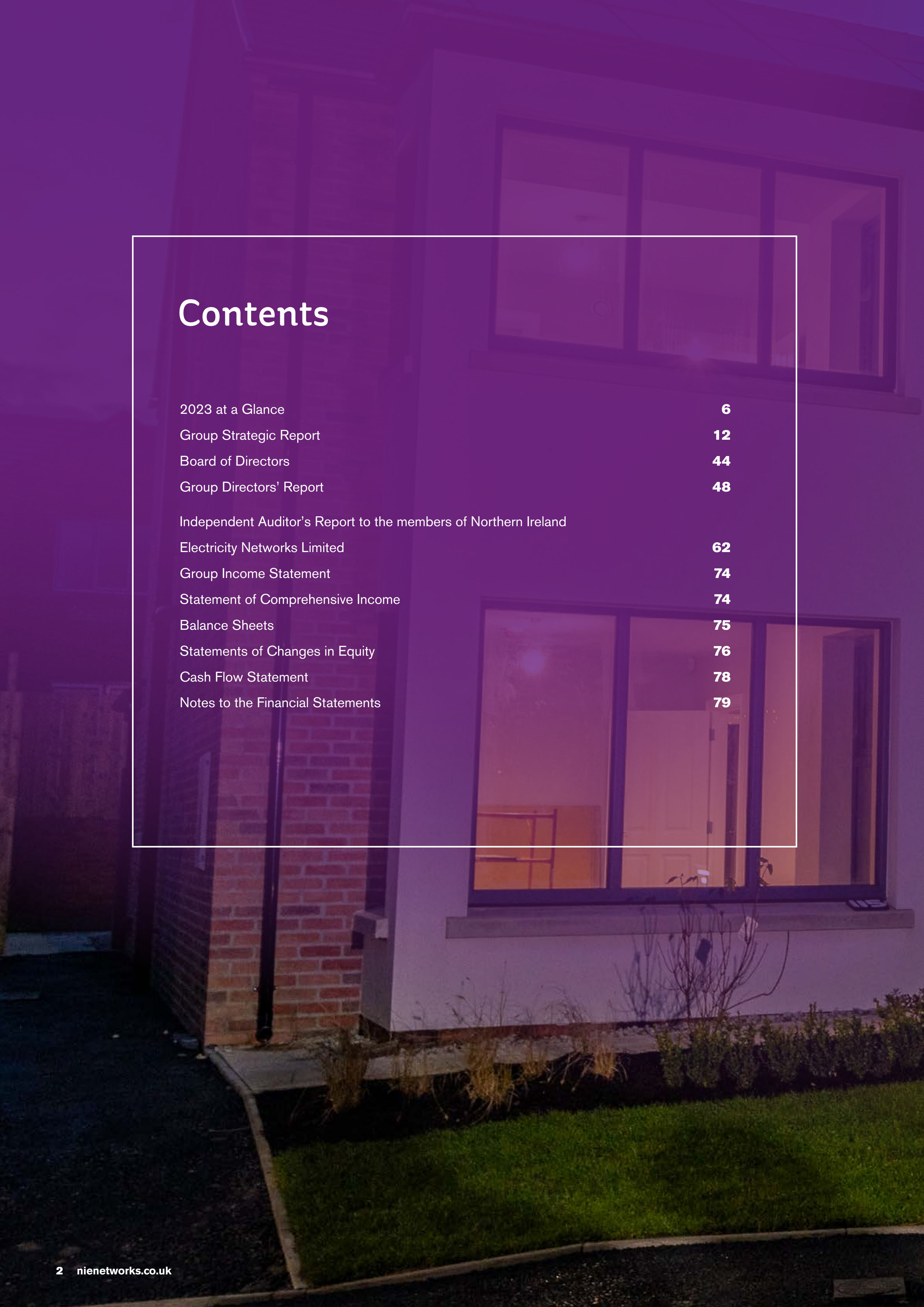
Northern Ireland Electricity Networks

DELIVERING A SUSTAINABLE ENERGY SYSTEM FOR ALL

Annual Report and Financial Statements

Twelve months ended 31 December 2023

INVESTORS IN PEOPLE | Gold



Contents


FRASER MILLAR
FRASER MILLAR
Northern Ireland Electricity Networks

Northern Ireland Electricity Networks

2023 AT A GLANCE

2023 at a Glance

Derek Hynes
Managing Director, NIE Networks

Operating Profit

£135m ↑ £18m

2023	£135m
2022	£117m

Profit After Tax

£69m ↑ £12m

2023	£69m
2022	£57m

Underlying Capital Expenditure

£219m ↑ £32m

2023	£219m
2022	£187m

Contribution to the Economy

£190m ↑ £33m

2023	£190m
2022	£157m

Key achievements for NIE Networks in 2023

£161m Network Investment

NIE Networks continued to deliver on its commitments to customers in 2023 with a further investment of £161m (2022 - £129m) in networks infrastructure. This investment has increased the capacity and the resilience of the Northern Ireland (NI) electricity system, and maintained the amount of time customers were without supply (Customer Minutes Lost) at comparatively low levels in line with standards set by the Northern Ireland Authority for Utility Regulation (UR). Capital investment in the network increased by 25% relative to 2022 and unit outputs delivered remain in line with the targets agreed with the (UR) as part of the RP6 (sixth Regulatory Price Review) programme.

RP7 Business Plan

NIE Networks submitted its RP7 (seventh Regulatory Price Review) Business Plan to the UR in March 2023, outlining proposed expenditure for the next price control period from April 2025 to March 2031. NIE Networks' plan will support and enable NI's journey towards net zero carbon by facilitating the decarbonisation of the electricity system. This will be achieved by connecting more renewable generators, ensuring the network has sufficient capacity to facilitate growth and enable greater electrification of heat and transport, ensuring a safe and reliable service and maintaining a strong focus on customer service. The UR published its Draft Determination (DD) for consultation in November 2023, with responses due back in March 2024 and a Final Determination is expected from the UR in October 2024.

Safer Together Cultural Journey and the Get Ready Transformation Programme

NIE Networks continued to progress its Safer Together Cultural Journey which remains a priority for the Company. 'Safer Together' is an enabling action plan aligned to NIE Networks' safety values, aiming to reduce the risk of harm and improve the wellbeing of all staff within the organisation. During 2023, NIE Networks made significant strides on the journey by setting up a leadership team structure across the organisation to ensure that the culture is one where staff can raise issues and feel valued, trusted and respected. The 'Get Ready' business transformation programme was also initiated during 2023 to prepare NIE Networks for future demands during the RP7 period, which may require double the current levels of output.

How NIE Networks is invested in a sustainable future supporting the customers and communities we serve to achieve net zero

NIE Networks collaborated with the Department for the Economy (DfE) and other stakeholders on developing NI's Future Energy Framework, which was published in December 2021. The DfE strategy sets ambitious targets for net zero carbon energy, while seeking to maintain affordability, and key elements of the strategy are enshrined in the Climate Change Act (Northern Ireland), 2022. Many elements of NIE Networks' own Networks for Net Zero report are mirrored in the DfE strategy and there is strong alignment between the two strategies and NIE Networks' RP7 business plan submission.

NIE Networks' RP7 submission reflected a significant level of planning, analysis and consultation, including a very significant level of engagement with key stakeholders through events and bi-lateral meetings. NIE Networks believes the plan reflects the minimum level of investment required to create enough capacity to meet the requirements of homes and businesses across NI in the next 10 years, and is of the scale required to meet NI's climate commitments.

NIE Networks is putting in place plans to make sure that it is well placed to manage and optimise future electricity network requirements, anticipating greatly increased levels of electrification, microgeneration and demand flexibility. NIE Networks is also implementing a range of innovation projects designed to create additional capacity on the distribution network using smart technologies to provide solutions at a lower cost than traditional approaches.

NIE Networks has connected approximately 1.8 GW of renewable generation capacity to the NI electricity grid to date, which generated more than 47% of electricity consumed in the 12 months ending September 2023. A further 0.6 GW of renewable capacity is committed to be connected in the next few years.

NIE Networks is increasing its capacity to recruit and on-board new staff members over the coming years. Plans are already in place to establish new training facilities that will increase the apprentice intake capacity to 90 trainees per year. NIE Networks is committed to growing a sustainable resource within NI, focussed on providing a community service and being active members of a prosperous and fair society.

Overview

NIE Networks is the owner of the electricity transmission and distribution networks in NI, transporting electricity from generators to over 910,000 customers, including homes, businesses and farms. NIE Networks' employees maintain and extend the electricity infrastructure across NI, connect customers to the network and ensure that equipment is safe and reliable. NIE Networks also provides electricity meters and metering data to suppliers and market operators and develops and reconfigures the electricity network to facilitate the connection of further renewable generation.

NIE Networks does not supply (sell or retail) electricity but provides services to all of the electricity suppliers operating in NI.

As required under its regulatory licences, NIE Networks is an independent business within Electricity Supply Board (ESB) Group and has its own Board of Directors, management and employees.

Safety

NIE Networks is fully committed to protecting the health, safety and wellbeing of all of its employees, contractors, customers and the public, with an ambition of providing a zero-harm working environment where risks to health and safety are assessed, controlled and minimised. While an aim of zero Lost Time Incidents (LTIs) continues to be the ambition, there were unfortunately seven LTIs during the year (2022: two LTIs). All such incidents are thoroughly investigated to improve future safety through gaining insights and applying learning.

The Safer Together Cultural Journey continues to refocus NIE Networks' commitment to its safety values, through promoting an open and proactive safety culture with the full involvement of all.

Financial Performance

NIE Networks' operating profit for 2023 at £135m is up £18m on 2022 and Profit after interest and tax for 2023 at £69m is £12m up on 2022 primarily as a result of higher Use of System revenues, which is reflective of NIE Networks' continued investment in key electricity network infrastructure coupled with the impact of inflation, partially offset by higher interest costs to finance the investment in the electricity network.

As a critical electricity infrastructure provider, NIE Networks reinvests profits into the electricity network with underlying capital expenditure including intangible assets of £219m in 2023 (2022: £187m) which is up £32m or 17%, reflecting an increase in NIE Networks' work programmes for the benefit of customers. Underlying capital expenditure excludes additions in relation to asset retirement obligations for creosote coated poles of £1m (2022: £31m). 2023 capital expenditure related to targeted, condition-based refurbishment and replacement of assets to maintain reliability of supply and ensure network safety as well as the upgrading of network assets where appropriate to increase capacity and provide electricity connections. There have also been very significant investments in major transmission projects as required by the System Operator for Northern Ireland (SONI).

Over £190 million was contributed to the NI economy in 2023 through employment of over 1,500 people at 31 December 2023 and payments to local businesses and authorities.

Operating Environment

The UR determined in March 2023 to extend the duration of NIE Networks' current price control period (RP6) by one year, moving the end date of RP6 from 31 March 2024 to 31 March 2025. Consequently, the RP7 price control period has been deferred and will now commence from 1 April 2025 and run to March 2031.

NIE Networks has continued to focus on implementing its RP6 plan, with 84% of the outputs from the Network Investment Plan, including the extension year, delivered to date.

NIE Networks' Customers

NIE Networks constantly seeks to minimise the length of time that customers are without supply either as a result of faults, or when supply has to be switched out in order to carry out necessary maintenance or to connect new customers. The average number of Customer Minutes Lost (CMLs) due to planned interruptions to supply was 37 (2022: 38). The average number of minutes lost due to faults in the distribution network was 43 (2022: 38). No complaints were taken up by the Consumer Council for NI (CCNI) on behalf of customers during the year (2022: three).

NIE Networks has a dedicated Vulnerable Customer Strategy which defines how services will be provided to those customers who need extra support. The strategy includes provision for customers with communication barriers, translation requirements, the elderly, those who are visually impaired or those reliant on life saving medical equipment.

In the event of a power cut or planned interruption to supply, NIE Networks offers a telephone information support service to customers who are dependent on life supporting medical equipment. Over 19,000 people are currently registered on NIE Networks' Medical Customer Care Register. NIE Networks also provided significant support to distribution network operators in the Republic of Ireland and Great Britain to reconnect customers whose electricity supplies were disrupted during severe weather events during 2023.

People

NIE Networks employs a highly skilled workforce of 1,506 people (2022: 1,367 people) ranging from lines persons to meter readers, jointers to electrical engineers, and finance professionals to human resource experts. NIE Networks is an accredited 'Investors in People Gold' Company and has continued to increase its headcount to ensure it continues to deliver a high-quality service for customers throughout NI and to plan for the future by enabling the decarbonisation of the electricity system.

NIE Networks entered into a new lease agreement for refurbished office space at Belfast which has allowed consolidation of NIE Networks office staff from three other Belfast offices. Staff commenced relocating in late 2022, with the final staff transferring to Belfast in September 2023.

NIE Networks aspires to be an Employer of Choice and is committed to a working environment which enables employees to realise their maximum potential and to be appropriately challenged and fully engaged in the business, with opportunities for skills enhancement and personal development. Human Resource policies are designed to achieve sustained success through people. This was evidenced when NIE Networks was awarded two Chartered Institute of Personnel and Development (CIPD) Awards in October 2023 for Best Apprentice Scheme and Best Employee Voice Programme in NI.

In 2023, NIE Networks was also awarded the Silver Diversity Charter Mark status and has made a commitment to enhance diversity across the organisation in relation to both disability and ethnicity.

Sustainability

NIE Networks' Sustainability Action Plan outlines its commitments to reducing its internal business carbon footprint, electrifying more than 40 of its small fleet and improving buildings' energy performance, as well as consolidating Belfast office locations as outlined above. NIE Networks is a member of the United Nations' Race to Zero campaign and has committed to a 50% reduction in Scope 1 and Scope 2 emissions by 2030 from 2019 baseline levels.

NIE Networks has reduced its internal energy usage and business carbon emissions by 3.92% during 2023 against the 2019 base year. However, there has been an increase from 2022 which reflects an increased workforce and increased in fuel consumption resulting from ongoing investment in the network.

In terms of having significant impact from a climate action perspective externally, NIE Networks also successfully cumulatively connected 23,000 customers who provide renewable generation capacity for use in their homes and businesses.

NIE Networks achieved Platinum level accreditation for the NI Environmental Benchmarking Survey in 2023, for the eighth consecutive year. The survey recognises and rewards those organisations that are going above and beyond their legal requirements to improve their environmental impacts and better manage their resources.

Northern Ireland
Electricity
Networks

GROUP STRATEGIC REPORT

Group Strategic Report

The directors present their annual report and financial statements for Northern Ireland Electricity Networks Limited (NIE Networks or the Company) and its subsidiary undertakings (the Group) for the year ended 31 December 2023.

The Board of directors of the Company who served during the year and up to the date of signing this report are outlined in the Group Directors' Report on page 48.

NIE Networks' subsidiary companies are NIE Networks Services Limited, NIE Finance PLC, NIE Limited and Northern Ireland Electricity Limited.

The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Company financial statements have been prepared in accordance with FRS 101 – Reduced Disclosure Framework and the Company has taken advantage of certain disclosure exemptions allowed under this standard as detailed in Note 2 of the Notes to the Financial Statements.

The financial statements of the Group and the Company have been prepared under the historical cost convention except for the following:

- financial derivative instruments are measured at fair value through profit or loss; and
- defined benefit pension plan assets are measured at fair value.

Ownership

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

Business Model

Principal Activities and Regulation

NIE Networks is the owner of the transmission and distribution networks in NI and the distribution network operator. SONI Limited (SONI), a separate company owned by EirGrid plc, is the transmission system operator and is responsible for transmission system design and planning. The Group's principal activities are:

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

NIE Networks is a regulated company and its business activities are regulated by the UR. Under its Transmission and Distribution licences NIE Networks is required to develop, maintain and, in the case of the distribution system, operate an efficient, co-ordinated and economical system of:

- **electricity transmission** - the bulk transfer of electricity across the high voltage network of overhead lines, underground cables and associated equipment mainly operating at 275kV and 110kV; and
- **electricity distribution** - the transfer of electricity from the high voltage transmission network and its delivery to consumers across a network of overhead lines, underground cables and associated equipment operating at 33kV, 11kV and lower voltages.

NIE Networks manages the assets of the transmission and distribution networks on an integrated basis.

The transmission and distribution networks comprise a number of interconnected networks of overhead lines and underground cables which are used for the transfer of electricity to over 910,000 customers via a number of substations. This network ensures that electricity produced by generators is delivered to consumers through their nominated supplier. NIE Networks does not generate, buy or sell electricity, or send any bills to electricity consumers (apart from charges for new or upgraded connections to the network).

During the year an estimated 7.2TWh of electricity was transmitted and distributed to customers in NI. There are 2,300km of transmission network, 47,000km of distribution network and 340 major substations including 60 large wind farm sites. NIE Networks' transmission system is connected to that of RoI through a 275kV interconnector and to that in Scotland via the Moyle Interconnector. There are also two standby 110kV connections to RoI.

In addition to its core network activities, NIE Networks provides meters to consumers and takes meter readings. It is responsible for managing market registration processes and the provision and maintenance of accurate data to support the operation of the competitive retail and wholesale electricity markets.

Market Registration and Change of Supplier processes facilitate consumers switching suppliers in a timely manner in accordance with retail market rules and aggregated data is provided to the Single Electricity Market Operator on a daily basis for settlement of the wholesale market.

The Group also provides connections to the network for customers requiring a new electricity supply (demand connections) and those seeking to generate electricity (generation connections). The market for new connections has been fully open to competition since March 2018. For 'contestable' elements of connections, customers can choose whether to accept a quotation from NIE Networks or to engage an accredited Independent Connection Provider (ICP) to design and construct the connection.

Revenues

The Group derives its revenue principally through charges for use of the distribution system and Public Service Obligation (PSO) charges levied on electricity suppliers as well as charges for transmission services (mainly for use of the transmission system) levied on SONI. Revenue through charges for new demand and generation connections is received from the customer in accordance with NIE Networks' Statement of Charges for Connection to NIE Networks' Distribution System, which is reviewed by the UR at least annually to approve the charging methodology.

Price controls

NIE Networks is regulated by the UR and is subject to periodic reviews in respect of the prices it may charge for use of the transmission and distribution networks in NI.

Regulatory Period 6 (RP6) commenced on 1 October 2017 and was initially set to apply for the period to 31 March 2024. The UR determined in March 2023 to extend the duration of NIE Networks' current price control (RP6) by one year, moving the end date of RP6 from 31 March 2024 to 31 March 2025. Consequently, the RP7 price control period was deferred to commence on 1 April 2025 and run to 31 March 2031.

The RP6 price control set ex-ante allowances in the Final Determination of £957 million for capital investment and £625 million in respect of operating costs (2022-23 prices). The allowances in respect of major transmission load growth projects are considered on a case-by-case basis, for example, the Coolkeeragh to Magherafelt overhead line refurbishment. The allowances are 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 3.27% 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 RP6. This mechanism was introduced at the start of RP6 and aligns the cost of debt component of the return more closely with prevailing market conditions at the time of drawdown of new debt.

NIE Networks submitted its RP7 business plan to the UR in March 2023. The UR's Draft Determination was published in November 2023 for public consultation, with responses due to be submitted to the UR by 22 March 2024. The UR is now reviewing the business plan and is expected to publish its Final Determination in October 2024.

Strategy

NIE Networks' strategic direction is determined by obligations under its Transmission and Distribution licences as well as a commitment to the development of a low carbon energy framework for NI. Its vision of 'Delivering a Sustainable Energy System for All' sets the specific goal NIE Networks aspires to in the future, providing direction for the Company within the changing external landscape in which it operates. NIE Networks' vision supports and enables NI's journey towards net zero by facilitating the decarbonisation of the electricity system. This will be achieved by connecting more renewable generators, ensuring the network has sufficient capacity to facilitate growth and enable greater electrification of heat and transport, ensuring a safe and reliable service and maintaining a strong focus on customer service. NIE Networks' values are being Safety-, People-, Customer-, Commercially- and Future-focused.

NIE Networks' Purpose aligns with ESB Group's Purpose statement: "At ESB, we are driven to make a difference. Delivering a brighter future; creating and connecting sustainable, reliable, affordable energy; and supporting the customers and communities we serve to achieve net zero."

NIE Networks' strategic objectives are aligned to its values including:

Safety

- The health, safety and wellbeing of employees, contractors and the general public; and
- Progressing the Safer Together Cultural Journey aiming to reduce the risk of harm and improve the wellbeing of all staff.

People

- Ensure we have the people capability to deliver our vision; and
- Performance through people by ensuring a working environment that maximises the potential of employees.

Customer

- Strong customer service performance by providing a reliable and effective electricity service for NI and an excellent experience for customers engaging with the business;

Commercial

- Investment in electricity infrastructure to facilitate increased customer demand; facilitate the connection of further renewable generation, improve reliability of supply and to ensure the safety of the network;
- Delivery of better performance for stakeholders through an efficient and transparent cost base; and
- Maintain financial performance and strength to deliver our vision including maintaining a strong investment grade credit rating.

Future

- Enabling NI's transition to an effective, sustainable and affordable low carbon energy system;
- Secure RP7 Final Determination to enable NI's journey towards net zero to meet societal, customer and business needs to 2031; and
- Effective stakeholder engagement on energy policy issues to support decarbonisation and electrification, and to ensure we understand and can meet stakeholder needs.

NIE Networks seeks to discharge its statutory and regulatory obligations in a manner which meets these strategic objectives.

Financial Review

Financial Key Performance Indicators (KPIs)

Operating Profit and Profit after Tax

NIE Networks' operating profit for 2023 at £135.2m is up £18.1m on 2022 and Profit after interest and tax for 2023 at £69.1m is £11.8m up on 2022 primarily as a result of higher Use of System revenues, which is reflective of NIE Networks' continued investment in key electricity network infrastructure coupled with the impact of inflation, partially offset by higher interest costs to finance the investment in the electricity network.

Group operating costs have increased by £19.0m in the year primarily as a result of increased staff costs (reflective of recruitment during the year to enable the Company to deliver on its commitments to transform the energy system) and inflationary pressures on the Company's cost base.

PSO revenue allows NIE Networks to recover the net cost of supporting industry programmes such as the NI Sustainable Energy Programme. PSO revenue is earned over time in line with the use of system by suppliers under the schedule of entitlement set by the UR for each tariff period. Over time, PSO related income and costs net to nil, albeit there are timing differences between the receipt of revenue and payment of costs. The net PSO expense included in operating profit in the current period is £6.2m (2022: net income of £12.9m).

Funds from Operations Interest Cover

The Group considers the ratio of Funds from Operations (FFO) to interest paid to be one of the key internal measures of the Group's financial health. FFO interest cover indicates the Group's ability to fund interest payments from cash flows generated by operations and is a measure used by external reference agencies when assessing the Group's credit rating. The ratio, as shown in note 6 to the financial statements, at 3.4 times for the year (2022 – 5.0 times) is above the target level of 3.0 times for December 2022 and 2023.

Net Assets

The Group's net assets of £571.2m increased by £22.5m, on the previous year reflecting profit after tax of £69.1m partly offset by a dividend paid to the shareholder during the year of £40.5m and in-year re-measurement losses (net of tax) of £6.1m on net pension scheme assets.

Cash Flow

Cash and cash equivalents increased by £74.1m during the year reflecting net cash inflows from operating activities of £125.7m. These inflows were offset by investing activities (excluding short-term investments) of £178.1m reflecting the Group's continuous investment in the network, the £40.5m dividend paid and repayment of £3.0m of lease liabilities. During 2022, the Company had £170.0m of short-term investments which matured in May 2023.

Financial Risk Management

The main financial risks faced by the Group relate to liquidity, funding, investment and financial risk, including interest rate and counterparty credit risk. The Group's objective is to manage financial risks at optimum cost. The Group employs a continuous forecasting and monitoring process to manage risk.

Capital Management and Liquidity Risk

The Group is financed through a combination of equity and debt finance. Details in respect of the Group's equity are shown in the Statement of Changes in Equity and in note 22 to the financial statements.

The Group's debt finance at the year-end comprised bonds of £350.0m, £350.0m and £400.0m (£349.5m, £346.3m and £399.5m respectively net of amortised issue costs) which are due to mature in October 2025, December 2032 and June 2026 respectively. The Group has access to a £100.0m RCF from ESB, none of which was drawn down at the year end. The RCF is due to mature in December 2025.

The Group's liquidity risk is assessed through the preparation of cash flow forecasts. The Group's policy is to have sufficient funds in place to meet funding requirements for the next 12 to 18 months. This policy is maintained through the continuous forecasting and monitoring process.

The Group's policy in relation to equity is to finance equity dividends from accumulated profits. In relation to debt finance, the Group's policy is to maintain a prudent level of gearing.

NIE Networks' licences contain various financial conditions which relate principally to the availability of financial resources, borrowings on an arm's length basis, restrictions on granting security over the Group's assets and the payment of dividends. The Group is in compliance with these conditions.

The Group maintained its strong investment grade credit rating of BBB+ from Standard & Poor's during the year.

Interest Rate Risk

The £350.0m, £350.0m and £400.0m bonds are denominated in sterling and carry fixed interest rates of 2.500%, 5.875% and 6.375% respectively.

Given that 100% of the Group's total borrowings at December 2023 carry a fixed interest rate, the Group does not consider that it is significantly exposed to interest rate risk.

Since December 2010, NIE Networks has held a £550m portfolio of RPI linked interest rate swaps (the RPI swaps). The RPI swaps were put in place by the Viridian Group (the Group's previous parent undertaking) in 2006 to better match NIE Networks' debt and related interest payments with its inflation-linked regulated assets and associated revenue – in the nature of economic hedge. As part of the acquisition of NIE Networks by ESB in 2010, the swaps were novated to NIE Networks.

In 2011, following the novation of the swaps to NIE Networks, the Company entered into back-to-back RPI linked interest rate swaps with ESBNI Limited (ESBNI), the immediate parent undertaking of the Company, which have identical matching terms to the swaps. The back-to-back matching swaps with ESBNI 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. Further details of the swaps, including fair values and details of restructuring in 2021, are disclosed in note 20 to the financial statements.

Credit Risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables (excluding prepayments and accrued income), short-term investments and other financial assets as outlined in the table below:

Year to 31 December	**2023 £m**	2022 £m
Cash and cash equivalents	**152.0**	77.9
Trade and other receivables (excluding prepayments and accrued income)	**68.9**	53.2
Short-term investments	**-**	170.0
Other financial assets – current and non-current	**297.3**	498.2
	518.2	799.3

The Group's credit risk in respect of trade receivables from licensed electricity suppliers is mitigated by appropriate policies with security received in the form of cash deposits, letters of credit or parent company guarantees. With the exception of certain public bodies, payments in relation to new connections or alterations are received in advance of the work being carried out. Payments received on account are disclosed in note 18 to the financial statements.

Short-term investments represent monies placed on deposit with financial institutions for periods of greater than three but less than six months. The balance at December 2022 represents proceeds available after raising a bond in November 2022 which were placed on deposit for the purpose of earning a return prior to being invested in the network.

Other financial assets comprise RPI linked interest rate swap arrangements entered into with ESBNI, a wholly owned subsidiary of ESB, as outlined above. The counterparty risk from ESBNI is not considered significant given ESB's investment in the Group and ESB's strong investment grade credit rating.

