a capital efficient way. In combination this efficiently captures the Trustees' risk tolerances and return objectives relative to the DB Scheme's liabilities.

Investment objectives for the DB Scheme

The Trustees aim to achieve the DB Scheme's investment objectives through investing partly in a diversified mix of growth assets which, over the long term, are expected to grow in value by more than low risk assets like cash and gilts. This is done with a broad liability driven investing framework that uses cash, gilts and other hedging instruments like swaps in a capital efficient way. In combination this efficiently captures the Trustees' risk tolerances and return objectives relative to the DB Scheme's liabilities.

The Company and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes the use of Liability Driven Investment (LDI) to more closely match the nature and duration of the DB Scheme's liabilities through the use of derivatives such as swaps and repurchase agreements. The portfolio is designed to hedge a proportion of the interest rate and inflation risk inherent in the DB Scheme's liabilities. The target hedging level is currently 99% (2024: 99%) of the DB Scheme's liabilities as measured on the basis used for the funding valuation.

The Trustees ensure certain benefits which are payable on death before retirement.

Risks

Volatile asset returns

The DBO is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this discount rate, this will create an element of deficit. The DB scheme currently holds a proportion (20%) of its assets in return-seeking assets, which, although expected to outperform corporate bonds in the long term, create volatility and risk in the short term.

Mitigation

The allocation to return-seeking assets is monitored to ensure it remains appropriate given the DB scheme's long-term objectives. The Trustees regularly review the strategy from return-seeking assets and have diversified return-seeking assets from equities into Reinsurance, Listed Infrastructure and Insurance-linked securities to reduce overall risk.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the DB Scheme's bond holdings.

Mitigation

The DB scheme currently holds a substantial proportion of its assets (80%) as bonds, Asset Backed Securities, and Liability Driven Investment (LDI), which provide a significant hedge against falling bond yields (falling yields which increase the DBO will also increase the value of the bond assets). There are some differences in the credit quality of bonds held by the DB Scheme and the bonds analysed to decide the DBO discount rate, such that there remains some risk should yields on different quality bond/swap assets diverge.

Inflation risk

A significant proportion of the DBO is indexed in line with price inflation (specifically UK Retail Price Index) and higher inflation will lead to a higher DBO.

Mitigation

The DB Scheme currently aims to invest around 42% in LDI (included in the 80% bond allocation above) which provides a hedge against higher-than-expected inflation increases on the DBO (rising inflation will increase both the DBO and the value of the LDI portfolio).

Life expectancy risk

The majority of the DB scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

25 Pension and other schemes (continued)

Mitigation

The DB Scheme regularly reviews actual experience of its membership against the actuarial assumptions underlying the future benefit projections and carries out detailed analysis when setting an appropriate scheme specific mortality assumption.

Other risks

There are a number of other risks associated with the DB Scheme including operational risks (such as paying out the wrong benefits), legislative risks (such as the government increasing the burden on pension schemes through new legislation) and other demographic risks (such as a higher proportion of members dying than assumed with a dependant eligible to receive a survivor's pension from the DB Scheme).

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

25 Pension and other schemes (continued)

Legislative risk

The risk that new legislation, or clarification to existing legislation, increases the benefits due to members. In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, the Government published draft amendments to the Pensions Scheme Bill which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. The draft legislation will need to be agreed by both Houses of Parliament before it passes into law.

Following the publication of draft legislation, the Directors do not expect the Virgin Media ruling to give rise to any additional liabilities and so the DBO has not been adjusted and continues to reflect the benefits currently being administered

Reporting at 31 December 2025

For the purposes of this disclosure, the current and future pension costs of the Northern Powergrid Group have been assessed by Aon, a qualified independent actuary, using the assumptions set out below, which the actuary has confirmed represent a reasonable best estimate of those costs. The review has been based on the same membership and other data as at 31 March 2025. The board of Northern Powergrid Holdings Company has accepted the advice of the actuary and formally approved the use of these assumptions for the purpose of calculating the pension cost of the Northern Powergrid Group.

The results of the latest funding valuation at 31 March 2025 have been adjusted to 31 December 2025. Those adjustments take account of experience over the period since 31 March 2025, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the DBO and the related current service cost were measured using the Projected Unit Credit Method.

