UNAUDITED INTERIM REPORT & ACCOUNTS

Six months ended 30 June 2017

INTERIM MANAGEMENT REPORT six months to 30 June 2017

The directors present their interim management report for Northern Ireland Electricity Networks Limited (NIE Networks or the Company) and its subsidiary undertakings (the Group) for the six months ended 30 June 2017.

NIE Networks is part of the Electricity Supply Board (ESB), the vertically integrated energy group based in the Republic of Ireland. NIE Networks is an independent business within ESB with its own Board of Directors, management and staff.

NIE Networks is the owner of the electricity transmission and distribution networks in Northern Ireland and is the electricity distribution network operator, serving around 870,000 customers connected to the network.

The Group's principal activities are:

- constructing and maintaining the electricity transmission and distribution networks in Northern Ireland and operating the distribution network;
- connecting demand and renewable generation customers to the transmission and distribution networks; and
- providing electricity meters in Northern Ireland and providing metering data to suppliers and market operators to enable wholesale and retail settlement.

Business Update

Price Control

NIE Networks is regulated by the Northern Ireland Authority for Utility Regulation (the Utility Regulator) and is subject to periodic reviews in respect of the prices it may charge for use of the transmission and distribution networks in Northern Ireland. NIE Networks' price control in respect of the fifth regulatory period since privatisation (RP5) commenced on 1 April 2012 and will apply for the period to 30 September 2017.

NIE Networks' next price control (RP6) will start on 1 October 2017 and run for six and a half years to 31 March 2024. NIE Networks submitted its business plan for the RP6 period to the Utility Regulator in June 2016 and, following the publication of the Utility Regulator's Final Determination in June 2017, there was a public consultation in respect of the licence modifications to effect the RP6 price control. The RP6 Final Determination, which is built largely on the same principles as the RP5 price control, allows for revenues and capital investment of c£1.4 billion and c£0.7 billion respectively for the six and a half year price control period (2015-16 prices) and provides regulatory and financial visibility until March 2024. Additional investment may be approved by the Utility Regulator in relation to major transmission projects, for example, the North-South interconnector.

Financial results

Operating Profit

The Group's operating profit for the six month period increased from £41.0m last year to £48.0m this year reflecting higher revenues in relation to connections to the network, together with timing differences in respect of pass through Public Service Obligation (PSO) payments partly offset by higher depreciation costs.

FFO Interest Cover

The ratio of FFO (funds from operations) to interest paid increased to 3.4 times for the period (six months to 30 June 2016 – 3.0 times) primarily reflecting the increased operating profits.

Net Assets

The Group's net assets increased from £293.9m as at 31 December 2016 to £312.2m as at 30 June 2017 reflecting profit after tax of £21.9m partly offset by re-measurement losses (net of tax) on pension scheme liabilities of £3.6m.

Cash Flow
Cash and cash equivalents increased by £2.1m during the period reflecting net cash flows from operating activities of £90.9m together with amounts drawn under the Revolving Credit Facility (RCF) from ESB of £15.5m partly offset by investing activity out flows of £104.3m. During the period NIE Networks invested a total of £54.7m (net of customer contributions) in the transmission and distribution networks which is largely in line with the total invested for the six month period in the prior year.

Operations

Key Performance Indicators (KPIs) are used to measure progress towards achieving operational objectives. Performance during the year is summarised below:

KPIs	**Six months ended 30 June**		Year ended 31 December
	2017	2016	2016
Safety:			
Lost time incidents	**1**	1	1
Network Performance:			
Customer Minutes Lost (CML)			
• Planned CML *(minutes)*	**34**	33	65
• Fault CML *(minutes)*	**31**	34	56
Customer Service:			
Overall standards – defaults *(number of)*	**None**	None	None
Guaranteed standards – defaults *(number of)*	**None**	None	None
Stage 2 complaints to the Consumer Council *(number of)*	**1**	None	None
Connections:			
Customer demand connections completed *(number of)*	**2,653**	3,143	5,984
Renewable generation connected *(MW)*			
• Large scale (> 5MW)	**191**	23	160
• Small scale (< 5MW)	**52**	29	74
Sustainability:			
Waste recycling rate *(%)*	**99**	98	98

Safety
Ensuring the safety of employees, contractors and the general public continued to be the number one value at the heart of all NIE Networks' business operations. The aim is to provide a zero harm working environment where risks to health and safety are assessed and controlled. The target for lost time incidents continues to be set at zero: NIE Networks' strong safety record continued with one lost time incident during the period (2016 –one).