The Group may be exposed to credit-related loss in the event of non-performance by bank counterparties. This risk is managed through conducting business only with approved counterparties which meet the criteria outlined in the Group's treasury policy.

Further information on financial instruments is set out in the notes to the financial statements.

Going Concern

The Group's business activities, together with the principal risks and uncertainties likely to affect its future performance, are described in this Group Strategic Report. As noted in the section on capital management and liquidity risk, the Group is financed through a combination of equity and debt finance.

On the basis of their assessment of the Group's financial position, which included a review of the Group's projected funding requirements for a period of not less than 12 months from the date of approval of the financial statements along with potential severe but plausible downside sensitivities, the directors have a reasonable expectation that the Group will have adequate financial resources for the 12-month period. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Operational Review

Operational KPIs

NIE Networks uses a number of Key Performance Indicators (KPIs) to measure progress towards achieving operational objectives. Performance during the year is summarised below:

KPIs – Year to 31 December	2023	2022
Health & Safety:		
Lost time incidents *(number of)*	**7**	**2**
Network Performance:		
Customer Minutes Lost (CML)		
• Planned CML *(minutes)*	**37**	**38**
• Fault CML *(minutes)*	**43**	**38**
Customer Service:		
Overall standards – defaults *(number of)*	**3**	**1**
Guaranteed standards – defaults *(number of)*	**97**	**52**
Stage 2 complaints to the Consumer Council *(number of)*	**-**	**3**
Connections:		
Customer demand connections completed including non-recoverable alterations *(number of)*	**4,007**	**3,690**
Sustainability:		
Reduction in non-network carbon emissions *(vs 2019 baseline)*	**3.9%**	**10.5%**
Waste recycling rate	**96.8%**	**97.1%**
Staffing:		
Headcount (at 31 December)	**1,506**	**1,367**
Absenteeism	**2.4%**	**3.4%**

Responsible Business Review

NIE Networks provides a vital service to every home, farm and business in NI as part of its day-to-day work in delivering electricity supplies. Through its mainstream business activities and various specific initiatives, the Group seeks to make a positive impact on the communities in which it operates.

2023 saw NIE Networks continue to deliver on its commitments to customers with a further investment of over £161m in the network alongside a continued strong performance on network availability with Customer Minutes Lost maintained at low levels.

The key developments and achievements across the business during 2023, including principal Corporate Social Responsibility initiatives, are outlined below.

Health, Safety and Wellbeing

Ensuring the health, safety and wellbeing of employees, contractors and the general public continues to be the focus of our safety value within NIE Networks. Our ambition is to provide a zero-harm working environment where risks to health, safety and wellbeing are assessed and controlled. While NIE Networks will continue to strive towards our ambition of zero for lost time incidents, there were seven incidents during the year (2022 – two lost time incidents). All of the incidents in 2023 occurred with work away from the network and involved minor strain type injuries (not inherent risk) and each incident has been investigated internally.

The health and safety management system is accredited to ISO 45001 standard and based on best practice guidance from the Health and Safety Executive Northern Ireland (HSENI) and the Institute of Directors. NIE Networks continues to engage with various organisations including the HSENI, the NI Utilities Safety Group, the NI Roads Authority and Utility Committees, the NI Environment Agency (NIEA), various Energy Networks Association (ENA) health and safety committees, and the ESB Group, to share information and improve safety culture, performance and learning.

Our enabling action plan to improve adherence to our safety value, reduce the risk of harm and improve the wellbeing of our staff continues to evolve. The “Safer Together – Our Pathway to Zero Harm” journey is a continuing priority for NIE Networks into 2024. Furthermore, the continuing Safer Together journey involves partnering with consultants to further evolve the culture of the organisation. Work commenced in January 2023 on safety culture to develop a proposed programme of works over three years with the goal of having a significantly different culture by the end of year three that will continue to evolve and improve by embedding skills within our own workforce to ensure skills are sustainable.

The Safer Together journey has had ongoing input from, and engagement with, staff across the business and aims to refocus our commitment to our safety value, through promoting an open and proactive safety culture with the full involvement of all. This is being reinforced through strong and visible leadership and the development of a series of safety improvements. As a result of the Safer Together journey we have already made significant changes in many aspects of our operations. Four new Coaches have been appointed to Safety Culture and Leadership Coaching roles to help take the culture journey forward. This year the entire company was given the opportunity to attend a ‘Being safer Together’ session which provided everyone some background on Safer Together, explain how the Safer Together journey is evolving from a Culture Transformation perspective and highlight what part everyone in the organisation can play in bringing about a Safer Together Culture across the organisation. Over 1,100 employees attended a being ‘Safer Together’ session.

Our overall approach to incident investigation and management of issues will be guided by a new ‘Fair and Just‘ approach.

Safety Engineers are aligned with organisational structures through a Business Partner relationship which facilitates integration of skills and allows influence and support. During 2023, the Safety Team continued to support all business units with particular focus on the following areas:

- the reporting, analysis and investigation of “Near Miss” events which is key to reducing harm. There has been a significant increase in Near Miss reports facilitated by the launch of a new Near Miss mobile App which allows key learnings to be extracted quicker, as well as facilitating easier recording and reporting of near Miss incidents. We can view this as positive progress and we will continue to promote and monitor our continual improvements. The quality of reports continued to improve with an increase in reports detailing “unsafe acts”. Each report is analysed by a team of Safety Engineers to ensure consistency and accurate follow-up, enabling further improvements in equipment and operational procedures to be identified and addressed;
- formal incident investigation procedures with monthly reporting to the Health and Safety Management Committee;
- two external International Organisation for Standardisation (ISO) audits were completed with zero non-conformances identified;
- continued programme of formal safety training for employees and contractors, including safety seminars delivered to all staff to increase risk awareness and perception and the publication of a monthly Safety newsletter;
- 2,489 site safety engagements completed, the focus of which was to provide coaching, mentoring and to encourage good site behaviours while ensuring compliance with safety rules. In line with the Leadership and Engagement principles these were completed by a range of staff including Executive Committee members, business unit managers, health and safety engineers and front-line managers;
- continued focus on identifying the causes of road traffic incidents including post-incident driver appraisals and training where required; and

- a programme of health and wellbeing checks, health screening and lifestyle advice was made available to all staff with nearly 480 employees receiving a MOT health check or Atrial Fibrillation & Blood Pressure check. Qualified external providers provided these health checks at 11 of our locations. In addition, our occupational health provider carried out flu vaccine clinics where employees received the flu vaccine at our various locations.

A further 28 mental health first aiders were trained in 2023 and a key objective for managers during 2024 will be to ensure regular engagement and awareness of mental health is embedded in their interactions with their teams including through one-to-one meetings and the Personal Development Journey (PDJ) process. The PDJ process is designed to be used constructively to recognise good performance, seek performance improvements where required and to identify potential in employees. This increased our existing mental health first aiders across our main locations.

A number of new initiatives took place during 2023 along with the return of many popular annual events. The engagement and participation in all initiatives increased and overall, positive feedback was received throughout the year.

Updates on safety performance are provided to each Health and Safety Management Committee, Executive Committee and Board meeting. This provides a level of regular assurance against objectives agreed in the annual Health, Safety and Wellbeing business plan.

Electricity provides a vital service for everyone in NI, but it has the potential to be dangerous if the appropriate protections are not maintained. NIE Networks aims to continually heighten and improve the awareness of those in the close vicinity of the electricity network. NIE Networks' Public Safety programme addresses the Group's legislative obligations in respect of safety and involves employees from across the Group.

Safety advice is available on NIE Networks website at www.nienetworks.co.uk/safety

During 2023, aspects of the Company's Public Safety Programme were delivered through radio messages, printed media and associated digital adverts. The messaging was designed to reach a wide audience including the agricultural sector, and print media including both main stream and specific agricultural publications. This approach allowed us to split our two main messages for agricultural/farm safety and DIY thus producing good audience reach (estimated by media group c.120,000 people). In 2023, safety presentations were delivered to contractors across the industry, other utilities and their contracting partners. Our existing Phish Safe campaign was refreshed with new video content, new leaflet updates and was promoted via social media. Our Public Safety Programme for 2023 allowed us to get out again and visit some schools; but for those who were still not allowing visitors, we facilitated schools by hosting our presentation on virtual platforms. We completely redesigned our KidzSafe presentation to incorporate more video elements and to tailor it more to the school curriculum whilst also making it more engaging for kids and ensuring we are able to deliver all our relevant safety messages.

NIE Networks continued to work with HSENI, the network operators in Great Britain and other utilities in NI to address the dangerous issue of third-party contact, or interference, with the electricity network.

Network Performance

The provision of a safe, reliable and responsive electricity service, which endeavours to meet the standards customers expect, is a key priority for NIE Networks.

During 2023, NIE Networks continued to efficiently manage outages required for essential maintenance and development to minimise the occasions and length of time that customers were off supply. Performance of the distribution network is measured in its availability – the number of minutes lost per customer (CML) due to planned outages is the average number of minutes lost per customer for the period through pre-arranged shutdowns for maintenance and construction. The average number of planned CML for 2023 was 37 minutes (2022 – 38 minutes). The average number of CML due to faults on the distribution network in 2023 was 43 minutes (2022 - 38 minutes). Each measure is calculated excluding incidences where Severe Weather Exemptions have been applied as agreed with the UR.

NIE Networks continues to test and confirm the robustness of its emergency response capabilities during severe weather events in order to effectively restore supply to all customers. The significant commitment from staff across the business helps to ensure that NIE Networks manages effectively this very important aspect of the business with every employee having an "escalation role" in addition to their normal day-to-day role. During the year, 92.3% (2022 – 92.7%) of electricity supplies interruptions were restored within three hours, far exceeding the regulatory standard of 87%.

During the year there were nine occasions where adverse weather caused damage to the network and affected several thousand customers' supplies. While almost 100% of affected customer supplies were restored within 24 hours, on one of those occasions, seven customers were restored after 24 hours.

After the year end date, on 21 January 2024, Storm Isha brought 80mph winds to NI causing widespread damage to the distribution network totalling 1,100 individual faults and leaving 53,000 customers without power at its peak. This was the largest wind-only storm event since the 27 December 1998 storm and the response / recovery effort lasted until Friday 26th January. Approximately 87% of customers had electricity supply restored within 24 hours, 98% within 48 hours, and 99.9% within 72 hours. In total, an average of 52 Customer Minutes Lost were incurred during the storm – this is equivalent to c. 15 months of normal unplanned CMLs for the Company. The Customer Contact Centre received c. 30,000 customer calls during the period which was equivalent to 15% of the annual volume of calls.

In preparation for the event, the Company's Emergency Plan was fully activated which saw the mobilisation of a Duty Incident Team and 12 Local Incident Centres province-wide, and in total approximately 1,000 employees contributed directly to the storm response, with many non-operational staff taking part by carrying out contact centre roles (30,000


POSITIVE
#adamsarmy
POSITIVE
#adamsarmy


POSITIVE
#adamsarmy
POSITIVE

customer calls answered and 7,000 live chats answered). In addition to approximately 600 staff and contractor field staff who worked on site during the week, a further 60 staff from Scottish and Southern Electricity Networks (SSEN) travelled from Scotland as part of the North East South West Area Consortium (NEWSAC) mutual aid arrangement with other electricity utilities to assist with repairs. The Company worked alongside, and within, the NI resilience framework to manage critical care and vulnerable customer groups during the event with 60 portable generators fitted and maintained for affected customers with medical needs, and 7 Community Assistance Centres were opened in leisure centres in the worst affected areas for customers who were off supply for more than 24 hours.

Customer Service and Care

The UR sets overall and guaranteed standards of performance. The majority apply to services provided, for example, the timely restoration of customers' supplies following an interruption, meter readings in the period and prescribed times for responding to customers' voltage complaints. In 2023, there were 97 defaults against guaranteed standards of performance for customer service activities delivered; there were three failures against overall standards: meter reading - OS7 – for the 12-month period ending 31 March 2023 whereby a customer must have their meter read at least once in a 12-month period, and two cases of OS8 where we failed to respond to customer correspondence within 10 working days. The number of defaults against guaranteed standards in the year was largely due to an increase in the complexity of new connection requests which, in turn, mean that they are more difficult to deliver within the prescribed timing. Management have taken steps to review resources, processes and procedures and implement changes in readiness for a continued increase in demand as customers seek to install low carbon technologies. There were also a number of missed metering appointments.

As an organisation, NIE Networks strives to engage with customers professionally and courteously while being respectful of their individual needs. During 2023 NIE Networks faced specific challenges, particularly in its Contact Centre. These were due to the increasing difficulties customers were facing in terms of the cost of living crisis as well as a number of supplier related issues which resulted in significant additional calls to our Contact Centre both during and outside normal working hours. Approximately 35-40% of all calls received were billing or supplier related.

The focus on managing customer complaints continued in 2023 where there was an increase of around 25% in the number of complaints received, compared with the previous year. This increase reflected the significant increase in work to maintain a safe and reliable network and the particular challenges this created in terms of outages experienced by customers. As an organisation we continue to focus on customer communication and individual complaints received are analysed and assessed, based on the specific circumstances, to determine whether or not the complaint was avoidable, in order to help prevent recurrence.

The continued strong focus on customer service limits the number of instances when customers are dissatisfied to the extent that they refer a complaint to the CCNI for review (Stage 2 Complaints). During the year, there were zero Stage 2 Complaints taken up by the CCNI on behalf of customers (2022 – three).

NIE Networks has committed to delivering customer service improvements during RP6 as it seeks to meet and exceed ever increasing customer expectations, especially in relation to increased means of engagement with the Company. These improvements are incorporated into the Company's annual Customer Service Action Plan, endorsed by the Board.

The Consumer Engagement Advisory Panel (CEAP), established during the development phase of the RP6 Business Plan and comprising NIE Networks with the UR, DfE and CCNI, continued to oversee ongoing consultation with customer groups on the delivery of the RP6 programme and priorities for RP7.

Arrangements are in place with ESB Networks, Northern Ireland Water, Openreach Northern Ireland and Phoenix Natural Gas to provide mutual support, such as sharing resources and equipment, so that customers' utility supplies can be restored more quickly during periods of severe weather or other emergency situations. In addition, together with district councils, emergency planners, health trusts and other organisations, NIE Networks has arrangements in place to respond to wider community needs in the event of customers being without electricity for an extended period of time due to severe weather or an emergency situation. A Winter Readiness communications campaign is in place to ensure homeowners have the utility companies' contact details should they need them.

NIE Networks teams provided support to distribution network operators in GB and RoI to reconnect customers whose electricity supplies were disrupted during severe weather events in 2023.

NIE Networks' medical customer care information service is a priority service for customers who rely on electricity for their healthcare needs with customers or their carers receiving prioritised information on faults or planned work on the network. Over 19,000 customers are registered for the service which represents an increase of 150% since the start of RP6.

During the year, NIE Networks continued to roll out its Vulnerable Customer Strategy. This strategy focuses on household customers who are dependent on electrically powered equipment (including life-protecting devices, technologies to support independent living and medical equipment), or are identified as needing extra support due to their personal characteristics or circumstances.

NIE Networks works with electricity suppliers to offer a Password scheme to reassure customers that the employee visiting their home or premises is a genuine caller, whereby a pre-agreed password is delivered to the customer before the employee is allowed to enter a property. In addition, NIE Networks is a member of the PSNI Quick Check 101 scheme.

NIE Networks continued its partnership with the NOW Group, the social enterprise that supports people with learning difficulties and autism into employment, on its JAM Card initiative. JAM stands for Just A Minute and is a card originally designed as a way for people with communication difficulties to ask for some more time to complete their activities.

Connections

NIE Networks' Connections business provides safe, secure, reliable and timely electricity connections to the distribution system within NI. Connections work typically involves: connecting new or additional load, altering the network, or connecting generators to the distribution network. The drive towards a decarbonised society is now driving significant interest in connections of low carbon technologies such as electric vehicle chargers and electric heat pumps to the network.

The Connections business connects customers to the electricity network, powering homes, businesses, farms and connecting renewable and low carbon technologies. The number of new connections completed during the year decreased to 7,025 from 7,977 in 2022, reflecting uncertain economic conditions as the cost of living crisis impacts a number of market segments.

Significant elements of the market for new connections have been open to competition since March 2018. For 'contestable' elements of connections, customers can choose whether to accept a quotation from NIE Networks or to engage an accredited ICP to design and construct the connection. There are a number of accredited ICPs registered to complete the 'contestable' elements of connections in NI. ICPs must adhere to NIE Networks' policies and technical specifications when completing the contestable works. Further information in relation to Competition in Connections for customers and ICPs is available on NIE Networks' website.

Following a consultation process to explore the possibility of further extending contestability in electricity connections, the UR published 'Expanding the Scope of Contestability in Northern Ireland – Next Steps' in July 2021, which stated that it aimed to establish contestability for low voltage final connections to the distribution network. NIE Networks continues to engage with the UR and the relevant stakeholders to establish contestability for low voltage final connections but this is subject to market participants coming forward which is yet to occur.

NIE Networks continues to play a critical role in providing connections for renewable energy sources. To date, NIE Networks has successfully connected around 26,400 generators providing renewable generation capacity to the network, significantly adding to the available market capacity and resulting in approximately 1.8GW of renewable capacity now connected to the network. In addition, there continues to be interest from generators to connect potential further renewable capacity to the network. The latest statistics show that 47% of annual electricity consumption in NI for the twelve months to 30 September 2023 was generated from renewable sources.

The renewable future of NI is dependent on good partnership and collaboration with industry participants, customers and other stakeholders. NIE Networks continues to work closely with all these stakeholders and is working towards an objective to meet at least 80% of electricity consumption from renewable sources by 2030.

Following successful consultations, the small-scale generation market was opened further and a significant number of applications were received. This will result in increased numbers of renewable generators being able to connect to the distribution network. NIE Networks has continued to actively participate in the Connections Innovation Working Group to consider and progress appropriate solutions which facilitate the connection of further Distributed Energy Resources (DER) in NI.

As NI works towards the target of a net zero carbon economy by 2050, the electrification of heat and transport will play a fundamental role in meeting that target. NIE Networks will ensure that, through the right planning and investment, it can minimise costs for customers and support them in their efforts to cut emissions and live a more sustainable life. NIE Networks encourages customers who have installed, or plan to install, an electric vehicle charger, to notify us through our website. This information is important to ensure that the Company invests in the electricity network where needed to safely and reliably meet the increase in electricity demand required to support these technologies.

There has also been an increase in interest from customers connecting integrated micro generation and battery storage through the Company's G99 Fast Track process during the year. The Connections business will continue to provide an excellent service to customers connecting to the network whilst facilitating competition in the connections market.

Network Investment

In 2023 NIE Networks invested £161.0m (2022 - £128.7m) in the transmission and distribution networks. This investment was primarily related to the targeted, condition-based refurbishment and replacement of assets to maintain reliability of supply and ensure the safety of the network. The significant increase in investment from the previous year is reflective of continued efforts to ramp up delivery following programme delays resulting from the Covid-19 pandemic and supply chain issues caused by the war in Ukraine.

As part of an ongoing programme 737km of distribution overhead lines were refurbished during the year. A further 471km of 11kV distribution overhead lines were targeted for capacity upgrading approved under additional Green Recovery allowances. This revised specification is designed to accommodate the growing uptake of Low Carbon Technologies (LCTs) on the network with the entire 11kV overhead line network being upgraded to this specification by 2038.

Substation refurbishment is a continual focus of network investment with work during 2023 ranging from minor refurbishment of over 3,000 Low Voltage (LV) plant items costing less than £100 per unit, to the installation of a new 22kV transmission reactor costing close to £1m in the year.

We are committed to reducing the environmental impact of our asset base and during the year continued discussions with suppliers to identify alternatives to Sulphur Hexafluoride 6 (SF6) insulated plant equipment. SF6 is a non-toxic gas widely used in electrical equipment as an insulating medium that has a global warming potential 23,500 times that of Carbon Dioxide.

Replacement of poor performing underground cables to minimise customer interruption is a key facet of our network investment programme with over 11km of cable replaced in the year across our LV and 11kV cable network. In addition to this we continued to invest in leakage monitoring programmes to ensure that our cables continue to perform without causing undue damage to the environments in which they are located.

Substantial progress was also made in investments to resolve capacity issues on the network during 2023 with further allowances secured during the period to install monitors on the LV network. The installation of these monitors will provide future visibility of the LV network allowing NIE Networks to target capacity investment where it is needed as our customers continue to decarbonise their heat and transport.

Other key investments included the completion of construction works to refurbish the existing 275kV double circuit tower line between Coolkeeragh Power Station and Magherafelt Main substations, the ongoing refurbishment of the 110kV overhead line circuit between Ballylumford Power Station and Eden main substations and the uprating of the 110kV overhead line between Omagh and Dromore.

Market Operations

During the year, NIE Networks achieved over 99.0% compliance with its regulatory standards in respect of customer appointments for metering services. Separately, approximately three and a half million visits are made each year to customer properties to take meter readings to ensure that electricity consumption is calculated accurately, thereby minimising the number of estimated bills issued by electricity suppliers. Changes in consumer trends and social dynamics significantly impacted property access, which resulted in obtaining a meter reading for 99.0% of customers against an overall target of 99.5% in the period to 31 March 2023.

NIE Networks has certain obligations under the Trading and Settlement Code to provide aggregated meter data for the purposes of settlement of the wholesale Integrated Single Electricity Market and continued to be compliant with these obligations throughout the year. NIE Networks continued to operate the retail market arrangements in accordance with the Market Registration Code and associated agreed procedures.

During the year, an issue occurred in relation to prepaid meter top-ups for customers of one of the NI electricity suppliers, which resulted in a number of customers losing supply of electricity. NIE Networks worked together with the supplier to support them in their efforts to restore supply to customers by replacing a number of impacted keypad meters.

A major programme to replace meters that have reached the end of their life cycle continued during the year with the replacement of approximately 28,000 meters. Around 48% of customers' meters have now been replaced since this programme commenced in 2015.

The Department for the Economy (DfE) published a cost benefit analysis report during 2023 which supported the implementation of electricity smart meters in NI and is now commencing planning for the rollout of smart meters. NIE Networks is continuing to engage with DfE and the UR in relation to planning for this important aspect of NI's Energy Strategy.

Environmental Social and Governance

Responding to interest from investors and stakeholders, during 2023 NIE Networks initiated the development of its Environmental, Social and Governance (ESG) strategy. NIE Networks aims to demonstrate, through its reporting regimes, (1) adherence to globally recognised ESG frameworks, (2) its clear net zero transition plan, and (3) that it is an organisation where its people can make a difference to local communities and the environment.

NIE Networks already carries out a significant level of Sustainability-related activities, and currently reports energy usage and carbon emissions in line with the mandatory Streamlined Energy and Carbon Regulations (SECR) (pages 54-57). NIE Networks expects that its sustainability, environment and wider ESG disclosures will be further enhanced and evolve over the coming years to promote transparency and provide updates on progress made against its commitments.

NIE Networks has developed a roadmap for enhancing its ESG reporting including consideration of early voluntary disclosure to the Taskforce for Climate related Financial Disclosures (TCFD) framework, and potentially others such as Global Reporting Initiative (GRI) over the coming years. NIE Networks is currently developing an integrated People, Planet, Places plan that will set out our environmental and sustainability ambitions and actions in one plan, including emissions reductions of our operations, biodiversity enhancement, our approach to developing a sustainable supply chain, and our ESG programme requirements, including Sustainability Reporting readiness.

During 2023, the Company implemented an IT repository and reporting tool for collating greenhouse gas emissions data to help fulfil its sustainability, environment and ESG data reporting requirements going forward. The Company is developing its expansion plan for this repository to include other custom metrics that it wishes to disclosure in future years.

Sustainability

As a Distribution Network Operator and Transmission Asset Owner, NIE Networks plays a key facilitating role in decarbonisation and has the opportunity and capability to directly affect carbon emissions in NI. NIE Networks is paving the way to a decarbonised economy by promoting and facilitating the connection of renewable generation and low carbon technologies as well as operating the distribution system in a more dynamic, flexible and economic manner while maintaining high safety standards alongside security and reliability of supply.

NIE Networks is committed to delivering a sustainable energy system for all, including behaving sustainably in our own practices. NIE Networks has a dedicated Sustainability & Environment Manager who is responsible for developing the strategy and action plan to deliver against the company's own social, environmental and carbon reduction targets.

NIE Networks' Sustainability Policy commits to ensuring its business has a positive impact on the local and global environment, community, society and economy. The Group's commitment to the European Distribution System Operators Sustainable Grid Charter underscores its intentions in this regard and also its commitment to addressing climate change and its wider societal impacts. Against this context, and in line with statutory reporting requirements, NIE Networks aims to demonstrate its commitment to managing its business activities in a more sustainable, environmentally protective manner and take steps to reduce its carbon footprint.

The Company's Sustainability Action Plan, launched in November 2020 and endorsed by the Board will be essential in securing a low carbon future. At the heart of the delivery of this action plan is creating personal accountability of employees through a behavioural change programme with monthly company-wide communications on the topic. Implementing the NIE Networks Sustainability Action Plan will be essential in helping the company play its part in meeting a net zero carbon future as well as increasing the company's corporate social responsibility, longevity and reducing waste.

During 2023, NIE Networks has continued to develop both near term reduction and long-term Net Zero carbon targets in line with the standards of the Science Based Target initiative (SBTi). NIE Networks also previously joined the United Nations' Race to Zero campaign. NIE Networks has committed to a Net Zero by 2050 or sooner. Progress against energy and carbon reduction targets is provided in more detail as part of the Streamlined Energy and Carbon Reporting statement on pages 54-57, along with details on business carbon footprint performance. In 2023, NIE Networks reduced its business carbon footprint by 3.92% against the 2019 baseline. However, there has been an increase from 2022 which reflects an increased workforce and increased in fuel consumption resulting from ongoing investment in the network.

NIE Networks is currently refreshing its sustainability strategy for 2025 onwards. Our strategy and its aims, will demonstrate that NIE Networks and its employees, can make a positive impact on local communities and the environment.

Environment

NIE Networks' Environmental Policy commits to protecting the environment and mitigating the impact of its activities on the environment. NIE Networks is also committed to aligning its business with social objectives and supporting local environmental organisations to protect and improve the environment in NI. The Environmental Management System is certified to ISO14001, it is designed to ensure compliance with all relevant legislative and regulatory requirements and to promote continual improvement in all we do environmentally.

NIE Networks seeks to be an industry leader, developing standards and best practice solutions where possible.

The annual Environmental Business Plan sets out detailed steps to ensure the achievement of the key objectives of: minimising the risks of air and water pollution and land contamination; minimising the impact on local communities; enhancing energy and resource consumption efficiency and waste management practices whilst ensuring appropriate overall environmental management.

Throughout 2023, the Company continued to focus on each of the following areas:

- waste management targets with the recycling rate for all hazardous and non-hazardous waste (excluding excavation from roads and footpaths, civil projects excavation and asbestos removal) remaining high at 96.8% (2022 – 97.1%);
- managing environmental incidents and ensuring clean up procedures are followed where environmental incidents occur; and
- continued energy management improvement across operational sites.

Two external audits of the ISO14001 system were completed during 2023 with zero non-conformances identified.