For schemes closed to new members, such as the DB Scheme, the current service cost (as a percentage of pensionable pay) calculated under the Projected Unit Credit Method is expected to increase as the members of the DB Scheme approach retirement.

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2025	31 December 2024
	%	%
Discount rate	5.50	5.50
Future salary increases	2.95	3.30
Future pension increases	2.60	2.85
Inflation - RPI	2.70	3.05
Inflation- CPI	2.35	2.70
Proportion of pension exchanged for additional cash at retirement	<u>10.00</u>	<u>10.00</u>

The financial assumptions reflect the nature and term of the DB Scheme's liabilities.

Post retirement mortality assumptions

	31 December 2025	31 December 2024
	Years	Years
Life expectancy for male currently aged 60	26.60	26.00
Life expectancy for female currently aged 60	28.40	28.00
Life expectancy at 60 for male currently aged 45	27.70	26.90
Life expectancy at 60 for female currently aged 45	<u>29.30</u>	<u>29.30</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

25 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	31 December 2025 £ 000	31 December 2024 £ 000
Fair value of scheme assets	974,700	989,600
Present value of scheme liabilities	<u>(878,500)</u>	<u>(850,900)</u>
Defined benefit pension scheme surplus	<u>96,200</u>	<u>138,700</u>

Scheme assets

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

	31 December 2025 £ 000	31 December 2024 £ 000
Fair value at start of year	989,600	1,098,300
Interest income	53,000	48,900
Re-measurement (loss) on scheme assets	(11,800)	(101,800)
Employer contributions	8,700	9,200
Contributions by scheme participants	400	400
Benefits paid	(62,200)	(62,900)
Administrative expenses paid	<u>(3,000)</u>	<u>(2,500)</u>
Fair value at end of year	<u>974,700</u>	<u>989,600</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

25 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	31 December 2025 £ 000	31 December 2024 £ 000
Developed market equity	-	72,000
Emerging market equity	-	2,100
Property	106,000	103,100
Reinsurance	54,300	70,000
Listed infrastructure	50,000	47,000
Investment grade corporate bonds	-	100,700
Other debt (non-investment grade)	-	153,600
Fixed interest gilts	-	8,100
Liability driven investments	332,000	342,100
Asset backed securities	72,500	-
Absolute return bonds	330,200	-
Cash and cash equivalents including derivatives	29,700	90,900
	<u>974,700</u>	<u>989,600</u>

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

Scheme liabilities

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

	31 December 2025 £ 000	31 December 2024 £ 000
Present value at start of year	(850,900)	(949,700)
Current service cost	(3,700)	(4,400)
Actuarial (losses)/gains arising from changes in demographic assumptions	(26,300)	2,700
Actuarial gains arising from changes in financial assumptions	23,800	80,900
Actuarial losses arising from experience adjustments	(38,000)	(500)
Interest cost	(45,200)	(42,400)
Benefits paid	62,200	62,900
Contributions by scheme participants	(400)	(400)
Present value at end of year	<u>(878,500)</u>	<u>(850,900)</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

25 Pension and other schemes (continued)

Amounts recognised in the income statement

	31 December 2025 £ 000	31 December 2024 £ 000
Current service cost	3,700	4,400
Administrative expenses	3,000	2,500
Net interest	<u>(7,800)</u>	<u>(6,500)</u>
Amounts recognised	<u>(1,100)</u>	<u>400</u>
Costs included in cost of qualifying assets	<u>(1,070)</u>	<u>(2,030)</u>
Total recognised in the income statement	<u><u>(2,170)</u></u>	<u><u>(1,630)</u></u>

Amounts taken to the Statement of Comprehensive Income

	31 December 2025 £ 000	31 December 2024 £ 000
Actuarial losses/(gains) arising from changes in demographic assumptions	26,300	(2,700)
Actuarial gains arising from changes in financial assumptions	(23,800)	(80,900)
Actuarial losses arising from experience adjustments	38,000	500
Return on plan assets in excess of that recognised in net interest	<u>11,800</u>	<u>101,800</u>
Amounts recognised in the Statement of Comprehensive Income	<u><u>52,300</u></u>	<u><u>18,700</u></u>

