



# UNAUDITED INTERIM REPORT & ACCOUNTS

Six months ended 30 June 2016

# INTERIM MANAGEMENT REPORT six months to 30 June 2016

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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 2016.

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 all 860,000 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.

With effect from 1 January 2016, the responsibility for the functions and employees of NIE Networks Services Limited, a subsidiary of NIE Networks which provided construction, maintenance, metering and other services to the Company, was transferred to NIE Networks and NIE Networks Services Limited ceased operational activity. NIE Networks' 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) and therefore the transfer of functions and employees from NIE Networks Services Limited to NIE Networks has no impact on the interim accounts for the six months ended 30 June 2016.

## 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 run from 1 October 2017 to 31 March 2024. NIE Networks submitted its business plan for the RP6 period to the Utility Regulator in June 2016. The Utility Regulator is expected to publish its Draft Determination in January 2017 and following a period of public consultation, a Final Determination is expected to be published in June 2017.

### **Financial results**

#### *Operating Profit*

The Group's operating profit for the six month period increased from £39.1m last year to £41.0m this year reflecting higher revenues due to the phasing of RP5 tariffs offset by higher operating costs, including increased depreciation charges.

#### *FFO Interest Cover*

The ratio of FFO (funds from operations) to interest paid increased to 3.0 for the period (six months to 30 June 2015 – 2.8) primarily reflecting the increased operating profits.

#### *Net Assets*

The Group's net assets decreased from £310.6m as at 31 December 2015 to £295.6m as at 30 June 2016 reflecting remeasurement losses (net of tax) on pension scheme liabilities of £31.3m offset by profit after tax of £16.3m.

## INTERIM MANAGEMENT REPORT six months to 30 June 2016

### Cash Flow

Cash and cash equivalents decreased by £2.1m during the period reflecting net cash flows from operating activities of £92.5m offset by investing activity out flows of £94.6m. During the period NIE Networks invested a total of £56.9m (net of customer contributions) in the transmission and distribution networks. Investment to improve reliability of supply and ensure the safety of the network increased during the period, in accordance with a ramp up to deliver the outputs specified in the RP5 determination. Network investment during the year also facilitated connection of additional renewable generation.

### 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
	2016	2015	31 December 2015
<b>Safety:</b>			
Lost time incidents	1	None	None
<b>Network Performance:</b>			
Customer Minutes Lost (CML)			
• Planned CML ( <i>minutes</i> )	33	27	66
• Fault CML ( <i>minutes</i> )	34	34	65
<b>Customer Service:</b>			
Overall standards – defaults ( <i>number of</i> )	None	None	None
Guaranteed standards – defaults ( <i>number of</i> )	None	None	None
Stage 2 complaints to the Consumer Council ( <i>number of</i> )	None	None	4
<b>Connections:</b>			
Customer demand connections completed ( <i>number of</i> )	3,143	2,802	5,963
Renewable generation connected ( <i>MW</i> )			
• Large scale (> 5MW)	23	18	30
• Small scale (< 5MW)	29	34	66
<b>Sustainability:</b>			
Waste recycling rate (%)	98	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 only one lost time incident during the period (2015 –nil).

### 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 33, an increase on the same period last year reflecting the increased capital investment programme and the increase in customer demand connections. CML through distribution fault interruptions (Fault CML) for the period was 34, in line with the same period last year.

## INTERIM MANAGEMENT REPORT six months to 30 June 2016

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### *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. No complaints were 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 3,143 customer demand connections completed during the period, representing an increase from 2,802 on the same period last year.

23 MW of large scale renewable generation was connected during the period increasing the total connected to 682 MW, including 14.1MW Seegronan Wind Farm. 29 MW of small scale and micro renewable generation was connected during the period comprising single wind turbines, anaerobic digestors, hydro turbines and domestic solar PV microgeneration projects.

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.

On 31 May 2016, NIE Networks successfully facilitated a programme to deliver market opening for new network connections of 5MW or larger in order to enable independent connection providers to provide quotations for and build certain elements of a new connection. The market for new network connections of lower than 5MW is expected to open to competition by the end of 2017.

### *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 98% 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 2015 which is available at [www.nienetworks.co.uk](http://www.nienetworks.co.uk).

