Northern Ireland Electricity Networks

UNAUDITED INTERIM REPORT & FINANCIAL STATEMENTS

Six months ended 30 June 2019

INTERIM MANAGEMENT REPORT six months to 30 June 2019

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 2019.

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. During the period there were a number of changes to the composition of the Board as follows: on 1 May 2019, Gordon Parkes, Human Resources Director, replaced Peter Ewing as Executive Director and, on 23 September 2019, Keith Jess was appointed as an independent non-executive Director. The other directors, who continued to hold office during the period and to the date of approving this report are: Stephen Kingon (independent non-executive Chairman), Rotha Johnston (independent non-executive Director), Alan Bryce (independent non-executive Director) and Paul Stapleton (Managing Director).

NIE Networks is the owner of the electricity transmission and distribution networks in Northern Ireland and is the electricity distribution network operator, serving around 885,000 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.

Regulatory Period 6 (RP6) commenced on 1 October 2017 and will apply for the period to 31 March 2024.

The RP6 price control sets ex-ante allowances of £720 million for capital investment and £471 million in respect of operating costs (2018-19 prices). The allowances in respect of major transmission load growth projects will be considered on a case-by-case basis, for example, the North-South Interconnector. The allowances will be adjusted to reflect 50% of the difference between the allowances and actual costs incurred. NIE Networks' Connections business is largely outside the scope of the RP6 price control following the introduction of contestability.

The RP6 baseline rate of return of 3.14% plus inflation (weighted average cost of capital based on pre-tax cost of debt and post-tax cost of equity) has been adjusted to reflect the cost of new debt raised in 2018. This mechanism is new for RP6, departing from the former approach of setting an ex-ante allowance, and will align the cost of debt component of the return more closely with prevailing market conditions at the time of drawdown of new debt.

Financial results

Operating Profit

The Group's operating profit for the six month period decreased from £57.8m to £56.4m. Group operating profit includes revenues and costs associated with the Public Service Obligation (PSO) charges which are fully recoverable, albeit there are timing differences between the receipt of revenue / payment of costs and the recovery of those amounts through the PSO charges. PSO charges contributed a net surplus of £1.9m during the six month period (six months to June 2018 - £11.1m surplus). Excluding PSO charges the Group's operating profit for the six month period increased from £46.7m to £54.5m mainly as a result of non recurring redundancy costs of £7.1m incurred in 2018.

FFO Interest Cover

The ratio of FFO (funds from operations) to interest paid increased to 2.9 times for the period (six months to 30 June 2018 – 2.8 times[1]) reflecting a decrease in interest paid as a result of lower interest costs following the Group's refinancing in September 2018.

Net Assets

The Group's net assets increased from £373.6m as at 31 December 2018 to £395.2m as at 30 June 2019 reflecting profit after tax of £30.6m partly offset by re-measurement losses (net of tax) on pension scheme liabilities of £9.0m reflecting a decrease in the discount rate used to value scheme liabilities.

Cash Flow

Cash and cash equivalents increased by £5.1m in the period reflecting net cash flows from operating activities of £60.9m partly offset by investing activity out flows of £54.7m and financing activity outflows of £1.1m in relation to lease payments.

Operations

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

KPIs	**Six months ended 30 June**		Year ended 31 December
	2019	2018	2018
Safety:			
Lost time incidents	**None**	2	2
Network Performance:			
Customer Minutes Lost (CML)			
• Planned CML *(minutes)*	**22**	21	41
• Fault CML *(minutes)*	**20**	29	53
Customer Service:			
Overall standards – failures *(number of)*	**None**	None	None
Guaranteed standards – defaults *(number of)*	**None**	None	None
Stage 2 complaints to the Consumer Council *(number of)*	**1**	None	1
Connections:			
Customer demand connections completed *(number of)*	**2,030**	2,452	5,095
Sustainability:			
Waste recycling rate *(%)*	**98**	97	97

Safety

Ensuring the safety of employees, contractors and the general public continued to be the number one value at the core 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. There were no lost time incidents during the period (2018 – two). The target for lost time incidents continues to be set at zero.

Network Performance

The average number of minutes lost per consumer through pre-arranged shutdowns for maintenance and construction (Planned CML) is largely in line with the same period in the previous year. CML through distribution fault interruptions (Fault CML) fell from 29 to 20 in the period due to non-recurrence of weather related faults from 2018 and continued focus on fault management.

[1] FFO interest cover at 30 June 2018 has been restated in line with changes in credit rating methodology.