Sensitivity analysis

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

	31 December 2025			31 December 2024		
	+ 0.1% £ 000	0.0% £ 000	- 0.1% £ 000	+ 0.1% £ 000	0.0% £ 000	- 0.1% £ 000
Adjustment to discount rate						
Present value of total obligation	<u>868,900</u>	<u>878,500</u>	<u>888,200</u>	<u>840,800</u>	<u>850,900</u>	<u>861,100</u>
	31 December 2025			31 December 2024		
	+ 0.1% £ 000	0.0% £ 000	- 0.1% £ 000	+ 0.1% £ 000	0.0% £ 000	- 0.1% £ 000
Adjustment to rate of inflation						
Present value of total obligation	<u>883,700</u>	<u>878,500</u>	<u>869,800</u>	<u>860,700</u>	<u>850,900</u>	<u>845,200</u>
	31 December 2025			31 December 2024		
	+ 1 Year £ 000	None £ 000	- 1 Year £ 000	+ 1 Year £ 000	None £ 000	- 1 Year £ 000
Adjustment to mortality age rating assumption						
Present value of total obligation	<u>911,300</u>	<u>878,500</u>	<u>844,800</u>	<u>880,400</u>	<u>850,900</u>	<u>820,500</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

25 Pension and other schemes (continued)

The sensitivity analysis presented above may not be representative of the actual change in defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

26 Dividends

	31 December 2025 £ 000	31 December 2024 £ 000
Dividend of £0.33 (2024 - £2.17) per ordinary share	<u>35,170</u>	<u>277,400</u>

27 Net debt reconciliation

Group

	At 1 January 2025 £ 000	Net cash flows £ 000	Other changes £ 000	At 31 December 2025 £ 000
Cash and cash equivalents	13,440	8,219	-	21,659
Lease liabilities	(12,574)	(570)	-	(13,144)
Borrowings	<u>(1,254,498)</u>	<u>(231,245)</u>	-	<u>(1,485,743)</u>
	<u>(1,253,632)</u>	<u>(223,596)</u>	-	<u>(1,477,228)</u>

	At 1 January 2024 £ 000	Net cash flows £ 000	Other changes £ 000	At 31 December 2024 £ 000
Cash and cash equivalents	14,760	(1,320)	-	13,440
Lease liabilities	(11,626)	3,430	(4,378)	(12,574)
Borrowings	<u>(1,288,352)</u>	<u>35,242</u>	<u>(1,388)</u>	<u>(1,254,498)</u>
	<u>(1,285,218)</u>	<u>37,352</u>	<u>(5,766)</u>	<u>(1,253,632)</u>

Other changes include accrued interest movement and amortisation of borrowings.

Interest and preference dividends paid of £46.6 million (2024: £48.2 million) as shown in the Statement of Cash Flows is not shown in the reconciliation above as it is approximately equal to the interest expense.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

28 Classification of financial assets and financial liabilities

Group

The classification of financial assets and financial liabilities by accounting categorisation for the year ended 31 December 2025 was as follows:

	Financial assets at amortised cost £ 000	Financial assets at fair value - hedging instruments £ 000	Financial liabilities at amortised cost £ 000
Current assets			
Trade and other receivables	328,698	-	-
Cash and cash equivalents	21,659	-	-
Other current financial assets (Note 29)	-	8,400	-
	<u>350,357</u>	<u>8,400</u>	<u>-</u>
Non-current liabilities			
Long term lease liabilities	-	-	(10,915)
Loans and borrowings	-	-	(1,307,187)
	<u>-</u>	<u>-</u>	<u>(1,318,102)</u>
Current liabilities			
Current portion of long term lease liabilities	-	-	(2,970)
Trade and other payables	-	-	(174,394)
Loans and borrowings	-	-	(178,556)
	<u>-</u>	<u>-</u>	<u>(355,920)</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>(1,674,022)</u>

