

NORTHERN POWERGRID HOLDINGS COMPANY

HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2018

Cautionary Statement

This interim management report has been prepared solely to provide additional information to shareholders to assess the business and strategies of Northern Powergrid Holdings Company (the "Company") and its subsidiaries (together the "Group") and should not be relied on by any other party or for any other purpose.

Business Model

The Company's main subsidiary companies are Northern Powergrid (Northeast) Limited and Northern Powergrid (Yorkshire) plc (together "Northern Powergrid"), Integrated Utility Services Limited ("IUS"), CalEnergy Resources Limited ("CE Resources") and Northern Powergrid Metering Limited ("Metering").

Northern Powergrid (Northeast) Limited and Northern Powergrid (Yorkshire) plc are distribution network operators ("DNOs") and distribute electricity to approximately 3.9 million customers connected to their electricity distribution networks, IUS provides engineering contracting services, CE Resources holds interests in hydrocarbon permits in Australia, Poland and the United Kingdom and Metering rents meters to energy suppliers.

Results for the six months ended 30 June 2018

The Group delivered a satisfactory performance for the six months ended 30 June 2018, although profit after tax reduced by £4.5 million when compared to the previous year mainly as a result of higher depreciation and operating costs.

Revenue

Revenue at £402.3 million was £14.6 million higher than for the six months ended 30 June 2017 mainly due to higher smart meter rental revenue and distribution revenue, partly offset by lower contracting revenues.

Cash flow

Cash and cash equivalents as at 30 June 2018 were £18.1 million, representing a decrease of £22.3 million when compared with the position at 31 December 2017.

The Group has access to £150 million under a committed revolving credit facility provided by Lloyds Bank plc, Royal Bank of Scotland plc and Abbey National Treasury Services plc, which is due to expire on 30 April 2020, and to a £50 million committed loan facility provided by the European Investment Bank.

In addition, companies in the Group have access to short-term borrowing facilities provided by Yorkshire Electricity Group plc, a company in the Group, and to a £42 million overdraft facility provided by Lloyds Bank plc.

Financial position

Profit before tax at £131.5 million was £2.1 million lower than the six months ended 30 June 2017 mainly as a result of higher depreciation and operating costs, partly offset by higher revenues.

Dividends

No dividends were paid during the period resulting in £102.5 million being transferred to reserves.

Related party transactions

Details of the related party transactions entered into by companies in the Group and changes therein are included in Note 9 to this half-yearly financial report.

Principal risks and uncertainties

Information on the principal long-term risks and uncertainties and the internal control system are included in the Group's latest annual reports and accounts for the year to 31 December 2017, which is available at www.northernpowergrid.com.

It is anticipated that these risks will continue to be the principal risks facing the business for the remaining six months of 2018.

Going concern

In the Group's latest annual reports and accounts for the year to 31 December 2017 the directors set out a number of factors they took into account when they considered continuing to adopt the going concern basis in preparing those annual reports and accounts. The directors confirm that no events have occurred during the six months to 30 June 2018, which alter the view expressed in the annual reports and accounts to 31 December 2017.

Future strategy and objectives

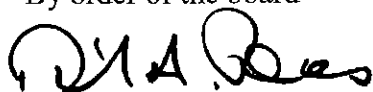
The Company will continue to develop its business as a holding company in a manner that concentrates on the Group's principal activities of electricity distribution, engineering contracting, hydrocarbon exploration and the rental of meters to energy suppliers.

Responsibility Statement

The board of directors confirm that to the best of their knowledge:

- (a) the condensed set of financial statements, which has been prepared in accordance with IAS 34, gives a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole for the six months to 30 June 2018; and
- (b) the interim management report contains a fair review of the important events that have occurred during the first six months of the year and their impact, if any, on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year.

