

NORTHERN ELECTRIC plc

HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019

INTERIM MANAGEMENT REPORT

Cautionary Statement

This interim management report has been prepared solely to provide additional information to shareholders to assess the business of Northern Electric plc (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 is part of the Northern Powergrid Holdings Company group of companies (the “Northern Powergrid Group”) and its principal activity during the six months to 30 June 2019 was to act as a holding company, with its main operating subsidiaries being Northern Powergrid (Northeast) Limited (“Northern Powergrid”), Integrated Utility Services Limited (“IUS”) and Northern Powergrid Metering Limited (“Metering”).

Northern Powergrid distributes electricity to approximately 1.6 million customers connected to its electricity distribution network in the North East of England and is an authorised distributor under the Electricity Act 1989. IUS provides engineering contracting services to various clients and Metering rents smart meters to energy suppliers.

Results for the six months ended 30 June 2019

During the period ended 30 June 2019, the Group made a profit after tax of £57.9 million, this was £2.7 million higher than the 6 months ended 30 June 2018 and was mainly as a result of higher revenues partially offset by higher depreciation.

Revenue

Revenue at £216.5 million was £10.3 million higher than for the six months ended 30 June 2018 mainly due to higher smart meter rental, contracting revenue and distribution revenue.

Cash flow

Cash and cash equivalents as at 30 June 2019 were £32.9 million, representing an increase of £4.8 million when compared with the position at 31 December 2018.

Northern Powergrid has access to £75.0 million under a five-year 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.

In addition, the Group has access to short-term borrowing facilities provided by Yorkshire Electricity Group plc, a related party, and to a £22 million overdraft facility provided by Lloyds Bank plc.

Dividends

No ordinary dividends were paid in the period resulting in £72.2 million being transferred to reserves.

Related party transactions

The Company provides certain corporate functions to the Northern Powergrid Group, including financial accounting and planning, treasury, taxation, pensions, internal audit, legal advice, insurance management, claims handling and litigation services.

Further details of the related party transactions entered into by the Group and the Company and changes therein are included in Note 7 to this half-yearly financial report.

Principal risks and uncertainties

Information concerning 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 2018, 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 2019.

Going concern

In the Group's latest annual reports and accounts for the year to 31 December 2018 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 2019, which alter the view expressed in the annual reports and accounts to 31 December 2018.

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 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 as required by Disclosure and Transparency Rules ("DTR") 4.2.4R for the six months to 30 June 2019;
- (b) the interim management report contains a fair review of the information required by DTR 4.2.7R; and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R.

By order of the board

P A Jones
Director

5 September 2019

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS - SIX MONTHS
ENDED 30 JUNE 2019**

	6 Months ended 30 June 2019 (unaudited) £m	6 Months ended 30 June 2018 (unaudited) £m
Revenue	216.5	206.2
Cost of sales	<u>(18.8)</u>	<u>(16.0)</u>
Gross profit	197.7	190.2
Operating expenses	<u>(104.8)</u>	<u>(100.0)</u>
Operating profit	92.9	90.2
Other gains	0.4	-
Finance income	0.8	0.8
Finance costs	<u>(23.2)</u>	<u>(22.3)</u>
Profit before tax	70.9	68.7
Income tax expense	<u>(13.0)</u>	<u>(13.5)</u>
Profit from ordinary activities after tax	<u>57.9</u>	<u>55.2</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
COMPREHENSIVE INCOME - SIX MONTHS ENDED 30 JUNE 2019**

	6 Months ended 30 June 2019 (unaudited) £m	6 Months ended 30 June 2018 (unaudited) £m
PROFIT FOR THE PERIOD	57.9	55.2
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Employee benefit obligation	19.5	5.8
Income tax relating to items of other comprehensive income	(3.3)	(0.9)
	<u>16.2</u>	<u>4.9</u>
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedge	(2.3)	1.5
Income tax relating to items of other comprehensive income	0.4	(0.2)
	<u>(1.9)</u>	<u>1.3</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>14.3</u>	<u>6.2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>72.2</u>	<u>61.4</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2019