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

28 Classification of financial assets and financial liabilities (continued)

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

	Financial assets at amortised cost £ 000	Financial assets at fair value - hedging instruments £ 000	Financial liabilities at amortised cost £ 000
Assets			
Non-current assets			
Trade and other receivables	8,052	-	-
Other non-current financial assets (Note 29)	-	8,827	-
	<u>8,052</u>	<u>8,827</u>	<u>-</u>
Current assets			
Trade and other receivables	170,530	-	-
Cash and cash equivalents	13,440	-	-
Other current financial assets (Note 29)	-	4,496	-
	<u>183,970</u>	<u>4,496</u>	<u>-</u>
Total financial assets	<u>192,022</u>	<u>13,323</u>	<u>-</u>
Liabilities			
Non-current liabilities			
Long term lease liabilities	-	-	(9,632)
Loans and borrowings	-	-	(1,119,735)
	<u>-</u>	<u>-</u>	<u>(1,129,367)</u>
Current liabilities			
Current portion of long term lease liabilities	-	-	(2,942)
Trade and other payables	-	-	(175,684)
Loans and borrowings	-	-	(134,763)
	<u>-</u>	<u>-</u>	<u>(313,389)</u>
Total financial liabilities	<u>-</u>	<u>-</u>	<u>(1,442,756)</u>

Fair values are derived from level 1 inputs.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

29 Financial risk review

Capital management

The Group manages its capital centrally to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2020.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 20 offset by equity of the Company (comprising issued capital, reserves and retained earnings as detailed in Notes 18 and 19).

At 31 December 2025, 99% of the Group's long-term borrowings were at fixed rates (2024: 98%) and the average maturity for these borrowings was 20 years (2024: 23 years).

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The Group's income is primarily generated from use of system revenue from electricity suppliers; suppliers are credit checked by independent ratings agencies. Impaired income from DUoS will be recovered in future periods through system charges and is therefore of no material risk to the Group. The Group's credit risk exposure is shown below:

Group

		Gross carrying amount	Loss allowance	Net carrying amount
	Notes	£ 000	£ 000	£ 000
2025				
Trade and other receivables	16	334,379	(5,551)	328,828
Cash and short-term deposits	17	21,659	-	21,659
Contract assets	16	6,005	-	6,005
Other current financial assets		8,400	-	8,400
		<u>370,443</u>	<u>(5,551)</u>	<u>364,892</u>
		Gross carrying amount	Loss allowance	Net carrying amount
	Notes	£ 000	£ 000	£ 000
2024				
Trade and other receivables	16	184,171	(5,459)	178,712
Cash and short-term deposits	17	13,440	-	13,440
Contract assets	16	10,286	-	10,286
Other non-current financial assets		8,827	-	8,827
Other current financial assets		4,496	-	4,496
	16	<u>221,220</u>	<u>(5,459)</u>	<u>215,761</u>

For trade receivables the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. The expected credit loss (ECL) has been assessed as immaterial for related parties and contract assets.

29 Financial risk review (continued)

The carrying amount of the Group's financial assets at FVTPL as disclosed in Note 28 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

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

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

29 Financial risk review (continued)

Liquidity risk

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

The Group has access to a £100 million revolving credit facility provided by Barclays Bank plc, Lloyds Bank plc, HSBC UK Bank plc and Royal Bank of Canada. The facility was renewed in December 2025 for a period of three years, expiring December 2028, with two 1-year extension options. In addition, the facility includes up to 2 accordion options to request an increase in the facility by a maximum of £50m. The Group also has access to further short-term borrowing facilities provided by YEG and to a £22 million overdraft facility provided by Lloyds Bank plc, which is reviewed annually, these borrowings are repayable on demand.

Maturity analysis for financial liabilities

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

Group

	Less than 3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000	More than 5 years £ 000	Total £ 000
2025					
Non-interest bearing	120,289	-	4,368	-	124,657
Short-term interest bearing	6,618	75,694	-	-	82,312
Long-term interest bearing	-	108,952	292,077	1,841,125	2,242,154
	<u>126,907</u>	<u>184,646</u>	<u>296,445</u>	<u>1,841,125</u>	<u>2,449,123</u>
	Less than 3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000	More than 5 years £ 000	Total £ 000
2024					
Non-interest bearing	104,355	-	-	-	104,355
Short-term interest bearing	4,220	75,632	-	-	79,852
Long-term interest bearing	-	78,436	341,159	1,752,019	2,171,614
	<u>108,575</u>	<u>154,068</u>	<u>341,159</u>	<u>1,752,019</u>	<u>2,355,821</u>

Market risk

Market risk is the risk of loss arising from movements in market variables such as interest rates, exchange rates and commodity prices. Risks are mitigated by utilising appropriate risk management products.