To support its environmental programme, ISO14001 targets and the continual improvement of its management system, NIE Networks has partnered with local bodies including Ulster Wildlife, The Conservation Volunteers (TCV) and the Royal Society for the Protection of Birds (RSPB) NI. As part of this we have worked to develop employee understanding of wildlife they may come across in their day-to-day duties, facilitated tree planting sessions across the province alongside litter picking and other forms of environmental outreach.

In addition to being a committed member of Belfast City Council's Million Trees Project, in 2023 the Company initiated a new tree planting programme with TCV. Over 4,000 trees were planted during Tree Week in November. The number of trees to be planted will grow over the coming years with a goal of planting over 50,000 trees per year, equivalent to replanting two trees for every one we cut in our resilience tree cutting programme to keep trees a safe distance from overhead lines. By choosing the location of the new woodland away from overhead lines we can also prevent repeat habitat loss in the future. Forty employees across NI volunteered their time to tree planting during 2023, equating to 192 hours volunteered. The tree planting programme is carried out by hand with no machinery involved so the entire process is nature-positive from native seed collection, to germination, and transplanting. To help develop the partnership, NIE Networks provided TCV with an electric van to complement this intention.

2023 saw the Company's second year of participation in peatland restoration projects in partnership with RSPB NI, to create peat dams that collect water and prevent the bog in the Garran Plateau from drying out. This work will improve biodiversity, carbon capture, and water quality in the area.

Early in the year we delivered environmental training to our Contractors to ensure our high environmental standards are implemented across all work programmes beyond our own in-house staff.

NIE Networks achieved the top level "platinum" award in Business in the Community (Northern Ireland) Environmental Benchmarking Survey for the eighth consecutive year in 2023. This survey recognises those organisations that go above and beyond their legal requirements to improve their environmental impacts and better manage their resources.

People

Central to NIE Networks' people strategy is the recruitment, development, training and retention of highly skilled employees for core strategic activities, working in partnership with bought-in-services as appropriate. This ensures that knowledge and skills are retained, allows greater agility and flexibility to redeploy employees where needed, and builds a strong inclusive culture of engaged employees motivated to deliver business objectives. Having this agility and flexibility during 2023 has been essential in attracting new talent and retaining our highly skilled employees while ensuring we all can operate effectively while also responding positively to the challenges and opportunities for employees at all levels.

Against the challenges of delivering the outputs required in the RP6 price control within the allowances set, management has continued to focus on ensuring there are appropriate levels of skilled resources in place delivering efficiently while also recognising the need to continue to develop our current employees through upskilling, increased responsibilities and creating opportunities for retraining. There has been significant recruitment throughout 2023 across a diverse range of skilled & professional roles.

The number of employees at the end of 2023 was 1,506 (2022 – 1,367).

Training and Development

NIE Networks seeks to attract, develop and retain highly skilled people through its award-winning apprenticeship programme, higher level apprenticeship pathways, as well as graduate, apprentice-to-graduate and scholarship programmes. These programmes provide our future talent pipeline. Our Technical Training Centre, which includes apprentice training, continued to maintain extremely high standards in training and achieved the DfE Apprenticeship Award for best large employer in partnership with a training organisation and DfE Apprenticeship Award for Diversity and Inclusion in 2023. In addition, they were also awarded the CIPD NI Best Apprenticeship Scheme and retained "Highly effective" classification following a recent four-day Education and Training Inspectorate assessment. In 2023 the Company continued to offer and successfully recruit, a number of industrial placement undergraduate roles across a diverse range of departments including Engineering, IT and HR; as well as expanding our Higher-Level Apprentice pathways alongside the introduction of an Apprentice Academy within our engineering planning function and a trainee programme for Overhead lines.

NIE Networks is committed to a working environment which enables employees to realise their maximum potential and to be appropriately challenged and fully engaged in the business, with opportunities for personal growth and development and skills enhancement. Our culture is to nurture and develop our people and offer everyone the opportunity to grow both personally and professionally. HR policies are aligned with key business drivers including: performance and productivity improvement; clearly defined values and behaviours; a robust performance management process; and a strong commitment to employee development. In addition, NIE Networks is currently engaged in a full review of all policies and procedures to ensure they are fully inclusive.

We continue to support a high percentage of employees through a variety of training and development initiatives which included leadership skills programmes, support programmes for formal qualifications, role enhancement, role changes, team development initiatives, coaching and mentoring.

NIE Networks continues to promote the professional development of engineers through the Institution of Engineering and Technology (IET) Professional Registration Scheme and encourages and supports more employees to become IET members and Chartered Engineers.

Equality and Diversity

NIE Networks is proactive in implementing and reviewing Human Resource policies and procedures to ensure they are fully inclusive and compliant with all relevant legislation. NIE Networks is committed to providing equality of opportunity for all employees and job applicants with ongoing monitoring to ensure that equality of opportunity is provided in all our employment practices. Extensive outreach initiatives are used to actively seek female applications in male dominated job roles. In early 2023, NIE Networks was awarded the Silver Diversity Charter Mark following the successful implementation of an action plan which focused on developing a more inclusive workplace for those with disabilities and those from a broader range of ethnic/cultural backgrounds. Unconscious Bias Training was rolled out across the organisation to all employees this year which was well received. To support our Diversity & Inclusion Journey an internal Forum was established with c. 30 employees who are representative of the diversity in the organisation. We have now also formed six staff lead D&I networks which are supporting the continued development of a more inclusive culture and workplace and to encourage more open conversations and greater understanding across disability, gender, ethnicity, age, good relations and LGBTQ++. The forum meets quarterly and is a sub group of our overall employee engagement process. The forum is also supported by two members of the Executive Team who actively act as allies for Diversity & Inclusion. We are also partnering with a number of external organisations to support us in this area which includes Disability Action, Autism NI, the Now Group, Business in the Community and GEMS. Our partnership with Disability Action has already given us the opportunity to co design disability awareness training which has been delivered initially to the HR team and Forum members with a view to widening this to managers and employees during 2024.

Our goal is to be a leader in disability inclusion and create an inclusive and accessible working environment where everyone is supported to reach their full potential. In order to achieve our aim, we will take action to simultaneously increase representation whilst continuing to improve our working environment and colleague experience to ensure we are inclusive and accessible to all. We have a number of programmes, partnerships, and policies in place to support those with disabilities within the Company and to help break down any barriers to their recruitment, retention and development.

We have undertaken a review of barriers to our recruitment and selection processes to promote equality and ensure any barriers that may discourage disabled applicants from applying are identified and mitigated as appropriate. During 2023 our Diversity & Inclusion Forum launched and a key focus is to promote the profiles of colleagues with a disability in our promotional materials, ensuring job advertisements are available in accessible formats, including welcoming statements for those with disabilities at various key stages of the applicant journey and advertising vacancies widely in a variety of media and with external organisations. Our new facilities have all been designed to ensure accessibility for all current and future employees and to ensure employees with disabilities can perform their job duties effectively and foster an open and supportive environment where employees feel comfortable disclosing their disabilities and requesting accommodations. We launched disability awareness training in Q4 2023 which was co designed by the disability staff network group and Disability Action NI. In addition, we also provided employees the opportunity to attend deaf awareness and sign language training.

Sickness Absence

The proactive management of absenteeism is to the mutual benefit of the organisation and its employees. An extensive health and wellbeing policy is in place covering areas such as stress management, mental health, alcohol and drug-related problems and support to stop smoking. External occupational health and counselling services are available for all employees.

The Health and Wellbeing Forum and champions across the business rolled out various initiatives during the year to provide additional guidance and support to enable employees to proactively manage their own health and wellbeing. A continued focus during 2023 was to train additional Mental Health First Aiders. As a result, we now have successfully trained 90 employees who are geographically spread across the organisation. Sickness absence during the year was 2.4%, a decrease from 3.4% in the previous year.

Employee Engagement

Employee engagement has remained a key priority throughout 2023. In March we conducted an Employee Engagement Survey. 87% of our employees participated in the survey and our engagement score was 84%. This was a positive and encouraging outcome. The survey results have now also given us the opportunity to focus on a number of areas where we can improve to increase our engagement further. NIE Networks places considerable emphasis on its employee participation and engagement processes which are well embedded in the Company's culture. Alongside extensive engagement with the whole organisation through the Safer Together Culture Journey workshops, the Employee Engagement Board, chaired by the Executive Director, People & Culture, continued to meet bi-monthly. Throughout the year representatives rotated roles, taking on the role as Chair or Vice Chair of the local engagement groups which operate at each main staff location ensuring local discussion and information sharing. In addition, members of the NIE Networks Board attended a number of the meetings. Meetings in 2023 were in-person meetings which enabled greater engagement and collaboration. Key areas of engagement continued to focus on the Safer Together Culture Journey, Employer of Choice, Diversity & Inclusion and Industrial Voice. Through this process, matters are identified for improvement and followed through either by management or with employees via a wide variety of participative working groups.

Separate company-wide working groups and forums focus on specific issues/problems or ideas generation, including Health & Wellbeing, Digital Strategy, Innovation and Pensions to drive improvements for both the business and employees. As a large proportion of the workforce are field based and working on the network across NI, meetings take place regularly at depots to ensure that all of these employees have an opportunity to raise issues directly with management. A similar structure was introduced for Engineering and Administration employees during 2023 led by the Learning and Culture Manager.

The 2050 Forum, a Sub-Committee of the NIE Networks Employee Engagement Board has continued to meet during 2023. Representatives were nominated from each directorate to ensure broad representation on the committee. This initiative was designed to focus on the future and explore the journey towards 2050 and capture what type of place NIE Networks may be to work in then.

Two separate Employee Relations Forums, comprising management and the relevant trade union representatives, continued to meet to progress a wide range of employee relations matters. More formal negotiating committees, chaired by the Executive Director, People & Culture are held regularly and are attended by management, the respective full-time union official and trade union representatives to discuss more complex issues including terms and conditions and pay. The Executive Committee holds workshops with the senior management group of around 55 senior leaders at least biannually to consider performance, new developments and wider plans.

As a result of our continued commitment to employee engagement NIE Networks were awarded the Best Employee Voice Programme at the NI 2023 CIPD awards.

The formal monthly employee briefing process is a key process to ensure that all employees are kept up to date on matters of interest to them, both as employees and on Company developments generally. All employees can attend a session with line management at their local workplace or virtually, and can also access the material via the Company's intranet.


Electricity Networks
The Conservation Volunteers

In addition, a weekly communications bulletin is issued to employees. We are continuing to improve our internal communications to ensure effective messaging by using more video content and by seeking feedback from our employees. Employee Awards and recognition events were held in 2023 for those with long service & full attendance and the Company Apprentice & Achievement awards were also celebrated. Overall 500 employees attended these events.

The annual business plan, setting out our vision to deliver a sustainable energy system for all and key priorities for the year to progress delivering this vision, is briefed to employees early in the year. This includes a number of performance targets for the Company, the outcome of which determines an element of the annual pay award for employees across the business and an element of annual performance bonuses for those participating in the annual bonus scheme. Monthly updates on the Company's performance against these targets are provided to all employees.

Work Experience and Educational Outreach

NIE Networks is conscious of the ongoing need to encourage and develop tomorrow's workforce. By its nature, power engineering is highly skilled and specialist and requires many years of training. Fewer students are choosing science and technology subjects at GSCE and 'A' level. As a result, with an increasing demand for these skills, the potential supply-demand mismatch means the electricity industry continues to face a significant skills shortage now and in the future. NIE Networks therefore continues to engage proactively with students to consider engineering as a career, through a wide range of educational outreach initiatives including:

- linking with over 60 post primary schools across NI, further educational colleges and the two local universities to promote opportunities by studying Science, Technology, Engineering and Maths (STEM) subjects;
- providing an increased level of Engineering scholarships at Queen's University Belfast (QUB) and Ulster University (UU) sponsoring Electrical and Electronic Engineering, Energy & Renewable Energy Computer Engineering, Data Science and Computer Science, students through their studies as part of the Institute of Engineering and Technology Power Academy Council;
- facilitating a 2-day work experience opportunity for up to 20 students aged 14 - 19 to learn more about NIE Networks and the wide range of opportunities available;
- providing industrial placement opportunities for undergraduates;
- supporting the first Lego League Challenge and Explore programmes, a global robotics programme for primary and secondary schools;
- providing mentoring services to school children participating in 'Sentinus Team R&D';
- sponsorship of the QUB Science laboratory, International Women in Engineering and QUB Young Female in STEM Network;
- participation in the Schools Summit and International Air show careers events; and
- committing to a 3-year Gold level partnership with Sisters in Leadership Programme (Inspiring Tomorrow's Female Leaders) and providing female mentorship to specifically help sixth form girls build their confidence and broaden their career perspectives.

We are also reviewing and updating all our careers advice to ensure future talent has a clear view and understanding of the many career opportunities NIE Networks has to offer.

Community Initiatives

NIE Networks continues to be a member of Business in the Community (BiTC) supporting many of their local projects and initiatives. BITC are also supporting our Diversity & Inclusion journey in relation to Ethnicity and Age and we are also partnering with Disability Action and Autism NI. This will include supporting their clients through a range of initiatives. We are also partnering with the NOW Group and rolling out Just a Minute training (JAM) to our frontline employees.

During 2023/24, employees raised £50,000 for Be Positive as NIE Networks' charity of the year, nominated by employees through the engagement process. NIE Networks employees over the last 4 years have raised £100,000 for local charities through this initiative.

Charitable giving by employees is promoted through the Staff and Pensioners' Charity Fund, to which the Company contributed £10,000 during the year. In 2023, the Charity Fund donated £22,000 to local charities.

Through other partnerships with RSPB & Ulster Wildlife employees have volunteered their time to support a number of local environmental initiatives.

Looking Forward

Key priorities for 2024 for NIE Networks aligned to our values include:

Safety

- Grow network infrastructure work programme delivery capacity safely and efficiently; and
- Progress the Safer Together Cultural Journey aiming to reduce the risk of harm and improve the wellbeing of all staff.

People

- Ensure we have the people capability to deliver our vision; and
- Ensure effective employee engagement at all levels to support a positive culture and embed the Employer of Choice strategy with a focus on resourcing, retention and recruitment.

Customer

- Develop and deliver the 2024 Customer Service Action Plan to enhance customer service and ensure we provide an efficient and effective Connections service to meet customer needs and support new technologies;
- Investment in key network infrastructure to facilitate increased customer demand; facilitate the connection of further renewable generation, improve reliability of supply and to ensure the safety of the network; and
- Review and agree an updated People, Planet and Places Action Plan (ESG).

Commercial

- Ongoing focus on increased network investment delivery against RP6 price control allowances and outputs to maintain a safe and reliable network; and
- Maintain a strong investment grade credit rating

Future

- Enabling NI's transition to an effective, sustainable and affordable low carbon energy system;
- Secure RP7 Price Control Determination to enable NI's journey towards net zero to meet societal, customer and business needs to 2031; and
- Continue to engage and influence on energy policy issues to support decarbonisation and electrification, and to ensure we understand and can meet stakeholder needs.

Stakeholder Engagement and Section 172(1) statement

As set out in Section 172 of the Companies Act 2006, the directors of the Company have a duty to promote the success of the Company for the benefit of its members as a whole, and in doing so, must have regard to the needs of the Company's stakeholders and other matters described in Section 172(1) (a) to (f). This section describes how the directors have had regard to these matters when performing this duty and forms the directors' statement required under the Companies (Miscellaneous Reporting) Regulations 2018. The section includes how the directors have had regard to employee interests and to the need to foster business relationships with suppliers, customers and other key stakeholders and the effect of that regard including on the principal decisions taken during the year.

Strategy and long-term decision making

The Board promotes the success of the business by delivering customer focused performance in a manner that is environmentally sustainable, provides long-term stability and meets the needs of its key stakeholders.

As part of the Board's role it seeks to ensure that it is cognisant of the long-term impact of any decisions. To that end, the Board periodically reviews the Company's strategy and regularly seeks updates on strategic issues which may impact the business. Additionally, the Board requires management to prepare annually a business plan for the following year including financial and operational key performance indicators and five-year projections and funding requirements, as well as completing a review of business risks, both principal and emerging. In that context, any matters presented to the Board for approval need to align with the Company's strategy and business plan. The Board monitors performance against plans throughout the year.

Throughout 2023, the Board focused on key components to enable NIE Networks' strategy - 'Delivering a sustainable energy system for all'. These key components were, the agreement of allowances with the UR for the one-year extension to the current price control period (Regulatory Period 6 or RP6) with this period now ending on 31 March 2025, and, submission of the Company's business plan for its next price control period from 1 April 2025 to 31 March 2031 (RP7) to the UR in March 2023.

The UR and NIE Networks agreed to extend the RP6 price control period to allow more time to focus on RP7 requirements given the need for the RP7 plan to be transformational in order to meet the NI Executive's Energy Strategy for NI to 2030, and deliver against the legal commitments outlined in the June 2022 Climate Act for NI.

The RP7 business plan submission approved by the Board outlined £2.6bn in proposed expenditure for the 6-year period ending March 2031 with expenditure set to support and enable NI's journey toward net zero by facilitating the decarbonisation of the electricity system. The plan outlines the Company's expected need to connect more renewable generators, to ensure the network has sufficient capacity to facilitate growth and enable greater electrification of heat and transport, whilst focusing on our core responsibility to ensure a safe and resilient network and maintaining a strong focus on enhancing customer service. The UR published its Draft Determination (DD) for consultation in November 2023, determining allowances totalling £2.2bn. The Board will approve the Company's response to the DD in March 2024 with the response due by 22 March 2024. The UR's Final Determination is planned for October 2024.

During 2023, the Board approved changes in the leadership team structure in readiness for RP7 and in recognition of the Company's transition to that of a Distribution System Operator (DSO) with the establishment of a Future Networks director role and business function. The Board also approved the recruitment of a Chief Information Officer to the Company to give focus to the part that technology and data will play in the future with this role expected to be filled in early 2024. The Board also supported a significant programme of work during 2023 with the 'Get Ready' business transformation programme initiated during 2023, and set to prepare the Company for the future demands of RP7, which may require double the current levels of output.

Reputation for high standards of business conduct

The Board is committed to maintaining high standards of corporate governance and business conduct. The Board applies the Corporate Governance Principles for Large Private Companies (Wates Principles) as set out in the Board's Governance Report on page 48. This explains how the Board has established the Vision, Values and Behaviours to reflect the needs of NIE Networks' stakeholders; takes responsibility for all aspects of the business over the long-term; has the skills and experience to make decisions that address customer and stakeholder needs.

In June 2023, the Board approved a revised Code of Ethics for the Company which sets out NIE Networks' approach to responsible and ethical business behaviour with the underlying principle that everyone working for NIE Networks, including the directors, must adhere to the highest standards of integrity, loyalty, fairness and confidentiality, including meeting all legal and regulatory requirements. Specific policies and procedures on the prevention, detection and investigation of fraud, bribery and corruption have been updated and approved by the Board during the year. The Board also has an approved Modern Slavery policy in place to guide the business. These arrangements, and NIE Networks' wider risk management, governance and internal control framework align with the standards required by its shareholder, ESB.

Employee Interests

NIE Networks' people are its greatest assets and the directors are committed to ensuring that employee interests are taken into consideration while promoting the success of the Company.

Improving the health, safety and wellbeing of employees is the number one value at the core of NIE Networks' business operations, with the aim to provide a zero-harm working environment. It is the first matter considered by the Board at each meeting, including information on, and learning from, safety incidents and the sharing of 'near misses' and performance against leading and lagging indicators. During 2023, the Board monitored progress made on the Company's Safer Together Cultural Journey which remains a priority for the Board in the context of an increasing and diverse work programme ahead of, and during RP7. 'Safer Together' is an enabling action plan endorsed by the Board in November 2020 and aligned to NIE Networks' safety values, aiming to reduce the risk of harm and improve the wellbeing of all staff within the organisation focused on creating a culture where everyone can raise issues and feel valued, trusted and respected. The Board supported the work of the Technical Assurance Mentors embedded in the business to engage directly with field staff on site and the initiatives to seek feedback and create awareness company-wide of ways to continuously improve safety culture.

NIE Networks depends on highly trained, skilled and engaged employees to achieve its objectives. The Executive Director, People & Culture, an executive director of the Board, oversees the development and implementation of NIE Networks' HR strategies which are considered regularly by the Board. The Board considered recruitment and retention challenges faced by the Company during the year. The Board received updates on succession planning and efforts made by the Company to attract talent in the highly competitive recruitment market which persisted in 2023, including plans by the Company to increase the number and types of apprenticeships in the business working alongside education establishments. The Board considered developments to ensure greater equality, diversity and inclusion in NIE Networks and celebrated the success of the business in achieving Sliver Charter Mark Diversity accreditation.

The Board discussed and supported initiatives undertaken by the Company during the year to make NIE Networks the 'employer of choice' including recruitment campaigns to attract new employees and offering existing employees' opportunities for development. Recognising the role to be played by the Company in a net-zero future, the Board approved the introduction of an electric vehicle salary-sacrifice scheme for employees. The Board welcomed the results of the employee engagement survey conducted during 2023 which returned an overall engagement score of 84%.

Further information can be found on pages 25-30 and 51-52.

Impact on the Community

NIE Networks makes a positive impact on the communities in which it operates through the delivery of its day-to-day services.

At each meeting the Board considered how NIE Networks ensures the safety of the general public in its operations and considered initiatives comprised within public safety campaigns, approved by the Board, in raising the public's awareness of the dangers of the electricity network.

The Board previously approved a three-year Vulnerable Customer Strategy from 2021 setting out how services will be increased for those customers needing extra support, such as customers with communication barriers, translation requirements, the elderly, visually impaired or those reliant on life saving medical equipment or technologies to support independent living. The strategy was supported by an advertising and communications campaign to ensure those eligible for specific assistance are made aware of what is available. In 2023, awareness campaigns included television advertisements aired during prime time viewing, promotion of the Medical Customer Care Register via billboard advertisements and radio sponsorship, and continuing to work with SignLive in the customer contact centre to assist the interaction with deaf and speech impaired customers.

The Board approved a Customer Service Action Plan in 2023 agreeing the key initiatives and measures to be implemented during the year to continue to improve the level of service to customers with these initiatives and measures set in line with the customer objectives and commitments in the RP6 Business Plan. The plan reinforces the key behaviours of being responsive, professional, accountable and helpful as the Company strives to put the customer at the heart of everything it does. Reviewing performance against the plan, the Board monitored continuity in electricity supply to all customers and efforts made to minimise the time customers were off supply due to faults in the distribution network or planned outages for network maintenance or refurbishment. The Board considered the Company's preparedness to respond to severe weather events and customers' ability to report faults and keep updated on repairs. In addition, the Board supported the Company in its preparations alongside SONI, the transmission operator, DfE and other government bodies for addressing any deficits in electricity supply were such an event to be notified by SONI in the future.

At the beginning of 2023, the Board supported and encouraged the Company in its continued efforts to assist the DfE, working alongside the UR and electricity supply companies, to administer financial assistance to domestic customers and businesses to ease the burden of escalating energy prices and the cost of living crisis.

Further information can be found on pages 17-31.

Impact on the Environment

The Board recognises NIE Networks' responsibility to operate in a way that minimises the impact on the environment and approved the annual environmental action plan to ensure this. The Board sets and, at each meeting, monitors environmental impact against targets including reduction in environmental incidents, oil leaks from equipment and recycling.

During 2023, as part of the Company's RP7 Business Plan submission, the Board approved the Company's Environmental Action Plan for RP7 which sets out the commitments to sustainability and the environment over the six-year price control period in the context of targets already set by the Board. As part of the industry-wide commitment to net zero, the Board committed to the United Nations Framework Convention on Climate Change's (UNFCCC)" Race to Zero" campaign setting an interim target of 50% reduction in business carbon emissions by 2030, against the 2019 baseline, with a view of delivering net zero by 2050 or sooner.

In delivering against its commitments, in 2023 the Company continued to introduce a number of electric vehicles to its fleet, installed charge points at depots and offices and at some home locations of fleet vehicle drivers. The Company's smart metering pilot continued, whereby 900 smart meters were installed in domestic premises in NI to gather information on the technology and data available, and to gauge customer feedback in preparation for any potential introduction of smart metering in NI in the future to empower customers in the efficient consumption of electricity.

The Board considered further proposals for an ESG strategy for NIE Networks including aspects of performance and reporting, with the potential to voluntarily adopt Task force on Climate-related Financial Disclosure (TCFD) as a baseline against which to report in the future. The Board continued to monitor developments in this area in order to provide further leadership in 2024 as it develops an ESG strategy for NIE Networks.

Further information can be found on pages 24-26 and 54-56.

Stakeholder Engagement

Customers

NIE Networks' customers include large electricity users, customers seeking demand or generation connections, business and domestic customers, including those with specific needs, and landowners. These customer groups and their various representative bodies, including The Consumer Council for NI, are key stakeholders with well-established engagement channels in place.

In addition to monitoring performance against the Board-approved 2023 Customer Service Action Plan, the Board considered performance against Guaranteed and Overall standards during the year. Noting the continued high number of defaults against Guaranteed standards in the year following on from 2022, owing largely to an increase in the complexity and time required for new connections, the Board monitored management's review of processes and procedures and changes in readiness for a continued increase in demand as customers seek to install low carbon technologies. The Board acknowledged the impact of the pandemic and continued difficulties faced by meter readers seeking to gaining access to customer premises to read meters which resulted in default against one Overall standard of performance during 2023, as in 2022, notwithstanding mitigating measures implemented.

The Board received regular updates on ongoing engagement with customer representatives who provide feedback on NIE Networks' performance during RP6 with this work overseen by the Consumer Engagement Advisory Panel (CEAP) comprising the UR, CCNI, DfE and NIE Networks. In 2023, the Board focused on key engagement with customers and stakeholders to continue to engage on the Company's commitments outlined in the RP7 Business Plan.

The Board ensures that there is a high level of engagement with customers seeking connections to the electricity network with the Company participating in a number of working groups including the Connections Innovation Working Group. In addition, meetings are held with providers of electricity infrastructure to progress appropriate solutions which facilitate the connection of further Distributed Energy Resources (DER) in NI such as charge point operators and renewable generators. Sponsorship of the NI Chamber of Commerce Regional Networking series and Chambers Skills series in 2023 provided opportunities for engagement with business customers across NI as well as the continued sponsorship of events with organisations such as the Construction Employers Federation and the Institute of Directors, enabling engagement with a range of business customers.

Further information can be found on pages 22-23.

Suppliers

The Board recognises the key role suppliers play in ensuring NIE Networks delivers a reliable service to customers: in supplying materials for the network, working on the network as contractors and the provision of essential managed services to the business and encourages active engagement with those suppliers. NIE Networks has continued to work closely with material suppliers to ensure additional stocks of key items to mitigate against potential shortages and potential supply chain disruptions arising from the global recovery following the Covid-19 pandemic, and the war in Ukraine.

NIE Networks' procurement practices are governed by the UK Utilities Contract Regulations 2016 (applicable to procurement by UK utilities) and the Board considers major contract awards for approval. The Board ensures that formal contract management arrangements are in place throughout the duration of supplier contracts, including in relation to the management of safety performance for those contractors working on the network. The Board received regular updates at its meetings during the year in respect of the changing nature of procurement against the backdrop of supply chain issues and raw material shortages. The Board continued to monitor supplier payment practices during the year.

The Board monitored the arrangements in place to prevent modern slavery in supply chains and approved the annual statement on the prevention of modern slavery in NIE Networks.