	30 June 2019 (unaudited) £m	31 December 2018 £m
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	52.1	50.6
Property, plant and equipment	2,721.8	2,686.9
Right of use asset	8.4	-
Investments	3.9	3.5
Pension asset	116.4	84.6
Derivative asset	-	0.8
Trade and other receivables	5.6	6.9
	<u>2,908.2</u>	<u>2,833.3</u>
CURRENT ASSETS		
Inventories	17.8	13.4
Trade and other receivables	79.0	78.1
Contract assets	6.9	6.0
Derivative asset	-	0.1
Cash and cash equivalents	32.9	28.1
Restricted cash	13.8	13.8
	<u>150.4</u>	<u>139.5</u>
TOTAL ASSETS	<u>3,058.6</u>	<u>2,972.8</u>
EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	72.2	72.2
Share premium account	158.7	158.7
Hedging reserves	(1.1)	0.8
Other reserves	6.2	6.2
Retained earnings	1,005.5	931.4
TOTAL EQUITY	<u>1,241.5</u>	<u>1,169.3</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2019

	30 June 2019 (unaudited) £m	31 December 2018 £m
LIABILITIES		
NON-CURRENT LIABILITIES		
Deferred revenue	601.3	597.2
Borrowings	765.8	670.4
Lease liability	6.7	-
Derivative liability	1.1	-
Deferred tax	98.3	98.6
Provisions	1.4	1.5
	<u>1,474.6</u>	<u>1,367.7</u>
CURRENT LIABILITIES		
Trade and other payables	115.9	110.8
Deferred revenue	23.4	22.8
Borrowings	194.7	297.8
Lease liability	2.1	-
Derivative liability	0.3	-
Tax payable	4.7	3.1
Provisions	1.4	1.3
	<u>342.5</u>	<u>435.8</u>
TOTAL LIABILITIES	<u>1,817.1</u>	<u>1,803.5</u>
TOTAL EQUITY AND LIABILITIES	<u>3,058.6</u>	<u>2,972.8</u>

The interim financial statements were approved by the board of directors and authorised for issue on 5 September 2019 and were signed on its behalf by:

P A Jones
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2019

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Hedging Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2019	72.2	158.7	6.2	0.8	931.4	1,169.3
Profit for the period (unaudited)	-	-	-	-	57.9	57.9
Other comprehensive income (unaudited)	-	-	-	(1.9)	16.2	14.3
Balance at 30 June 2019	72.2	158.7	6.2	(1.1)	1,005.5	1,241.5
	Share Capital £m	Share Premium Account £m	Other Reserves £m	Hedging Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2018	72.2	158.7	6.2	(0.3)	874.9	1,111.7
Profit for the period (unaudited)	-	-	-	-	55.2	55.2
Other comprehensive income (unaudited)	-	-	-	1.3	4.9	6.2
Balance at 30 June 2018	72.2	158.7	6.2	1.0	935.0	1,173.1
	Share Capital £m	Share Premium Account £m	Other Reserves £m	Hedging Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2018	72.2	158.7	6.2	(0.3)	874.9	1,111.7
Profit for the period	-	-	-	-	106.0	106.0
Dividends	-	-	-	-	-	-
Other comprehensive income	-	-	-	1.1	(49.5)	(48.5)
Balance at 31 December 2018	72.2	158.7	6.2	0.8	931.4	1,169.3