The Group's policy on interest rate risk is designed to limit the Group's exposure to floating interest rates. Consistent with this policy, at 31 December 2025 the Group had 99% (2024: 98%) of long term debt at fixed rates. Short-term loans under the multicurrency revolving credit facility are charged at a floating rate of interest at SONIA plus 0.20%. In aggregate, circa 23% of the amortising long-term loan and the capital expenditure facility loans are at a floating rate of interest at SONIA plus 1.75% and 1.90% respectively, thus exposing the Group to cash flow interest rate risk. A 1% movement in interest rates would subject the Group to an approximate change in interest costs of £0.4 million per year. This is considered an acceptable level of risk. All other loans are at fixed interest rates and expose the Group to fair value interest rate risk.

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

Financial risk

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

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

30 Derivatives held for risk management and hedge accounting

Derivatives held for risk management

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

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

	2025		2024	
	Assets £ 000	Liabilities £ 000	Assets £ 000	Liabilities £ 000
Non-current	-	-	8,827	-
Current	8,400	-	4,496	-
	<u>8,400</u>	<u>-</u>	<u>13,323</u>	<u>-</u>

The maturity of financial instruments was as follows:

	3 months to 1 year	1 to 5 years	More than 5 years	Total
	£ 000	£ 000	£ 000	£ 000
2025				
Notional principal	105,657	-	-	105,657
Cash flow hedge	8,400	-	-	8,400
	<u>114,057</u>	<u>-</u>	<u>-</u>	<u>114,057</u>
2024				
Notional principal	31,246	105,657	-	136,903
Cash flow hedge	4,496	8,827	-	13,323
	<u>35,742</u>	<u>114,484</u>	<u>-</u>	<u>150,226</u>

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

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

Effectiveness testing

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

Nature of the risk being hedged

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

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

The Group is hedging the risk of variability in cash flows indexed to SONIA. Further details of the Group's risk management is available in the strategic report, pages 19 to 24, and in financial risk review, Note 29.

31 Related party transactions

Directors' advances, credits and guarantees

During the year, 1 directors (2024: 2) and 2 key personnel (2024: 2) utilised the services provided by Northern Transport Finance Limited. The amounts included in lease receivables owed by these directors and key personnel were £60,305 (2024: £61,912).

Remuneration of key management personnel

Remuneration of key management personnel is disclosed in Note 7.

Group

	Sales to £ 000	Purchases (from)/to £ 000	Amounts owed (to)/ from £ 000	Finance (income)/ cost £ 000	Borrowings to/(from) £ 000	Dividends paid £000
2025						
Integrated Utility Services (Eire)	-	(1,835)	-	-	-	-
CE Gas Limited	960	-	-	-	-	-
Northern Powergrid Limited	-	-	170,708	9,001	-	35,170
Northern Powergrid (Yorkshire) plc	40,703	(15,250)	(452)	(906)	-	-
Vehicle Lease and Service Limited	65	(6,298)	-	965	-	-
Yorkshire Electricity Group	-	(61)	-	(2,545)	65,852	-
Berkshire Hathaway Energy	-	(5,456)	-	-	-	-
Northern Powergrid Holdings Company	482	-	-	-	-	-
	<u>42,210</u>	<u>(28,900)</u>	<u>170,256</u>	<u>6,515</u>	<u>65,852</u>	<u>35,170</u>

Amounts owed to the Group by Northern Powergrid Limited include £170.5 million relating to a receivable arising from unlawfully declared dividends. Further details are provided in the Directors' Report.