Regulators

In addition to customers, employees, and suppliers, the Board has identified a number of other key stakeholders. The UR has regulatory oversight of NIE Networks and there are well established formal channels of engagement with the UR at various levels within NIE Networks, overseen by the Managing Director and Chief Transformation Officer who has responsibility for regulatory matters, who report on key regulatory issues to each Board meeting, with the Compliance Manager also reporting directly to the Board. All key communications and engagement with the UR are discussed at Board meetings and, in addition, the Board had discussions with the UR Board via sub-committee representatives for each board in 2023 on key strategic regulatory issues.

The DfE has regulatory powers and sets energy policy. Together with senior executives from the UR and SONI, the Managing Director participates in the DfE's Electricity Stakeholders Group, providing input and support to the electricity aspects of the DfE's action plan following publication of its Energy Strategy for NI in 2022, with the Board being kept updated on progress throughout the year.

There was continued engagement with the UR and DfE in 2023 as DfE and its advisers, KPMG completed a Cost Benefit Analysis study of smart metering for NI which concluded that customers in NI would benefit from the introduction of smart metering. The Board supports the Company as it continues to advocate for the introduction of smart metering as a key enabler for a net-zero economy to allow customers to monitor their electricity usage.

The Health and Safety Executive Northern Ireland (HSENI) is a key regulator. The Board seeks to ensure open and transparent engagement between management and the HSENI on ongoing operational health and safety issues, and in relation to investigations undertaken by the HSENI. The Board considers updates on any health and safety incidents, including those reported to the HSENI, at each meeting.

Similarly, the Northern Ireland Environment Agency (NIEA) is a key stakeholder with the Board receiving a report to each meeting on any environmental incidents including any matters reported to the NIEA.

Other key stakeholders

In addition to employees, customers and their representative bodies, suppliers and regulators, other key stakeholders to which NIE Networks' directors have regard include government ministers and departments, local political representatives, electricity market participants, including SONI, other utility companies, industry and business representative bodies and bond investors.

Throughout 2023, the directors engaged with relevant NI Permanent Secretaries, their departments and Assembly Committees on actions required to achieve the energy targets outlined in the government's Energy Strategy and Climate Act for NI as well as updating these stakeholders on the Company's plans for RP7.

The renewables future of NI is dependent on good partnership and collaboration with regulators, industry participants, customers and other stakeholders. NIE Networks continued to work closely with all these stakeholders who together will contribute to meeting the Climate Change Act target of at least 80% of electricity consumption coming from renewable sources by 2030.

Together with other members of the Executive Committee, the Managing Director is closely engaged with senior executives of SONI, the Transmission System Operator, on both operational matters, strategic transmission investments including the North-South Interconnector and the pathways to achieve net zero.

The Managing Director is a member of the joint utilities group in NI providing mutual aid in severe weather incidents impacting on service provision to customers and communities. The Managing Director and other senior executives engage with local councils and with groups representing industry and business, including representation on relevant committees to ensure the interests of the wider industry and business community are considered in NIE Networks' operations and plans.

The Board is kept updated on engagement with NIE Networks' bond investors and Standard & Poor's credit rating agency which is led by the Finance Director.

The Board has endorsed an external stakeholder engagement strategy. The Managing Director led the implementation of the strategy and the Board considered regular updates on progress including performance against KPIs in relation to reputation, brand perception and overall satisfaction based on independent survey results and key current engagements.

Members of the Board and senior management are active participants in the Energy Networks Association, CBI, NI Chamber of Commerce and Industry, Women in Business, the Institute of Directors and the Centre for Competitiveness in NI.

Further information on stakeholder relations and engagement can be found on pages 51-52.

Risk Management

Principal Risks and Uncertainties

During 2023, NIE Networks identified the following new principal risk:

Failure to deliver and implement a Procurement and Supply Chain strategy that ensures delivery of future material requirements at the required scale and pace.

NIE Networks' other principal risks remained consistent between 2022 and 2023, although with some movement on the risk profile for specific risks in the year and some changes to the key risk drivers. The Board agreed the principal risks and the detailed risk plan following consideration and recommendation by the Audit & Risk Committee. The principal risks and uncertainties that affect the Group, along with the main mitigating strategies deployed, are outlined on the following pages.

Risk & Risk Description	Mitigating Strategies
HEALTH & SAFETY RISKS	
Health & safety: *Exposure of employees, contractors and the general public to risk of injury or harm.*	Continuing delivery of the 'Safer Together' safety improvement plan. A comprehensive annual Health, Safety and Wellbeing business plan approved annually by the NIE Networks Board which sets out detailed targets for the management of health and safety. These targets are continually monitored as part of the Group's ISO 45001 standard safety management framework. Comprehensive safety rules, policies, procedures and guidance reviewed and communicated regularly and compliance monitored on an ongoing basis. A strong focus on the inspection of work sites and the reporting, reviewing and communication of near miss incidents. Ongoing programmes to increase public awareness of the risks and dangers associated with electricity equipment. Ongoing engagement with GB Distribution Network Operators through the ENA in order to share best practice and learning.
REGULATORY RISKS	
Licence compliance: *Failure to comply with regulatory licence obligations.*	NIE Networks has a dedicated Compliance Manager to monitor compliance with all regulatory licence obligations and to report to the UR on regulatory matters. Ongoing programme of education for key staff on regulatory and compliance requirements. Regular engagement with regulatory stakeholders on key matters.

Risk & Risk Description	Mitigating Strategies
FINANCIAL RISKS	
Funding & liquidity: *Inability to secure adequate funding at appropriate cost for planned investments in the event that NIE Networks' credit metrics were not maintained within Credit Rating Agency investment grade targets.* *Exposure to financial counterparty risk.*	NIE Networks employs a continuous forecasting and monitoring process to ensure adequate funding is secured on a timely basis. The Group sets its financial plans cognisant of the requirement to ensure adequate funding for its activities and to maintain an investment grade credit rating with rating agencies. The Group reviews funding requirements on a regular basis, including ensuring access to a sufficient Revolving Credit Facility from its parent. Credit risk in respect of receivables from licensed electricity suppliers is mitigated by appropriate policies with security received in the form of cash deposits, letters of credit or parent company guarantees. NIE Networks conducts business only with Board approved counterparties which meet the criteria outlined in the Group's treasury policy. The Group's treasury policy and procedures are reviewed, revised and approved by the Board as appropriate.
Pensions: *Increase in the deficit costs or ongoing accrual costs in the defined benefit section of the Northern Ireland Electricity Pension Scheme (NIEPS) ("Focus") not covered by regulatory allowances.*	"Focus" has been closed to new entrants since 1998. Since 1998 new members have joined the money purchase section of the NIEPS ("Options"). The NIEPS Trustees employ professional advisers in the management of the Scheme's assets and liabilities. NIE Networks engages with the NIEPS Trustees on a regular basis and has its own professional independent advisers, separate to the Trustees' advisers, to review any changes in relation to the operation or funding of the Scheme. The Scheme's investment strategy and hedging strategy are reviewed on a regular basis to ensure they remain appropriate to the investment climate. The deficit repair plan was updated in 2022 following the conclusion of the latest triennial review of the deficit as at 31 March 2022. The deficit repair plan will be reviewed in line with the next triennial review of the deficit which is due to take place as at 31 March 2025 and an appropriate recovery mechanism requested as part of the RP7 negotiations with the UR.
MARKET RISKS	
Customer service: *Failure to meet standards for customer service resulting in damage to reputation.*	Stretching customer service standards are approved by the NIE Networks Board. Performance against these standards is monitored and reported on a monthly basis.
Connections market share: *Risk of reduced income arising from either a reduced market and/or market share arising from contestability in connections.*	NIE Networks continuously reviews and analyses connection charges to ensure delivery of value for customers. The Group also actively forecasts market movements to establish the likely impact on the connections business.

Risk & Risk Description	Mitigating Strategies
OPERATIONAL RISKS	
Networks infrastructure failure: *Critical Infrastructure failure including damage to assets and disruption to operations.*	The risk is minimised through ongoing assessment of the network condition and development of asset management techniques to inform maintenance and replacement strategies and priorities. NIE Networks' asset management practices are certified to ISO 55001, the internationally recognised standard for asset management. The network is strengthened through appropriate investment, a reliability-centred approach to maintenance and a systematic overhead line refurbishment and tree cutting programme. NIE Networks' strategy is to continue to maintain and develop a safe and secure network to meet market demands.
Emergency response: *Failing to respond adequately following damage to the electricity network from adverse weather conditions.*	System risk assessments are completed regularly and weather forecasts actively monitored daily. There is a comprehensive Emergency Plan and Storm Action Plan in place, each reviewed and tested regularly with emergency simulations carried out at least annually. Duty Incident Teams provide cover 365 days per year with arrangements in place for access to external utility resources if required.
Network investment: *Failure to deliver the growing and increasingly complex network infrastructures and systems to meet future customer and societal needs of accommodating more renewables and supporting wholesale electrification.*	NIE Networks' business plan for the next Regulatory Price Control period (RP7) for 2025 to 2031, will be a critical period on the pathway to achieving net zero carbon by 2050. Our aim is to strike a balanced position in our plan to maximise the potential benefits from investment in the electricity network and the electrification of society, without adding to the financial hardship many of our customers are facing. Following an extensive public consultation process, NIE Networks made a formal submission of its RP7 Business Plan to the UR on 31 March 2023. The UR published its Draft Determination (DD) on the RP7 Price Control at the end of November 2023, setting out their proposed decisions on the RP7 Price Control business plan submitted in March 2023 to support NIE Networks strategy of delivering a reliable sustainable energy system for all in a financeable way. The UR's public consultation on the DD will close towards the end of March 2024, with a Final Determination planned for October 2024.
Data loss: *Loss of data integrity or breach of Data Protection Act.*	The Group's Data Protection Officer, supported by a Data Protection Forum, implements and monitors compliance with data protection policy and procedures. Governance structures are in place throughout the business to ensure compliance with the Data Protection Act 2018. Ongoing data protection training for all staff.

Risk & Risk Description	Mitigating Strategies
OPERATIONAL RISKS *(continued)*	
System outage / Cyber-attack: *Extended outage of critical information technology (IT) / Operational Technology (OT) systems arising from non-malicious infrastructure failures or successful cyberattacks.*	Continuous monitoring of NIE Networks' cyber environment. Regular review of IT systems and their resilience is carried out by the IT team and its professional advisers. Suite of IT policies/procedures in line with best industry standards. NIE Networks is engaged in an ongoing programme of review and upgrade of IT software and hardware with IT partners. There is a comprehensive process in place through the Company's Managed Service Provider to carry out monitoring of technical performance and reliability of key systems. Disaster Recovery and failover arrangements are documented and tested regularly. Cyber policies, strategy and governance model in place. Cyber Security awareness and training across the organisation. Governance structures are in place to ensure ongoing compliance with the Network and Information Systems Directive.
Procurement and Supply Chain: *Failure to develop and implement a Procurement and Supply Chain strategy that ensures delivery of future material requirements at the required scale and pace.*	Ongoing review Procurement and Supply Chain strategy with specific consideration around stores capability, capacity and materials forecasting processes. Establishment of a Material Contract Management Office to deal with Forecasting, Contract Management and Supplier Relationship Management.
RESOURCING AND CAPABILITY RISKS	
Knowledge, skills and succession management: *Inadequate resources with the necessary knowledge and skills.* *Failure to develop and retain staff.* *Failure to plan and secure external contract resources and capability to match the strategy delivery ambition*	NIE Networks' strategy is to be an Employer of Choice so that we are best placed to attract, develop and retain the knowledge and skills required to meet NIE Networks' regulatory obligations. We will recruit and develop people through our graduate, extended apprenticeship, trainee and sponsorship programmes alongside ensuring that our overall recruitment methods are accessible and easy to navigate and overall benefits are competitive. Organisational development is a key priority for the Group with continued investment in staff training, skills development and on-going performance improvement. Focused employee development programmes are in place to maximise the potential of staff and ensure adequate succession planning. Ongoing pro-active engagement with our contracting partners to assist them in building their capacity and capability to support delivery of our work programmes.
ECONOMIC RISK	
Current economic climate: *Challenges and risks associated with the current economic climate and cost of living crisis.*	NIE Networks' RP7 Business Plan was submitted to the UR on 31 March 2023. Feedback from the public consultation that preceded the submission in was used to inform the development of NIE Networks' final proposals.

Risk & Risk Description	Mitigating Strategies
CLIMATE ACTION	
Response to climate change: *Inadequate response to challenges and failure to capture opportunities presented by the climate emergency and our subsequent action (mitigation and adaptation) to address climate change policy measures along with growing public, customer and other stakeholder concerns.*	A series of overarching policy and strategy measures are in place to mitigate the risks associated with climate change including the Company's Sustainability Policy, Sustainability Action Plan and United Nations Framework Convention on Climate Change (UNFCC) Race to Zero commitments. Extensive and continued involvement with a range of stakeholders in relation to delivery of DfE's Energy Strategy and passing of a climate change bill for NI that provides clear objectives and targets. The RP7 Business Plan was developed in line with requirements to facilitate decarbonisation of energy system.
Financial Risk: *Potential changes in NI's energy policy and strategy may impact on the carrying values or useful economic lives of existing infrastructure assets.* *Increasing network repair costs as a result of greater frequency and severity of storms due to the impact of climate change.*	The majority of NIE Networks' infrastructure assets are considered to be enduring assets which will be important to implementing decarbonisation targets. While some limited elements of the asset base may have to be upgraded, the majority of assets will be augmented by further investment rather than causing any significant impairment of existing assets. NIE Networks considers the implications of known or potential changes in industry regulations when assessing the useful economic lives of assets. NIE Networks continuously monitors costs incurred as a result of storm damage. The impact of changes in network performance and reliability brought about by the impact of climate change forms a key part of NIE Networks' continuous forecasting of costs which helped inform the RP7 Price Control submission.

Emerging risks

The risk management framework enables the Group to identify, analyse and manage emerging risks to help identify exposures as early as possible. This is managed as part of the same process to identify principal risks and is reviewed and monitored in conjunction with principal risks.

Business Continuity

NIE Networks is responsible for the provision of critical infrastructure and disruptions to certain services and operations are potentially damaging to the economy, to society and to NIE Networks' business. The Group has in place a robust set of business continuity plans and processes to ensure that responses are well managed and executed. The exercising and testing of these plans are key actions in ensuring NIE Networks' preparedness for a business continuity event.

On behalf of the Board

Derek Hynes
Managing Director

Northern Ireland Electricity Networks Limited
Registered Office:
120 Malone Road
Belfast BT9 5HT
Registered Number: NI026041
Date: 12 March 2024

Northern Ireland Electricity Networks

BOARD OF DIRECTORS

Board of Directors

Sir David Sterling KCB

was appointed as an independent non-executive director in September 2023 and was appointed Chair on 4 March 2024. His other current non-executive roles include chairing the Board of the Chief Executives' Forum and of the NI Screen Commission. He is a Board member of Ulster Wildlife Trust, the Centre for Cross-Border Studies and Women in Business NI Ltd. He is a Governor of the Irish Times Trust. He is an honorary member of the Chartered Institute of Public Finance and Accountancy. He is the former Head of the Northern Ireland Civil Service (NICS) and previously served in a variety of other senior roles for the NICS. In 2020 he was awarded Knight Commander of the Order of the Bath for services to Government in NI.

Dame Rotha Johnston DBE

who resigned on 3 March 2024, was appointed as independent non-executive Chair of the Board in March 2020, having been an independent non-executive director since 2011. She is Chair of the NI Productivity Forum, and a director of QUBIS Ltd, Ulster Garden Villages Ltd, Advertising Standards Authority Limited and Advertising Standards (Broadcast) Limited. In the past she has been Chair of NI Screen, a BBC Trustee for NI, Pro-Chancellor at Queen's University Belfast, a Belfast Harbour Commissioner and a member of KPMG's NI Advisory Board. In 2016 she was awarded Dame Commander of the Order of the British Empire for services to the NI economy and public service.

Keith Jess

was appointed as an independent non-executive director in September 2019 and as Chair of the Audit & Risk Committee in March 2020. He is a member of the Senate & Chairs the Audit Committee of Queen's University Belfast. He is also the Chair of The Progressive Building Society. His executive career was primarily at Ernst & Young (EY) (and its predecessor entities) based in its Belfast office, where he was Audit Partner from 1990 to 2017. He was Engagement Partner for EY on the audit of a number of companies within the energy sector in NI and a range of other large industrial and commercial clients. He is a Fellow of the Institute of Chartered Accountants in Ireland.

Alan Bryce

was appointed as an independent non-executive director in January 2018. He is a non-executive director of Jersey Electricity plc and Northumbrian Water Ltd. He has extensive relevant experience and knowledge of the energy sector as he formerly held senior executive positions at Scottish Power including as UK Planning and Strategy Director, Managing Director of Generation and Managing Director of Energy Networks. He was previously a non-executive director of Scottish Water, Infinis Energy plc and at Iberdrola USA. He is a Fellow of the Institution of Engineering and Technology.

Derek Hynes,

Managing Director,

was appointed to the Board on 1 September 2022. He is a director of Energy Networks Association Ltd and E.DSO (European Distribution System Operators). He joined ESB in 2000 where he held a number of senior management positions, mostly within ESB Networks DAC, the independent ring-fenced subsidiary within ESB Group, including as Head of Project Delivery and Network Operations Manager. He was also Residential Ireland Manager of Electric Ireland, a retail business within ESB. He is a chartered engineer with post graduate qualifications in Operations Management and Corporate Governance and he has completed the Advanced Management Programme at Harvard University.

Gordon Parkes,

Executive Director – People & Culture,

has worked for NIE Networks for 23 years and was appointed to the Board in May 2019. He has over 40 years' experience in Human Resources across several organisations and sectors. He is a Member of the Board of Trustees of the Grand Opera House Trust and of the Royal Belfast Academical Institution. He is currently Chair of the Green Energy Skills Industry Reference Group established by the Department for the Economy. Since 2013 he has been a Chartered Fellow of the Chartered Institute of Personnel and Development (CIPD) and, in 2019, was awarded Chartered Companion status by the CIPD Board. He holds a Masters in Business Administration, is a member of the Institute of Directors and holds a Diploma in Company Direction.

Northern Ireland Electricity Networks

GROUP DIRECTORS' REPORT


Electricity
Networks
Northern Ireland
Electricity
Networks
3527

Group Directors' Report

The directors present their report and audited consolidated financial statements for Northern Ireland Electricity Networks Limited (NIE Networks or the Company) and its subsidiary undertakings (together, the Group) for the year ended 31 December 2023.

Results and Dividends

The results for the year ended 31 December 2023 show a profit after tax of £69.1m (2022 - £57.3m). During the year the Company paid a dividend of £40.5m (2022 - £36.6m). NIE Networks reinvests profits into the electricity network with underlying capital expenditure including intangibles assets of £218.9m (2022: £186.6m) which is up £32.3m or 17.3%, reflecting an increase in NIE Networks' work programmes for the benefit of customers. The business and financial review, together with future business developments, are provided in the Group Strategic Report and included in this report by cross reference. No additional dividends are proposed up to the date of signing of the financial statements.

Events after the balance sheet date

There have been no significant events since the balance sheet date.

Corporate Governance

The Board's Governance Report

NIE Networks' regulatory licences require it to establish, and at all times maintain, full managerial and operational independence within the ESB Group. The NIE Networks Compliance Plan, approved by the UR, sets out how this independence is achieved. NIE Networks is an independent company within the ESB Group of companies with its own Board of directors, management and employees.

In January 2019, NIE Networks adopted the Corporate Governance Principles for Large Private Companies issued by the Financial Reporting Council (FRC) in December 2018 (or 'The Wates Principles'). These have been applied throughout the year ended 31 December 2023 as described below.

Purpose and Leadership

Good governance provides the foundation for long-term value creation and is a core focus for the NIE Networks Board. The Board sees its duties as including responsibility for the long-term success of NIE Networks, providing leadership and direction for the business and, supporting and challenging management to get the best outcomes for NIE Networks and its stakeholders.

In 2020 the Board approved NIE Networks' Vision of "Delivering a Sustainable Energy System for All", setting the specific goal NIE Networks aspires to in the future and providing direction for the Company within the changing external landscape in which it operates, and endorsed redefined and simplified Company Values of being Safety-, People-, Customer-, Commercially- and Future-focused. NIE Networks' purpose and Vision is aligned with ESB Group's Purpose Statement. In 2021, the Board approved the behaviours required to align with the Values and Vision - as being Courageous, Accountable, Respectful and Empathetic ("We CARE"), providing direction and motivation to employees, to those working on our behalf, such as contractors, and external stakeholders in relation to our future purpose and on the principles, beliefs, and standards guiding both employees' and management's actions as the Company moves forward.

Within this context the Board oversees the development and finalisation of management's plans for investing in the network and delivering services to customers for each multi-year price control period and considers for approval the UR's determinations. The Board considers and approves the strategy to deliver the agreed plan, including human and financial resources, procurement strategies, and approves annual business plans for delivery. The Board ensures that there is a strong management team in place to execute the strategy and drive business performance, and to maintain a framework of prudent and effective controls to mitigate risk, and annually reviews the succession management and leadership development arrangements for senior management and other critical staff.

In line with NIE Networks' Purpose and Vision, the Board considers long-term developments for the energy system, principally the need to decarbonise it before 2050, recognising that major change will be required to facilitate the growth of low carbon technologies connecting to the network which will impact how the network is managed and operated. The Board has been considering and planning for these long-term developments for the Company, providing challenge and guidance to management. Specifically, during 2023, the Board provided oversight and challenge in respect of the Company's preparation for, and approach to, the one-year price control extension for RP6 and the business plan for the six-year price control period, RP7, due to commence in April 2025 which will determine NIE Networks' course to March 2031 and is critical to helping deliver a net zero energy system in NI.

NIE Networks' Code of Ethics, which sets out our approach to responsible and ethical business behaviour, was reviewed in 2023 and approved by the Board. The underlying principle of the Code is that everyone working for NIE Networks must adhere to the highest standards of integrity, loyalty, fairness and confidentiality, including meeting all legal and regulatory requirements. The Board's Audit & Risk Committee is advised of any serious concerns raised by employees, and stakeholders generally, via the speaking up / whistleblowing arrangements as and when they arise and of the outcome of related investigations. Contractors, external consultants and other third parties acting on behalf of NIE Networks, are also expected to conduct themselves in accordance with the principles of the Code and the Board's Audit & Risk Committee has ensured that processes are in place for this purpose.

Culture is the combination of values, attitudes and behaviours manifested by the people who work for, and with, the Company in its operation and relationship with stakeholders. Throughout the year, the Board continued to monitor the culture within NIE Networks by receiving information on safety incidents and the level of near miss sharing, absenteeism, employee turnover, internal control weaknesses and employee engagement including the results of the latest engagement survey, in addition to directly engaging with employees and considering stakeholder and customer engagement surveys.

The Board ensures that there are well embedded arrangements for engagement with employees on NIE Networks' purpose, strategy and business activities and on the behaviours expected of all employees to underpin the Company's values and culture. These engagements include a weekly internal communication email, monthly briefings, video messages from the Managing Director, Employee Engagement Board and local meetings, effective engagement with trade unions, as well as a comprehensive messaging handbook available to all employees. Non-executive directors (NEDs) attended engagement sessions with employees during the year.

Board Composition

The NIE Networks Board comprises a majority of independent NEDs, currently comprised of three independent NEDs and two executive directors. From September 2023 to early March 2024 there were four NEDs enabling a smooth transition of responsibilities for the NEDs.

Throughout 2023, Dame Rotha Johnston DBE chaired the Board during 2023. Alan Bryce and Keith Jess were joined by Sir David Sterling who was appointed to the Board on 18 September 2023 as Chair Designate. On 3 March 2024, following thirteen years of service, Dame Rotha Johnston retired as Chair of the Board and on 4 March 2024 Sir David Sterling was appointed Chair. The Board expresses its gratitude to Rotha for her significant contribution to the Board and the Audit & Risk Committee over these years. Derek Hynes and Gordon Parkes are executive directors on the Board. Derek is the Managing Director of the Company and Gordon is Executive Director, People & Culture.

The NEDs bring diverse experience, independence and challenge to support effective decision-making. The range of Board members' experience in the electricity industry; business and finance; accounting and auditing; human resources; serving on other Boards and Audit Committees; and in NIE Networks' operations is set out in their biographies on pages 44-45. The Board is confident that all its members have the knowledge, ability, experience and commitment to perform the functions required of them.

The Board has agreed a statement of the division of responsibilities between the Chair and the Managing Director. The non-executive Chair leads the Board, considers and approves the Board agenda and is responsible for ensuring the Board's effectiveness and effective communication with the Company's shareholder and other key stakeholders whilst the Managing Director is responsible for the executive leadership of the day-to-day running of NIE Networks.

Appointments to the Board are reserved to NIE Networks' ultimate parent undertaking, ESB, for approval. This is in accordance with the NIE Networks Compliance Plan. The Chair and the Managing Director engage with ESB about the key skills and experience that are required on the Board. During 2023, a specification was prepared for the appointment of a new NED and a search agency engaged to bring forward suitable candidates for consideration. NEDs are appointed by NIE Networks under contracts for services setting out expected time commitment, duties and fees. An induction programme is in place to familiarise new NEDs with NIE Networks, tailored appropriately for individual needs.

The Board conducts an annual evaluation of its own performance, and that of the Audit & Risk Committee, in order to identify ways to improve effectiveness. An internal review of effectiveness was conducted in 2023 and actions were proposed and agreed to enhance effectiveness during 2024.

Director Responsibilities

The Board is responsible for reviewing NIE Networks' operational and financial performance and for ensuring effective internal control and risk management. There is a formal schedule of matters reserved to the Board for decision including approval of: the Annual Financial Plan; dividends; annual statutory, interim and regulatory financial statements; major capital expenditure; major regulatory submissions and certain annual regulatory reports; key corporate policies; the annual Health, Safety and Wellbeing Plan; and appointments to the Executive Committee on the recommendation of the Managing Director. The Board has five scheduled meetings each year and two additional meetings to focus on longer-term strategic issues with further meetings on specific matters as required.

The Board has delegated authority to management for decisions in the normal course of business subject to specified limits. The Board has delegated authority to the Executive Committee of the Board to undertake much of the day-to-day business and management and operation of NIE Networks with updated terms of reference for the Committee approved by the Board during the year. The Executive Committee meets formally monthly and on other occasions as necessary and reports to each Board meeting on its activities.

The Audit & Risk Committee is a formally constituted committee of the Board, comprising solely NEDs, with detailed terms of reference updated and approved by the Board during 2023, setting out its responsibility for overseeing the Group's financial reporting process and internal control and risk management systems. More detail on the activities of the Committee is provided on pages 52-53.

