

NORTHERN POWERGRID HOLDINGS COMPANY

HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM MANAGEMENT REPORT

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) plc and Northern Powergrid (Yorkshire) plc, Integrated Utility Services Limited (“IUS”), CalEnergy Resources Limited (“CE Resources”) and Northern Powergrid Metering Limited (“Metering”).

Northern Powergrid (Northeast) plc and Northern Powergrid (Yorkshire) plc are distribution network operators 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 2020

The Group delivered a satisfactory performance for the six months ended 30 June 2020, profit after tax decreased by £35.0 million when compared to the six months ended 30 June 2019 mainly as a result of the impact of change in tax legislation and higher operating expenses.

Revenue

Revenue at £415.1 million was £4.4 million lower than for the six months ended 30 June 2019 mainly due to lower COVID-19 impacted distribution and contracting revenues, partially offset by higher metering revenues.

Cash flow

Cash and cash equivalents as at 30 June 2020 were £257.0 million, representing an increase of £11.9 million when compared with the position at 31 December 2019.

The Group has access to £150.0 million under a three-year committed revolving credit facility provided by Lloyds Bank plc, National Westminster Bank plc and Santander UK plc, which is due to expire in October 2022, with two one year extension options.

In addition, the Group has access to short-term borrowing facilities provided by Yorkshire Electricity Group plc, a related party, and to a £42.0 million overdraft facility provided by Lloyds Bank plc.

Dividends

No dividends were paid during the period resulting in £73.9 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 2019, 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 2020.

Going concern

In the Group's latest annual reports and accounts for the year to 31 December 2019 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 2020, which alter the view expressed in the annual reports and accounts to 31 December 2019.

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 2020; 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



T E Fielden
Director

10 September 2020

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS - SIX MONTHS
ENDED 30 JUNE 2020**

	6 Months ended 30 June 2020 (unaudited) £m	6 Months ended 30 June 2019 (unaudited) (Restated) £m
Revenue	415.1	419.5
Cost of sales	<u>(23.0)</u>	<u>(26.0)</u>
Gross profit	392.1	393.5
Operating expenses	<u>(217.6)</u>	<u>(206.8)</u>
Operating profit	174.5	186.7
Other gains	(0.1)	0.4
Finance income	0.5	0.5
Finance costs	<u>(49.3)</u>	<u>(53.0)</u>
Profit before tax	125.6	134.6
Income tax expense	<u>(51.7)</u>	<u>(25.7)</u>
Profit from ordinary activities after tax	<u>73.9</u>	<u>108.9</u>
Owners of the parent	73.1	107.8
Non-controlling interests	<u>0.8</u>	<u>1.1</u>
	<u>73.9</u>	<u>108.9</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS - SIX MONTHS
ENDED 30 JUNE 2020**

	6 Months ended 30 June 2020 Unaudited £m	6 Months ended 30 June 2019 Unaudited £m
PROFIT FOR THE PERIOD	73.9	108.9
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Employee benefit obligation	26.7	19.5
Income tax relating to items of other comprehensive income	(5.1)	(3.3)
	<u>21.6</u>	<u>16.2</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	1.0	-
Cash flow hedge	(2.9)	(2.1)
Income tax relating to items of other comprehensive income	0.5	0.2
	<u>(1.4)</u>	<u>(1.9)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>20.2</u>	<u>14.3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>94.1</u>	<u>123.2</u>
 Owners of the parent	 93.3	 122.1
Non-controlling interests	<u>0.8</u>	<u>1.1</u>
	<u>94.1</u>	<u>123.2</u>

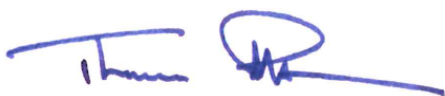
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2020