By order of the board



P A Jones
Director

7 September 2018

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS - SIX MONTHS
ENDED 30 JUNE 2018**

	6 Months ended 30 June 2018 (unaudited) £m	6 Months ended 30 June 2017 (unaudited) £m
Revenue	402.3	387.7
Cost of sales	<u>(22.2)</u>	<u>(27.5)</u>
Gross profit	380.1	360.2
Operating expenses	<u>(196.7)</u>	<u>(177.6)</u>
Operating profit	183.4	182.6
Other gains	-	0.3
Finance income	0.4	0.3
Finance costs	<u>(52.3)</u>	<u>(49.6)</u>
Profit before tax	131.5	133.6
Income tax expense	<u>(29.0)</u>	<u>(26.6)</u>
Profit from ordinary activities after tax	<u>102.5</u>	<u>107.0</u>
Controlling interest	101.4	106.0
Non-controlling interests	<u>1.1</u>	<u>1.0</u>
	<u>102.5</u>	<u>107.0</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS - SIX MONTHS
ENDED 30 JUNE 2018**

	6 Months ended 30 June 2018 Unaudited £m	6 Months ended 30 June 2017 Unaudited £m
PROFIT FOR THE PERIOD	102.5	107.0
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Employee benefit obligation	5.8	19.1
Income tax relating to items of other comprehensive income	(0.9)	(3.2)
	<u>4.9</u>	<u>15.9</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	(0.1)	0.3
Cash flow hedge	1.5	-
Income tax relating to items of other comprehensive income	(0.2)	-
	<u>1.2</u>	<u>0.3</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>6.1</u>	<u>16.2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>108.6</u>	<u>123.2</u>
Controlling interest	107.5	122.2
Non-controlling interests	<u>1.1</u>	<u>1.0</u>
	<u>108.6</u>	<u>123.2</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2018

	30 June 2018 Unaudited £m	31 December 2017 £m
ASSETS		
NON-CURRENT ASSETS		
Goodwill	248.8	248.8
Intangible assets	54.0	52.2
Property, plant and equipment	5,928.3	5,810.7
Investments	23.1	22.7
Derivative asset	1.0	-
Pension asset	138.5	116.9
Tax receivable	0.6	0.6
Trade and other receivables	8.2	6.4
	<u>6,402.5</u>	<u>6,258.3</u>
CURRENT ASSETS		
Inventories	12.8	14.1
Trade and other receivables	134.7	161.4
Derivative asset	0.2	-
Tax receivables	0.1	0.1
Cash and cash equivalents	18.1	40.4
Restricted cash	13.8	2.2
	<u>179.7</u>	<u>218.2</u>
TOTAL ASSETS	<u>6,582.2</u>	<u>6,476.5</u>
EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	354.6	354.6
Share premium account	(0.8)	(0.8)
Hedging reserves	1.0	(0.3)
Foreign exchange reserves	(2.3)	(2.2)
Retained earnings	2,125.7	2,019.4
	<u>2,478.2</u>	<u>2,370.7</u>
Non-Controlling Interest	33.9	32.8
TOTAL EQUITY	<u>2,512.1</u>	<u>2,403.5</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2018

	30 June 2018 Unaudited £m	31 December 2017 £m
LIABILITIES		
NON-CURRENT LIABILITIES		
Trade and other payables	1,386.8	1,374.4
Borrowings	2,028.6	2,042.9
Deferred tax	250.3	243.6
Derivative liability	-	0.3
Provisions	6.3	6.2
	<u>3,672.0</u>	<u>3,667.4</u>
CURRENT LIABILITIES		
Trade and other payables	252.5	277.2
Borrowings	119.4	101.8
Tax payable	24.1	24.5
Provisions	2.1	2.1
	<u>398.1</u>	<u>405.6</u>
TOTAL LIABILITIES	<u>4,070.1</u>	<u>4,073.0</u>
TOTAL EQUITY AND LIABILITIES	<u>6,582.2</u>	<u>6,476.5</u>

The interim financial statements were approved by the board of directors and authorised for issue on 7 September 2018 and were signed on its behalf by:



P A Jones
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2018

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2018	354.6	(0.8)	(2.5)	2,019.4	2,370.7
Profit for the period (unaudited)	-	-	-	101.4	101.4
Other comprehensive income (unaudited)	-	-	1.3	4.9	6.2
Foreign exchange translation adjustment	-	-	(0.1)	-	(0.1)
Balance at 30 June 2018	354.6	(0.8)	(1.3)	2,125.7	2,478.2

	Non- Controlling Interests £m	Total Equity £m
Balance at 1 January 2018	32.8	2,403.5
Profit for the period (unaudited)	1.1	102.5
Other comprehensive income (unaudited)	-	6.2
Foreign exchange translation adjustment	-	(0.1)
Balance at 30 June 2018	33.9	2,512.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2017	354.6	(0.8)	(2.1)	1,818.0	2,169.7
Profit for the period (unaudited)	-	-	-	106.0	106.0
Other comprehensive income (unaudited)	-	-	-	15.9	15.9
Foreign exchange translation adjustment			0.3	-	0.3
Balance at 30 June 2017	354.6	(0.8)	(1.8)	1,939.9	2,291.9

	Non- Controlling Interests £m	Total Equity £m
Balance at 1 January 2017	31.2	2,200.9
Profit for the period (unaudited)	1.0	107.0
Other comprehensive income (unaudited)	-	15.9
Foreign exchange translation adjustment	-	0.3
Balance at 30 June 2017	32.2	2,324.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2017	354.6	(0.8)	(2.1)	1,818.0	2,169.7
Profit for the year	-	-	-	202.8	202.8
Other comprehensive income	-	-	(0.3)	48.6	48.3
Dividends paid	-	-	-	(50.0)	(50.0)
Equity dividends paid	-	-	-	-	-
Foreign exchange translation adjustment	-	-	(0.1)	-	(0.1)
Balance at 31 December 2017	354.6	(0.8)	(2.2)	2,019.4	2,370.7

	Non- Controlling Interests £m	Total Equity £m
Balance at 1 January 2017	31.2	2,200.9
Profit for the year	1.6	204.4
Other comprehensive income	-	(48.3)
Equity dividends paid	-	(50.0)
Foreign exchange translation adjustment	-	(0.1)
Balance at 31 December 2017	32.8	2,403.5

CONSOLIDATED CASH FLOW STATEMENT

	6 Months ended 30 June 2018 Unaudited £m	6 Months ended 30 June 2017 Unaudited £m
Cash inflow from operating activities	288.1	269.2
Net interest paid	(50.1)	(47.5)
Tax paid	(23.8)	(23.0)
Net cash from operating activities	<u>214.2</u>	<u>198.7</u>
Investing activities		
Proceeds from disposal of property, plant and equipment	-	0.4
Purchase of property, plant and equipment	(254.8)	(240.3)
Purchase of intangible assets	(5.4)	(4.3)
Investment in associate	-	(1.0)
Receipt of customer contributions	35.3	22.2
Net cash used in investing activities	<u>(224.9)</u>	<u>(223.0)</u>
Financing activities		
Dividends paid	-	-
Movement in external loans	0.3	0.1
Movement in restricted cash	(11.7)	-
Net cash generated by financing activities	<u>11.4</u>	<u>0.1</u>
Foreign exchange differences	(0.2)	0.2
Net decrease in cash and cash equivalents	(22.3)	(24.0)
Cash and cash equivalents at beginning of period	<u>40.4</u>	<u>52.9</u>
Cash and cash equivalents at end of period	<u>18.1</u>	<u>28.9</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The information included within these condensed financial statements for the year ended 31 December 2017 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts and that report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. ACCOUNTING POLICIES

Basis of preparation

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Going concern

In the Group's latest annual reports and accounts for the year to 31 December 2017 the directors set out a number of factors they took into account when they considered continuing to adopt the going concern basis in preparing those annual reports and accounts. The directors confirm that no events have occurred during the six months to 30 June 2018, which alter the view expressed in the annual reports and accounts to 31 December 2017.

Changes in accounting policy

The Company's accounting policies and methods of computation are the same as the accounting policies which are described in the Company's financial statements for the year ended 31 December 2017, with the only changes being outlined below.