Current membership of the Board, the Audit & Risk Committee and the Executive Committee is as follows:

BOARD OF DIRECTORS

David Sterling KCB *(Chair)*
Alan Bryce *(Independent Non-Executive Director)*
Keith Jess *(Independent Non-Executive Director)*
Derek Hynes *(Managing Director)*
Gordon Parkes *(Executive Director, People & Culture)*

AUDIT & RISK COMMITTEE

Keith Jess *(Chair)*
David Sterling KCB
Alan Bryce

EXECUTIVE COMMITTEE

Derek Hynes *(Managing Director)*
Gordon Parkes Executive Director *(Executive Director, People & Culture)*
Con Feeney *(Customer Delivery Director)*
Roger Henderson *(Network Assets & Investment Director)*
Gavan Walsh *(Chief Transformation Officer)*
Ted Browne *(Finance Director)*
Ronan McKeown *(Customer & Market Services Director)*
Randal Gilbert *(Future Networks Director)*
Olivia Carr *(Company Secretary & Corporate Services Director)*

Directors are required to comply with the requirements of NIE Networks' Code of Ethics. Directors make annual disclosures of any potential or actual conflicts of interest and are responsible for notifying the Company Secretary & Corporate Services Director on an ongoing basis should they become aware of any change in their circumstances regarding conflicts of interest.

NEDs, in the furtherance of their duties, may take independent professional advice at the expense of NIE Networks. All Board members have access to the advice and services of the Company Secretary & Corporate Services Director.

Papers and presentations are sent to each Board member electronically in advance of all meetings allowing time for review and consideration of matters for discussion and decision. To monitor ongoing business performance, the Board receives monthly updates on financial and non-financial key performance indicators. The Board receives regular updates on health, safety & wellbeing, sustainability and the environment, customer service, network investment and performance, regulatory matters, HR matters including employee engagement, and stakeholder engagement, each against approved plans. All information submitted to the Board and Audit & Risk Committee is subject to prior review and clearance by the Managing Director, with formal arrangements in place for supporting sign-off for matters requiring the Board's approval. Members of the Executive Committee and senior management are invited to attend Board meetings to present and discuss specific matters to enable the Board to question and challenge management directly.

The corporate relationship between NIE Networks and its ultimate parent, ESB, is set out formally, and specifies the standards of governance, internal control and risk management arrangements which NIE Networks must have in place, reporting arrangements to ESB, the responsibilities of the NIE Networks Board and Managing Director and the annual business planning process to meet group requirements. The arrangements are consistent and compliant with NIE Networks' regulatory conditions and the Compliance Plan with respect to NIE Networks' independence within the ESB Group.

Opportunity and Risk

To ensure the long-term sustainable success of NIE Networks, the Company continues to seek regulatory allowances or incentive arrangements as appropriate, for innovative developments to improve performance and to enable the long-term development of the network for future customers. During the year, the Board approved the Company's RP7 Business Plan submission to the UR aimed at securing investment in the electricity network to facilitate the NI's net zero carbon ambitions and assist the Government to achieve its Climate Change goals.

During 2023, the Company continued to develop the roadmap for long-term transition to a distribution system operator (DSO) as outlined in its Networks for Net Zero Report published in 2021. Overseen by the Board, management focused on strategies to support and enable decarbonisation and electrification, ensuring a safe and resilient network and pursuing opportunities to sustain and enhance the relevance and value of the business in the longer term by adapting to changing stakeholder needs. Informed by the publication of the DfE's Energy Strategy for NI in 2021 and the ambitious goals outlined in the Climate Change Bill passed by the NI Assembly in March 2022 and enacted into law in June 2022, the Company focused on its business plan for RP7 which was submitted to the UR in March 2023 following approval by the Board. Against the backdrop of the Climate Change Act, making a legal commitment to net zero carbon emissions by 2050 and committing to 80% of electricity consumption coming from renewable sources by 2030, the Company believes its transformational RP7 plan is required to deliver for customers now and in the future.

The Board has overall responsibility for risk management and internal control, ensuring that the Group's risk exposure remains proportionate to the pursuit of its strategic objectives and longer-term stakeholder value. The Board delegates responsibility for oversight of risk to the Audit & Risk Committee which retains overall responsibility for ensuring that enterprise risks are properly identified, assessed, reported and controlled on behalf of the Board in its consideration of overall risk appetite, risk tolerance and risk management strategy. The process of considering the Group's exposure to risk and the changes to key risks has assisted the Board in its review of strategy and the operational challenges faced by the Group.

The Board has approved the Risk Management Policy to support its oversight of risk. The Committee of Sponsoring Organisations (COSO) Framework is used to guide NIE Networks in the management of uncertainty, whether positive or negative. NIE Networks' risk management framework provides clear policies, processes and procedures to ensure a consistent approach to risk identification, evaluation and management across the Group and includes appropriate structures to support risk management and the formal assignment of risk responsibilities to facilitate managing and reporting on individual risks. Each business unit within NIE Networks maintains its own risk register.

The Risk Management Policy also outlines the risk management roles and responsibilities and the main organisational and procedural arrangements that apply to support the effective management of risk. At Executive level, the Risk Management Committee (RMC), chaired by the Finance Director and comprising a wide range of senior managers from across the Company, oversees and directs risk management in accordance with the approved policy. The RMC considers the status of principal risks and mitigation strategies (as well as emerging risks and High Impact Low Probability risks) biannually and reports on its activities to the Executive Committee, Audit & Risk Committee and the Board throughout the year.

During the year, the Audit & Risk Committee received updates on the implementation plan agreed with the Committee in 2021 following an independent review of NIE Networks' Enterprise Risk Management Process with a number of recommendations made to further improve processes.

The Audit & Risk Committee regularly reviews management's assessment of the principal risks and mitigating actions, and emerging risks and considers detailed presentations on mitigating specific risks. Principal risks are set out in pages 36-40 in the Group Strategic Report. At least annually the Board considers and agrees risk tolerances for key business activities.

The Internal Audit function reports to the Audit & Risk Committee, independent of management, and provides independent assurance to the Committee on the adequacy and effectiveness of NIE Networks' system of governance, risk management and control.

Remuneration

It is recognised that an effective remuneration policy aligned to business needs will underpin high performance.

The Board has oversight of the Company Agreements entered into with Trade Unions which determine the remuneration of the 75% of employees not on personal contracts.

The Board has responsibility for the Remuneration Policy for all employees on personal contracts, including senior executives and covering around 25% of employees, and the Remuneration Policy is reviewed and approved by the Board each year. The Remuneration Policy sets out how the Company will ensure that the remuneration of senior executives and other employees on personal contracts is aligned to market rates and allows for differentiation based on performance, competence, responsibilities and adherence to the Company's values and behaviours.

The policy provides that all senior executives and employees on personal contracts receive market-based remuneration based on detailed benchmarked data derived from a range of suitable sources and verified by an independent specialist third party. The policy sets out arrangements for each element of the remuneration package, comprising salary, performance-related bonus, pension, private health insurance, death in service benefit, ill-health retirement benefit and non-cash benefits, all of which are considered as part of any benchmarking exercise. A separate benchmarking policy, setting out the benchmarking process, is subject to Board approval.

Salaries for all employees on personal contracts, including senior executives, are reviewed annually for potential cost of living increase, including a proportion which is dependent on the achievement of annual company performance targets.

The remuneration package for all employees on personal contracts, including senior executives, includes the potential to earn an annual performance-related bonus based on the achievement of individual, team and company-wide performance targets, which are aligned with meeting customer and stakeholder needs.

NEDs receive fees under their contracts for services. They do not receive pensions or any other remuneration.

Stakeholder Relations and Engagement

NIE Networks operates across all of NI, providing service to every home and business. The Board recognises that the Company's activities have a significant impact on many stakeholders, both current and future customers, and members of the public in relation to safety and to the environment.

Key external stakeholder groups comprise the UR, policy makers including relevant government departments and agencies; customers and their representative groups; local political representatives; electricity industry participants; industry groups; key suppliers; and bond investors.

The Board has endorsed the Company's external stakeholder engagement strategy, the key element of which is to set out the Company's current, and developing, role within the industry, how it ensures: reliability of network performance, safety of the network, minimal impact on the environment and continual improvement in customer service and satisfaction. Throughout 2023, the Managing Director led the implementation of the strategy. The strategy identifies key stakeholders and their issues and interests, the Company's objectives in the engagement process and the planned delivery against each objective. During 2023 the strategy focused on engaging with key policy makers to actively contribute to the DfE's NI Energy Strategy to 2030 and engaging widely on the Company's RP7 Business Plan outlining the need for skills, technologies and behaviours to take NI towards the vision of affordable energy and net zero carbon by 2050.

The Board receives updates from the Managing Director at each Board meeting on key stakeholder engagement activity with updates on the implementation of the strategy biannually.

The NEDs are involved directly in engagement with the UR Board members, senior government officials and elected representatives and industry groups as appropriate on key strategic matters.

Further details on engagement with key stakeholders are provided on pages 34-35.

Given its dependence on highly trained, skilled and engaged people within the business to achieve its objectives, the Board recognises that NIE Networks' workforce is one of its most significant stakeholder groups. NIE Networks places considerable emphasis on its employee participation and engagement processes which are well embedded in the Company's culture. The Executive Director, People & Culture, an executive director of the Board, oversees and leads the employee engagement processes, providing regular updates to the Board during 2023 on the processes and matters being addressed, through the various forums, particularly in relation to responding to the Safer Together Cultural Journey, resourcing and diversity, equality and inclusion; with NEDs attending meetings of the Employee Engagement Board during the year.

Details of employee engagement processes are provided on pages 27-30 and 32-33 of Group Strategic Report.

Audit & Risk Committee

The Audit & Risk Committee is a formally constituted committee of the Board with responsibility for overseeing the Group's financial reporting process and internal control and risk management systems.

The Audit & Risk Committee comprises the independent non-executive directors, chaired by Keith Jess. The Board is satisfied that at least one member of the Committee is competent in accounting and auditing. The Committee had five meetings during 2023.

The terms of reference, which were reviewed and updated by the Board during the year, set out the duties of the Audit & Risk Committee. The most significant issues considered by the Committee during 2023, and up to the date of this report, are outlined below:

Financial Reporting

- reviewed the annual, interim and regulatory financial statements for NIE Networks and annual financial statements for NIE Finance PLC and NIE Networks Services Limited, considering the appropriateness of accounting policies, whether the financial statements give a true and fair view, the appropriateness of the going concern assumption and reviewing the significant issues and judgements; and
- reviewed various regulatory submissions.

Internal Controls and Risk Management

- considered and approved the RMC's work programme for 2023 and received regular updates on progress;
- considered the Group's principal risks faced, together with mitigating actions being taken to manage the risks, and their alignment to the risk tolerance levels agreed with an updated risk appetite assessment relating to the Group's principal risks and other key business activities;
- monitored progress to ensure compliance with the Networks Information Systems Directive and considered a number of updates on cyber security risks, mitigations and the programme to address these increased risks at NIE Networks;
- reviewed the Group's statements for publication on the prevention of slavery and human trafficking;
- reviewed the operation of the Group's key ethics policies including the adequacy of the arrangements in place for employees to raise concerns about possible wrongdoing; and
- reviewed and monitored the effectiveness of internal controls and the risk management framework.

The Committee considered an independent review of the Company's Health & Safety Management System in providing assurance of legal compliance. The review, conducted by the Safety Advice Centre Limited, found strong evidence of assurance and made a number of recommendations to further improve assurance with an implementation plan agreed.

Internal Audit

- considered and approved Grant Thornton's internal audit plan for 2023;
- monitored progress throughout the year against this plan;
- reviewed reports detailing the results of internal audits and the timeliness of the implementation of actions; and
- reviewed the draft 2024 internal audit plan.

External Audit

- reviewed reports from the external auditor on the audit of the 2022 statutory financial statements and March 2023 regulatory financial statements;
- considered an assessment of the external audit function during the annual audit cycle to the completion of the 2022/23 regulatory accounts, concluding that the external audit process was effective;
- reviewed the proposed external audit plan for the 2023 statutory financial statements to ensure that the external auditor had identified key audit risks and developed robust audit procedures;
- considered the external auditor's adherence to independence requirements;
- reviewed the report from the external auditor on the audit of the 2022 statutory financial statements and comments on accounting, financial control and other audit issues; and
- reviewed policies on the supply of non-audit services by the external auditors and employment of former employees of the external auditor.

The Committee had the facility to discuss any areas of the audit with the external auditor without the presence of management.

Change in external auditor in 2023

PricewaterhouseCoopers LLP resigned as external auditor in June 2023 and Deloitte (NI) Limited were appointed as external auditor to the Company in July 2023.

During the year the effectiveness of the Audit & Risk Committee was reviewed as part of the Board's review of its effectiveness via an internally conducted evaluation questionnaire.

Internal Control Framework

The directors acknowledge that they have responsibility for the Group's systems of internal control and risk management and monitoring their effectiveness. The purpose of these systems is to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Group. Strong financial and business controls are necessary to ensure the integrity and reliability of financial information on which the Group relies for day-to-day operations, external reporting and for longer term planning.

The Group has in place a strong internal control framework which includes:

- a code of ethics that requires all Board members and employees to maintain the highest ethical standards in conducting business;
- a clearly defined organisational structure with defined authority limits and reporting mechanisms;
- comprehensive business planning and budgeting processes with an annual budget approved by the Board;
- a continuous forecasting and monitoring process to manage financial risk;
- an integrated accounting system with a comprehensive system of management and financial reporting. A monthly financial report is prepared which includes analysis of results along with comparisons to budget, forecasts and prior year results. These are reviewed by the Executive Committee and the Board members on a monthly basis;
- a financial control framework reviewed in accordance with statutory and regulatory obligations;
- a comprehensive set of policies and procedures relating to financial and operational controls including health, safety and wellbeing, regulation, HR, asset management, risk management and capital expenditure;
- a risk management framework including the maintenance of risk registers and ongoing monitoring of key risks and mitigating actions;
- appropriately qualified and experienced personnel including a governance team responsible for key controls testing;
- senior managers formally evaluating the satisfactory and effective operation of financial and operational controls;
- internal auditors testing management's implementation of their recommendations following audit reviews; and
- a confidential helpline service to provide staff with a confidential, and if required, anonymous means to report fraud or ethical concerns.

The Board, supported by the Audit & Risk Committee, has reviewed the effectiveness of the system of internal control and has concluded that, during 2023, the overall governance, risk management and internal control framework was adequate to provide reasonable assurance of sound internal control and that NIE Networks maintained an effective system of internal control which would prevent or detect against material misstatement or loss.

Streamlined Energy and Carbon Reporting (SECR) statement

This statement is made in compliance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (SECR Regulations) which introduced energy and carbon reporting requirements for large unquoted companies. NIE Networks is a large unquoted company according to the SECR Regulations.

This SECR Compliance report is prepared for the period from 1 January 2023 to 31 December 2023, NIE Networks' fourth reporting year under the SECR scheme.

Methodology used in calculating energy and carbon reporting data

The methodology chosen for calculating Greenhouse Gas (GHG) emissions is the GHG Protocol Corporate Standard (the GHG Protocol). The GHG Protocol is a multi-stakeholder partnership of businesses, non-government organisations, and governments, led by the World Resources Institute and the World Business Council for Sustainable Development. It serves as the premier source of knowledge on corporate GHG accounting and reporting and draws on the expertise and contributions of individuals and organisations from around the world. It is internationally accepted as best practice.

In line with the GHG Protocol, NIE Networks has adopted the operational control approach and therefore accounts for all of the emissions from operations over which it has operational control. All of NIE Networks' operations take place within NI which during 2023 included 3 main depots, 5 offices (2 of which closed during 2023), 5 Local Incident Centres, 2 stores and 1 workshop.

Defining the operational boundary involves the identification of emissions associated with energy consumption, categorising them as direct and indirect emissions, and choosing the scope of accounting and reporting for them. The following NIE Networks activities and associated GHG emissions have been included in this SECR report:

UK energy use:

- **Scope 1 mandatory emissions:** combustion of natural gas in boilers, combustion of LPG for operational purposes, combustion of fuel for the purposes of transport.
- **Scope 1 voluntary emissions:** combustion of petrol for plant and equipment, combustion of gas oil for operational purposes, combustion of heating oil, and fugitive emissions from air conditioning.
- **Scope 2 mandatory emissions:** purchase of electricity by NIE Networks for its own use, including for the purposes of transport.
- **Scope 3 mandatory emissions:** grey fleet mileage including for electric vehicles, and hire car mileage.
- **Scope 3 voluntary emissions:** business air travel and business taxi mileage.

The following energy and carbon information has been estimated:

- Gas readings for the months June, July, September, October and December were not available and therefore have been estimated based on historical consumption patterns.

NIE Networks' Environmental Management System is certified to ISO14001. Its carbon targets, performance and trends are tracked on a monthly basis and presented to an internal Environmental Management Committee, chaired by the Sustainability and Environment Manager and sponsored by the Network Assets & Investment Director, for governance purposes.

Routine internal quality audits are undertaken on the source data and scorecards to ensure compliance. A limited level assurance review has also been carried out a third party.

Energy and Carbon Data

Energy consumption data and associated scope 1, 2 and 3 emissions were collated for NIE Networks' operations in line with the methodologies outlined above. The table below provides details of NIE Networks' energy consumption in kWh and the quantity of emissions using tonnes of carbon dioxide equivalent (tCO_2e).

While the inclusion of petrol used in equipment (Scope 1), gas oil (Scope 1), heating oil (Scope 1), air travel (Scope 3), taxi hire for business purposes (Scope 3) and fugitive emissions from air conditioning (Scope 1) is not mandatory under SECR requirements, NIE Networks has voluntarily included the information in this report.

Scope and Categories	2023 Energy Data (kWh)	2023 GHG Emission (Tonnes of CO2e)	2022 Energy Data (kWh)	2022 GHG Emission (Tonnes of CO2e)
	2023		2022	
Scope 1				
Combustion of Natural Gas	**395,487**	71	**332,825**	60
Combustion of Liquefied Petroleum Gas (LPG)	**54,043**	12	**53,686**	12
Combustion of Diesel for transport purposes	**15,274,267**	3,648	**14,146,556**	3,414
Voluntary Disclosures[1]	**-**	138	**-**	170
Scope 1 Total (mandatory)	**15,723,797**	3,731	**14,533,067**	3,486
Scope 1 Total (incl. voluntary disclosures)	**15,723,797**	3,869	**14,533,067**	3,656
Scope 2				
Purchase of grid electricity	**2,693,121**	999	**2,658,536**	923[2]
Electricity for Transport	**41,930**	16	**22,289**	8
Scope 2 Total	**2,735,051**	1,015	**2,680,825**	931
Scope 3				
Grey Fleet Mileage	**2,882,493**	712	**2,568,777**	656
Grey Fleet Mileage – Electric Vehicles	**4,382**	1	**-**	-
Hire Car Mileage	**-**	-	**-**	-
Business Air Travel (incl. radiative forces) (voluntary)	**-**	56	**-**	13
Business Taxi Mileage (voluntary)	**-**	-	**265**	-
Scope 3 Total	**2,886,875**	769	**2,569,042**	669
Total (mandatory)	**21,345,723**	5,459	**19,782,669**	5,073
Total (incl. voluntary disclosures)	**21,345,723**	5,653	**19,782,934**	5,256

Intensity Ratio

SECR regulations require a statement of relevant intensity ratios which are an expression of the quantity of emissions in relation to a quantifiable factor of the business activity. NIE Networks' chosen intensity measurement is tonnes of carbon dioxide equivalent (tCO_2e) per employee. The intensity ratio for 2023 was 3.809 tCO_2e (2022: 3.878 tCO_2e).

Only mandatory emissions are relevant in the calculation of the intensity ratio.

Measures for increasing the Group's efficiency during the year

NIE Networks operates an aged office building stock but has made concerted efforts to reduce energy consumption over the last number of years.

Following a number of energy performance improvement initiatives across the office building portfolio, there has been, a 20% reduction in electricity consumption over the last six years. The electricity consumption at 7 of 13 office buildings has reduced in 2023. Overall there has been a 1.3% increase in office electricity consumption and 19% increase in gas consumption during 2023 when compared with 2022. The overall increase relates to the expansion of the workforce and increased office occupation in 2023, largely based in the Belfast office.

NIE Networks are currently undertaking a programme of refurbishment of our office buildings. During 2022 our Dargan office in Belfast underwent a significant refurbishment. During 2023, NIE Networks completed a project to consolidate all of its rented office buildings in Belfast. This project saw five leased offices, in Belfast, consolidated in to one existing, single, leased premises at Belfast, which has been modernised. The refurbishment and redesigning works have delivered an Energy Performance Certificate (EPC) Grade A23 Standard in most parts of the building, with some being 35B, all of which is a significant improvement on the previous D rating prior to works being carried out. Two offices relocated to Belfast in 2022

[1] Includes emissions from combustion of petrol for plant and equipment, combustion of gas oil for operational purposes, combustion of heating oil and fugitive emissions from air conditioning top-ups

[2] Emissions from Electricity figure for 2022 updated based on updated Department of Agriculture, Environment and Rural Affairs (DAERA) emissions factor for electricity. Total for mandatory emissions and Total for voluntary disclosures for 2022 also updated to reflect this change. The intensity factor has also been updated to reflect this change.

with the remaining two offices relocating during 2023. This project is expected to reduce future energy consumption, improve energy efficiency, reduce interoffice travel and improve the health and wellbeing of our staff that work there. The impacts on energy usage of this office consolidation will be realised during 2024.

NIE Networks is also currently finalising plans for a multi-million-pound project to build a Nearly Zero Energy Buildings (NZEB) building on its existing site in Craigavon. In addition, the Company is planning to add solar panels to all suitable sites. There are a number of upcoming office building refurbishments and replacement projects that will contribute to our carbon reduction targets in future years.

After a long-term initiative to reduce fuel usage of NIE Networks' fleet vehicles, NIE Networks continues to strive to maintain this usage at the lowest possible level whilst meeting the operational needs of the business. Fleet fuel consumption has reduced by 7.6% over the last six years.

The Company is currently going through a growth phase to accommodate the additional workload required to facilitate the decarbonisation of the electricity network for NI. As such NIE Networks is mobilising additional staff and fleet vehicles. Over the course of the year, the NIE Networks fleet increased in size by 21 vehicles. There are currently 19 electric vehicle vans on the fleet, which will contribute to the future reduction in carbon emissions in this area. A vehicle tracking system, introduced in 2020, provides information to help inform sustainable driving. The data from this vehicle tracking system is used to identify the vehicles suitable for transition to an electric equivalent as part of the overall transition plan. As part of the roll out of fleet EVs, during 2023 the Company continued the installation of vehicle charge points at depots and at the home locations of fleet drivers. The net impact of these changes saw an increase in fuel consumption by fleet vehicles of approximately 9% during the year.

Following the success of a pilot scheme in 2022, NIE Networks launched an electric car scheme in 2023 for business users to encourage electric vehicle uptake amongst employees. The mileage from grey fleet electric vehicles is included within Scope 3 emissions for 2023.

During 2023, NIE Networks implemented the following energy efficiency measures:

- continued to develop both near term reduction and long-term Net Zero carbon targets in line with the standards of the Science Based Target initiative (SBTi);
- delivered the third year of NIE Networks' Sustainability Action Plan 2021-24, achieving a 3.92% carbon footprint reduction for 2023 compared to the 2019 baseline. However, there has been an increase from 2022 which reflects an increased workforce and increased in fuel consumption resulting from ongoing investment in the network;
- the Sustainability Forum continued to identify, develop and implement initiatives associated with reducing NIE Networks' carbon footprint;
- completed the Belfast office consolidation which included closing a further two leased offices in Belfast (two other leased offices previously closed during 2022) with staff relocating to an expanded and modernised Head Office at Belfast. This consolidation of offices is expected to reduce energy consumption, improve efficiency and reduce interoffice travel;
- continued to implement an Agile Home Working Policy which upholds home working arrangements established during the Covid-19 pandemic for staff in suitable roles, and contributes to reduced carbon emissions by decreasing commuting;
- awarded a contract for a green electricity tariff for all our offices and depots;
- Continued to install electric vehicle charge points at depots and at home locations of relevant fleet vehicle drivers; and
- Implementation of an electric car scheme for business users to encourage vehicle uptake amongst employees.

Directors' Insurance

Insurance in respect of directors' and officers' liability is maintained by the Company's ultimate parent, ESB. This insurance was in place throughout the year and at the date of approval of these financial statements.

Disclosure of Information to the Independent Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors and the Company's auditors, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Appointment of Independent Auditors

In July 2023 NIE Networks' appointed Deloitte (NI) Limited as the statutory auditor of the Company. Deloitte (NI) Limited have expressed their willingness to continue in office as auditors and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Modern Slavery Act

Modern slavery is a criminal offence under the Modern Slavery Act 2015. The Act imposes obligations on organisations of a certain size. Modern Slavery can occur in various forms, including servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. NIE Networks has adopted a Policy on Modern Slavery with the aim of preventing opportunities for modern slavery occurring within its business and supply chains. In accordance with the requirements of the Act, NIE Networks publishes a statement on its website on slavery and human trafficking.

Political Donations

No donations for political purposes have been made during the year (2022 - £nil).

Group Strategic Report

The following information required in the Group Directors' Report has been included in the Group Strategic Report and is included in this report by cross reference:

- an indication of future developments in the business (see pages 13-31);
- the Group's objectives and policies for financial risk management (including liquidity risk and credit risk) (see pages 15-16);
- a statement on the policy for disabled employees (see pages 26-27);
- an indication of activities in the Group in the field of research and development (see pages 23-24);
- arrangements for employees to participate in the affairs of the Group (see pages 27-30);
- how the directors have engaged with employees, how they have had regard to employee interests and the effect of that regard, including on the principal decisions taken by the Group (see pages 26-31 and 51-52); and
- how the directors have had regard to the need to foster the Group's business relationships with suppliers, customers and others and the effect of that regard, including on the principal decisions taken by the Group (see pages 34-35 and 51-52).

Statement of Directors' Responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Derek Hynes
Managing Director

Northern Ireland Electricity Networks Limited
Registered Office:
120 Malone Road
Belfast BT9 5HT
Registered Number: NI026041
12 March 2024


POWERLINE M
cpd
Electricity
Networks
Electricity
Networks

Northern Ireland Electricity Networks

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED

Independent Auditor's Report

to the members of Northern Ireland Electricity Networks Limited

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Northern Ireland Electricity Networks Limited (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group and Company balance sheets;
- the Group and Company statements of changes in equity;
- the Group cash flow statement;
- the material accounting policy information; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of unbilled consumption • Capitalisation of overheads • Valuation of asset retirement obligation Key audit matters considered by the Group's predecessor auditor in the prior year were broadly aligned with the items identified above.
Materiality	The materiality that we used for the Group financial statements was £4,439,000 which was determined on the basis of 4.9% of profit before tax from continuing operations (excluding exceptional items). In the prior year, the predecessor auditor determined materiality at £3,980,000 based on 5% of profit before taxation. The materiality for the Company that we used in the current year was £4,217,050 based on 4.9% of profit before tax from continuing operations (excl. exceptional items), but capped at 95% of Group materiality. In the prior year, the predecessor auditor determined materiality at £3,795,000, on the basis of 5% of Company profit before tax, capped at 95% of Group materiality.
Scoping	We determined the scope of our audit by obtaining an understanding of the Group and Company and its operating environment, including the identification of key controls, and assessing the risks of material misstatement. We performed a full scope audit over the financially significant component (Northern Ireland Electricity Networks Limited). This is in line with the scoping determined by the Group's predecessor auditor.
First year audit transition	This is the first year we have been appointed as auditors to the Group and Company. We undertook a number of transitional procedures to prepare for the audit. • Before we commenced our audit, we established our independence of the Group and its subsidiaries. • We reviewed the predecessor auditor working papers to gain an understanding of the Group and Company's processes, their audit risk assessment, the controls on which they relied for the purposes of issuing their audit opinion, as well as understanding the evidence obtained on the significant judgements made by the Group and Company.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the Group's process and relevant controls for assessing going concern and reviewing management's and the directors' output of that assessment;
- Obtaining the going concern assessment prepared by the Group;
- Evaluating the financial forecast prepared by the Group, including challenging whether key assumptions used in the preparation of the forecast are reasonable;
- Evaluating management and the director's ability to forecast accurately based on assessment of the historical accuracy of forecasts; and

- Reviewing the adequacy of the disclosures included in the financial statements on going concern and, through our audit procedures, assessing whether they are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters considered by the Group's predecessor auditor in the prior year were broadly aligned with the items identified below.