Northern Electric plc
Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

31 Related party transactions (continued)

	Sales to £ 000	Purchases from £ 000	Amounts owed from/(to) £ 000	Finance (income)/ costs £ 000	Borrowings to/(from) £ 000	Dividends paid/ (received) £000
2024						
Integrated Utility Services (Eire)	1,806	(2,279)	152	-	-	-
CE Gas Limited	832	-	-	-	-	-
Northern Powergrid Limited	-	-	-	-	-	277,400
Northern Powergrid (Yorkshire) plc	40,028	(13,376)	(2,590)	(809)	-	-
Vehicle Lease and Service Limited	61	(4,894)	(560)	773	-	(1,083)
Yorkshire Electricity Group	-	-	(490)	(13,825)	68,769	-
Berkshire Hathaway Energy	-	-	(30,200)	-	-	-
Northern Powergrid Holdings	476	-	-	-	-	-
	<u>43,203</u>	<u>(20,549)</u>	<u>(33,688)</u>	<u>(13,861)</u>	<u>68,769</u>	<u>276,317</u>

Intercompany balances with Yorkshire Electricity Group relate to intercompany current account transactions.

32 Non-cash investing and financing activities

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

	2025 £ 000	2024 £ 000
GROUP		
Non-cash investing activities		
Interest received	<u>9,784</u>	<u>18,107</u>
Non-cash financing activities		
Interest paid	(7,247)	(4,289)
Dividends paid	<u>(35,170)</u>	<u>(277,400)</u>
Total non-cash financing activities	<u>(32,633)</u>	<u>(263,582)</u>

Northern Electric plc

Notes to the Financial Statements for the Year Ended 31 December 2025 (continued)

33 Parent and ultimate parent undertaking

The Company's immediate parent is Northern Powergrid Limited.

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

Relationship between entity and parents

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

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

The parent of the smallest group in which these financial statements are consolidated is Northern Powergrid Holdings Company, incorporated in England and Wales.

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

34 Other reserves

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

Northern Electric plc
Unaudited Pro Forma Supplementary Group Cash Flows

	2025	2024
	£ 000	£ 000
GROUP		
Cash flows from/(used in) operating activities		
Profit for the year	135,194	207,718
Depreciation and amortisation	175,233	164,697
Depreciation on right of use assets	3,426	3,593
Amortisation of deferred revenue	(32,806)	(31,301)
Profit on disposal of property plant and equipment	(679)	(456)
Retirement benefit obligation	(6,732)	(8,800)
Finance income	(12,674)	(20,537)
Finance costs	58,045	54,243
Income tax expense	48,738	73,529
Net cash from operating activities	<u>367,745</u>	<u>442,686</u>
Increase in inventories	(14,405)	516
Decrease in trade and other receivables	2,454	(10,859)
Decrease in trade and other payables	(27,739)	66,957
Increase in contract assets	4,281	(3,234)
Receipt of customer contributions	40,567	51,737
Decrease in provisions	-	(555)
Cash generated from operations	<u>372,903</u>	<u>547,248</u>
Income tax paid	(44,431)	(58,116)
Net cash flow from operating activities	<u><u>328,472</u></u>	<u><u>489,132</u></u>
Cash flows from/(used in) in investing activities		
Acquisitions of property plant and equipment	(281,405)	(301,773)
Proceeds from sale of property plant and equipment	1,696	1,419
Acquisition of intangible assets	(19,044)	(15,259)
Interest received	11,709	19,702
Dividend income	814	1,179
Net cash flows used in investing activities	<u>(286,230)</u>	<u>(294,732)</u>
Cash flows from/(used in) in financing activities		
Repayment of long-term borrowing	(34,659)	(40,431)
Movement in short-term borrowing	14,381	6,391
Repayment of lease liabilities	(4,086)	(3,430)
Movement in intercompany treasury account	(167,615)	173,964
Interest expense on leases	(643)	(440)
Interest paid	(53,865)	(54,374)
Dividends paid	(35,170)	(277,400)
Proceeds from issuance of long-term borrowings	247,634	-
Net cash flows from/(used in) financing activities	<u>(34,023)</u>	<u>(195,720)</u>
Net increase/(decrease) in cash and cash equivalents	8,219	(1,320)
Cash and cash equivalents at 1 January	<u>13,440</u>	<u>14,760</u>
Cash and cash equivalents at 31 December	<u><u>21,659</u></u>	<u><u>13,440</u></u>

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