	30 June 2020	31 December 2019	30 June 2019
	Unaudited		Unaudited (Restated)
	£m	£m	£m
ASSETS			
NON-CURRENT ASSETS			
Goodwill	248.8	248.8	248.8
Intangible assets	57.3	57.5	60.3
Property, plant and equipment	6,513.9	6,374.6	6,192.8
Right of use assets	19.9	18.1	18.0
Investments	31.0	29.3	27.1
Pension asset	132.0	93.4	116.4
Tax asset	0.7	0.6	0.6
Trade and other receivables	7.4	7.7	5.6
	<u>7,011.0</u>	<u>6,830.0</u>	<u>6,669.6</u>
CURRENT ASSETS			
Inventories	19.7	20.7	18.1
Trade and other receivables	133.8	154.2	139.1
Contract assets	5.2	8.1	6.9
Tax receivables	0.9	0.1	0.1
Cash and cash equivalents	257.0	245.1	74.9
Restricted cash	13.9	13.9	13.8
	<u>430.5</u>	<u>442.1</u>	<u>252.9</u>
TOTAL ASSETS	<u>7,441.5</u>	<u>7,272.1</u>	<u>6,922.5</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	354.6	354.6	354.6
Share premium account	(0.8)	(0.8)	(0.8)
Hedging reserves	(3.5)	(1.1)	(1.1)
Foreign exchange reserves	(0.6)	(1.6)	(2.4)
Retained earnings	2,456.2	2,361.5	2,291.8
	<u>2,805.9</u>	<u>2,712.6</u>	<u>2,642.1</u>
Non Controlling Interest	37.3	36.5	35.9
TOTAL EQUITY	<u>2,843.2</u>	<u>2,749.1</u>	<u>2,678.0</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SIX MONTHS ENDED 30 JUNE 2020

	30 June 2020	31 December 2019	30 June 2019
	Unaudited £m		Unaudited (Restated) £m
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred revenue	1,460.9	1,462.9	1,449.3
Borrowings	2,372.0	2,089.4	1,908.9
Lease liabilities	15.2	13.7	14.6
Deferred tax	257.9	225.5	238.3
Derivative liability	3.6	1.1	1.1
Trade and other payables	2.7	2.7	-
Provisions	6.3	6.2	3.1
	<u>4,118.6</u>	<u>3,801.5</u>	<u>3,615.3</u>
CURRENT LIABILITIES			
Trade and other payables	230.7	210.4	218.9
Deferred revenue	63.5	61.3	60.9
Borrowings	175.6	417.2	319.6
Lease liabilities	5.0	4.5	4.4
Derivative liability	0.6	0.2	0.3
Tax payable	-	23.7	21.2
Provisions	4.3	4.2	3.9
	<u>479.7</u>	<u>721.5</u>	<u>629.2</u>
TOTAL LIABILITIES	<u>4,598.3</u>	<u>4,523.0</u>	<u>4,244.5</u>
TOTAL EQUITY AND LIABILITIES	<u>7,441.5</u>	<u>7,272.1</u>	<u>6,922.5</u>

The interim financial statements were approved by the board of directors and authorised for issue on 10 September 2020 and were signed on its behalf by:



T E Fielden
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - SIX MONTHS ENDED 30 JUNE 2020

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2020	354.6	(0.8)	(2.7)	2,361.5	2,712.6
Profit for the period (unaudited)	-	-	-	73.1	73.1
Other comprehensive income (unaudited)	-	-	(2.4)	21.6	19.2
Foreign exchange translation adjustment	-	-	1.0	-	1.0
Balance at 30 June 2020	354.6	(0.8)	(4.1)	2,456.2	2,805.9
				Non- Controlling Interests £m	Total Equity £m
Balance at 1 January 2020				36.5	2,749.1
Profit for the period (unaudited)				0.8	73.9
Other comprehensive income (unaudited)				-	19.2
Foreign exchange translation adjustment				-	1.0
Balance at 30 June 2020				37.3	2,843.2

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

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2019	354.6	(0.8)	(1.6)	2,167.8	2,520.0
Profit for the period (unaudited)	-	-	-	107.8	107.8
Other comprehensive income (unaudited)	-	-	(1.9)	16.2	14.3
Foreign exchange translation adjustment	-	-	-	-	-
Balance at 30 June 2019	354.6	(0.8)	(3.5)	2,291.8	2,642.1

	Non- Controlling Interests £m	Total Equity £m
Balance at 1 January 2019	34.8	2,554.8
Profit for the period (unaudited)	1.1	108.9
Other comprehensive income (unaudited)	-	14.3
Foreign exchange translation adjustment	-	-
Balance at 30 June 2019	35.9	2,678.0