Application of new and revised IFRS

In the current year, the company has a number of amendments to IFRS by the International Accounting standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2018:

IFRS 9- Financial Instruments	A revised version of IFRS 9 was issued to mainly include impairment requirements for financial assets, and amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income measurement category for certain simple debt instruments. The application of these amendments has had no material impact on the Company's financial statements.
IFRS 15- Revenue from contracts with customers	Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The application of these amendments has had no material impact on the Company's financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

New and revised standards in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but not yet effective for the period ended 30 June 2018:

IFRS 16- Leases (1 January 2019) IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16 distinguishes between leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions between operating leases and finance leases are removed for lessee accounting, and is replaced by a model where right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short term leases and leases of low-value assets. As at 30 June 2018, the Company had non-cancellable operating lease commitments of £22.7 million, IAS 17 does not require recognition of any right-of-use asset or liability for future lease payments for these leases. A preliminary assessment indicated that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognise a right-of-use asset and corresponding liability in respect of all these leases unless they qualify for low-value or short-term leases upon the application of IFRS 16.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENTAL ANALYSIS

The Group operates in the principal area of activity of the distribution of electricity in the United Kingdom.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

The following is an analysis of the Group's revenue and results by reportable segment in the six months ended 30 June 2018 (unaudited):

	Distribution £m	Other £m	Total £m
REVENUE			
External sales	362.5	39.8	402.3
Inter-segment sales	0.6	(0.6)	-
Total Revenue	<u>363.1</u>	<u>39.2</u>	<u>402.3</u>
SEGMENT RESULTS			
Operating profit	<u>164.0</u>	<u>19.4</u>	183.4
Other gains			-
Finance income			0.4
Finance costs			<u>(52.3)</u>
Profit before tax			<u>131.5</u>
OTHER INFORMATION			
Capital additions	187.7	49.5	237.2
Depreciation and amortisation	98.5	19.7	118.2
Amortisation of deferred revenue	<u>26.6</u>	<u>-</u>	<u>26.6</u>

External sales to RWE Npower plc in the six months ended 30 June 2018 represented 21.44% of revenue within the Distribution segment.

External sales to British Gas Ltd in the six months ended 30 June 2018 represented 15.51% of revenue within the Distribution segment.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENTAL ANALYSIS (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable segment in the six months ended 30 June 2017 (unaudited):

	Distribution £m	Other £m	Total £m
REVENUE			
External sales	354.1	33.6	387.7
Inter-segment sales	0.6	(0.6)	-
Total Revenue	<u>354.7</u>	<u>33.0</u>	<u>387.7</u>
SEGMENT RESULTS			
Operating profit	<u>170.9</u>	<u>11.7</u>	182.6
Other gains			0.3
Finance income			0.3
Finance costs			<u>(49.6)</u>
Profit before tax			<u>133.6</u>
OTHER INFORMATION			
Capital additions	183.8	69.1	252.9
Depreciation and amortisation	91.9	12.6	104.5
Amortisation of deferred revenue	<u>24.9</u>	<u>-</u>	<u>24.9</u>

"Other" comprises engineering contracting, hydrocarbon exploration, smart meter rental and business support units.

Sales and purchases between the different segments are made at commercial prices.

External sales to RWE Npower plc in the six months ended 30 June 2017 represented 21.44% of revenue within the Distribution segment.

External sales to British Gas Ltd in the six months ended 30 June 2017 represented 15.51% of revenue within the Distribution segment.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENTAL ANALYSIS (CONTINUED)

The accounting policies of the reportable segments are the same as the Group's accounting policies which are described in the Group's latest annual financial statements. The segment results represent the profit earned by each segment without allocation of the share of profits of joint ventures, associates, finance income and finance costs and income tax expense

Segment net assets	30 June 2018 Unaudited £m	31 December 2017 £m
Distribution	4,175.5	3,945.3
Other	<u>412.9</u>	<u>380.5</u>
Total net assets by segment	4,588.4	4,325.8
Unallocated net corporate liabilities	<u>(2,076.3)</u>	<u>(1,922.3)</u>
Total net assets	<u>2,512.1</u>	<u>2403.5</u>