In addition, the directors are assessing the potential impact on the Group of the decision for the United Kingdom to leave the European Union (EU) following the EU membership referendum in June 2016. Although the overall impact of the decision is still uncertain and is being monitored there may be a potential impact on the Group's financial risks, in particular funding, foreign exchange and pensions risks.

## GROUP INCOME STATEMENT

	Note	Six months ended 30 June		Year ended
		2016 Unaudited £m	2015 Unaudited £m	31 December 2015 Audited £m
<b>Continuing operations</b>				
Revenue	2	119.3	111.6	236.1
Operating costs		<u>(78.3)</u>	<u>(72.5)</u>	<u>(143.8)</u>
<b>OPERATING PROFIT</b>		<b>41.0</b>	39.1	92.3
Finance revenue		0.2	0.1	0.1
Finance costs		(18.9)	(18.8)	(37.6)
Net pension scheme interest		(1.9)	(2.0)	(4.1)
Net finance costs		<u>(20.6)</u>	<u>(20.7)</u>	<u>(41.6)</u>
<b>PROFIT BEFORE TAX</b>		<b>20.4</b>	18.4	50.7
Tax charge	3	<u>(4.1)</u>	<u>(4.1)</u>	<u>(0.5)</u>
<b>PROFIT FOR THE PERIOD / YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>		<u><b>16.3</b></u>	<u>14.3</u>	<u>50.2</u>

## GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended
	2016 Unaudited £m	2015 Unaudited £m	31 December 2015 Audited £m
<b>Profit for the financial period / year</b>	<u>16.3</u>	<u>14.3</u>	<u>50.2</u>
<b>Other comprehensive (expense) / income:</b>			
Remeasurement (losses) / gains on pension scheme assets and liabilities	(38.1)	(12.3)	12.5
Deferred tax credit/(charge) relating to components of other comprehensive income	<u>6.8</u>	<u>2.5</u>	<u>(4.9)</u>
<b>Net other comprehensive (expense) / income for the period / year</b>	<u>(31.3)</u>	<u>(9.8)</u>	<u>7.6</u>
<b>Total net comprehensive (expense) / income for the period / year</b>	<u>(15.0)</u>	<u>4.5</u>	<u>57.8</u>

# GROUP BALANCE SHEET

	Note	As at 30 June		As at
		2016 Unaudited £m	2015 Unaudited £m	31 December 2015 Audited £m
<b>Non-current assets</b>				
Property, plant and equipment	4	1,503.7	1,382.2	1,438.2
Intangible assets	4	26.6	31.4	29.1
Derivative financial assets	6	540.8	459.8	454.5
		<u>2,071.1</u>	<u>1,873.4</u>	<u>1,921.8</u>
<b>Current assets</b>				
Inventories		13.6	8.0	9.9
Trade and other receivables	6	49.2	38.0	58.8
Derivative financial assets	6	9.5	10.9	10.9
Cash and cash equivalents		15.6	26.9	17.7
		<u>87.9</u>	<u>83.8</u>	<u>97.3</u>
<b>TOTAL ASSETS</b>		<u>2,159.0</u>	<u>1,957.2</u>	<u>2,019.1</u>
<b>Current liabilities</b>				
Trade and other payables	6	133.3	91.3	113.6
Current tax payable		4.5	4.4	5.6
Deferred income		12.7	11.2	11.8
Financial liabilities:				
Derivative financial liabilities	6	9.5	10.9	10.9
Other financial liabilities	6, 7	11.4	11.4	18.2
Provisions		0.6	0.6	0.6
		<u>172.0</u>	<u>129.8</u>	<u>160.7</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities		63.2	68.9	68.4
Deferred income		370.2	309.2	339.4
Financial liabilities:				
Derivative financial liabilities	6	540.8	459.8	454.5
Other financial liabilities	6, 7	572.8	572.5	572.7
Provisions		8.0	8.4	8.4
Pension liability	8	136.4	134.9	104.4
		<u>1,691.4</u>	<u>1,553.7</u>	<u>1,547.8</u>
<b>TOTAL LIABILITIES</b>		<u>1,863.4</u>	<u>1,683.5</u>	<u>1,708.5</u>
<b>NET ASSETS</b>		<u>295.6</u>	<u>273.7</u>	<u>310.6</u>
<b>Equity</b>				
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		228.7	206.8	243.7
<b>TOTAL EQUITY</b>		<u>295.6</u>	<u>273.7</u>	<u>310.6</u>