Network Performance
The average number of minutes lost per consumer (CML) through pre-arranged shutdowns for maintenance and construction (Planned CML) for the period was 34, largely in line with the same period last year. CML through distribution fault interruptions (Fault CML) for the period was 31, a reduction from the same period in the previous year largely reflecting more settled weather conditions.

Customer Service
The Utility Regulator sets overall and guaranteed standards for NIE Networks' performance. All the overall standards were achieved and there were no defaults against the guaranteed standards for customer services activities delivered during the period. One complaint was taken up by the Consumer Council on behalf of customers (Stage 2 Complaints to the Consumer Council for Northern Ireland) during the period.

Connections
There were 2,653 customer demand connections completed during the period, representing a decrease from 3,143 on the same period last year.

191 MW of large scale renewable generation was connected during the period including the completion of Gort and Rasharkin Cluster substations which enabled the connection of 114 MW of generation. 52MW of small scale and micro renewable generation was connected during the period comprising single wind turbines, anaerobic digesters, hydro turbines and domestic solar PV microgeneration projects. The total level of renewable generation capacity connected to the network is now over 1.3GW.

During the period NIE Networks has continued to make progress with industry stakeholders to establish arrangements to enable further generation to connect to the distribution network.

Sustainability
The recycling rate for all hazardous and non-hazardous waste (excluding excavation from roads and footpaths, civil projects excavation and asbestos removal) continued at a high level with 99% of waste recycled during the period.

Principal Risks and Uncertainties

The principal risks and uncertainties facing NIE Networks for the remainder of the financial year, which are managed under NIE Networks' risk management framework, are as set out in the Group's latest annual report for the year to 31 December 2016 which is available at www.nienetworks.co.uk.

GROUP INCOME STATEMENT

	Note	Six months ended 30 June 2017 Unaudited £m	2016 Unaudited £m	Year ended 31 December 2016 Audited £m
Revenue	2	**127.2**	119.3	246.8
Operating costs		**(79.2)**	(78.3)	(155.1)
OPERATING PROFIT		**48.0**	41.0	91.7
Finance revenue		**-**	0.2	0.1
Finance costs		**(19.0)**	(18.9)	(38.1)
Net pension scheme interest		**(1.8)**	(1.9)	(3.5)
Net finance costs		**(20.8)**	(20.6)	(41.5)
PROFIT BEFORE TAX		**27.2**	20.4	50.2
Tax charge	3	**(5.3)**	(4.1)	(4.7)
PROFIT FOR THE PERIOD / YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		**21.9**	16.3	45.5

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2017 Unaudited £m	2016 Unaudited £m	Year ended 31 December 2016 Audited £m
Profit for the financial period / year	**21.9**	16.3	45.5
Other comprehensive income / (expense):			
Re-measurement losses on pension scheme assets and liabilities	**(4.3)**	(38.1)	(54.3)
Deferred tax credit relating to components of other comprehensive income	**0.7**	6.8	8.0
Net other comprehensive income / (expense) for the period / year	**(3.6)**	(31.3)	(46.3)
Total net comprehensive income / (expense) for the period / year	**18.3**	(15.0)	(0.8)