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

	Share Capital £m	Share Premium Account £m	Other Reserves £m	Retained Earnings £m	Total £m
Balance at 1 January 2019	354.6	(0.8)	(1.6)	2,167.8	2,520.0
Profit for the year	-	-	-	213.5	213.5
Other comprehensive income	-	-	(1.1)	(19.8)	(20.9)
Dividends paid	-	-	-	-	-
Equity dividends paid	-	-	-	-	-
Foreign exchange translation adjustment	-	-	-	-	-
Balance at 31 December 2019	354.6	(0.8)	(2.7)	2,361.5	2,712.6

	Non- Controlling Interests £m	Total Equity £m
Balance at 1 January 2019	34.8	2,554.8
Profit for the year	2.3	215.8
Other comprehensive income	-	(20.9)
Equity dividends paid	(0.6)	(0.6)
Foreign exchange translation adjustment	-	-
Balance at 31 December 2019	36.5	2,749.1

CONSOLIDATED CASH FLOW STATEMENT

	6 Months ended 30 June 2020	6 Months ended 30 June 2019
	Unaudited £m	Unaudited (restated) £m
Cash flows from operating activities		
Profit for the year	73.9	108.9
Depreciation and amortisation	130.1	125.7
Amortisation of deferred revenue	(30.8)	(29.7)
Profit on disposal of property, plant & equipment	0.1	(0.4)
Retirement benefit obligation	(15.3)	(14.3)
Finance income	(0.5)	(0.5)
Finance costs	49.3	53.0
Income tax expense	51.7	25.7
	258.5	268.4
Decrease/(increase) in inventories	1.0	(3.7)
Decrease in trade and other receivables	21.7	6.7
Decrease/(increase) in contract assets	2.9	(0.9)
Increase in trade and other payables	22.8	0.7
(Decrease)/increase in provisions	(0.2)	0.3
Cash inflow from operating activities	306.7	271.5
Net interest paid	(48.1)	(48.4)
Tax paid	(47.0)	(22.9)
Net cash from operating activities	211.6	200.2
Investing activities		
Proceeds from disposal of property, plant and equipment	(0.1)	0.4
Purchase of property, plant and equipment	(262.4)	(220.2)
Purchase of intangible assets	(5.1)	(7.3)
Investment in associate	(1.4)	(0.4)
Receipt of customer contributions	31.0	36.8
Net cash used in investing activities	(238.0)	(190.7)
Financing activities		
Issue of long-term borrowings	294.4	147.4
Repayment of long-term borrowings	(253.8)	(52.7)
Movement of short-term borrowings	-	(59.7)
Lease payment	(2.3)	-
Net cash generated by financing activities	38.3	35.0
Net increase/(decrease) in cash and cash equivalents	11.9	44.5
Cash and cash equivalents at beginning of period	245.1	30.4
Cash and cash equivalents at end of period	257.0	74.9

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The information included within these condensed financial statements for the year ended 31 December 2019 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 2019 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 2020, which alter the view expressed in the annual reports and accounts to 31 December 2019.

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 2019, 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 2020:

None of the standards, interpretations and amendments which are effective for periods beginning 1 January 2020 has had a material effect on the financial statements:

- Amendments to IFRS 3- Definition of a Business;
- Amendments to IAS 1 and IAS 8- Definition of Material;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Amendments to IFRS 9 Financial instruments- Hedging

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. PRIOR PERIOD ADJUSTMENTS

Adopted assets and intangible assets

The Financial Statements have been restated to incorporate the impact of under reporting of the value of distributions network assets adopted from other parties and the reclassification of IT software assets from property, plant and machinery to intangible assets.

Distribution network assets are on occasions constructed by other parties who then transfer them to the Group. At the date of transfer the value of property, plant and equipment is increased with an equal increase in the value of deferred revenue. The assets are depreciated in line with the depreciation policy for those assets with a similar amortisation of the deferred revenue. It was discovered during late 2019 that not all adopted assets had been captured in the Financial Statements. A new process has been introduced during the 6 month period to June 2020.

In previous years certain operational IT software assets had been included in property plant and equipment rather than intangible assets.

These had no impact on prior years' profits or net assets, however impacted the constituent parts of the previously reported figures in the Income Statement, the Statement of Financial Position and Statement of Cash Flows as shown below.