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 (2018 – none). One Stage 2 complaint was taken up by the Consumer Council on behalf of customers during the period (2018 – None).

Connections
The number of customer demand connections completed during the period reduced since the prior period, mainly reflecting a lower number of applications in relation to connections for commercial premises and network alterations.

Progress in connecting renewable generation continued with two customer connections in the period connecting 14MW of renewable capacity to the network. Approximately 1.7GW of renewable generation is now connected to the network and, with 0.3GW further capacity committed to be connected, the total connected renewable capacity is expected to reach nearly 2.0GW by 2022. The most recent publication from the Department for the Economy showed that 44% of the total annual electricity consumption in Northern Ireland, for the 12 month period from July 2018 to June 2019, is now being generated from local renewable sources, ahead of the target date of 2020.

During the period NIE Networks has continued to make progress with industry stakeholders, through the Connections Innovation Working Group, to consider and progress appropriate solutions which facilitate the connection of further Distributed Energy Resources (DER) in Northern Ireland.

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 2018 which is available at www.nienetworks.co.uk.

GROUP INCOME STATEMENT

	Note	Six months ended 30 June 2019 Unaudited £m	Six months ended 30 June 2018 Unaudited £m	Year ended 31 December 2018 Audited £m
Revenue	2	**139.7**	143.5	275.8
Operating costs		**(83.3)**	(85.7)	(166.7)
OPERATING PROFIT		**56.4**	57.8	109.1
Finance costs		**(17.3)**	(19.6)	(38.1)
Net pension scheme interest		**(1.3)**	(1.5)	(3.0)
Net finance costs		**(18.6)**	(21.1)	(41.1)
PROFIT BEFORE TAX		**37.8**	36.7	68.0
Tax charge	3	**(7.2)**	(7.0)	(13.0)
PROFIT FOR THE PERIOD / YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		**30.6**	29.7	55.0

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2019 Unaudited £m	Six months ended 30 June 2018 Unaudited £m	Year ended 31 December 2018 Audited £m
Profit for the financial period / year	**30.6**	29.7	55.0
Other comprehensive (expense)/income:			
Re-measurement (losses)/gains on pension scheme assets and liabilities	**(10.8)**	74.6	18.7
Deferred tax credit/(charge) relating to components of other comprehensive income	**1.8**	(12.7)	(3.2)
Net other comprehensive (expense)/income for the period / year	**(9.0)**	61.9	15.5
Total net comprehensive income for the period / year	**21.6**	91.6	70.5

GROUP BALANCE SHEET

	Note	As at 30 June 2019 Unaudited £m	2018 Unaudited £m	As at 31 December 2018 Audited £m
Non-current assets				
Property, plant and equipment	4	**1,819.3**	1,757.3	1,791.1
Intangible assets	4	**20.2**	19.7	21.2
Right of use leased assets	4	**11.3**	-	-
Derivative financial assets	6	**522.7**	465.1	486.9
		2,373.5	2,242.1	2,299.2
Current assets				
Inventories		**13.1**	12.8	13.4
Trade and other receivables		**42.8**	41.1	53.9
Current tax asset		**0.6**	0.6	4.7
Derivative financial assets	6	**14.0**	75.5	12.5
Cash and cash equivalents		**35.5**	11.3	30.4
		106.0	141.3	114.9
TOTAL ASSETS		**2,479.5**	2,383.4	2,414.1
Current liabilities				
Trade and other payables		**64.9**	63.5	69.0
Current tax payable		**1.7**	5.5	-
Deferred income		**18.6**	19.2	18.6
Financial liabilities:				
Derivative financial liabilities	6	**14.0**	75.5	12.5
Lease financial liabilities	6, 7	**2.5**	-	-
Other financial liabilities	6, 7	**8.6**	296.4	17.2
Provisions		**3.3**	5.8	3.8
		113.6	465.9	121.1
Non-current liabilities				
Deferred tax liabilities		**71.4**	78.9	72.0
Deferred income		**515.8**	508.2	512.2
Financial liabilities:				
Derivative financial liabilities	6	**522.7**	465.1	486.9
Lease financial liabilities	6, 7	**9.1**	-	-
Other financial liabilities	6, 7	**747.0**	398.6	746.8
Provisions		**4.1**	3.4	4.0
Pension liability	8	**100.6**	46.6	97.5
		1,970.7	1,500.8	1,919.4
TOTAL LIABILITIES		**2,084.3**	1,966.7	2,040.5
NET ASSETS		**395.2**	416.7	373.6
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		**328.3**	349.8	306.7
TOTAL EQUITY		**395.2**	416.7	373.6