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

Nicholas Tarrant  
Director

Date: 20 September 2016

## GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
<b>At 1 January 2015</b>	<b>36.4</b>	<b>24.4</b>	<b>6.1</b>	<b>202.3</b>	<b>269.2</b>
Profit for the year	-	-	-	50.2	50.2
Net other comprehensive expense for the year	-	-	-	7.6	7.6
Total net comprehensive income for the year	-	-	-	57.8	57.8
Effect of decreased tax rate on opening asset	-	-	-	0.1	0.1
Dividends to the shareholder	-	-	-	(16.5)	(16.5)
<b>At 1 January 2016</b>	<b>36.4</b>	<b>24.4</b>	<b>6.1</b>	<b>243.7</b>	<b>310.6</b>
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)
<b>At 30 June 2016</b>	<b>36.4</b>	<b>24.4</b>	<b>6.1</b>	<b>228.7</b>	<b>295.6</b>

  

	Share Capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
<b>At 1 January 2015</b>	<b>36.4</b>	<b>24.4</b>	<b>6.1</b>	<b>202.3</b>	<b>269.2</b>
Profit for the period	-	-	-	14.3	14.3
Net other comprehensive income for the period	-	-	-	(9.8)	(9.8)
Total net comprehensive income for the period	-	-	-	4.5	4.5
<b>At 30 June 2015</b>	<b>36.4</b>	<b>24.4</b>	<b>6.1</b>	<b>206.8</b>	<b>273.7</b>

## GROUP CASH FLOW STATEMENT

	Six months ended 30 June		Year ended 31 December
	2016 Unaudited £m	2015 Unaudited £m	2015 Audited £m
<b>Cash flows from operating activities</b>			
Profit for the period/year	16.3	14.3	50.2
Adjustments for:			
Tax charge	4.1	4.1	0.5
Net finance costs	20.7	20.7	41.6
Depreciation of property, plant and equipment	29.1	27.0	55.7
Release of customers' contributions and grants	(5.8)	(5.1)	(11.5)
Amortisation of intangible assets	2.6	2.6	5.2
Contributions in respect of property, plant and equipment	38.1	17.4	54.1
Defined benefit pension charge less contributions paid	(8.0)	(7.4)	(15.1)
Net movement in provisions	(0.3)	(0.3)	(0.3)
Operating cash flows before movement in working capital	96.8	73.3	180.4
Decrease in working capital	24.9	17.4	12.1
<b>Cash generated from operations</b>	121.7	90.7	192.5
Interest received	0.1	0.1	0.1
Interest paid	(25.7)	(25.6)	(37.5)
Current taxes paid	(3.6)	(4.2)	(7.1)
<b>Net cash flows from operating activities</b>	92.5	61.0	148.0
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(94.5)	(57.8)	(137.3)
Purchase of intangible assets	(0.1)	-	(0.2)
<b>Net cash flows used in investing activities</b>	(94.6)	(57.8)	(137.5)
<b>Cash flows used in financing activities</b>			
Dividends paid to shareholder	-	-	(16.5)
<b>Net cash flows used in financing activities</b>	-	-	(16.5)
Net (decrease)/increase in cash and cash equivalents	(2.1)	3.2	(6.0)
Cash and cash equivalents at beginning of period / year	17.7	23.7	23.7
<b>Cash and cash equivalents at end of period / year</b>	15.6	26.9	17.7

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 (continued)

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### 1. Basis of Preparation

The condensed interim accounts for the period ended 30 June 2016 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 2015.