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 Months ended 30 June 2019 (unaudited) £m	6 Months ended 30 June 2018 (unaudited) £m
Cash flows from operating activities		
Profit for the year	57.9	55.2
Depreciation and amortisation	64.3	59.2
Amortisation of deferred revenue	(11.5)	(11.1)
Profit on disposal of property, plant and equipment	(0.4)	-
Retirement benefit obligation	(14.3)	(15.5)
Finance income	(0.8)	(0.8)
Finance costs	23.2	22.3
Income tax expense	13.0	13.5
	<hr/> 131.4	<hr/> 122.8
(Increase)/decrease in inventories	(4.4)	1.0
(Increase)/decrease in trade and other receivables	(0.9)	20.7
(Increase)/decrease in contract assets	(0.9)	3.0
Increase/(decrease) in trade and other payables	5.5	(8.7)
Increase in provisions	-	0.1
	<hr/> 130.7	<hr/> 138.9
Cash generated from operations		
Net interest paid	(21.6)	(19.2)
Tax paid	(8.4)	(11.6)
	<hr/> 100.7	<hr/> 108.1
Net cash from operating activities		
Investing activities		
Proceeds from disposal of property, plant and equipment	0.4	-
Purchase of property, plant and equipment	(102.2)	(154.1)
Purchase of intangible assets	(6.3)	(5.3)
Receipt of customer contributions	20.7	17.7
	<hr/> (87.4)	<hr/> (141.7)
Net cash used in investing activities		
Financing activities		
Issue of long-term borrowings	147.4	-
Repayment of long-term borrowings	(52.7)	-
Repayment of short-term borrowings	(44.5)	0.3
Movement in loans from group undertakings	(58.7)	44.3
Movement in restricted cash	-	(11.7)
	<hr/> (8.5)	<hr/> 32.9
Net cash (used in)/generated by financing activities		
Net increase/(decrease) in cash and cash equivalents	4.8	(0.7)
Cash and cash equivalents at beginning of period	28.1	16.6
Cash and cash equivalents at end of period	<hr/> 32.9	<hr/> 15.9

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The information included within these condensed financial statements that refer to the year ended 31 December 2018, 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 Company's latest annual reports and accounts for the year to 31 December 2018 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 2019, which alter the view expressed in the annual reports and accounts to 31 December 2018.

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 2018, 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 2019:

IFRS 16 - Leases

IFRS 16 supersedes the current lease guidance including IAS 17 Leases and the related interpretations. 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.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.48%.

The group did not have any leases previously classified as finance leases.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

The recognition of right of use assets relate to the following types of assets:

	30 June 2019 £m	1 January 2019 £m
Fleet vehicles	7.1	5.9
Properties	<u>1.3</u>	<u>1.5</u>
Right of use assets	<u>8.4</u>	<u>7.4</u>

The lease liability recognised as at 1 January 2019 is as follows:

	1 January 2019 £m
Operating lease commitments as at 31 December 2018	11.6
Discounted using the lessee's incremental cost of borrowing	10.4
Less short-term leases recognised on a straight-line basis	<u>(3.0)</u>
Lease liability recognised as at 1 January 2019	7.4
Of which:	
Current lease liabilities	1.8
Non-current lease liabilities	<u>5.6</u>

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

None of the other standards, interpretations and amendments which are effective for periods beginning 1 January 2019 has had a material effect on the financial statements:

- Amendments to IAS 28 - Long-term interests in associates and joint ventures;
- Amendments to IAS 19 - Plan amendment, curtailment or settlement; and
- Annual improvements to IFRS 2015-2017 cycle.

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 2019 (unaudited):

	Distribution £m	Contracting £m	Metering £m	Other £m	Consolidation Adjustments £m	Total £m
REVENUE						
External sales	168.6	12.1	33.7	2.1	-	216.5
Inter-segment sales	0.2	2.6	-	(0.2)	(2.6)	-
Total Revenue	168.8	14.7	33.7	1.9	(2.6)	216.5
SEGMENT RESULTS						
Operating profit	61.7	0.3	13.8	(1.7)	18.8	92.9
Other gains						0.4
Finance income						0.8
Finance costs						(23.2)
Profit before tax						70.9
OTHER INFORMATION						
Capital additions	91.3	0.1	12.6	-	(0.2)	103.8
Depreciation and amortisation	46.2	-	19.0	-	(0.9)	64.3
Amortisation of deferred revenue	(11.5)	-	-	-	-	(11.5)

External sales to RWE Npower plc in the six months ended 30 June 2019 represented 17.59% of revenue within the Distribution segment.

External sales to British Gas Ltd in the six months ended 30 June 2019 represented 11.17% 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 2018 (unaudited):

	Distribution £m	Contracting £m	Metering £m	Other £m	Consolidation Adjustments £m	Total £m
REVENUE						
External sales	167.4	10.0	26.1	2.7	-	206.2
Inter-segment sales	0.2	1.9	-	(0.3)	(1.8)	-
Total Revenue	167.6	11.9	26.1	2.4	(1.8)	206.2
SEGMENT RESULTS						
Operating profit	65.8	(0.2)	9.2	(0.4)	15.8	90.2
Other gains						-
Finance income						0.8
Finance costs						(22.3)
Profit before tax						68.7
OTHER INFORMATION						
Capital additions	88.6	0.1	48.8	-	(0.9)	136.6
Depreciation and amortisation	44.0	-	16.1	-	(0.9)	59.2
Amortisation of deferred revenue	(11.1)	-	-	-	-	(11.1)

External sales to RWE Npower plc in the six months ended 30 June 2018 represented 20.9% of revenue within the Distribution segment.