GROUP BALANCE SHEET

	Note	As at 30 June 2017 Unaudited £m	As at 30 June 2016 Unaudited £m	As at 31 December 2016 Audited £m
Non-current assets				
Property, plant and equipment	4	**1,647.8**	1,503.7	1,577.3
Intangible assets	4	**21.8**	26.6	24.3
Derivative financial assets	6	**554.3**	540.8	583.9
		2,223.9	2,071.1	2,185.5
Current assets				
Inventories		**14.3**	13.6	12.9
Trade and other receivables	6	**45.3**	49.2	60.9
Derivative financial assets	6	**14.8**	9.5	14.1
Cash and cash equivalents		**11.4**	15.6	9.3
		85.8	87.9	97.2
TOTAL ASSETS		**2,309.7**	2,159.0	2,282.7
Current liabilities				
Trade and other payables	6	**122.6**	133.3	136.6
Current tax payable		**2.8**	4.5	1.9
Deferred income		**17.5**	12.7	16.2
Financial liabilities:				
Derivative financial liabilities	6	**14.8**	9.5	14.1
Other financial liabilities	6, 7	**11.5**	11.4	18.3
Provisions		**1.1**	0.6	1.7
		170.3	172.0	188.8
Non-current liabilities				
Deferred tax liabilities		**60.3**	63.2	59.6
Deferred income		**455.9**	370.2	414.9
Financial liabilities:				
Derivative financial liabilities	6	**554.3**	540.8	583.9
Other financial liabilities	6, 7	**607.7**	572.8	592.1
Provisions		**4.0**	8.0	3.5
Pension liability	8	**145.0**	136.4	146.0
		1,827.2	1,691.4	1,800.0
TOTAL LIABILITIES		**1,997.5**	1,863.4	1,988.8
NET ASSETS		**312.2**	295.6	293.9
Equity				
Share capital		**36.4**	36.4	36.4
Share premium		**24.4**	24.4	24.4
Capital redemption reserve		**6.1**	6.1	6.1
Accumulated profits		**245.3**	228.7	227.0
TOTAL EQUITY		**312.2**	295.6	293.9

The accounts were approved by the Board of directors and signed on its behalf by:

Nicholas Tarrant
Director

Date: 13 September 2017

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 January 2016	**36.4**	**24.4**	**6.1**	**243.7**	**310.6**
Profit for the year	-	-	-	45.5	45.5
Net other comprehensive expense for the year	-	-	-	(46.3)	(46.3)
Total net comprehensive expense for the year	-	-	-	(0.8)	(0.8)
Effect of decreased tax rate on opening asset	-	-	-	0.1	0.1
Dividends to the shareholder	-	-	-	(16.0)	(16.0)
At 1 January 2017	**36.4**	**24.4**	**6.1**	**227.0**	**293.9**
Profit for the period	-	-	-	21.9	21.9
Net other comprehensive expense for the period	-	-	-	(3.6)	(3.6)
Total net comprehensive income for the period	-	-	-	18.3	18.3
At 30 June 2017	**36.4**	**24.4**	**6.1**	**245.3**	**312.2**

	Share Capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 January 2016	**36.4**	**24.4**	**6.1**	**243.7**	**310.6**
Profit for the period	-	-	-	16.3	16.3
Net other comprehensive expense for the period	-	-	-	(31.3)	(31.3)
Total net comprehensive expense for the period	-	-	-	(15.0)	(15.0)
At 30 June 2016	**36.4**	**24.4**	**6.1**	**228.7**	**295.6**

GROUP CASH FLOW STATEMENT

	Six months ended 30 June		Year ended 31 December
	2017	2016	2016
	Unaudited	Unaudited	Audited
	£m	£m	£m
Cash flows from operating activities			
Profit for the period/year	**21.9**	16.3	45.5
Adjustments for:			
Tax charge	**5.3**	4.1	4.7
Net finance costs	**20.8**	20.6	41.5
Depreciation of property, plant and equipment	**32.2**	29.1	60.5
Release of customers' contributions and grants	**(7.8)**	(5.8)	(15.0)
Amortisation of intangible assets	**2.6**	2.6	5.2
Contributions in respect of property, plant and equipment	**50.1**	38.1	94.9
Defined benefit pension charge less contributions paid	**(7.2)**	(8.0)	(16.2)
Net movement in provisions	**-**	(0.3)	(3.8)
Operating cash flows before movement in working capital	**117.9**	96.7	217.3
Decrease in working capital	**1.8**	25.0	12.8
Cash generated from operations	**119.7**	121.7	230.1
Interest received	**-**	0.1	0.1
Interest paid	**(25.7)**	(25.7)	(37.9)
Current taxes paid	**(3.1)**	(3.6)	(5.9)
Net cash flows from operating activities	**90.9**	92.5	186.4
Cash flows from investing activities			
Purchase of property, plant and equipment	**(104.3)**	(94.5)	(197.4)
Purchase of intangible assets	**-**	(0.1)	(0.4)
Net cash flows used in investing activities	**(104.3)**	(94.6)	(197.8)
Cash flows used in financing activities			
Dividends paid to shareholder	**-**	-	(16.0)
Amounts borrowed from group undertakings	**15.5**	-	19.0
Net cash flows used in financing activities	**15.5**	-	3.0
Net (decrease)/increase in cash and cash equivalents	**2.1**	(2.1)	(8.4)
Cash and cash equivalents at beginning of period / year	**9.3**	17.7	17.7
Cash and cash equivalents at end of period / year	**11.4**	15.6	9.3