5.1. Valuation of unbilled consumption

Key audit matter description	ISA (UK) 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue transactions or assertions give rise to such risks. The risk of fraud in relation to revenue has been pinpointed to valuation of unbilled consumption, the assessment of the volume of electricity distributed but not yet invoiced which is estimated using historical consumption patterns. A corresponding receivable in respect of unbilled consumption is recognised within trade receivables. At 31 December 2023, the unbilled consumption balance was £26.5million (2022: £18.1million). The Group's accounting policy for unbilled consumption is disclosed in note 2 to the financial statements. The key sources of estimation uncertainty in relation to unbilled consumption are disclosed in note 2 to the financial statements and further disclosures are presented in note 16 to the financial statements.
How the scope of our audit responded to the key audit matter	We have performed the following procedures: • Evaluated the design and determined the implementation of relevant controls over the unbilled consumption process. This included reperforming management's substantive testing of the unbilled consumption report compared to actual bills and verifying completeness of this report; • Assessed the historical consumption patterns used as a basis for the unbilled consumption for completeness and accuracy; • Reviewed actual billings, mapped the trends over time and compared to the accrued unbilled amount to identify any over/under accrual; • Analysed adjustments made throughout the year for actual versus budgeted consumption to evaluate management's estimation accuracy along with reviewing adjustments post year-end; and • Evaluated and assessed the adequacy of disclosures made in the financial statements.
Key observations	We have no observations that impact on our audit in respect of the amounts related to unbilled consumption.

5.2. Capitalisation of overheads

Key audit matter description	The calculation of capitalised overheads relates to expenditure on the network, including direct and indirect costs, and is an area at risk of potential management bias due to the level of subjectivity in the level of overheads capitalised, which also creates a potential fraud risk. Total overheads capitalised during the year ended 31 December 2023 was £41.4 million (2022: £38.8 million). The Group's accounting policy for overhead capitalisation is disclosed in note 2 to the financial statements. Further disclosures are presented in note 9 to the financial statements.
How the scope of our audit responded to the key audit matter	The procedures we have performed included: • Evaluated the design and determined the implementation of relevant controls over the capitalisation of overheads; • Assessed management's criteria for cost capitalisation against the requirements of relevant accounting standard, IAS 16; • Assessed the accuracy of the inputs to management's calculations applied to the overhead allocation model; • Challenged both the nature of the expenses capitalised and the types of projects capitalised; • Performed a trend analysis to determine whether total capitalised overheads are in line with prior years; • Challenged the appropriateness of changes in the model and capitalisation rates used year on year; and • Evaluated and assessed the adequacy of disclosures made in the financial statements.
Key observations	We have no observations that impact on our audit in respect of the capitalisation of overheads.

5.3. Valuation of asset retirement obligation

Key audit matter description	There is significant management estimation required in determining the level of provision required for the disposal of creosote treated wood poles. This includes estimating the disposal cost per pole, the period over which poles will be disposed of, and the use of an appropriate discount rate. The period over which poles are disposed of is estimated based on estimated useful economic life which could change significantly in the future as a result of operational plans, environmental legislation or pole condition. At 31 December 2023, the Group's provision for asset retirements was £29.0million (2022: £30.9million). The Group's accounting policy for the asset retirement obligation is disclosed in note 2 to the financial statements. The key sources of estimation uncertainty in relation to the asset retirement obligation are disclosed in note 2 to the financial statements and further disclosures are presented in note 23 to the financial statements.
How the scope of our audit responded to the key audit matter	The procedures we have performed included: • Evaluated the design and determined the implementation of relevant controls over the asset retirement obligation calculation and over the data used within the calculation; • Assessed and challenged the methodologies and key assumptions (including the disposal cost per pole, the period over which poles will be disposed of, and the use of an appropriate discount rate) used in determining the provision; - Assessed and challenged the assumptions made in respect of the timing of the pole disposals based on the ageing and useful economic lives; - Challenged the appropriateness of costs included within the provision calculation; - Challenged the appropriateness of the discount rates used by comparing against external benchmarks; and • Evaluated and assessed the adequacy of disclosures made in the financial statements.
Key observations	We have concluded that the assumptions and methodologies adopted by management to calculate the asset retirement obligation were reasonable.

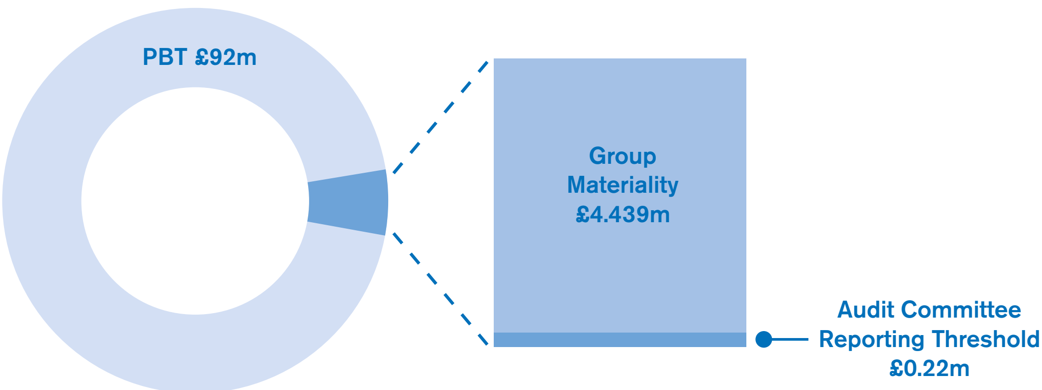
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	COMPANY FINANCIAL STATEMENTS
Materiality	£4,439,000	£4,217,050
Basis for determining materiality	4.9% of profit before tax from continuing operations (excluding exceptional items). In the prior year, the predecessor auditor determined materiality at £3,980,000 based on 5% of profit before tax.	Company materiality equates to 4.6% of profit before tax from continuing operations (excluding exceptional items) which is capped at 95% of Group materiality. In the prior year, the predecessor auditor determined materiality at £3,795,000, on the basis of 5% of Company profit before tax, capped at 95% of Group materiality.
Rationale for benchmark applied	We have considered profit before tax to be the critical component for determining materiality because it is the most important measure for the primary users of the Group's financial statements. In determining our benchmark, we have considered quantitative and qualitative factors such as our understanding of the nature of the Group and its environment, the focus of the users of the financial statements, and the industry and economic environment in which the Group operates.	We have considered profit before tax to be the critical component for determining materiality because it is the most important measure for the primary users of the Company's financial statements. In determining our benchmark, we have considered quantitative and qualitative factors such as our understanding of the nature of the Company and its environment, the focus of the users of the financial statements, and the industry and economic environment in which the Company operates.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	GROUP FINANCIAL STATEMENTS	COMPANY FINANCIAL STATEMENTS
Performance Materiality	70% of Group materiality. In the prior year, the predecessor auditor determined performance materiality at 75% of Group materiality.	70% of Company materiality. In the prior year, the predecessor auditor determined performance materiality at 75% of Company materiality.
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • Our understanding of the Group and its environment; • The reliability of the Group's internal controls over financial reporting and whether we were able to rely on controls; and • The nature, volume and size of misstatements (both corrected and uncorrected) in the previous audit.	

6.3. Error reporting threshold

We agreed with the Audit & Risk Committee (the "Committee") that we would report to the Committee all audit differences in excess of £221,950, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. In the prior year, the predecessor auditor determined that they would report to the Committee all audit differences in excess of £199,700. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

We determined the scope of our audit by obtaining an understanding of the Group and its operating environment, including the identification of key controls, and assessing the risks of material misstatement. As part of our procedures to develop our Audit Strategy, we attended a number of the Audit & Risk Committee meetings during the year as well as regularly meeting with management.

The Northern Ireland Electricity Networks Limited Group comprises of Northern Ireland Electricity Networks Limited, NIE Finance PLC and NIE Networks Services Limited. Only Northern Ireland Electricity Networks Limited is deemed financially significant to the Group and therefore requires an audit of their complete financial information. NIE Finance PLC was in scope for specific balances. This is in line with the approach adopted by the predecessor auditor.

There were no component audit teams, with the entire audit including the testing of the consolidation being conducted by one central audit team.

7.2. Our consideration of climate-related risks

In planning our audit, we have considered the potential impacts of the climate-related risks identified by management on the Group and Company's business and their financial statements.

As noted in the Group Strategic Report, the Group demonstrate its commitment to their Environmental, Social and Governance (ESG) strategy by reporting its net zero plan and adherence to globally recognised ESG frameworks including reporting on energy usage and carbon emissions in line with the mandatory Stream-lined Energy and Carbon Regulations (SECR). The Group has developed a roadmap for enhancing its ESG reporting including consideration of early voluntary disclosure to the Taskforce for Climate related Financial Disclosures (TCFD) framework, and potentially others such as Global Reporting Initiative (GRI) and Carbon Disclosure Project (CDP) over the coming years.

As part of our audit, we have made inquiries of management to understand their process for considering the impact of climate related risks. In addition, we are required to read the Group's disclosure of climate related information in the front half of the annual report, to consider whether they are materially inconsistent with the financial statements or knowledge obtained in the audit. We did not identify any material inconsistencies as a result of these procedures.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, and IT, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: 'Valuation of unbilled consumption', 'Capitalisation of overheads' and the 'Valuation of asset retirement obligation'. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group and Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group and Company's ability to operate or to avoid a material penalty. These included the Group's Transmission Licence and Electricity Distribution Licence, and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified 'Valuation of unbilled consumption', 'Capitalisation of overheads' and 'Valuation of asset retirement obligation' as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit & Risk committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Kelsall (Senior Statutory Auditor)
For and on behalf of Deloitte (NI) Ltd
Chartered Accountants and Statutory Audit Firm
Statutory Auditor
Lincoln Building
27 – 45 Great Victoria Street
Belfast
BT2 7AQ
13 March 2024

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Northern Ireland Electricity Networks

FINANCIAL STATEMENTS


RIG 2467

GROUP INCOME STATEMENT
for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Revenue	3	**339.6**	302.5
Operating costs	4	**(204.4)**	(185.4)
OPERATING PROFIT		**135.2**	117.1
Finance revenue	6	**10.6**	1.8
Finance costs	6	**(57.5)**	(39.4)
Net pension scheme interest	6	**3.2**	0.1
Net finance costs	6	**(43.7)**	(37.5)
PROFIT BEFORE TAX		**91.5**	79.6
Tax charge	7	**(22.4)**	(22.3)
PROFIT FOR THE YEAR		**69.1**	57.3

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

Group	Note	2023 £m	2022 £m
Profit for the financial year		**69.1**	57.3
Other comprehensive income: Items not to be reclassified to profit or loss in subsequent periods:			
Re-measurement (losses)/gains on pension scheme assets and liabilities	13	**(8.1)**	41.5
Deferred tax credit/(charge) relating to components of other comprehensive income	7	**2.0**	(10.4)
Deferred tax credit relating to change in future tax rate	7	**-**	6.1
Net other comprehensive (loss)/income for the year		**(6.1)**	37.2
Total comprehensive income for the year attributable to the equity holders of the parent company		**63.0**	94.5

BALANCE SHEETS
as at 31 December 2023

		Group		Company	
	Note	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Non-current assets					
Property, plant and equipment	9	**2,209.8**	2,090.9	**2,210.6**	2,091.7
Right of use assets	10	**15.9**	15.9	**15.9**	15.9
Intangible assets	11	**21.8**	20.1	**21.8**	20.1
Derivative financial assets	20	**293.8**	285.9	**293.8**	285.9
Investments	12	**-**	-	**7.9**	7.9
Pension asset	13	**66.7**	52.8	**66.7**	52.8
		2,608.0	2,465.6	**2,616.7**	2,474.3
Current assets					
Short-term investments	14	**-**	170.0	**-**	170.0
Inventories	15	**22.1**	17.5	**22.1**	17.5
Trade and other receivables	16	**77.7**	62.3	**77.7**	62.3
Derivative financial assets	20	**3.5**	212.3	**3.5**	212.3
Cash and cash equivalents	17	**152.0**	77.9	**152.0**	77.9
		255.3	540.0	**255.3**	540.0
TOTAL ASSETS		**2,863.3**	3,005.6	**2,872.0**	3,014.3
Current liabilities					
Trade and other payables	18	**98.8**	77.6	**108.0**	86.8
Lease liabilities	10	**2.5**	2.8	**2.5**	2.8
Deferred income	19	**22.0**	21.4	**22.0**	21.4
Financial liabilities:					
Derivative financial liabilities	20	**3.5**	212.3	**3.5**	212.3
Other financial liabilities	21	**18.1**	19.8	**18.1**	19.8
Provisions	23	**1.9**	2.5	**1.9**	2.5
		146.8	336.4	**156.0**	345.6
Non-current liabilities					
Deferred tax liabilities	7	**146.6**	142.3	**146.6**	142.3
Deferred income	19	**562.3**	549.9	**562.3**	549.9
Lease liabilities	10	**14.4**	13.7	**14.4**	13.7
Financial liabilities:					
Derivative financial liabilities	20	**293.8**	285.9	**293.8**	285.9
Other financial liabilities	21	**1,095.3**	1,094.5	**1,095.3**	1,094.5
Provisions	23	**32.9**	34.2	**32.9**	34.2
		2,145.3	2,120.5	**2,145.3**	2,120.5
TOTAL LIABILITIES		**2,292.1**	2,456.9	**2,301.3**	2,466.1
NET ASSETS		**571.2**	548.7	**570.7**	548.2
Equity					
Share capital	24	**36.4**	36.4	**36.4**	36.4
Share premium	24	**24.4**	24.4	**24.4**	24.4
Capital redemption reserve	24	**6.1**	6.1	**6.1**	6.1
Retained earnings	24	**504.3**	481.8	**503.8**	481.3
TOTAL EQUITY		**571.2**	548.7	**570.7**	548.2

The profit after tax of the Company for the year is £69.1m (2022 - £57.3m).

The financial statements on pages 74-106 were approved by the Board of Directors on 7 March 2024 and signed on its behalf by:

Derek Hynes
Director
Date: 12 March 2024

Company number: NI026041

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2023

Group

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2022		**36.4**	**24.4**	**6.1**	**423.9**	**490.8**
Profit for the year		-	-	-	57.3	57.3
Net other comprehensive income for the year		-	-	-	37.2	37.2
Total comprehensive income for the year		-	-	-	94.5	94.5
Transactions with owners in their capacity as owners:						
Dividends to the shareholder	24	-	-	-	(36.6)	(36.6)
At 31 December 2022		**36.4**	**24.4**	**6.1**	**481.8**	**548.7**
Profit for the year		-	-	-	69.1	69.1
Net other comprehensive (loss) for the year		-	-	-	(6.1)	(6.1)
Total comprehensive income for the year		-	-	-	63.0	63.0
Transactions with owners in their capacity as owners:						
Dividends to the shareholder	24	-	-	-	(40.5)	(40.5)
At 31 December 2023		**36.4**	**24.4**	**6.1**	**504.3**	**571.2**

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2023

Company

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2022		**36.4**	**24.4**	**6.1**	**423.4**	**490.3**
Profit for the year		-	-	-	57.3	57.3
Net other comprehensive income for the year		-	-	-	37.2	37.2
Total comprehensive income for the year		-	-	-	94.5	94.5
Transactions with owners in their capacity as owners:						
Dividends to the shareholder	24	-	-	-	(36.6)	(36.6)
At 31 December 2022		**36.4**	**24.4**	**6.1**	**481.3**	**548.2**
Profit for the year		-	-	-	69.1	69.1
Net other comprehensive loss for the year		-	-	-	(6.1)	(6.1)
Total comprehensive income for the year		-	-	-	63.0	63.0
Transactions with owners in their capacity as owners:						
Dividends to the shareholder	24	-	-	-	(40.5)	(40.5)
At 31 December 2023		**36.4**	**24.4**	**6.1**	**503.8**	**570.7**

CASH FLOW STATEMENT
for the year ended 31 December 2023

	Note	Group 2023 £m	Group 2022 £m
Cash flows generated from operating activities			
Profit for the year		**69.1**	57.3
Adjustments for:			
Tax charge		**22.4**	22.3
Net finance costs		**43.7**	37.5
Depreciation of property, plant and equipment		**90.4**	85.2
Depreciation of leased assets		**3.3**	3.2
Amortisation of intangible assets		**4.9**	5.3
Release of customers' contributions and grants		**(21.3)**	(20.5)
Defined benefit pension charge less contributions paid		**(18.9)**	(18.3)
Net movement in provisions		**-**	(1.1)
Operating cash flows before movement in working capital		**193.6**	170.9
Increase in inventories		**(4.6)**	(1.0)
Increase in trade and other receivables		**(31.3)**	(5.0)
Increase/(decrease) in trade and other payables		**14.5**	(17.6)
Increase in working capital		**(21.4)**	(23.6)
Cash generated from operations		**172.2**	147.3
Interest received		**10.9**	0.8
Interest paid		**(56.9)**	(35.3)
Lease interest paid		**(0.5)**	(0.3)
Current taxes received		**-**	9.0
Net cash flows generated from operating activities		**125.7**	121.5
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(205.8)**	(177.4)
Customers' cash contributions		**34.3**	33.0
Purchase of intangible assets		**(6.6)**	(6.5)
Withdrawal/(deposit) of short-term investments		**170**	(170.0)
Net cash flows used in investing activities		**(8.1)**	(320.9)
Cash flows generated (used in)/from financing activities			
Dividends paid to shareholder		**(40.5)**	(36.6)
Amounts received from group undertakings		**-**	53.0
Amounts repaid to group undertakings		**-**	(93.0)
Payment of lease liabilities		**(3.0)**	(2.9)
Net proceeds of borrowings		**-**	346.0
Net cash flows generated (used in)/from financing activities		**(43.5)**	266.5
Net increase in cash and cash equivalents		**74.1**	67.1
Cash and cash equivalents at beginning of year		**77.9**	10.8
Cash and cash equivalents at end of year	17	**152.0**	77.9

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 Financial Statements

1. General Information

Northern Ireland Electricity Networks Limited (NIE Networks or the Company) is a limited company incorporated, domiciled and registered in NI (registered number NI026041). NIE Networks is a private company limited by shares. The Company's registered office address is 120 Malone Road, Belfast, BT9 5HT. The principal activities of the Company are:

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

2. Accounting Policies

The material accounting policy information applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

New and revised accounting standards, amendments and interpretations

The following standards and interpretations are effective for the Group from 1 January 2023 but have no material effect on the results or financial positions of the Group:

- IAS 1 (Amendments) – Presentation of Financial Statements;
- IAS 8 (Amendments) – Accounting Estimates; and
- IAS 12 (Amendments) – Deferred Tax.

New and revised accounting standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the financial year ended 31 December 2023 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group or Company:

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Amendments to IAS 1 – Non-current liabilities with Covenants;
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements; and
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback.

Basis of Preparation

The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The Company has taken advantage of certain disclosure exemptions allowed under this standard as detailed below.

The financial statements of the Group and Company have been prepared under the historical cost convention except for the following:

- financial derivative instruments are measured at fair value through profit or loss; and
- defined benefit pension plan assets are measured at fair value.

The financial statements are presented in Sterling (£) with all values rounded to the nearest £1,000,000 except where otherwise indicated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of paragraphs 10(d), 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements, which are requirements relating to cash flows, comparative information, statement of compliance and the management of capital;

b) the requirements of IAS 7 Statement of Cash Flows in preparing a cash flow statement for the Company;

c) the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures relating to the disclosure of key management personnel compensation; and the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

2. Accounting Policies *(continued)*

Basis of Preparation – Going Concern

The Group is financed through a combination of equity and debt finance. Details in respect of the Group's equity are shown in the Statement of Changes in Equity and in note 24 to the financial statements. The Group's debt finance at the year end comprised bonds of £350.0m, £400.0m and £350.0m (£349.5m, £399.5m and £346.3m respectively net of amortised issue costs) which are due to mature in October 2025, June 2026 and December 2032 respectively and a £100.0m Revolving Credit Facility (RCF) from ESB, none of which was drawn down at 31 December 2023. The RCF is due to mature in December 2025.

The Company is financed through a combination of equity and subsidiary undertaking financing. Details in respect of the Company's equity are shown in the Statement of Changes in Equity and in note 24 to the financial statements. The terms of financing with its subsidiary undertaking mirror the Group's debt financing arrangements outlined above.

The Group and Company's liquidity risk are assessed through the preparation of cash flow forecasts. The Group and Company's policy is to have sufficient funds in place to meet funding requirements for the next 12 to 18 months.

On the basis of their assessment of the Group and Company's financial position, which included a review of the projected funding requirements for a period of at least 12 months from the date of approval of the financial statements along with potential severe but plausible downside sensitivities, the directors have a reasonable expectation that both the Group and Company will have adequate financial resources for at least a 12-month period and continue to adopt the going concern basis in preparing the annual report and financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and entities controlled by the Company (its subsidiaries), NIE Networks Services Limited and NIE Finance PLC. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power, directly or indirectly, to govern the financial and operating policies of the entity. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

Subsidiaries are consolidated from the day on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Company's investments in subsidiaries

The Company recognises its investments in subsidiaries at cost less any recognised impairment loss. Dividends received from subsidiaries are recognised in the income statement. The carrying values of investments in subsidiaries are reviewed annually for any indications of impairment, including whether the carrying value is impaired as a result of the receipt of dividends.

Property, plant and equipment

Property, plant and equipment is included in the balance sheet at cost, less accumulated depreciation and any recognised impairment loss. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of relevant overheads. Overheads are initially expensed to the income statement with a portion being capitalised based on an assessment of the costs incurred that are attributable to the capital work performed. Interest on funding attributable to significant capital projects is capitalised during the period of construction provided it meets the recognition criteria in IAS 23 and is written off as part of the total cost of the asset.

Freehold land is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis so as to write off the cost, less estimated residual values, over their estimated useful lives as follows:

Infrastructure assets - up to 40 years

Non-operational land and buildings - up to 60 years

Fixtures and equipment - up to 10 years

Vehicles and mobile plant - up to 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from its continued use. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net selling price and the carrying amount of the asset.

The treatment of costs related to asset retirement obligations, including capitalisation and depreciation of relevant costs, is detailed in the Provisions policy below.

2. Accounting Policies *(continued)*

Right of use assets and Lease liabilities

On entering a new lease contract, the Group recognises a right of use asset and a liability to pay future rentals. The liability is measured at the present value of future lease payments discounted at the applicable incremental borrowing rate. The right of use asset is depreciated over the shorter of the term of the lease and the useful life, subject to review for impairment.

The low value and short-term lease exemptions have been applied. The associated lease payments are expensed to the income statement as they are incurred.

Intangible assets - Computer software

The cost of acquiring computer software is capitalised and amortised on a straight-line basis over its estimated useful life which is between three and ten years. Costs include direct labour relating to software development and an appropriate portion of directly attributable overheads. Interest on funding attributable to significant capital projects is capitalised during the period of construction provided it meets the recognition criteria in IAS 23 and is amortised as part of the total cost of the asset.

The carrying value of computer software is reviewed for impairment annually when the asset is not yet in use and subsequently when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gains or losses arising from de-recognition of computer software are measured as the difference between the net selling price and the carrying amount of the asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated as the weighted average purchase price. Net realisable value is the estimated value for use in the ordinary course of business. Provisions are made for obsolete or slow moving items of inventory.

Financial instruments

The accounting policies for the financial instruments of the The accounting policies for the financial instruments of the Group are set out below. The related objectives and policies for financial risk management (including capital management and liquidity risk, credit risk and interest rate risk) are included in the Group Strategic Report.

The Group classifies its financial instruments into one of the categories discussed below, depending on the purpose for which the instrument was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivative assets and liabilities. Derivatives are carried in the balance sheet at fair value with changes in fair value recognised in the income statement within net finance costs.

Financial assets measured at amortised cost

Assets measured at amortised cost principally arise from the provision of services to customers (trade receivables) but also incorporate other types of financial assets where the objective is to hold assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's financial assets are initially recorded at fair value. After initial recognition, financial assets are measured at amortised cost and comprise trade and other receivables, cash and cash equivalents.

2. Accounting Policies *(continued)*

Financial instruments *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with maturities of three months or less.

Short-term investments

Short-term investments comprise deposits with maturities of three to six months. These deposits are placed for varying periods of between three and six months depending on the cash requirements of the Group and Company, and earn interest at the respective short-term deposit rates.

Trade and other receivables

Trade and other receivables do not carry any interest. The Group assesses, on a forward-looking basis, the expected credit losses associated with trade receivables. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Other financial liabilities

Other financial liabilities include bank borrowings. The Group's other financial liabilities are initially recorded at fair value and are subsequently carried at amortised cost.

Interest bearing loans and overdrafts

Interest bearing loans and overdrafts are initially recorded at fair value, being the proceeds received net of direct issue costs. After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

Trade and other payables are not interest bearing. The Group's trade and other payables are initially recorded at fair value and subsequently carried at their amortised cost.

Borrowing costs

Borrowing costs directly attributable to significant capital projects are capitalised as part of the cost of the respective qualifying assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Revenue

Revenue is principally derived through charges for use of the distribution system (DUoS) levied on electricity suppliers and transmission service charges (TSC) mainly for use of the transmission system levied on System Operator for Northern Ireland (SONI). NIE Networks is a regulated business, earning revenue primarily from an allowed return on its Regulated Asset Base (RAB).

Revenue is recognised when the Group has satisfied its performance obligations in respect of the contract with the customer. Revenue is measured based on the consideration specified in a contract with a customer. The following specific recognition criteria must also be met before revenue is recognised:

Distribution Use of System (DUoS) revenue

DUoS revenue is recognised over time in line with the use of the system by consumers under the schedule of entitlement set by the UR for each tariff period. Any outstanding billed and unbilled usage for DUoS is included within Use of System receivable at the balance sheet date. Revenue includes an assessment of the volume of electricity distributed, estimated using historical consumption patterns.

Transmission service charge revenue

Revenue is earned by maintaining the transmission assets to facilitate the effective operation by SONI. For this fixed price contract, revenue is recognised over time on a straight-line basis in line with the schedule of entitlement set by the UR for each tariff period and a Use of System receivable is recognised on the balance sheet.

Public Service Obligation revenue

Included within the Group's operating profit are revenues and costs associated with the Public Service Obligation (PSO) charges which are fully recoverable (including amounts paid under the NI Sustainable Energy Programme), albeit there are timing differences between the receipt of revenue / payment of costs and the recovery of those amounts through the PSO charges.