Statement of Profit or Loss:

	June 2019 (unaudited) £m
Revenue	2.2
Operating expenses	<u>(2.2)</u>
Profit for the year	<u>-</u>

Statement of Financial Position:

	June 2019 (unaudited) £m
Property, plant and equipment	50.5
Intangibles	1.6
Deferred revenue non-current	(47.5)
Deferred revenue current	<u>(4.6)</u>
Total equity and liabilities	<u>-</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

3. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Statement of Cash Flows:

	June 2019 (unaudited) £m
Depreciation and amortisation	2.2
Amortisation of deferred revenue	<u>(2.2)</u>
Cash flows from operating activities	<u>-</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. 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 2020 (unaudited):

	Distribution £m	Other £m	Total £m
REVENUE			
External sales	355.9	59.2	415.1
Inter-segment sales	0.5	(0.5)	415.1
	<hr/>	<hr/>	<hr/>
Total Revenue	356.4	58.7	415.1
	<hr/>	<hr/>	<hr/>
SEGMENT RESULTS			
Operating profit	148.7	25.8	174.5
	<hr/>	<hr/>	
Other gains			(0.1)
Finance income			0.5
Finance costs			(49.3)
			<hr/>
Profit before tax			125.6
			<hr/>
OTHER INFORMATION			
Capital additions	247.1	20.4	267.5
Depreciation and amortisation	106.8	23.3	130.1
Amortisation of deferred revenue	(30.8)	-	(30.8)
	<hr/>	<hr/>	<hr/>

External sales to RWE Npower plc in the six months ended 30 June 2020 represented 15.8% of revenue within the Distribution segment.

External sales to British Gas Ltd in the six months ended 30 June 2020 represented 12.1% of revenue within the Distribution segment.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. 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 2019 (unaudited):

	Distribution £m	(Restated) Other £m	Total £m
REVENUE			
External sales	371.7	47.8	419.5
Inter-segment sales	0.1	(0.1)	-
	<hr/>	<hr/>	<hr/>
Total Revenue	371.8	47.7	419.5
	<hr/>	<hr/>	<hr/>
SEGMENT RESULTS			
Operating profit	159.4	27.3	186.7
	<hr/>	<hr/>	
Other gains			0.4
Finance income			0.5
Finance costs			(53.0)
			<hr/>
Profit before tax			134.6
			<hr/>
OTHER INFORMATION			
Capital additions	212.6	14.0	226.6
Depreciation and amortisation	103.4	22.3	125.7
Amortisation of deferred revenue	(29.7)	-	(29.7)
	<hr/>	<hr/>	<hr/>

External sales to RWE Npower plc in the six months ended 30 June 2019 represented 18.1% of revenue within the Distribution segment.

External sales to British Gas Ltd in the six months ended 30 June 2019 represented 12.0% of revenue within the Distribution segment.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. 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 2020 Unaudited £m	31 December 2019 £m
Distribution	4,345.5	4,420.1
Other	<u>494.3</u>	<u>527.1</u>
Total net assets by segment	4,839.8	4,947.2
Unallocated net corporate liabilities	<u>(1,996.6)</u>	<u>(2,198.1)</u>
Total net assets	<u><u>2,843.2</u></u>	<u><u>2,749.1</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

5. INCOME TAX EXPENSE

Tax for the six month period ended 30 June 2020 is charged at 19.7% (six months ended 30 June 2019: 19.1%), 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. However, due to the tax rate change discussed below, the effective tax rate for the six month period to June 2020 is 41.2%.

	6 months ended 30 June 2020 Unaudited £m	6 months ended 30 June 2019 Unaudited £m
Current tax	22.1	23.1
Deferred tax	<u>29.6</u>	<u>2.6</u>
Total income tax expense	<u>51.7</u>	<u>25.7</u>

Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. This was substantively enacted through the Provisional Collection of Taxes Act on 17 March 2020. This has led to a one off deferred tax adjustment of £26.9m which is included within the £29.6m deferred tax charge in the income statement.

6. DIVIDENDS

No dividends were distributed to the shareholders in the six month period ended 30 June 2020 (six months ended 30 June 2019: £nil)

7. RETIREMENT BENEFIT SCHEMES

The defined benefit obligation as at 30 June 2020 is calculated on a year-to-date basis, using the annual actuarial valuation as at 31 December 2019. The triennial valuation as at 31 March 2016 was finalised in September 2018. The valuation at 31 March 2019 is to be concluded in 2020. 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 2020.