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, short-term bank deposits and bank overdrafts.

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Basis of Preparation

The condensed interim accounts for the period ended 30 June 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” and the Disclosure and Transparency Rules of the Financial Conduct Authority.

The condensed interim accounts consolidate the results of Northern Ireland Electricity Networks Limited (NIE Networks or the Company) and its subsidiary undertakings, NIE Networks Services Limited and NIE Finance PLC (the Group).

The condensed interim accounts have been prepared on the basis of the accounting policies set out in the accounts for the year ended 31 December 2016.

Amendments to the following standards and interpretations became effective during the period, but had either no impact or no material impact on the Group's accounts:

Amendments to IAS 1: Disclosure Initiative

Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to IAS 27: Equity Method in Separate Financial Statements

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying Consolidation Exception

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Annual Improvements to IFRSs – 2012 to 2014 cycle (effective 1 January 2016)

At the date of the authorisation of these accounts, the following new standards in issue are applicable but not yet effective and have not been adopted by the Group:

IFRS 9	Financial Instruments (effective 1 January 2018)
IFRS 15	Revenue from Contracts with Customers (effective 1 January 2018)
IFRS 16	Leases (effective 1 January 2019)

The directors are currently assessing the impact of the new and amended standards.

Except for IFRS 16 Leases, the impact of which will be assessed during 2017, the directors do not currently anticipate that the adoption of the standards and interpretations will have a material impact on the Group's accounts in the period of initial application. The adoption of the standards and interpretations may however result in certain changes in the presentation of the Group's accounts from 2017 onwards.

The condensed interim accounts have been prepared on the going concern basis as the directors, having considered available relevant information, have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for a period of 12 months from the date of approval of the interim report and accounts.

The condensed interim accounts have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on “Review of Interim Financial Information performed by the Independent Auditor of the Entity”.

The information shown for the year ended 31 December 2016 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and has been extracted from the Group's report for the year ended 31 December 2016, which has been filed with the Registrar of Companies. The report of the auditors on the accounts contained within the Group's report for the year ended 31 December 2016 was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006 regarding inadequate accounting records or a failure to obtain necessary information and explanations.

NOTES TO THE CONDENSED INTERIM ACCOUNTS (continued)

1. Basis of Preparation (continued)

Changes in accounting estimates
IT improvements undertaken within the year have enabled the re-assessment of accounting estimates relating to the recognition of connections revenue and the provision for obsolete inventory.

Revenue for the year to 30 June 2017 includes £6.1m of connections revenue arising as a result of the change in accounting estimate.

Operating costs for the year to 30 June 2017 include a £1.3m reduction in the inventory provision.

2. Revenue

	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Revenue:			
Sales revenue	**119.6**	113.3	232.3
Amortisation of customer contributions from deferred income	**7.6**	6.0	14.5
	127.2	119.3	246.8
Interest receivable	**-**	0.2	0.1
	127.2	119.5	246.9

The Group's operating activities, which are described in the interim management report, comprise one operating segment.

3. Tax Charge

	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Current tax charge			
UK corporation tax at 19.5% (2016 – 20%)	**4.0**	2.5	5.4
Total current tax	**4.0**	2.5	5.4
Deferred tax charge / (credit)			
Origination and reversal of temporary differences in current period	**1.3**	1.6	4.3
Effect of decreased tax rate on opening liability	-	-	(5.0)
Total deferred tax charge / (credit)	**1.3**	1.6	(0.7)
Total tax charge	**5.3**	4.1	4.7

4. Capital Expenditure

	Six months ended 30 June 2017 £m	2016 £m	Year ended 31 December 2016 £m
Property, plant and equipment	**102.9**	95.1	199.6
Intangible assets - computer software	**-**	0.2	0.4
	102.9	95.3	200.0

No assets were disposed of by the Group during the period (2016 - £nil).