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

Paul Stapleton
Director
26 September 2019

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 January 2018	**36.4**	**24.4**	**6.1**	**260.5**	**327.4**
Profit for the year	-	-	-	55.0	55.0
Net other comprehensive income for the year	-	-	-	15.5	15.5
Total net comprehensive income for the year	-	-	-	70.5	70.5
Dividends to the shareholder	-	-	-	(22.0)	(22.0)
IFRS 15 opening reserves adjustment	-	-	-	(2.3)	(2.3)
At 1 January 2019	**36.4**	**24.4**	**6.1**	**306.7**	**373.6**
Profit for the period	-	-	-	30.6	30.6
Net other comprehensive expense for the period	-	-	-	(9.0)	(9.0)
Total net comprehensive income for the period	-	-	-	21.6	21.6
At 30 June 2019	**36.4**	**24.4**	**6.1**	**328.3**	**395.2**

	Share Capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 January 2018	**36.4**	**24.4**	**6.1**	**260.5**	**327.4**
Profit for the period	-	-	-	29.7	29.7
Net other comprehensive income for the period	-	-	-	61.9	61.9
Total net comprehensive income for the period	-	-	-	91.6	91.6
IFRS 15 opening reserves adjustment	-	-	-	(2.3)	(2.3)
At 30 June 2018	**36.4**	**24.4**	**6.1**	**349.8**	**416.7**

GROUP CASH FLOW STATEMENT

	Six months ended 30 June		Year ended 31 December
	2019	2018	2018
	Unaudited	Unaudited	Audited
	£m	£m	£m
Cash flows from operating activities			
Profit for the period/year	**30.6**	29.7	55.0
Adjustments for:			
Tax charge	**7.2**	7.0	13.0
Net finance costs	**18.6**	21.1	41.1
Depreciation of property, plant and equipment	**36.6**	35.0	70.5
Depreciation of right of use leased assets	**1.4**	-	-
Release of customers' contributions and grants	**(9.0)**	(8.6)	(17.5)
Amortisation of intangible assets	**2.4**	2.2	4.3
Defined benefit pension charge less contributions paid	**(9.0)**	(7.3)	(13.8)
Net movement in provisions	**(0.4)**	4.1	0.5
Operating cash flows before movement in working capital	**78.4**	83.2	153.1
Decrease/(Increase) in working capital	**4.1**	(0.5)	(19.4)
Cash generated from operations	**82.5**	82.7	133.7
Interest paid	**(25.5)**	(26.3)	(38.9)
Lease interest paid	**(0.2)**	-	-
Current taxes received/(paid)	**4.1**	-	(4.1)
Net cash flows from operating activities	**60.9**	56.4	90.7
Cash flows used in investing activities			
Purchase of property, plant and equipment	**(66.0)**	(82.6)	(147.9)
Customers' cash contributions	**12.7**	32.2	44.6
Purchase of intangible assets	**(1.4)**	(1.9)	(5.5)
Net cash flows used in investing activities	**(54.7)**	(52.3)	(108.8)
Cash flows (used in) / from financing activities			
Dividends paid to shareholder	**-**	-	(22.0)
Payments in respect of lease liabilities	**(1.1)**	-	-
Amounts received from financing activities	**-**	-	348.3
Repayment of external borrowings	**-**	-	(175.0)
Amounts repaid to group undertakings	**-**	(4.0)	(114.0)
Net cash flows (used in) / from financing activities	**(1.1)**	(4.0)	37.3
Net increase in cash and cash equivalents	**5.1**	0.1	19.2
Cash and cash equivalents at beginning of period / year	**30.4**	11.2	11.2
Cash and cash equivalents at end of period / year	**35.5**	11.3	30.4

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 FINANCIAL STATEMENTS

1. Basis of Preparation

The condensed interim financial statements for the period ended 30 June 2019 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 financial statements 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 financial statements have been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 December 2018.

The condensed interim financial statements have been prepared on the going concern basis as the directors, having financial resources to continue in operational existence for a period of 12 months from the date of approval of the interim report and financial statements.

The condensed interim financial statements 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 condensed interim financial statements for the period ended 30 June 2019 do not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006. The report of the auditors on the financial statements contained within the Group's report for the year ended 31 December 2018 was unmodified 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.

New and revised accounting standards, amendments and interpretations

IFRS 16, 'Leases'
IFRS 16 addresses the definition of a lease, recognition and measurement of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees.