PSO revenue is earned over time in line with the use of system by consumers under the schedule of entitlement set by the UR for each tariff period. In addition to PSO tariff revenues, NIE Networks recognises income received from the Power Procurement Business (PPB) at a point in time as NIE Networks does not have control over the amount or timing of receipt of PPB revenues.

2. Accounting Policies *(continued)*

Revenue *(continued)*

Customers' contributions

Customers' contributions received in respect of property, plant and equipment are deferred and released to revenue in the income statement by instalments over the estimated useful lives of the related assets.

Interest receivable

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Government grants

Government grants received in respect of property, plant and equipment are deferred and released to operating costs in the income statement by instalments over the estimated useful economic lives of the related assets. Grants received in respect of expenditure charged to the income statement during the period are included in the income statement.

Tax

The tax charge represents the sum of tax currently payable and deferred tax. Tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

Tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes both items of income or expense that are taxable or deductible in other years as well as items that are never taxable or deductible. The Company and Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is not recognised on temporary differences where they arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Provisions

Provisions are recognised when (i) the Group has a present obligation (legal or constructive) as a result of a past event (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is included within finance costs.

NIE Networks considers the implication of known or potential changes in industry requirements and regulations – including the potential impact of climate change – when assessing where a provision is required.

2. Accounting Policies *(continued)*

Provisions *(continued)*

Provision for asset retirement obligations

The provision for retirement and decommissioning of creosote treated wood poles represents the present value of the current estimate of the costs of the disposal of the poles at the end of their useful lives. The estimated costs of asset retirement obligations are recognised in full at the outset of the asset life, but discounted to present values using an appropriate risk-free pre-tax discount rate. The costs are capitalised in property, plant and equipment and are depreciated over the useful economic lives of the assets to which they relate unless the related asset has reached the end of its useful life. Any subsequent changes in the liability in respect of assets that have reached the end of their useful life will be recognised in the income statement as they occur. The costs are reviewed each year and amended as appropriate. Any future amendments to the discounted estimated costs will be accounted for within the relevant assets and depreciated over the remaining life of those assets to the extent that the assets are still in use. As the costs are capitalised and initially provided on a discounted basis, the provision will be increased by a financing charge in each future period, which will be calculated based on the provision balance and discount rate applied at the last measurement date (updated annually) and included in the income statement as a financing charge. In this way, the provision will equal the estimated disposal costs at the end of the useful economic lives of the assets. The actual expenditure will be set against the provision as obligations are met. The provision for asset retirement obligations is included within current or non-current provisions as appropriate on the balance sheet.

Pensions and other post-retirement benefits

Employees of the Group are offered membership of the Northern Ireland Electricity Pension Scheme (NIEPS) which has both defined benefit and defined contribution pension arrangements. Pension costs in respect of defined contribution arrangements are charged to the income statement as they become payable. The remainder of this policy is therefore in respect of the defined benefit section of the scheme. The amount recognised in the balance sheet in respect of liabilities represents the present value of the obligations offset by the fair value of assets.

Pension scheme assets are measured at fair value and liabilities are measured using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the liabilities. Full actuarial valuations are obtained at least triennially and updated at each balance sheet date. Re-measurements comprising of actuarial gains and losses and return on plan assets are recognised immediately in the period in which they occur and are presented in the statement of comprehensive income. Re-measurements are not reclassified to profit or loss in subsequent periods.

The cost of providing benefits under the defined benefit scheme is charged to the income statement over the periods benefiting from employees' service. These costs comprise current service costs, past service costs, gains or losses on curtailments and non-routine settlements, all of which are recognised in operating costs. Past service costs are recognised immediately to the extent that the benefits are already vested. Curtailment losses are recognised in the income statement in the period they occur.

Net pension interest on the net pension scheme asset/liability is included within net finance costs. Net interest is calculated by applying the discount rate to the net pension asset or liability.

Share capital

Ordinary shares are classified as equity. The nominal value of shares is recognised as share capital.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved.

2. Accounting Policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty

Management considers that their use of estimates, assumptions and judgements in the application of the Group and Company's accounting policies are inter-related and therefore discuss them together below; with the major sources of estimation uncertainty and significant judgements separately identified.

Pensions and other post-employment benefits (Estimate and judgement)

The estimation of and accounting for retirement benefit obligations involves judgements made in conjunction with independent actuaries. This involves estimates about uncertain future events including the life expectancy of scheme members, future salary and pension increases and inflation as well as discount rates. The assumptions used by the Group and a sensitivity analysis of a change in these assumptions are described in note 13.

The Company has recognised an accounting surplus on the 'Focus' defined benefit pension scheme in line with the most recent IAS 19 valuation on the basis of the Company's assessment that it has the right to any remaining surplus on the eventual winding up of the pension scheme following gradual settlement of the scheme's liabilities.

In making this judgement, the Company is of the view that no other party has the unilateral right to wind-up the scheme or amend the liabilities of the scheme. Notwithstanding the current IAS 19 surplus, the company expects to continue to contribute deficit contributions in line with the agreement arising from the most recent funding valuation.

Asset retirement obligations (Estimate and judgement)

Future costs required to settle current provisions such as the creosote treated wood pole retirement provision are disclosed in note 23.

There is significant estimation required in determining the level of provision required for the disposal of creosote treated wood poles. This includes estimating the disposal cost per pole, which will be determined via competitive tender processes, the period over which poles will be disposed of which is dependent on pole condition and the use of an appropriate discount rate. The period over which poles are disposed of is estimated based on estimated useful economic life which could change significantly in the future as a result of operational plans, environmental legislation or pole condition.

Fair value measurement (Judgement)

The measurement of the Group's derivative financial instruments is based on a number of judgmental factors and assumptions which by necessity are not based on observable inputs. These have been classified as Level 2 financial instruments in accordance with IFRS 13. Further detail is provided in note 20.

Other accounting judgements and sources of estimation uncertainty

The financial statements include other areas of judgement and accounting estimates which do not meet the definition under IAS 1 of significant accounting estimates or critical judgements, but for which the recognition and measurement of certain material assets and liabilities are based on assumptions or judgements that are subject to longer-term uncertainties.

Unbilled debt (Estimate)

Revenue includes an assessment of the volume of electricity distributed but not yet invoiced, estimated using historical consumption patterns. A corresponding receivable in respect of unbilled consumption is recognised within trade receivables.

Useful economic lives (Estimate and judgement)

The measurement of Plant, Property & Equipment, Intangible assets and Right of Use assets requires a degree of estimation and judgement, including the estimation of useful economic lives and residual values. These items are estimated in accordance with the accounting policies of the Group and current UK-adopted international accounting standards. In addition, NIE Networks considers the implication of known or potential changes in industry requirements and regulations – including the potential impact of climate change – when assessing the useful economic lives of assets.

3. Revenue

The Group's operating activities, which comprise one operating segment, are described in the Group Strategic Report. Financial information is reported to the Executive Committee and the Board on a consolidated basis and is not segmented.

All of the Group's revenue is derived from contracts with customers.

	2023 £m	2022 £m
Revenue:		
Regulated tariff revenue	**278.0**	237.3
Release of customers' contributions	**21.1**	20.1
PPB PSO	**28.0**	36.7
Other unregulated revenue	**12.5**	8.4
	339.6	302.5

Revenue of £339.6m (2022 - £302.5m) includes £30.9m (2022 - £40.1m) recognised at a point in time comprising PPB PSO revenue of £28.0m (2022 - £36.7m) and elements of other unregulated revenue £2.9m (2022 – £3.4m).

As outlined in note 16, the Group does not have contract assets arising from contracts with customers (2022 – none).

The Group's contract liabilities are in the form of payments received on account (note 18) and deferred income in respect of customers' contributions (note 19), both of which relate to amounts charged to customers in respect of connections to the network. Revenue from the release of customers' contributions of £21.1m (2022 - £20.1m) represents revenue recognised during the year which would have been included within contract liabilities in the prior year.

None of the Group's revenue recognised during the year (2022 – none) relates to performance obligations satisfied in prior years.

Four customers with sales greater than 10% accounted for sales revenue totalling £231.6m (2022 – four customers accounted for £241.5m).

Geographical information

The Group is of the opinion that all revenue is derived from the United Kingdom on the basis that the Group's assets, from which revenue is derived, are all located within the United Kingdom.

4. Operating Costs

Operating costs are analysed as follows:

	2023 £m	2022 £m
Employee costs (note 5)	**37.3**	30.6
Depreciation and amortisation	**98.2**	93.3
Other operating charges	**68.9**	61.5
	204.4	185.4

	2023	2022
Operating costs include:		
Depreciation charge on property, plant and equipment (note 9)	**90.4**	85.2
Depreciation on right of use assets (note 10)	**3.3**	3.2
Amortisation of intangible assets (note 11)	**4.9**	5.3
Amortisation of grants (note 19)	**(0.4)**	(0.4)
Profit on disposal of property	**(1.3)**	-
Cost of inventories recognised as an expense	**1.8**	1.1

Operating costs include:

Auditor's remuneration	2023 £'000	2022 £'000
Deloitte (NI) Limited:		
Fees payable to the Group and Company auditors for the audit of the financial statements	**105.5**	127.0
Fees payable to the Group and Company auditors for other services:		
The audit of the company's subsidiaries pursuant to legislation	**10.0**	10.0
Audit related assurance services	**13.3**	87.5

5. Employees

Employee costs – Group and Company

	2023 £m	2022 £m
Wages and salaries	**74.0**	60.8
Social security costs	**8.6**	7.5
Other pension costs		
- defined contribution plans	**12.6**	9.7
- defined benefit plans	**4.5**	8.1
	99.7	86.1
Less: amounts capitalised to property, plant and equipment and intangible assets	**(62.4)**	(55.5)
Charged to the income statement	**37.3**	30.6

Average monthly and actual headcount for the Group and Company are disclosed in the table below:

	Average monthly headcount		Actual headcount as at 31 December	
	2023 Number	2022 Number	**2023 Number**	2022 Number
Management, administration and support	**416**	367	**450**	392
Electrical services	**1,017**	945	**1,056**	975
Employee numbers	**1,433**	1,312	**1,506**	1,367

5. Employees *(continued)*

Directors' emoluments

The remuneration of the directors paid by the Company was as follows:

	2023	2022
	£'000	£'000
Emoluments in respect of qualifying services	743	633

Emoluments in respect of qualifying services include deferred remuneration awarded in the current and prior year but payable in future years. No amounts were paid to directors in respect of long-term incentive plans. The Company does not operate any share schemes therefore no directors exercised share options or received shares under long-term incentive schemes during either the current year or the previous year.

The number of directors to whom retirement benefits are accruing, under defined contribution pension schemes, was as follows:

	2023	2022
	Number	Number
Defined contribution scheme	1	1

Aggregate contributions by the Group and Company to the Company's defined contribution pension scheme in respect of the directors during the year was £46,150 (2022 - £66,578).

The total remuneration in respect of the highest paid director, which includes all elements of remuneration except the Company's contributions to the Company's defined contribution pension scheme, was as follows:

	2023	2022
	£'000	£'000
Emoluments	387	248

No contributions were made by the Company to the Company's defined contribution pension scheme in respect of the highest paid director (2022 - £40,536).

6. Net Finance Costs

	2023	2022
	£m	£m
Finance revenue:		
Bank interest receivable	10.6	1.8
Finance costs:		
£400m bond (Issued 2011)	(25.5)	(25.5)
£350m bond (Issued 2018)	(8.8)	(8.8)
£350m bond (Issued 2022)	(20.6)	(3.4)
Amounts payable to group undertakings (note 27)	(0.2)	(1.0)
Interest on lease liabilities (note 10)	(0.5)	(0.3)
	(55.6)	(39.0)
Total interest charged to the income statement	(55.6)	(39.0)
Other finance costs:		
Amortisation of financing charges	(0.8)	(0.4)
Unwinding of discount on provision	(1.1)	-
Total finance costs	(57.5)	(39.4)
Net pension scheme interest income	3.2	0.1
Net finance costs	(43.7)	(37.5)

6. Net Finance Costs *(continued)*

Funds from Operations (FFO) Interest Cover Ratio

The Group considers the ratio of FFO to interest paid to be a key measure of the Group's financial health. FFO interest cover indicates the Group's ability to fund interest payments from cash flows generated from operations. The calculation of the ratio, as reported in the Financial Review, is shown below:

	2023 £m	2022 £m
Operating profit	**135.2**	117.1
Add back depreciation and amortisation	**98.2**	93.3
Add back pension administration costs and curtailments	**1.5**	1.9
Deduct amortisation of customer contributions	**(21.1)**	(20.0)
Deduct tax paid (including group relief paid)	**(16.2)**	(13.3)
Funds from operations	**197.6**	179.0
Gross interest paid	**57.4**	35.6
FFO to interest paid (times)	**3.4**	5.0

7. Tax Charge

(i) Analysis of charge during the year

Group Income Statement	**2023 £m**	2022 £m
Current tax charge		
UK corporation tax at 23.5% (2022 – 19.0%)	**15.9**	11.8
Total current income tax	**15.9**	11.8
Deferred tax charge		
Origination and reversal of temporary differences in current year	**6.4**	4.8
Origination and reversal of timing differences relating to prior years	**0.1**	-
Effect of increased rate on opening liability	**-**	5.7
Total deferred tax charge	**6.5**	10.5
Total tax charge for the year	**22.4**	22.3
Tax relating to items (credited)/charged in other comprehensive income		
Deferred tax (credit)/charge		
Arising on re-measurement losses/gains on pension scheme assets and liabilities	**(2.0)**	10.4
Effect of increased rate on opening asset	**-**	(6.1)
Deferred tax (credit)/charge relating to components of other comprehensive income	**(2.0)**	4.3

7. Tax Charge *(continued)*

(ii) Reconciliation of total tax charge

The tax charge in the Group Income Statement for the year is higher than (2022 – higher than) the standard rate of corporation tax in the UK of 23.5% (2022 – 19.0%). The differences are reconciled below:

	2023 £m	2022 £m
Profit before tax	**91.5**	79.6
Profit before tax multiplied by the UK standard rate of corporation tax of 23.5% (2022 – 19.0%)	**21.5**	15.1
Tax effect of:		
Impact of deferred tax at increased rate	**0.3**	6.9
Tax overprovided in previous period	**0.1**	-
Other permanent differences / expenses not deductible	**0.5**	0.3
Total tax charge for the year	**22.4**	22.3

(iii) Deferred tax

The deferred tax included in the Group Balance Sheet is as follows:

	2023 £m	2022 £m
Deferred tax assets		
Other temporary differences	**0.2**	0.2
	0.2	0.2
Deferred tax liabilities		
Accelerated capital allowances	**(129.0)**	(128.1)
Held-over losses on property disposals	**(1.2)**	(1.1)
Pension asset	**(16.6)**	(13.3)
	(146.8)	(142.5)
Net deferred tax liability	**(146.6)**	(142.3)

HM Treasury announced an increase in the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. This increased rate change was enacted during 2021 and therefore it is the rate at which deferred tax has been provided at the Balance Sheet date.

The deferred tax charge included in the Group Income Statement is as follows:

	2023 £m	2022 £m
Accelerated capital allowances	**1.0**	(0.1)
Temporary differences in respect of pensions	**5.5**	10.6
Deferred tax charge	**6.5**	10.5

The Group has applied the temporary exemption issued by the IAS on May 2023 from the accounting requirements for deferred taxes relating to Pillar Two under IAS12. Accordingly, the Group neither recognises nor discloses information about deferred taxes assets and liabilities related to Pillar Two income taxes.

On 11 July 2023, the UK government enacted the Pillar Two income taxes legislation effective from 1 January 2024. Under the legislation, the parent company will be required to pay, in the United Kingdom, top-up tax on profits of its UK entities that are taxed at an effective tax rate of less than 15%. The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance, however the Group is not currently expecting a cost to arise as a result of this legislative change.

8. Profit for the Financial Year

The profit of the Company is £69.1m (2022 - £57.3m). No separate income statement is presented for the Company as permitted by Section 408 of the Companies Act 2006.

9. Property, Plant and Equipment

Group	Infrastructure assets £m	Non-operational land and buildings £m	Fixtures and equipment £m	Vehicles and mobile plant £m	Total £m
Cost:					
At 1 January 2022	**3,160.7**	**5.1**	**116.1**	**3.4**	**3,285.3**
Additions	205.4	-	5.6	-	211.0
At 31 December 2022	**3,366.1**	**5.1**	**121.7**	**3.4**	**3,496.3**
Additions	207.0	-	6.3	0.1	213.4
Decrease in asset retirement obligation	(4.1)	-	-	-	(4.1)
At 31 December 2023	**3,569.0**	**5.1**	**128.0**	**3.5**	**3,705.6**
Accumulated depreciation:					
At 1 January 2022	**1,225.2**	**2.3**	**89.8**	**2.9**	**1,320.2**
Charge for the year	76.4	0.1	8.5	0.2	85.2
At 31 December 2022	**1,301.6**	**2.4**	**98.3**	**3.1**	**1,405.4**
Charge for the year	82.0	0.1	8.1	0.2	90.4
At 31 December 2023	**1,383.6**	**2.5**	**106.4**	**3.3**	**1,495.8**
Net book value:					
At 31 December 2022	2,064.5	2.7	23.4	0.3	2,090.9
At 31 December 2023	**2,185.4**	**2.6**	**21.6**	**0.2**	**2,209.8**

Company	Infrastructure assets £m	Non-operational land and buildings £m	Fixtures and equipment £m	Vehicles and mobile plant £m	Total £m
Cost:					
At 1 January 2022	**3,162.3**	**5.1**	**116.1**	**3.4**	**3,286.9**
Additions	205.4	-	5.6	-	211.0
At 31 December 2022	**3,367.7**	**5.1**	**121.7**	**3.4**	**3,497.9**
Additions	207.0	-	6.3	0.1	213.4
Decrease in asset retirement obligation	(4.1)	-	-	-	(4.1)
At 31 December 2023	**3,570.6**	**5.1**	**128.0**	**3.5**	**3,707.2**
Accumulated depreciation:					
At 1 January 2022	**1,226.0**	**2.3**	**89.8**	**2.9**	**1,321.0**
Charge for the year	76.4	0.1	8.5	0.2	85.2
At 31 December 2022	**1,302.4**	**2.4**	**98.3**	**3.1**	**1,406.2**
Charge for the year	82.0	0.1	8.1	0.2	90.4
At 31 December 2023	**1,384.4**	**2.5**	**106.4**	**3.3**	**1,496.6**
Net book value:					
At 31 December 2022	2,065.3	2.7	23.4	0.3	2,091.7
At 31 December 2023	**2,186.2**	**2.6**	**21.6**	**0.2**	**2,210.6**

9. Property, Plant and Equipment *(continued)*

Infrastructure assets for both Group and Company include amounts in respect of assets under construction of £139.2m (2022 - £94.4m) and asset retirement obligations of £26.8m (2022 - £30.9m). Total additions for the year (excluding asset retirement obligation) includes, investment in the network (£161.0m) (2022: £128.7m), non-network (£16.8m) (2022: £16.8m) and connections capital expenditure (£41.1m) (2022: £41.2m).

10. Right of Use Assets and Lease Liabilities

Group and Company	**Land and Buildings £m**	**Vehicles £m**	**Total £m**
Cost:			
At 1 January 2022	**8.4**	**10.8**	**19.2**
Additions	5.8	3.3	9.1
Modification of lease terms	(0.6)	(2.6)	(3.2)
At 31 December 2022	**13.6**	**11.5**	**25.1**
Additions	2.7	1.9	4.6
Modification of lease terms	(1.2)	-	(1.2)
Disposals	(1.8)	(1.1)	(2.9)
At 31 December 2023	**13.3**	**12.3**	**25.6**
Accumulated depreciation:			
At 1 January 2022	**2.5**	**6.7**	**9.2**
Charge for the year	0.8	2.4	3.2
Eliminated on disposals	(0.6)	(2.6)	(3.2)
At 31 December 2022	**2.7**	**6.5**	**9.2**
Charge for the year	0.8	2.5	3.3
Eliminated on disposals	(1.7)	(1.1)	(2.8)
At 31 December 2023	**1.8**	**7.9**	**9.7**
Net book value:			
At 31 December 2022	**10.9**	**5.0**	**15.9**
At 31 December 2023	**11.5**	**4.4**	**15.9**

Lease Liabilities	**2023 £m**	2022 £m
Current	2.5	2.8
Non-current	14.4	13.7
	16.9	**16.5**

Lease costs include:	**2023 £m**	2022 £m
Depreciation on right-of-use assets (note 4)	3.3	3.2
Lease liabilities finance cost (note 6)	0.5	0.3
Expense relating to short-term leases included in operating costs	0.2	0.2
	4.0	**3.7**

11. Intangible Assets

	2023 £m	2022 £m
Cost:		
At 1 January	**129.8**	123.3
Additions	**6.6**	6.5
At 31 December	**136.4**	129.8
Accumulated amortisation:		
At 1 January	**109.7**	104.4
Amortisation charge for the year	**4.9**	5.3
At 31 December	**114.6**	109.7
Net book value:		
At 1 January	**20.1**	18.9
At 31 December	**21.8**	20.1

12. Investments

Company – Investment in subsidiaries

	2023 £m	2022 £m
Cost:		
At the beginning and end of the year	**7.9**	7.9

The Company holds the entire share capital of NIE Networks Services Limited and NIE Finance PLC which have been fully consolidated into the financial statements. All of the Company's subsidiaries are incorporated in the United Kingdom and hold registered office addresses at 120 Malone Road, Belfast, BT9 5HT.

The principal activity of NIE Networks Services Limited until 31 December 2015 was to provide construction maintenance, metering and other services to the Company. As NIE Networks Services Limited provided services to the Company, revenue on consolidation was £nil. On 1 January 2016, all assets, operations and employees of NIE Networks Services Limited transferred to NIE Networks and NIE Networks Services Limited ceased operational activity.

The principal activity of NIE Finance PLC is the provision of financing services, being the issuer of the £400m, £350m and £350m bonds which were on-lent to the Company. Further details of the bond issues are included in note 21.

Dormant subsidiaries

The Company holds 100% of the share capital of Northern Ireland Electricity Limited and NIE Limited. These companies are dormant and the carrying value of these investments as at 31 December 2023 is £nil (2022 - £nil).

13. Pension Commitments

Most employees of the Group are members of Northern Ireland Electricity Pension Scheme (NIEPS or the scheme). 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 8% 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.

Under the Focus section of the scheme, employees are entitled to annual pensions on retirement at age 63 (for members who joined after 1 April 1988) of one-sixtieth of final pensionable salary for each year of service. Benefits are also payable on death and following events such as withdrawing from active service.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Focus section of the scheme was carried out by a qualified actuary as at 31 March 2022 and showed a deficit of £29.0m. The Company paid deficit contributions of £20.0m per annum (increasing in line with inflation) from 1 April 2022. These deficit contribution payments ceased on 30 September 2023 in line with the recovery plan agreed with the Trustees. Since 1 April 2023, NIE Networks also pays contributions of 52.1% of pensionable salaries (2022: 43.0%) in respect of current accrual plus £100,000 monthly expenses (2022: £87,500), with active members paying a further 6% of pensionable salaries.

Profile of the scheme

The net asset includes benefits for current employees, former employees and current pensioners. Broadly, about 17% of the liabilities are attributable to current employees, 3% to former employees and 80% to current pensioners. The scheme duration is an indication of the weighted average time until benefit payments are made. For the NIEPS, the duration is around 11 years (2022 – 11 years) based on the last funding valuation.

Risks associated with the scheme

Asset volatility – liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The scheme holds a significant proportion of growth assets (equities and diversified growth funds) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation of growth assets is monitored to ensure it remains appropriate given the scheme's long-term objectives.

Changes in bond yields – a decrease in corporate bond yields will increase the value placed on the scheme's liabilities for accounting purposes although this is likely to be partially offset by an increase in the value of the scheme's bond holdings.

Inflation risk – the majority of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although in most cases caps on the level of inflationary increases are in place to protect against extreme inflation). While some of the scheme assets are either unaffected by, or only loosely correlated with, inflation, the scheme has an investment strategy to reduce the impact of inflation on the deficit by investing in a liability driven investment policy (see below).

Life expectancy – the majority of the scheme's obligations are to provide benefits for the life of the member, so an increase in life expectancy will increase the liabilities.

The Company and the trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes a liability driven investment policy which aims to reduce the volatility of the funding level of the plan by investing in assets such as index-linked gilts which perform in line with the liabilities of the plan so as to protect against inflation being higher than expected.

The trustees insure certain benefits payable on death before retirement.

13. Pension Commitments *(continued)*

Mercer Limited, NIE Networks' actuary, has provided a valuation of Focus under IAS 19 as at 31 December 2023 based on the following assumptions (in nominal terms) and using the projected unit credit method:

	2023	2022
Rate of increase in pensionable salaries (per annum)	**3.1%**	3.2%
Rate of increase in pensions in payment (per annum)	**2.7%**	2.7%
Discount rate (per annum)	**4.8%**	5.0%
Inflation assumption (CPI) (per annum)	**2.7%**	2.7%
Life expectancy:		
Current pensioners (at age 60) – males	**26.5 years**	26.4 years
Current pensioners (at age 60) – females	**29.0 years**	28.9 years
Future pensioners (at age 60) – males	**28.4 years**	28.3 years
Future pensioners (at age 60) – females	**30.1 years**	30.1 years

The life expectancy assumptions are based on standard actuarial mortality tables and include an allowance for future improvements in life expectancy.

The valuation under IAS 19 at 31 December 2023 shows a net pension asset (before deferred tax) of £66.7m (2022 – net asset £52.8m). The table below shows the possible (increase) / decrease in the net pension asset that could result from changes in key assumptions:

	Increase in assumption		Decrease in assumption	
	2023 £m	2022 £m	**2023 £m**	2022 £m
0.5% change in rate of increase in pensionable salaries	**(3.4)**	(2.8)	**3.4**	2.8
0.5% change in rate of pensions in payments	**(39.3)**	(36.0)	**38.2**	35.1
0.5% change in annual discount rate	**44.8**	44.1	**(46.9)**	(46.2)
0.5% change in annual inflation rate (CPI)	**(43.3)**	(37.1)	**42.0**	37.5
1-year change in life expectancy	**(24.5)**	(14.9)	**24.5**	14.9

Assets and Liabilities

The Group and Company's share of the assets and liabilities of Focus are:

	Value at 31 December 2023 £m	Value at 31 December 2022 £m
Equities – quoted	**43.2**	77.3
Bonds – quoted**	**272.0**	259.6
Diversified growth funds – quoted	**75.4**	115.3
Multi-asset credit investments	**511.0**	424.3
Cash	**19.6**	22.6
Total market value of assets	**921.2**	899.1
Actuarial value of liabilities	**(854.5)**	(846.3)
Net pension asset/(liability)	**66.7**	52.8

***This is a Liability Driven Investment ('LDI') account which includes repurchase agreement liabilities. To reduce volatility risk, a liability driven investment (LDI) strategy forms part of the Trustee's management of the defined benefit scheme's assets, including government bonds, corporate bonds and derivatives. The government bond assets category in the table above includes gross assets of £272.0m (2022: £259.6m) and associated repurchase agreement liabilities of £236.2m (2022: £245.3m). Repurchase agreements are entered into with counterparties to better offset the scheme's exposure to interest and inflation rates, whilst remaining invested in assets of a similar risk profile. Interest rate and inflation rate derivatives are also employed to complement the use of fixed and index-linked bonds in matching the profile of the scheme's liabilities.*

Changes in the market value of assets – Group and Company

	2023 £m	2022 £m
Market value of assets at the beginning of the year	**899.1**	1,261.8
Interest income on scheme assets	**44.0**	22.4
Contributions from employer	**23.4**	26.4
Contributions from scheme members	**0.3**	0.2
Benefits paid	**(61.0)**	(64.5)
Administration expenses paid	**(1.3)**	(1.6)
Re-measurement gains/(losses) on scheme assets	**16.7**	(345.6)
Market value of assets at the end of the year	**921.2**	899.1

13. Pension Commitments *(continued)*

Changes in the actuarial value of liabilities – Group and Company

	2023 £m	2022 £m
Actuarial value of liabilities at the beginning of the year	**846.3**	1,268.9
Interest expense on pension liability	**40.8**	22.3
Current service cost	**3.0**	6.2
Curtailment costs	**0.2**	0.3
Contributions from scheme members	**0.3**	0.2
Benefits paid	**(61.0)**	(64.5)
Effect of changes in demographic assumptions	**-**	(8.8)
Effect of changes in financial assumptions	**17.3**	(421.6)
Effect of experience adjustments	**7.6**	43.3
Actuarial value of liabilities at the end of the year	**854.5**	846.3

The curtailment loss (cost) arising in 2023 and 2022 reflects past service costs associated with employees leaving the company under a restructuring exit arrangement.