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:

IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interest in Other Entities
IFRS 14	Regulatory Deferral Accounts
IAS 1	Presentation of Financial Statements
IAS 16	Property, Plant and Equipment
IAS 27	Consolidated and Separate Financial Statements
IAS 38	Intangible Assets
IAS 41	Agriculture

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 2015 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 2015, 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 2015 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)

### 2. Revenue

	Six months ended 30 June		Year ended 31 December
	2016 £m	2015 £m	2015 £m
<b>Revenue:</b>			
Sales revenue	113.3	106.2	225.1
Amortisation of customer contributions from deferred income	6.0	5.4	11.0
	<u>119.3</u>	<u>111.6</u>	<u>236.1</u>
Interest receivable	0.1	0.1	0.1
	<u>119.4</u>	<u>111.7</u>	<u>236.2</u>

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		Year ended 31 December
	2016 £m	2015 £m	2015 £m
<b>Current tax charge</b>			
UK corporation tax at 20% (2015 – 20.5%)	2.5	2.4	6.6
Total current tax	<u>2.5</u>	<u>2.4</u>	<u>6.6</u>
<b>Deferred tax charge</b>			
Origination and reversal of temporary differences in current period	1.6	1.7	3.7
Origination and reversal of temporary differences relating to prior periods	-	-	(0.3)
Effect of decreased tax rate on opening liability	-	-	(9.5)
Total deferred tax charge	<u>1.6</u>	<u>1.7</u>	<u>(6.1)</u>
<b>Total tax charge</b>	<u>4.1</u>	<u>4.1</u>	<u>0.5</u>

### 4. Capital Expenditure

	Six months ended 30 June		Year ended 31 December
	2016 £m	2015 £m	2015 £m
Property, plant and equipment	95.1	59.5	143.8
Intangible assets - computer software	0.2	-	0.2
	<u>95.3</u>	<u>59.5</u>	<u>144.0</u>

No assets were disposed of by the Group during the period (2015 - £nil).

### 5. Capital commitments

At 30 June 2016 the Group had contracted future capital expenditure in respect of property, plant and equipment of £12.4m (June 2015 - £23.3m) and computer software assets of £2.4m (June 2015 - £0.3m).

## NOTES TO THE CONDENSED INTERIM ACCOUNTS (continued)

### 6. Financial Instruments

An overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2016 is as follows:

As at 30 June 2016	Loans and receivables £m	Fair value profit or loss £m
<b><u>Financial assets:</u></b>		
Trade and other receivables	49.2	-
Interest rate swaps	-	9.5
<b>Total current</b>	<b>49.2</b>	<b>9.5</b>
Interest rate swaps	-	540.8
<b>Total non-current</b>	<b>-</b>	<b>540.8</b>
<b>Total financial assets</b>	<b>49.2</b>	<b>550.3</b>
<b><u>Financial liabilities:</u></b>		
Trade and other payables	133.3	-
Interest rate swaps	-	9.5
Interest bearing loans and borrowings	11.4	-
<b>Total current</b>	<b>144.7</b>	<b>9.5</b>
Interest rate swaps	-	540.8
Interest bearing loans and borrowings	572.8	-
<b>Total non-current</b>	<b>572.8</b>	<b>540.8</b>
<b>Total financial liabilities</b>	<b>717.5</b>	<b>550.3</b>

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.

At the same time that the restructuring took effect NIE Networks entered into RPI linked interest rate swap arrangements with ESBNI Limited, the immediate parent undertaking of NIE Networks, 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. Negative fair value movements of £91.3m arose on the swaps in the six months ended 30 June 2016 (June 2015: positive fair value movements of £22.4m) 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.

## NOTES TO THE CONDENSED INTERIM ACCOUNTS (continued)

### 6. Financial instruments (continued)

The fair value of interest rate swaps as at 30 June 2016 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

	<b>30 June 2016 £m</b>	30 June 2015 £m	31 December 2015 £m
Cash at bank and in hand	<u>15.6</u>	<u>26.9</u>	<u>17.7</u>
Debt due before 1 year:			
Interest payable on £175m bond	<b>(9.4)</b>	(9.4)	(3.4)
Interest payable on £400m bond	<b>(2.0)</b>	(2.0)	(14.8)
	<u><b>(11.4)</b></u>	<u>(11.4)</u>	<u>(18.2)</u>
Debt due after 1 year:			
£175m bond	<b>(174.5)</b>	(174.3)	(174.4)
£400m bond	<b>(398.3)</b>	(398.2)	(398.3)
	<u><b>(572.8)</b></u>	<u>(572.5)</u>	<u>(572.7)</u>
<b>Total net debt</b>	<u><b>(568.6)</b></u>	<u>(557.0)</u>	<u>(573.2)</u>