The standard replaces IAS 17, 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019, and earlier application is permitted, subject to EU endorsement and the entity adopting IFRS 15, 'Revenue from contracts with customers', at the same time.

The Group's financial liabilities associated with future lease commitments now recognised on the balance sheet are £11.6m and the corresponding right of use assets are £11.3m. Profit before tax has decreased by £0.8m as a result of the accounting changes required under IFRS 16.

Presentational changes have been made to the Group's cash flow in accordance with the requirements of IFRS 16.

2. Revenue

	Six months ended 30 June 2019 Unaudited £m	2018 Unaudited £m	Year ended 31 December 2018 Audited £m
Revenue:			
Sales revenue	**130.9**	135.1	258.8
Amortisation of customer contributions from deferred income	**8.8**	8.4	17.0
	139.7	143.5	275.8

The Group's operating activities, which are described in the interim management report, comprise one operating segment. Sales revenue consists largely of income from regulated tariffs.

3. Tax Charge

	Six months ended 30 June 2019 Unaudited £m	2018 Unaudited £m	Year ended 31 December 2018 Audited £m
Current tax charge			
UK corporation tax at 19.0% (2018 – 19.0%)	**6.0**	5.5	9.0
Total current tax	**6.0**	5.5	9.0
Deferred tax charge			
Origination and reversal of temporary differences in current period	**1.2**	1.5	3.8
Origination and reversal of temporary differences in prior period	**-**	-	0.2
Total deferred tax charge	**1.2**	1.5	4.0
Total tax charge	**7.2**	7.0	13.0

4. Capital Additions

	Six months ended 30 June 2019 Unaudited £m	2018 Unaudited £m	Year ended 31 December 2018 Audited £m
Property, plant and equipment	**64.8**	76.8	146.1
Intangibles assets - computer software	**1.4**	1.9	5.5
Right of use leased assets	**12.7**	-	-
	78.9	78.7	151.6

Depreciation of £40.4m (30 June 2018 - £37.2m) was charged in the period. No assets were disposed of in the period (30 June 2018 - £nil).

5. Capital Commitments

At 30 June 2019 the Group had contracted future capital expenditure in respect of property, plant and equipment of £14.7m (June 2018 - £13.6m) and computer software assets of £5.2m (June 2018 - £4.7m).

6. Financial Instruments

An overview of financial instruments, other than cash, short-term deposits, prepayments and tax and social security costs held by the Group as at 30 June 2019 is as follows:

As at 30 June 2019	**Held at amortised cost Unaudited £m**	**Fair value profit or loss Unaudited £m**
Financial assets:		
Trade and other receivables	39.7	-
Interest rate swaps	-	14.0
Total current	**39.7**	**14.0**
Interest rate swaps	-	522.7
Total non-current	-	**522.7**
Total financial assets	**39.7**	**536.7**
Financial liabilities:		
Trade and other payables	57.6	-
Interest rate swaps	-	14.0
Lease liabilities	2.5	-
Interest bearing loans and borrowings	8.6	-
Total current	**68.7**	**14.0**
Interest rate swaps	-	522.7
Lease liabilities	9.1	-
Interest bearing loans and borrowings	747.0	-
Total non-current	**756.1**	**522.7**
Total financial liabilities	**824.8**	**536.7**

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. A payment of £85.9m was made in respect of swap accretion during 2018. Future accretion payments are now scheduled to occur every 5 years, with remaining accretion paid on maturity.

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 financial statements 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 £43.5m arose on the swaps in the six months ended 30 June 2019 (June 2018: positive fair value movements of £31.7m) and were recognised within finance costs in the income statement, as hedge accounting was not available.

During June 2019 the Company novated £66m of the RPI interest linked swaps from one swap counterparty to another existing swap counterparty thereby reducing the overall number of swap counterparties. Due to the back to back arrangements with ESBNI Limited, no gain or loss has been recognised within the Company or Group as a result of the novation.