External sales to British Gas Ltd in the six months ended 30 June 2018 represented 14.6% 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 2019 Unaudited £m	31 December 2018 £m
Distribution	1,876.2	1,848.2
Contracting	3.2	3.2
Metering	172.9	167.3
Other	(47.3)	18.5
Total net assets by segment	2,005.0	2,037.2
Unallocated net corporate liabilities	(763.5)	(867.9)
Total net assets	<u>1,241.5</u>	<u>1,169.3</u>

Unallocated net corporate liabilities include cash and cash equivalents of £32.9 million (December 2018: £28.1 million), borrowings of £797.1 million (December 2018: £729.8 million), retirement benefit asset of £116.4 million (December 2018: £84.6 million), and taxation of £103.0 million (December 2018: £101.7 million).

“Other” comprises business support units. However, in the segmental analysis for June 2018 half-yearly financial report “Other” also comprised smart meter rental, the increase in revenue within smart meter rental now requires it to be reported separately and the comparatives have been restated to reflect this.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. INCOME TAX EXPENSE

Tax for the six month period ended 30 June 2019 is charged at 18.34% (six months ended 30 June 2018: 19.65%) 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 2019 Unaudited £m	6 months ended 30 June 2018 Unaudited £m
Current tax	10.0	10.4
Deferred tax	<u>3.0</u>	<u>3.1</u>
Total income tax expense	<u>13.0</u>	<u>13.5</u>

The Finance No2 Act 2015 reduced the rate of corporation tax to 19% effective from 1 April 2018 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. RETIREMENT BENEFIT SCHEMES

The defined benefit obligation as at 30 June 2019 is calculated on a year-to-date basis, using the annual actuarial valuation as at 31 December 2018. The triennial valuation as at 31 March 2016 was finalised in September 2018. 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 2019.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

6. 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 December	30 June	31 December
	2019	2018	2019	2018
	Unaudited		Unaudited	
	£m	£m	£m	£m
Financial liabilities				
Short term loan	-	44.6	-	44.6
Inter-company short-term loan	119.7	178.4	119.7	178.4
Bond 2020 – 8.875% (Northern Electric Finance plc)	106.0	101.5	115.8	114.4
Bond 2035 – 5.125% (Northern Electric Finance plc)	149.4	153.1	205.9	197.1
Bond 2049 – 2.750% (Northern Electric Finance plc)	147.8	-	156.2	-
Amortising loan 2026- 2.736%	172.3	185.1	175.8	185.1
EIB Loan (2019-2020)*	39.7	82.0	39.7	83.3
EIB Loan 2027 – 2.564% (Northern Powergrid (Northeast) Ltd Yorkshire Electricity Group plc 2037 – 5.9%	121.7	120.1	129.0	126.8
Cumulative preference shares	102.8	100.0	154.5	141.9
	1.1	3.4	159.1	154.1
	<u>960.5</u>	<u>968.2</u>	<u>1,255.7</u>	<u>1,225.7</u>

* The borrowings from the European Investment Bank were drawn down in twelve tranches, repayable in 2019 and 2020. The spread of interest rate is as follows:

2019: 4.077% - 4.455%
2020: 4.227% - 4.586%

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

7. 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	Finance income/ (costs) from/(to) related parties £m
Related party					
<i>Six months ended 30 June</i>					
<i>2019:</i>					
Northern Powergrid Limited	-	-	-	-	(3.1)
Northern Powergrid (Yorkshire) plc	11.6	6.3	-	-	-
Vehicle Lease and Service Limited	0.1	2.4	-	-	-
Yorkshire Electricity Group plc	-	-	-	222.5	(1.2)
	<u>11.7</u>	<u>8.7</u>	<u>-</u>	<u>222.5</u>	<u>(4.3)</u>
<i>Six months ended 30 June</i>					
<i>2018:</i>					
Northern Powergrid Limited	-	-	-	-	(3.1)
Northern Powergrid (Yorkshire) plc	10.9	7.2	-	-	-
Vehicle Lease and Service Limited	0.1	2.3	0.2	-	-
Yorkshire Electricity Group plc	-	-	-	291.0	(3.4)
	<u>11.0</u>	<u>9.5</u>	<u>0.2</u>	<u>291.0</u>	<u>(6.5)</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