The Group expects to make contributions of approximately £6.8m to Focus in 2024.

The Group's share of the NIEPS service costs is allocated based on the pensionable payroll. Contributions from employer, interest cost liabilities, interest income on assets and experience gains or losses are allocated based on the Group's share of the NIEPS net pension asset/liability.

Analysis of the amount charged to operating costs (before capitalisation)

	2023 £m	2022 £m
Current service cost	**3.0**	6.2
Administration expenses paid	**1.3**	1.6
Curtailment costs	**0.2**	0.3
Total operating charge	**4.5**	8.1

Focus has been closed to new members since 1998 and therefore under the projected unit credit method the current service cost for members of this section as a percentage of salary will increase as they approach retirement age.

Analysis of the amount charged to net pension scheme interest

	2023 £m	2022 £m
Interest income on scheme assets	**44.0**	22.4
Interest expense on liabilities	**(40.8)**	(22.3)
Net pension scheme interest income	**3.2**	0.1

The actual return on Focus assets was a gain of £57.7m for the Group and Company (2022 - loss of £323.2m for the Group and Company).

Analysis of amounts recognised in the Statement of Comprehensive Income

	2023 £m	2022 £m
Re-measurement gains/(losses) on scheme assets	**16.7**	(345.6)
Re-measurement (losses)/gains on scheme liabilities	**(24.8)**	387.1
Net (losses)/gains	**(8.1)**	41.5

14. Short-term investments

Group and Company

	2023 £m	2022 £m
Short-term investments	-	170.0

Short-term investments represent amounts placed on deposit with financial institutions for periods of more than three but less than six months for the purpose of earning a return, prior to utilisation of the funds for network activities.

15. Inventories

	2023 £m	2022 £m
Group and Company		
Materials and consumables	22.1	17.5
	22.1	17.5

Inventories are stated net of a provision of £1.8m (2022: £1.5m).

16. Trade and Other Receivables

Group and Company	2023 £m	2022 £m
Current		
Trade receivables (including unbilled consumption)	61.4	46.7
Loss allowance	(0.4)	(0.7)
Trade receivables (net of provision)	61.0	46.0
Other receivables	0.5	-
Prepayments and accrued income	8.8	9.1
Amounts owed by fellow subsidiary undertakings (note 27)	7.4	7.2
	77.7	62.3

Trade receivables include amounts relating to unbilled consumption of £26.5m (2022 - £18.1m). The largest trade receivable at the year end, due from one customer, is £9.5m (2022 - £7.9m).

Trade receivables include £nil (2022 – £nil) in respect of contract assets arising from contracts with customers.

Trade receivables are stated net of an allowance of £0.4m (2022 - £0.7m) for estimated irrecoverable amounts based on the lifetime expected credit loss of the trade receivable referencing the Group's past default experience. There are no allowances for estimated irrecoverable amounts included in 'Amounts owed by fellow subsidiary undertakings' which consist of £1.3m (2022: £1.2m) of unsecured, interest-free and recoverable on demand amounts as well as £6.1m (2022: £6.0m) of balances on normal commercial terms and subject to the credit risk mitigations noted below.

Group and Company	2023 £m	2022 £m
At the beginning of the year	0.7	0.9
(Decrease)/increase in allowance	(0.3)	0.1
Bad debts written off	-	(0.3)
At the end of the year	0.4	0.7

The allowance of £0.4m (2022 - £0.7m) reflects individual balances impaired based on past default experience.

The following shows an aged analysis of current trade receivables for the Group and Company:

	2023 £m	2022 £m
Current	56.8	41.9
Less than 30 days	0.3	0.6
30 - 60 days	0.3	0.2
60 - 90 days	0.6	0.2
+ 90 days	3.4	3.1
	61.4	46.0

16. Trade and Other Receivables *(continued)*

The credit quality of trade receivables is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used. The directors consider that the carrying amount of trade and other receivables approximates to fair value.

The Group's credit risk in respect of trade receivables from licensed electricity suppliers is mitigated by appropriate policies with security received in the form of cash deposits, letters of credit or parent company guarantees. Trade receivables are denominated in Sterling (£). With the exception of certain public bodies, payments in relation to new connections or alterations are received in advance of the work being carried out. Payments received on account are disclosed in note 18 to the financial statements. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables.

17. Cash and Cash Equivalents

Group and Company	2023 £m	2022 £m
Cash at bank and in hand	**10.1**	11.9
Short term deposits	**141.9**	66.0
	152.0	77.9

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are placed for varying periods of between one day and three months depending on the immediate cash requirements of the Group and Company, and earn interest at the respective short-term deposit rates.

The directors consider that the carrying amount of cash and cash equivalents equates to fair value.

18. Trade and Other Payables

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Trade payables	**23.6**	24.9	23.6	24.9
Payments received on account	**34.5**	19.7	34.5	19.7
Amounts owed to fellow Group subsidiary undertakings (note 27)	**-**	0.1	-	0.1
Amounts owed to Company subsidiary undertakings	**-**	-	9.2	9.2
Tax and social security	**7.0**	5.3	7.0	5.3
Accruals	**28.9**	22.7	28.9	22.7
Other payables	**4.8**	4.9	4.8	4.9
	98.8	77.6	**108.0**	86.8

The directors consider that the carrying amount of trade and other payables equates to fair value.

19. Deferred Income

Group and Company	Grants £m	Customers' contributions £m	Total £m
Current	0.3	20.8	21.1
Non-current	3.2	534.6	537.8
Total at 1 January 2022	**3.5**	**555.4**	**558.9**
Receivable	-	32.9	32.9
Released to income statement	(0.4)	(20.1)	(20.5)
Current	**0.3**	**21.1**	**21.4**
Non-current	**2.8**	**547.1**	**549.9**
Total at 31 December 2022	**3.1**	**568.2**	**571.3**
Receivable	-	34.3	34.3
Released to income statement	(0.2)	(21.1)	(21.3)
Current	**0.4**	**21.6**	**22.0**
Non-current	**2.5**	**559.8**	**562.3**
Total at 31 December 2023	**2.9**	**581.4**	**584.3**

20. Derivative Financial Instruments

Group and Company - Interest rate swaps	2023 £m	2022 £m
Current assets	**3.5**	212.3
Non-current assets	**293.8**	285.9
	297.3	498.2
Current liabilities	**(3.5)**	(212.3)
Non-current liabilities	**(293.8)**	(285.9)
	(297.3)	(498.2)

The Company has held a £550m portfolio of inflation-linked interest rate swaps (the RPI 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.

The RPI swaps were originally put in place by the Viridian Group (the Group's previous parent undertaking) in 2006 to better match NIE Networks' debt and related interest payments with its inflation-linked regulated assets and associated revenue – in the nature of an economic hedge. As part of the acquisition of NIE Networks by ESB in 2010, the swaps were novated to NIE Networks.

In 2011, following the novation of the swaps to NIE Networks, the Company entered into back-to-back RPI linked interest rate swap arrangements with ESBNI, the immediate parent undertaking of the Company, which had identical matching terms to the swaps. The back-to-back matching swaps with ESBNI ensures that there is no net effect on the financial statements of the Company and that any risk to financial exposure is borne by ESBNI.

During 2021 the Company and its counterparty banks agreed a further restructuring of the swaps, including amendments to certain critical terms. These changes included an extension of the mandatory break period from 2022 to 2025 for the swaps maturing in 2036 and the removal of mandatory breaks for the swaps maturing in 2026 to 2031. It also included amendments to the fixed interest rate element of the swaps and a change to the number of swap counterparties. Future accretion payments are now scheduled to occur every five years commencing in December 2023, with remaining accretion paid at maturity. In line with the restructuring with the counterparty banks, the Company's back-to-back matching swaps

20. Derivative Financial Instruments *(continued)*

with ESBNI were also restructured to ensure that there is no effect on the financial statements of the Company and that any risk to financial exposure is borne by ESBNI.

Positive mark to market movements on the swap portfolio totalled £240.9m during the year. A rise in forward interest rates £24.3m and semi-annual payments (£2.7m) were offset by a rise in forward inflation rates (£56.4m). Given the back-to-back matching swaps with ESBNI, there is a matching negative fair value movement of (£240.9m) in 2023. Due to the back-to-back arrangements with ESBNI, no net swap interest cost arises on these transactions and therefore they have been netted in finance costs.

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. All assets and liabilities for which fair value is disclosed are categorised within the fair value hierarchy described as follows:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is not observable.

The fair value of interest rate swaps as at 31 December 2023 is considered by the Group and 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 and 3 of the hierarchy during the year.

Independent valuations are used in measuring the interest rate swaps and validated using the present valuation of expected cash flows using a constructed zero-coupon discount curve. The zero-coupon curve uses the interest rate yield curve of the relevant currency. Future cash flows are estimated using expected RPI benchmark levels as well as expected SONIA rate sets.

An increase / (decrease) of 0.5% in interest rates would decrease / (increase) the fair value of interest rate swap liabilities by £23.8m / (£27.4m) (2022 - £28.0m / (£29.4m)). However, the swap arrangements entered into with ESBNI hedge the Company's cash flows in respect of these liabilities and therefore, an increase / (decrease) of 0.5% in interest rates would increase / (decrease) the fair value of the interest rate swap assets by £23.8m / (£27.4m) (2022 - £28.0m / (£29.4m)) and thereby offset the exposure to the swap liabilities. These sensitivities are based on an assessment of market rate movements during the period and each is considered to be a reasonably possible range.

21. Other Financial Liabilities

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Current				
Interest payable on £400m bond (6.375%)	**14.8**	14.8	**-**	-
Interest payable on £350m bond (2.500%)	**1.6**	1.6	**-**	-
Interest payable on £350m bond (5.875%)	**1.7**	3.4	**-**	-
Interest payable to subsidiary undertaking	**-**	-	**18.1**	19.8
	18.1	19.8	**18.1**	19.8
Non-current				
£400m bond (6.375%)	**399.5**	399.3	**-**	-
£350m bond (2.500%)	**349.5**	349.2	**-**	-
£350m bond (5.875%)	**346.3**	346.0	**-**	-
Amounts owed to subsidiary undertaking	**-**	-	**1,095.3**	1,094.5
	1,095.3	1,094.5	**1,095.3**	1,094.5

Loans and other borrowings outstanding are repayable as follows:

Group and Company	**2023**	2022
	£m	£m
In one year or less or on demand	**18.1**	19.8
Between two and five years	**749.0**	748.5
In more than five years	**346.3**	346.0
	1,113.4	1,114.3

Other financial liabilities are held at amortised cost.

The principal features of the Group's borrowings are as follows:

- the 15 year £400m bond is repayable in 2026 and carries a fixed rate of interest of 6.375% which is payable annually in arrears on 2 June. The bond issue incurred £2.1m of costs associated with raising finance. In back-to-back arrangements, NIE Finance PLC has a loan of £400m with the Company, which was issued net of £2.1m of costs associated with raising finance. Interest is paid on the loan at a fixed rate of 6.375% annually in arrears on 2 June; and
- the 7 year £350m bond is repayable in 2025 and carries a fixed rate of interest of 2.500% which is payable annually in arrears on 27 October. The bond issue incurred £1.9m of costs associated with raising finance. In back-to-back arrangements, NIE Finance PLC has a loan of £350m with the Company, which was issued net of £1.9m of costs associated with raising finance. Interest is paid on the loan at a fixed rate of 2.500% annually in arrears on 27 October.
- the 10 year £350m bond is repayable in 2032 and carries a fixed rate of interest of 5.875% which is payable annually in arrears on 1 December. The bond issue incurred £4.0m of costs associated with raising finance. In back-to-back arrangements, NIE Finance PLC has a loan of £350m with the Company, which was issued net of £4.0m of costs associated with raising finance. Interest is paid on the loan at a fixed rate of 5.875% annually in arrears on 1 December.

The £400m, £350m and £350m bonds, which are listed on the London Stock Exchange's regulated market, had fair values at 31 December 2023 of £428.8m (2022 - £428.8m), £335.6m (2022 - £325.4m) and £378.5m (2022 - £361.7m) respectively, based on current market prices. The Company's back-to-back loans had a fair value at 31 December 2023 of £428.8m (2022 - £428.8m), £335.6m (2022 - £325.4m) and £378.5m (2021 - £361.7m) respectively based on the fair value of the £400m, £350m and £350m bonds.

The fair value of bonds as at 31 December 2023 is considered by the Company to fall within the level 1 fair value hierarchy (defined within note 21). There have been no transfers between levels in the hierarchy during the year.

21. Other Financial Liabilities *(continued)*

Given that 100% (2022 – 100%) of Group and Company borrowings carry fixed interest rates, the Group and Company are not significantly exposed to movements in interest rates during the year.

The table below summarises the maturity profile of the Group's financial liabilities (excluding tax and social security) based on contractual undiscounted payments:

Group

At 31 December 2023

	On demand £m	**Within 1 Year £m**	**1 to 5 years £m**	**More than 5 years £m**	**Total £m**
£400m bond (including interest payable)	**-**	**25.5**	**451.0**	**-**	**476.5**
£350m bond (including interest payable)	**-**	**8.8**	**358.8**	**-**	**367.6**
£350m bond (including interest payable)	**-**	**20.6**	**82.3**	**432.3**	**535.2**
Trade and other payables	**34.5**	**57.3**	**-**	**-**	**91.8**
Interest rate swap liabilities	**-**	**3.6**	**304.1**	**62.9**	**370.6**
Lease Liabilities	**-**	**2.5**	**5.2**	**9.2**	**16.9**
	34.5	**118.3**	**1,201.4**	**504.4**	**1,858.6**

At 31 December 2022

	On demand £m	Within 1 Year £m	1 to 5 years £m	More than 5 years £m	Total £m
£400m bond (including interest payable)	-	25.5	476.5	-	502.0
£350m bond (including interest payable)	-	8.8	367.5	-	376.3
£350m bond (including interest payable)	-	22.3	82.3	452.8	557.4
Trade and other payables	19.7	52.6	-	-	72.3
Interest rate swap liabilities	-	210.5	225.1	136.9	572.5
Lease Liabilities	-	2.8	5.3	8.4	16.5
	19.7	322.5	1,156.7	598.1	2,097.0

The table below summarises the maturity profile of the Company's financial liabilities (excluding tax and social security) based on contractual undiscounted payments.

Company

At 31 December 2023

	On demand £m	**Within 1 Year £m**	**1 to 5 years £m**	**More than 5 years £m**	**Total £m**
Amounts owed to subsidiary undertaking	**-**	**54.9**	**892.1**	**432.3**	**1,379.3**
Trade and other payables	**34.5**	**66.5**	**-**	**-**	**101.0**
Interest rate swap liabilities	**-**	**3.6**	**304.1**	**62.9**	**370.6**
Lease Liabilities	**-**	**2.5**	**5.2**	**9.2**	**16.9**
	34.5	**127.5**	**1,201.4**	**504.4**	**1,867.8**

At 31 December 2022

	On demand £m	Within 1 Year £m	1 to 5 years £m	More than 5 years £m	Total £m
Amounts owed to subsidiary undertaking	-	56.6	926.3	452.8	1,435.7
Trade and other payables	19.7	61.8	-	-	81.5
Interest rate swap liabilities	-	210.5	225.1	136.9	572.5
Lease Liabilities	-	2.8	5.3	8.4	16.5
	19.7	331.7	1,156.7	598.1	2,106.2

22. Analysis of Net Debt

Group	At 1 January 2023 £m	Cash flow £m	Non-cash movement £m	At 31 December 2023 £m
Cash and cash equivalents	**77.9**	74.1	-	**152.0**
Interest payable on £400m bond (6.375%)	**(14.8)**	25.5	(25.5)	**(14.8)**
Interest payable on £350m bond (2.500%)	**(1.6)**	8.8	(8.8)	**(1.6)**
Interest payable on £350m bond (5.875%)	**(3.4)**	22.3	(20.6)	**(1.7)**
Interest payable to group undertaking	**(0.1)**	0.2	(0.1)	**-**
£400m bond (6.375%)	**(399.3)**	-	(0.2)	**(399.5)**
£350m bond (2.500%)	**(349.2)**	-	(0.3)	**(349.5)**
£350m bond (5.875%)	**(346.0)**	-	(0.3)	**(346.3)**
Lease liabilities	**(16.6)**	3.5	(3.8)	**(16.9)**
	(1,053.1)	134.4	(59.6)	**(978.3)**

Company	At 1 January 2023 £m	Cash flow £m	Non-cash movement £m	At 31 December 2023 £m
Cash and cash equivalents	**77.9**	74.1	-	**152.0**
Interest payable to group undertaking	**(0.1)**	0.2	(0.1)	**-**
Interest payable to subsidiary undertaking	**(19.8)**	56.6	(54.9)	**(18.1)**
Amounts owed to group undertaking	**(1,094.5)**	-	(0.8)	**(1,095.3)**
Amounts owed to subsidiary undertaking	**-**	-	-	**-**
Lease liabilities	**(16.6)**	3.5	(3.8)	**(16.9)**
	(1,053.1)	134.4	(59.6)	**(978.3)**

The tables above exclude short-term investments of £nil (2022: £170.0m) as they have maturity dates of between three and six months and do not meet the definition of cash and cash equivalents. Further details are included in Note 14.

Group	At 1 January 2022 £m	Cash flow £m	Non-cash movement £m	At 31 December 2022 £m
Cash and cash equivalents	**10.8**	67.1	-	**77.9**
Interest payable on £400m bond (6.375%)	**(14.8)**	25.5	(25.5)	**(14.8)**
Interest payable on £350m bond (2.500%)	**(1.6)**	8.8	(8.8)	**(1.6)**
Interest payable on £350m bond (5.875%)	**-**	-	(3.4)	**(3.4)**
Interest payable to group undertaking	**(0.1)**	1.0	(1.0)	**(0.1)**
£400m bond (6.375%)	**(399.1)**	-	(0.2)	**(399.3)**
£350m bond (2.500%)	**(349.0)**	-	(0.2)	**(349.2)**
£350m bond (5.875%)	**-**	(346.0)	-	**(346.0)**
Amounts owed to group undertaking	**(40.0)**	40.0	-	**-**
Lease liabilities	**(10.4)**	3.2	(9.4)	**(16.6)**
	(804.2)	(200.4)	(48.5)	**(1,053.1)**

Company	At 1 January 2022 £m	Cash flow £m	Non-cash movement £m	At 31 December 2022 £m
Cash and cash equivalents	**10.8**	67.1	-	**77.9**
Interest payable to group undertaking	**(0.1)**	1.0	(1.0)	**(0.1)**
Interest payable to subsidiary undertaking	**(16.4)**	34.3	(37.7)	**(19.8)**
Amounts owed to group undertaking	**(40.0)**	40.0	-	**-**
Amounts owed to subsidiary undertaking	**(748.1)**	(346.0)	(0.4)	**(1,094.5)**
Lease liabilities	**(10.4)**	3.2	(9.4)	**(16.6)**
	(804.2)	(200.4)	(48.5)	**(1,053.1)**

23. Provisions

Group and Company	Environment £m	Asset Retirement Obligation £m	Liability and damage claims £m	Total £m
Current	0.5	-	2.4	2.9
Non-current	1.0	-	3.0	4.0
Total at 1 January 2022	1.5	-	5.4	6.9
Utilised in the year	(0.3)	-	(1.0)	(1.3)
Increase in provisions	-	30.9	0.2	31.1
Charged to income statement	-	-	-	-
Current	0.2	-	2.3	2.5
Non-current	1.0	30.9	2.3	34.2
Total at 31 December 2022	1.2	30.9	4.6	36.7
Utilised in the year	-	-	(0.5)	(0.5)
Increase in provisions	-	1.1	0.5	1.6
Unwinding of discount on provision	-	1.1	-	1.1
Change in assumptions	-	(4.1)	-	(4.1)
Current	**0.2**	**-**	**1.7**	**1.9**
Non-current	**1.0**	**29.0**	**2.9**	**32.9**
Total at 31 December 2023	**1.2**	**29.0**	**4.6**	**34.8**

Environment

Provision has been made for expected costs of decontamination and demolition arising from obligations in respect of power station sites formerly owned by the Group. It is anticipated that the expenditure relating to the non-current portion of the provision will take place within the next five years.

Asset Retirement Obligation

The Group provision at 31 December 2023 of £29.0 (2022: £30.9m) for asset retirement obligations represents the present value of the current estimate of the costs arising from certain obligations in relation to the retirement and decommissioning of creosote treated wood poles at the end of their useful economic lives. Creosote treated wood poles in the network are expected to be disposed over a period of 40 years. There is significant judgement in estimating the level of provision as operational plans and the cost of disposal may change significantly in the future as a result of environmental legislation or pole condition given the length of time over which they are held. Such changes could materially impact the level of provision required. The Group has made its best estimate of the financial effect of these uncertainties in determining the level of provision required, but future material changes in any of the assumptions could materially impact on the calculation of the provisions. As the costs are provided on a discounted basis, a financing charge will be included in the income statement and credited to the provision each year. The asset retirement provision will be re-examined annually and the liability recalculated in accordance with the most recent expected estimate. Expected future cash flows are discounted to present values using an appropriate pre-tax discount rate.

23. Provisions *(continued)*

The table below shows the possible increase / (decrease) in the asset retirement obligation that could result from changes in key assumptions:

	Increase in assumption		Decrease in assumption	
	2023 £m	2022 £m	**2023 £m**	2022 £m
0.1% change in risk-free rate	(0.8)	(0.9)	0.8	0.9
1.0% increase/decrease in inflation rate	0.3	0.2	(0.3)	(0.2)
One year change in disposal profile	(0.8)	(0.6)	0.8	1.8

Liability and damage claims

Notwithstanding the intention of the directors to defend vigorously claims made against the Group, liability and damage claim provisions have been made which represent the directors' best estimate of costs expected to arise from ongoing third-party litigation and employee matters. The non-current element of these provisions is expected to be utilised within a period not exceeding five years.

24. Share Capital and Equity

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Share capital	**36.4**	36.4	**36.4**	36.4
Share premium	**24.4**	24.4	**24.4**	24.4
Capital redemption reserve	**6.1**	6.1	**6.1**	6.1
Retained earnings	**504.3**	481.8	**503.8**	481.3
	571.2	548.7	**570.7**	548.2

The balance classified as share capital comprises the nominal value of the Company's equity share capital.

The balance classified as share premium records the total net proceeds on the issue of the Company's equity share capital less the nominal value of the share capital.

The balance classified as capital redemption reserve arises from the legal requirement to maintain the capital of the Company following the return of that amount of capital to shareholders on 2 August 1995.

Allotted and fully paid share capital:	**2023 £m**	2022 £m
145,566,431 ordinary shares of 25p each	**36.4**	36.4

Dividend

The following dividends were paid by the Company

	2023 £m	2022 £m
27.8 pence per allotted share (2022 – 25.1 pence)	**40.5**	36.6

25. Commitments and Contingent Liabilities

(i) Capital commitments

At 31 December 2023 the Group and Company had contracted future capital expenditure in respect of property, plant and equipment of £37.8m (2022 - £39.2m) and computer assets of £5.5m (2022 - £5.0m).

(ii) 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 (as disclosed in note 23) 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.

26. Financial Commitments

In June 2011, September 2018 and November 2022 NIE Finance PLC, a subsidiary undertaking of the Company, issued £400m, £350m and £350m bonds respectively on behalf of the Company. The Bonds have been admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market. The payments of all amounts including interest in respect of the £400m, £350m and £350m bonds are unconditionally and irrevocably guaranteed by the Company.

27. Related Party Disclosures

Remuneration of key management personnel

The compensation paid to key management personnel is set out below. Key management personnel of the Group comprise the directors of the Company and the executive team.

	2023 £m	2022 £m
Salaries and short-term employee benefits	**2.1**	1.6
Post-employment benefits	**0.4**	0.4
	2.5	2.0

Parent undertaking and Ultimate controlling party

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 the Company 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 27 Fitzwilliam Street Lower, Dublin 2, DO2 KT92, Ireland. A full list of the subsidiary undertakings of ESB is included in its financial statements.

Related parties of the Company also include the subsidiaries listed in note 12.

Transactions between the Group and related parties together with the balances outstanding are disclosed below:

	Interest charges £m	**Revenue from related party £m**	**Charges from related party £m**	**Other transactions with related party £m**	**Amounts owed by related party at 31 December £m**	**Amounts owed to related party at 31 December £m**
Year ended 31 December 2023						
ESB	**(0.2)**	**-**	**-**	**-**	**-**	**-**
ESB subsidiaries	**-**	**42.3**	**(3.6)**	**(40.5)**	**7.4**	**-**
	(0.2)	**42.3**	**(3.6)**	**(40.5)**	**7.4**	**-**
Year ended 31 December 2022						
ESB	(1.0)	-	-	-	-	-
ESB subsidiaries	-	42.1	(3.8)	(36.6)	7.2	(0.1)
	(1.0)	42.1	(3.8)	(36.6)	7.2	(0.1)

Transactions with ESB Group undertakings are determined on an arm's length basis and outstanding balances with ESB Group undertakings are unsecured, except for those amounts covered by standard commercial risk mitigations as detailed in Note 16. Interest charges and amounts owed to ESB relate to the RCF provided by ESB. Revenue from and amounts owed by ESB subsidiaries primarily arise from regulated sales to ESB subsidiaries. Charges from and amounts owed to ESB subsidiaries primarily arise from services purchased. Other transactions with related parties shown above relate to dividends paid to the shareholder. Amounts in relation to the back-to-back swaps with ESBNI are detailed in note 20.

Other related parties

During the year the Group and Company contributed £36.0m (2022 - £36.1m Group and Company) to NIEPS in respect of Focus and Options employer contributions, including an element of deficit repair contributions in respect of Focus.

Northern Ireland
Electricity
Networks

CUSTOMER SERVICES
03457 643 643