Unallocated net corporate liabilities include cash and cash equivalents of £12.5 million (December 2017: £52.9 million), borrowings of £1,994.0 million (December 2017: £1,993.1 million) and taxation of £258.1 million (December 2017: £252.7 million).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. INCOME TAX EXPENSE

Tax for the six month period ended 30 June 2018 is charged at 19.00% (six months ended 30 June 2017: 19.25%; year ended 31 December 2017: 19.25%), which represents the best estimate of the average annual effective tax rate expected for the full year, as applied to the pre-tax income of the six month period.

	6 months ended 30 June 2018 Unaudited £m	6 months ended 30 June 2017 Unaudited £m
Current tax	26.4	23.6
Deferred tax	<u>2.6</u>	<u>3.0</u>
Total income tax expense	<u>29.0</u>	<u>26.6</u>

The Finance No2 Act 2015 reduced the rate of corporation tax to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. The Finance Act 2016, which was substantively enacted on 6 September, 2016 further reduced the rate of corporation tax effective from 1 April 2020 to 17%. Accordingly deferred tax assets and liabilities have been calculated at the tax rates which will be in force when the underlying temporary differences are expected to reverse.

5. DIVIDENDS

No dividends were distributed to the shareholders in the six month period ended 30 June 2018 (six months ended 30 June 2017: £nil)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

6. NOTES TO THE CASH FLOW STATEMENT

	6 Months ended 30 June 2018 Unaudited £m	6 Months ended 30 June 2017 Unaudited £m
Profit before income tax	131.5	133.6
Depreciation charges	118.2	104.4
Profit on disposal of fixed assets	-	(0.3)
Amortisation of deferred revenue	(26.6)	(24.9)
Retirement benefit obligations	(15.5)	(13.7)
Increase in provisions	-	0.1
Finance costs	52.4	49.6
Finance income	(0.4)	(0.3)
	<hr/> 259.6	<hr/> 248.5
Decrease in inventories	1.4	0.9
Decrease in trade and other receivables	24.4	24.9
Increase/(decrease) in trade and other payables	2.9	(5.1)
	<hr/>	<hr/>
Cash generated from operations	<u>288.3</u>	<u>269.2</u>

7. RETIREMENT BENEFIT SCHEMES

The defined benefit obligation as at 30 June 2018 is calculated on a year-to-date basis, using the annual actuarial valuation as at 31 December 2017. The triennial valuation as at 31 March 2016 was finalised in September 2017. There have not been any significant fluctuations or one-time events since that time that would require adjustment to the actuarial assumptions made at June 2018.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS

Except as detailed in the following table, the directors consider that the carrying value amounts of financial assets and financial liabilities are approximately equal to their fair values:

	Carrying value		Fair value	
	30 June	31	30 June	31
	2018	December	2018	December
	Unaudited	2017	Unaudited	2017
	£m	£m	£m	£m
Financial liabilities				
Short-term loans	-	0.5	-	0.5
Inter-company short-term loan	-	0.9	-	0.9
Bond 2020 – 8.875% (Northern Electric Finance plc)	105.9	101.3	122.9	122.8
Bond 2020 – 9.25% (Northern Powergrid (Yorkshire) plc)	213.5	224.5	231.8	250.1
Bond 2022 – 7.25% (Northern Powergrid Holdings Company)	204.7	197.1	253.6	253.3
Bond 2025 – 2.5% (Northern Powergrid (Yorkshire) plc)	149.0	150.8	154.4	159.6
Amortised loan 2026 – 2.74% (Northern Powergrid Metering Ltd)	195.6	155.3	200.0	155.3
Bond 2028 – 7.25% (Yorkshire Power Finance Limited)	201.5	194.9	272.9	274.5
Bond 2032 4.375% (Northern Powergrid (Yorkshire) plc)	154.0	150.7	184.2	187.4
Bond 2035 – 5.125% (Northern Electric Finance plc)	149.4	153.0	196.3	207.2
Bond 2035 – 5.125% (Northern Powergrid (Yorkshire) plc)	199.1	204.0	262.1	276.6
EIB loans 2018-2020*	80.3	123.5	82.4	127.9
EIB loans 2022 – 4.133%	156.8	153.7	174.0	175.1
EIB loans 2027 – 2.564%	253.5	250.3	267.8	269.3
EIB loans 2025 – 2.073%	50.6	50.1	50.3	50.8
Cumulative preference shares	34.1	34.1	54.9	56.4
	<u>2,148.0</u>	<u>2,144.7</u>	<u>2,507.6</u>	<u>2,567.7</u>