### 8. Pension Commitments

	<b>30 June 2016 £m</b>	30 June 2015 £m	31 December 2015 £m
Market value of assets	<b>1,034.3</b>	1,026.0	990.6
Actuarial value of liabilities	<b>(1,170.7)</b>	(1,160.9)	(1,095.0)
Net pension liability	<u><b>(136.4)</b></u>	<u>(134.9)</u>	<u>(104.4)</u>

#### Changes in the market value of assets

	<b>30 June 2016 £m</b>	30 June 2015 £m	31 December 2015 £m
Market value of assets at beginning of the period / year	<b>990.6</b>	1,025.6	1,025.6
Interest income on scheme assets	<b>18.7</b>	17.7	35.3
Contributions from employer	<b>11.7</b>	11.7	23.7
Contributions from scheme members	<b>0.2</b>	0.1	0.4
Benefits paid	<b>(28.0)</b>	(28.1)	(56.7)
Administration expenses paid	<b>(0.4)</b>	(0.6)	(1.1)
Remeasurement gains / (losses) on scheme assets	<b>41.5</b>	(0.4)	(38.4)
Bulk transfer in respect of returning members	-	-	1.9
Settlement payments from plan assets	-	-	(0.1)
Market value of assets at end of the period / year	<u><b>1,034.3</b></u>	<u>1,026.0</u>	<u>990.6</u>

## NOTES TO THE CONDENSED INTERIM ACCOUNTS (continued)

### 8. Pension Commitments (continued)

#### Changes in the actuarial value of liabilities

	<b>30 June 2016 £m</b>	30 June 2015 £m	31 December 2015 £m
Actuarial value of liabilities at beginning of the period / year	<b>1,095.0</b>	1,153.5	1,153.5
Interest expense on pension liability	<b>20.5</b>	19.7	39.4
Current service cost	<b>3.3</b>	3.6	7.3
Curtailement loss	<b>0.1</b>	0.1	0.1
Contributions from scheme members	<b>0.2</b>	0.1	0.4
Benefits paid	<b>(28.0)</b>	(28.1)	(56.7)
Settlement cost in relation to bulk transfer	-	0.1	-
Actuarial losses / (gains) on scheme liabilities	<b>79.6</b>	11.9	(50.9)
Bulk transfer in respect of returning members	-	-	1.9
	<u><b>1,170.7</b></u>	<u>1,160.9</u>	<u>1,095.0</u>
Actuarial value of liabilities at end of the period / year	<b>1,170.7</b>	1,160.9	1,095.0

### 9. Related Party Transactions

During the period ended 30 June 2016, the Group contributed £13.6m (2015 - £13.4m) 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 27 Lower Fitzwilliam Street, Dublin 2.

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

	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
<b>Six months ended</b>				
<b>30 June 2016</b>				
ESBNI	-	-	-	-
Other ESB subsidiaries	<b>6.5</b>	<b>(2.0)</b>	<b>1.5</b>	<b>2.0</b>
	<u><b>6.5</b></u>	<u><b>(2.0)</b></u>	<u><b>1.5</b></u>	<u><b>2.0</b></u>
<b>Six months ended</b>				
<b>30 June 2015</b>				
ESBNI	-	-	-	-
Other ESB subsidiaries	9.5	(2.0)	1.2	1.0
	<u>9.5</u>	<u>(2.0)</u>	<u>1.2</u>	<u>1.0</u>

### 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 (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 has lodged an appeal to the Court of Appeal. Until the outcome of this appeal, which is due to be heard in autumn 2016, 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.

In the event that any compensation is payable following the Court of Appeal ruling, NIE Networks will seek to recover the payment through a mechanism in the regulatory framework.

In relation to other contingent liabilities, the Group does not currently anticipate that any material liabilities will arise other than those recognised in the accounts.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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Each of the directors, whose names and positions are included in the Group's annual report for the year to 31 December 2015 which is available at [www.nienetworks.co.uk](http://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 2016; 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

20 September 2016

**nienetworks.co.uk**

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