5. Capital Commitments

At 30 June 2017 the Group had contracted future capital expenditure in respect of property, plant and equipment of £17.0m (June 2016 - £12.4m) and computer software assets of £1.1m (June 2016 - £2.4m).

6. Financial Instruments

An overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2017 is as follows:

As at 30 June 2017	**Loans and receivables £m**	**Fair value profit or loss £m**
Financial assets:		
Trade and other receivables	43.8	-
Interest rate swaps	-	14.8
Total current	**43.8**	**14.8**
Interest rate swaps	-	554.3
Total non-current	-	**554.3**
Total financial assets	**43.8**	**569.1**
Financial liabilities:		
Trade and other payables	115.4	-
Interest rate swaps	-	14.8
Interest bearing loans and borrowings	11.5	-
Total current	**126.9**	**14.8**
Interest rate swaps	-	554.3
Interest bearing loans and borrowings	607.7	-
Total non-current	**607.7**	**554.3**
Total financial liabilities	**734.6**	**569.1**

The directors consider that the carrying amount of financial instruments equals fair value.

NIE Networks has held a £550m portfolio of inflation linked interest rate swaps since December 2010. The fair value of inflation linked interest rate swaps is affected by relative movements in interest rates and market expectations of future retail price index (RPI) movements.

During 2014 the Company, and its counterparty banks, together agreed a restructuring of the swaps, including amendments to certain critical terms. These changes included an extension of the mandatory break period in the swaps from 2015 to 2022, including immediate settlement of accretion payments (previously due for payment in 2015), amendments to the fixed interest rate element of the swaps and an increase in the number of swap counterparties. Future accretion payments are now scheduled to occur every five years, starting in 2018, with remaining accretion paid at maturity.

6. Financial Instruments (continued)

At the same time that the restructuring took effect the Company entered into RPI linked interest rate swap arrangements with ESBNI Limited, the immediate parent undertaking of the Company, which have identical matching terms to the restructured swaps. The back to back matching swaps with ESBNI Limited ensure that there is no net effect on the accounts of the Company and that any risk to financial exposure is borne by ESBNI Limited. The fair value movements have been recognised in finance costs in the income statement. Positive fair value movements of £21.8m arose on the swaps in the six months ended 30 June 2017 (June 2016: negative fair value movements of £91.3m) and were recognised within finance costs in the income statement, as hedge accounting was not available.

The fair value of interest rate swaps has been valued by calculating the present value of future cash flows, estimated using forward rates from third party market price quotations. The Company uses the hierarchy as set out in IFRS 13 Fair Value Measurement for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of interest rate swaps as at 30 June 2017 is considered by the Company to fall within the level 2 fair value hierarchy. The Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There have been no transfers between level 1 or 3 of the hierarchy during the period.

7. Net Debt

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Cash at bank and in hand	**11.4**	15.6	9.3
Debt due before 1 year:			
Interest payable on £175m bond	**(9.4)**	(9.4)	(3.4)
Interest payable on £400m bond	**(2.0)**	(2.0)	(14.8)
Interest payable to parent undertaking	**(0.1)**	-	(0.1)
	(11.5)	(11.4)	(18.3)
Debt due after 1 year:			
£175m bond	**(174.7)**	(174.5)	(174.6)
£400m bond	**(398.5)**	(398.3)	(398.4)
Amounts owed to parent undertaking	**(34.5)**	-	(19.1)
	(607.7)	(572.8)	(592.1)
Total net debt	**(607.8)**	(568.6)	(601.1)

8. Pension Commitments

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Market value of assets	**1,113.0**	1,034.3	1,105.4
Actuarial value of liabilities	**(1,258.0)**	(1,170.7)	(1,251.4)
Net pension liability	**(145.0)**	(136.4)	(146.0)