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 2020 Unaudited £m	31 December 2019 £m	30 June 2020 Unaudited £m	31 December 2019 £m
Financial liabilities				
Short-term loans	0.3	0.3	0.3	0.3
Bond 2020 – 8.875% (Northern Electric Finance plc)	106.2	101.7	106.2	101.7
Bond 2020 – 9.25% (Northern Powergrid (Yorkshire) plc)	-	217.7	-	217.7
Bond 2022 – 7.25% (Northern Powergrid Holdings Company)	206.0	198.4	238.9	235.1
Bond 2025 – 2.5% (Northern Powergrid (Yorkshire) plc)	149.5	151.3	159.7	160.0
Amortised loan 2026 – 2.74% (Northern Powergrid Metering Ltd)	146.5	160.9	146.2	162.3
Bond 2028 – 7.25% (Yorkshire Power Finance Limited)	200.7	194.2	277.1	270.2
Bond 2032 4.375% (Northern Powergrid (Yorkshire) plc)	154.2	150.9	201.1	191.4
Bond 2035 – 5.125% (Northern Electric Finance plc)	149.2	153.2	217.0	213.6
Bond 2035 – 5.125% (Northern Powergrid (Yorkshire) plc)	198.9	204.2	288.3	284.8
Bond 2049 – 2.750% (Northern Electric Finance plc)	147.9	149.9	183.0	163.5
Bond 2059 – 2.250% (Northern Powergrid (Yorkshire) plc)	298.5	295.1	335.4	295.9
Bond 2062 – 1.875% (Northern Powergrid (Northeast) plc)	294.6	-	304.2	-
EIB loans 2020*	-	40.5	-	40.5
EIB loans 2022 – 4.133%	156.9	153.8	165.8	164.5
EIB loans 2027 – 2.564%	253.5	250.3	275.9	268.3
EIB loans 2025 – 2.073%	50.6	50.1	52.9	51.7
Cumulative preference shares	34.1	34.1	53.1	48.8
	<u>2,547.6</u>	<u>2,506.6</u>	<u>3,005.1</u>	<u>2,870.3</u>

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

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	Dividends from/(to) related parties £m
Related party				
<i>Six months ended 30 June</i>				
<i>2020:</i>				
Immediate Parent Companies*	-	-	14.9	-
Vehicle Lease and Service Limited	-	6.2	0.2	-
	<u>-</u>	<u>6.2</u>	<u>15.1</u>	<u>-</u>
<i>Six months ended 30 June</i>				
<i>2019:</i>				
Immediate Parent Companies*	-	-	10.8	-
Vehicle Lease and Service Limited	-	4.9	0.5	-
	<u>-</u>	<u>4.9</u>	<u>11.3</u>	<u>-</u>
<i>Year ended 31 December</i>				
<i>2019:</i>				
Immediate Parent Companies*	-	-	15.8	-
Vehicle Lease and Service Limited	-	9.7	0.1	-
	<u>-</u>	<u>9.7</u>	<u>15.9</u>	<u>-</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:

	Amounts owed 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 2020:</i>			
Immediate Parent Companies*	(13.2)	-	-
Northern Powergrid (Northeast) plc	103.2	2.9	-
Yorkshire Electricity Group plc	153.3	1.1	-
	<u>243.3</u>	<u>4.0</u>	<u>-</u>
<i>Six months ended 30 June 2019:</i>			
Immediate Parent Companies*	(9.7)	-	-
Northern Powergrid (Northeast) plc	102.9	2.9	-
Yorkshire Electricity Group plc	159.4	1.3	-
	<u>252.6</u>	<u>4.2</u>	<u>-</u>
<i>Year ended 31 December 2019:</i>			
Immediate Parent Companies*	(14.1)	-	-
Northern Powergrid UK Holdings	-	-	57.9
Northern Powergrid (Northeast) plc	100.0	5.9	-
Yorkshire Electricity Group plc	163.2	2.8	-
	<u>249.1</u>	<u>8.7</u>	<u>57.9</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.