6. Financial instruments (continued)

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 2019 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 2019 Unaudited £m	30 June 2018 Unaudited £m	31 December 2018 Audited £m
Cash at bank and in hand	**35.5**	11.3	30.4
Debt due before 1 year:			
Interest payable on £175m bond	**-**	(9.4)	-
Interest payable on £350m bond	**(6.5)**		(2.3)
Interest payable on £400m bond	**(2.0)**	(2.0)	(14.8)
Interest payable to parent undertaking	**(0.1)**	(0.1)	(0.1)
Lease liability	**(2.5)**	-	-
£175m bond	**-**	(174.9)	-
Amounts owed to parent undertaking	**-**	(110.0)	-
	(11.1)	(296.4)	(17.2)
Debt due after 1 year:			
£175m bond	**-**	-	-
£350m bond	**(348.3)**	-	(348.1)
£400m bond	**(398.7)**	(398.6)	(398.7)
Lease liability	**(9.1)**	-	-
	(756.1)	(398.6)	(746.8)
Total net debt	**(731.7)**	(683.7)	(733.6)

8. Pension Commitments

Most employees of the Group are members of the Northern Ireland Electricity Pension Scheme (NIEPS). The scheme has two sections: 'Options' which is a money purchase arrangement whereby the Group generally matches the members' contributions up to a maximum of 7% of salary and 'Focus' which provides benefits based on pensionable salary at retirement or earlier exit from service. The assets of the scheme are held under trust and invested by the trustees on the advice of professional investment managers. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets and the day-to-day administration of the benefits of the scheme.

As the benefits paid to members of the Options section of the scheme are directly related to the value of assets for Options, there are no funding issues with this section of the scheme. The remainder of this note is therefore in respect of the Focus section of the scheme.

	30 June 2019 Unaudited £m	30 June 2018 Unaudited £m	31 December 2018 Audited £m
Market value of assets	**1,128.4**	1,100.1	1,054.7
Actuarial value of liabilities	**(1,229.0)**	(1,146.7)	(1,152.2)
Net pension liability	**(100.6)**	(46.6)	(97.5)

Changes in the market value of assets

	30 June 2019 Unaudited £m	30 June 2018 Unaudited £m	31 December 2018 Audited £m
Market value of assets at beginning of the period / year	**1,054.7**	1,139.2	1,139.2
Interest income on scheme assets	**14.6**	14.0	27.6
Contributions from employer	**12.3**	15.1	28.1
Contributions from scheme members	**0.2**	0.2	0.3
Benefits paid	**(31.8)**	(45.6)	(83.3)
Administration expenses paid	**(0.5)**	(0.8)	(1.6)
Re-measurement gains on scheme assets	**78.9**	(22.0)	(55.6)
Market value of assets at end of the period / year	**1,128.4**	1,100.1	1,054.7

Changes in the actuarial value of liabilities

	30 June 2019 Unaudited £m	30 June 2018 Unaudited £m	31 December 2018 Audited £m
Actuarial value of liabilities at beginning of the period / year	**1,152.2**	1,266.2	1,266.2
Interest expense on pension liability	**15.9**	15.5	30.6
Current service cost	**2.7**	3.5	6.9
Curtailment costs	**0.1**	3.5	4.1
Past service costs	**-**	-	1.7
Contributions from scheme members	**0.2**	0.2	0.3
Benefits paid	**(31.8)**	(45.6)	(83.3)
Effects of changes in demographic assumptions	**-**	(46.3)	(45.7)
Effect of changes in financial assumptions	**89.7**	(56.7)	(44.4)
Effect of experience adjustments	**-**	6.4	15.8
Actuarial value of liabilities at end of the period / year	**1,229.0**	1,146.7	1,152.2

9. Related Party Transactions

During the period ended 30 June 2019, the Group contributed £15.4m (2018 - £17.8m) to the Northern Ireland Electricity Pension Scheme in respect of Focus and Options employer contributions, including an element of deficit repair contributions in respect of Focus.

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 financial statements 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 financial statements 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 Unaudited £m	Revenue from related party Unaudited £m	Charges from related party Unaudited £m	Amounts owed by related party at period end Unaudited £m	Amounts owed to related party at period end Unaudited £m
Six months ended 30 June 2019					
ESB	**(0.1)**	**-**	**-**	**-**	**(0.1)**
ESB subsidiaries	**-**	**15.6**	**(1.4)**	**2.7**	**(5.2)**
	(0.1)	**15.6**	**(1.4)**	**2.7**	**(5.3)**
Six months ended 30 June 2018					
ESB	(0.7)	-	-	-	(110.1)
ESB subsidiaries	-	12.4	(1.9)	2.7	(0.9)
	(0.7)	12.4	(1.9)	2.7	(111.0)

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Each of the directors, named on page 1, confirm that to the best of their knowledge:

(i) the interim financial statements 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 2019; 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

Paul Stapleton
Director

26 September 2019

Northern Ireland Electricity Networks Limited
120 Malone Road
Belfast
BT9 5HT

www.nienetworks.co.uk

Registered number: NI026041