Changes in the market value of assets

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Market value of assets at beginning of the period / year	**1,105.4**	990.6	990.6
Interest income on scheme assets	**14.7**	18.7	37.0
Contributions from employer	**12.1**	11.7	23.9
Contributions from scheme members	**0.2**	0.2	0.4
Benefits paid	**(29.4)**	(28.0)	(57.7)
Administration expenses paid	**(0.8)**	(0.4)	(1.1)
Re-measurement gains on scheme assets	**10.8**	41.5	112.3
Market value of assets at end of the period / year	**1,113.0**	1,034.3	1,105.4

Changes in the actuarial value of liabilities

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Actuarial value of liabilities at beginning of the period / year	**1,251.4**	1,095.0	1,095.0
Interest expense on pension liability	**16.5**	20.5	40.5
Current service cost	**4.1**	3.3	6.5
Curtailment loss	**0.1**	0.1	0.1
Contributions from scheme members	**0.2**	0.2	0.4
Benefits paid	**(29.4)**	(28.0)	(57.7)
Effect of changes in financial assumptions	**15.1**	79.6	173.8
Effect of experience adjustments	**-**	-	(7.2)
Actuarial value of liabilities at end of the period / year	**1,258.0**	1,170.7	1,251.4

9. Related Party Transactions

During the period ended 30 June 2017, the Group contributed £14.2m (2016 - £13.6m) to the Northern Ireland Electricity Pension Scheme.

The immediate parent undertaking of the Group and the ultimate parent company in the UK is ESBNI Limited (ESBNI). The ultimate parent undertaking and controlling party of the Group and the parent of the smallest and largest group of which NIE Networks is a member and for which group accounts are prepared is Electricity Supply Board (ESB), a statutory corporation established under the Electricity (Supply) Act 1927 domiciled in the Republic of Ireland. A copy of ESB's accounts is available from ESB's registered office at Two Gateway, East Wall Road, Dublin 3, DOA A995.

Principal subsidiaries of ESB are related parties of the Group. Transactions between the Group and related parties are disclosed below:

	Interest charges £m	Revenue from related party £m	Charges from related party £m	Amounts owed by related party at period end £m	Amounts owed to related party at period end £m
Six months ended 30 June 2017					
ESB	**(0.2)**	**-**	**-**	**-**	**(34.6)**
ESB subsidiaries	**-**	**8.1**	**(2.2)**	**1.9**	**(0.5)**
	(0.2)	**8.1**	**(2.2)**	**1.9**	**(35.1)**
Six months ended 30 June 2016					
ESB	-	-	-	-	-
ESB subsidiaries	-	6.5	(2.0)	1.5	2.0
	-	6.5	(2.0)	1.5	2.0

10. Contingent Liabilities

In the normal course of business the Group has contingent liabilities arising from claims made by third parties and employees. Provision for a liability is made when the directors believe that it is probable that an outflow of funds will be required to settle the obligation where it arises from an event prior to the year end.

In 2014 the Lands Tribunal of Northern Ireland (the Tribunal) ruled that compensation was payable in respect of two out of four test cases heard by the Tribunal where claims were made by third parties in relation to potential diminution in the value of land due to the existence of electricity apparatus. Total compensation awarded for two of the cases was £45,500. No award of compensation was made in the other two cases.

Although the Tribunal stated that evidence of a loss of value was insufficient, compensation was awarded in both cases using an ‘intuitive approach'. As the Company knows of no precedent for the use of such an approach, the Company lodged an appeal to the Court of Appeal. The appeal decision is expected in autumn 2017 and until then, it remains uncertain as to whether a liability will arise. Therefore the Company has not provided for any compensation awarded by the Tribunal in these accounts.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Each of the directors, whose names and positions are included in the Group's annual report for the year to 31 December 2016 which is available at www.nienetworks.co.uk, confirm that to the best of their knowledge:

(i) the interim accounts have been prepared in accordance with IAS 34 “Interim Financial Reporting” and give a true and fair view of the assets, liabilities, financial position and profit of the Group for the six months to 30 June 2017; and

(ii) the interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules.

By order of the Board

Nicholas Tarrant
Director

13 September 2017

nienetworks.co.uk

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