* The borrowings from the European Investment Bank were drawn down in twelve tranches, repayable in 2018, 2019 and 2020. The interest rates shown are average rates for those repayment dates. The spread of interest rates is as follows:

2018: 3.901% - 4.283%

2019: 4.077% - 4.455%

2020: 4.227% - 4.586%

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

9. RELATED PARTY TRANSACTIONS

Group

Transactions entered into with related parties and balances outstanding were as follows:

	Sales to related parties £m	Purchases from related parties £m	Amounts owed to related parties £m	Borrowings from related parties £m	Dividends from/(to) related parties £m
Related party					
<i>Six months ended 30 June</i>					
<i>2018:</i>					
Immediate Parent Companies*	-	-	10.6	-	-
Vehicle Lease and Service Limited	-	4.9	0.5	-	-
	<u>-</u>	<u>4.9</u>	<u>11.1</u>	<u>-</u>	<u>-</u>
<i>Six months ended 30 June</i>					
<i>2017:</i>					
Immediate Parent Companies*	-	-	9.3	-	-
Vehicle Lease and Service Limited	0.2	4.0	0.4	-	-
	<u>0.2</u>	<u>4.0</u>	<u>9.7</u>	<u>-</u>	<u>-</u>
<i>Year ended 31 December</i>					
<i>2017:</i>					
Immediate Parent Companies*	-	-	11.7	-	-
Vehicle Lease and Service Limited	0.1	8.3	0.5	-	0.3
	<u>0.1</u>	<u>8.3</u>	<u>12.2</u>	<u>-</u>	<u>0.3</u>

Sales and purchases from related parties were made at commercial prices.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

9. RELATED PARTY TRANSACTIONS (CONTINUED)

Company

Transactions entered into with related parties and balances outstanding were as follows:

	Borrowings to/(from) related parties £m	Interest from/(to) related parties £m	Dividends from/(to) related parties £m
Related party			
<i>Six months ended 30 June 2018:</i>			
Immediate Parent Companies*	(9.6)	-	-
Northern Powergrid UK Holdings	264.2	9.2	-
Yorkshire Electricity Group plc	(10.0)	(0.7)	-
	<u>244.6</u>	<u>8.5</u>	<u>-</u>
<i>Six months ended 30 June 2017:</i>			
Immediate Parent Companies*	(6.9)	-	-
Northern Powergrid UK Holdings	264.2	9.2	-
Yorkshire Electricity Group plc	38.5	2.4	-
	<u>295.8</u>	<u>11.6</u>	<u>-</u>
<i>Year ended 31 December 2017:</i>			
Immediate Parent Companies*	(10.6)	-	-
Northern Powergrid UK Holdings	264.2	18.5	-
Yorkshire Electricity Group plc	13.0	-	-
	<u>266.6</u>	<u>18.5</u>	<u>-</u>

* Immediate parent companies are BHE U.K. Electric, Inc., (35%), BHE U.K. Power, Inc. (35%) and BHE U.K. Inc. (30%).

Interest on loans to/from Group companies is charged at a commercial rate.

During the six months ended 30 June 2018 two directors (six months ended 30 June 2017: 2, year ended 31 December 2017: 2) utilised the services provided by Northern Transport Finance Limited, a subsidiary company.