7. RELATED PARTY TRANSACTIONS (CONTINUED)

Group - continued

	Sales to related parties £m	Purchases from related parties £m	Amounts owed to related parties £m	Borrowings from related parties £m	Finance income/ (costs) from/(to) related parties £m
Related party					
<i>Year ended 31 December</i>					
<i>2018:</i>					
Integrated Utility Services Limited (registered in Eire)	-	3.3	0.2	-	-
Northern Powergrid Gas Limited	0.1	-	-	-	-
Northern Powergrid Limited	-	-	-	-	(6.2)
Northern Powergrid (Yorkshire) plc	24.1	12.7	-	-	-
Vehicle Lease and Service Limited	-	4.6	0.4	-	0.5
Yorkshire Electricity Group plc	-	-	-	278.4	(7.2)
	<u>24.2</u>	<u>20.6</u>	<u>0.6</u>	<u>278.4</u>	<u>(12.9)</u>

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

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 2016: 2, year ended 31 December 2016: 2) utilised the services provided by Northern Transport Finance Limited, a subsidiary company.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

7. RELATED PARTY TRANSACTIONS (CONTINUED)

Company

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

	Sales to related parties £m	Purchases from related parties £m	Borrowings to/(from) related parties £m	Finance income/ (costs) from/(to) related parties £m
Related party				
<i>Six months ended 30 June</i>				
<i>2019:</i>				
Integrated Utility Services Limited	-	0.2	-	-
Northern Powergrid Gas Limited	0.1	-	-	-
Northern Powergrid Limited	-	-	-	(3.1)
Northern Powergrid (Northeast) Limited	3.0	-	-	-
Northern Powergrid (Yorkshire) plc	1.8	-	-	-
Vehicle Lease and Service Limited	0.1	-	-	-
Yorkshire Electricity Group plc	-	-	31.2	0.3
	<u>5.4</u>	<u>0.4</u>	<u>31.2</u>	<u>(2.8)</u>
<i>Six months ended 30 June</i>				
<i>2018:</i>				
Integrated Utility Services Limited	-	0.4	-	-
Northern Powergrid Gas Limited	0.1	-	-	-
Northern Powergrid Limited	-	-	-	(3.1)
Northern Powergrid (Northeast) Limited	3.2	-	-	-
Northern Powergrid (Yorkshire) plc	2.0	-	-	-
Vehicle Lease and Service Limited	0.1	-	-	-
Yorkshire Electricity Group plc	-	-	(89.5)	(0.3)
	<u>5.4</u>	<u>0.3</u>	<u>(89.5)</u>	<u>(3.4)</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

7. RELATED PARTY TRANSACTIONS (CONTINUED)

Company – continued

	Sales to related parties £m	Purchases from related parties £m	Amounts owed to related parties £m	Borrowings to related parties £m	Finance income/ (costs) from/(to) related parties £m
Related party					
<i>Year ended 31 December</i>					
<i>2018:</i>					
Integrated Utility Services Limited	0.1	0.5	-	-	-
Northern Powergrid Gas Limited	-	-	-	-	-
Northern Powergrid Limited	-	-	-	-	(6.2)
Northern Powergrid (Northeast) Limited	4.9	-	-	-	23.7
Northern Powergrid (Yorkshire) plc	2.5	-	-	-	-
Vehicle Lease and Service Limited	0.1	-	-	-	0.8
Northern Electric & Gas Limited	-	-	-	-	92.1
Yorkshire Electricity Group plc	-	-	-	43.6	0.3
	<u>7.6</u>	<u>0.5</u>	<u>-</u>	<u>43.6</u>	<u>110.1</u>

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

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