



**Northern Ireland Electricity Networks Limited
(The NIE Networks Transmission, Distribution and Landbank
Businesses)**

For the year ended 31 March 2019

Summary Regulatory Accounts

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors of Northern Ireland Electricity Networks Limited (NIE Networks or the "Company") present these summary regulatory accounts in accordance with Condition 2 of the Company's Participate in Transmission Licence and Electricity Distribution Licence (together the "Licences").

The Company is required under the Licences to prepare regulatory accounts for each financial year which present fairly the assets, liabilities, reserves and provisions of, or reasonably attributable to, the separate businesses as defined for that purpose in the Licences and of the revenues, costs and cash flows of, or reasonably attributable to, those businesses for that period. In preparing those accounts, the Company is required:

- to conform to the best commercial accounting practices including International Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union ("EU");
- to state the accounting policies adopted; and
- not to change the bases of charge, apportionment or allocation from those applied in respect of the previous financial year unless previously directed by the Northern Ireland Authority for Utility Regulator ("UR").

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of NIE Networks and which enable them to ensure that the regulatory accounts comply with the Licences. They are also responsible for safeguarding the assets of NIE Networks, which may for regulatory accounting purposes be allocated or apportioned to the separate businesses, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

To the directors of Northern Ireland Electricity Networks Limited (NIE Networks or the Company) and the Northern Ireland Authority for Utility Regulation (NIAUR / the Regulator)

Report on the Summary Regulatory Accounts

Our opinion

In our opinion, Northern Ireland Electricity Networks Limited's Summary Regulatory Accounts (the "Summary Regulatory Accounts"):

- fairly present, in accordance with Condition 2 of the Company's Regulatory Licences and the accounting policies set out on pages 12 to 17, the state of the Company's affairs at 31 March 2019 and its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with Condition 2, paragraph c, of the Regulatory Licences and the accounting policies.

Basis of preparation

Without modifying our opinion, we draw attention to the general information section and the accounting policies, which describe the basis of preparation of the Summary Regulatory Accounts. The Summary Regulatory Accounts are separate from the statutory financial statements of the Company and have been prepared under the basis of Condition 2 of the Company's Licenses, and the basis of preparation accounting policies set out in note 1 and 2. Financial information other than that prepared on the basis of IFRSs does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

What we have audited

Northern Ireland Electricity Networks Limited's Summary Regulatory Accounts comprise:

- the Net Asset Statement as at 31 March 2019;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the accounting policies and the related notes.

The financial reporting framework that has been applied in their preparation comprises the basis of the preparation and accounting policies set out in the Statement of Accounting Policies.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under Condition 2 of the Company's Regulatory Licences 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;
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches/operating locations not visited by us; and
- the Summary Regulatory Accounts are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT

To the directors of Northern Ireland Electricity Networks Limited (NIE Networks or the Company) and the Northern Ireland Authority for Utility Regulation (NIAUR / the Regulator)

Responsibilities for the Summary Regulatory Accounts and the audit Our responsibilities and those of the directors and the Regulator

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the Summary Regulatory Accounts and for their fair presentation in accordance with the basis of preparation and accounting policies. Our responsibility is to audit and express an opinion on the Summary Regulatory Accounts in accordance with International Standards on Auditing (UK) (ISAs (UK)), except as stated in the "What an audit of Regulatory Accounts involves" section below, and having regard to the guidance contained in Audit 02/16AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England and Wales. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements of Condition 2 of the Company's Regulatory Licences. Our audit work has been undertaken so that we might state to the Company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Regulatory Licences to procure such a report and (b) to facilitate the carrying out by the Regulator of its regulatory functions, 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 Regulator, for our audit work, for this report or for the opinions we have formed.

What an audit of Regulatory Accounts involves

We conducted our audit in accordance with ISAs (UK). An audit involves obtaining evidence about the amounts and disclosures in the Regulatory Accounts sufficient to give reasonable assurance that the Regulatory Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the Summary Regulatory Accounts.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Summary Regulatory Accounts.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Summary Regulatory Accounts to identify material inconsistencies with the audited Regulatory Accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

However, we have not assessed whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by the Regulatory Licences. Where the Regulatory Licences do not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Regulatory Accounts are consistent with those used in the preparation of the statutory financial statements of Northern Ireland Electricity Networks Limited. Furthermore, as the nature, form and content of Summary Regulatory Accounts are determined by the Regulator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under Auditing Standards.

INDEPENDENT AUDITORS' REPORT

To the directors of Northern Ireland Electricity Networks Limited (NIE Networks or the Company) and the Northern Ireland Authority for Utility Regulation (NIAUR / the Regulator)

Other matters

The nature, form and content of Summary Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly, we make no such assessment.

Our opinion on the Summary Regulatory Accounts is separate from our opinion on the statutory financial statements of the Company for the year ended 31 December 2018 on which we reported on 12 March 2019, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
18 June 2019

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Summary Regulatory Accounts
31 March 2019

INCOME STATEMENT
for the year ended 31 March 2019

	Notes	Transmission		Distribution		Landbank		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
		£m	£m	£m	£m	£m	£m	£m	£m
Revenue									
Sales to Power NI		-	-	77.6	78.3	-	-	77.6	78.3
Sales to Power NI PPB		-	-	6.8	10.8	-	-	6.8	10.8
Other external sales		41.4	36.1	102.6	112.7	-	0.6	144.0	149.4
Sales to NIE Networks businesses		-	-	(0.1)	0.5	0.1	(0.5)	-	-
Sales to ESB group undertakings		-	-	26.8	20.5	-	-	26.8	20.5
Amortisation of customer contributions		3.9	3.5	13.5	12.2	-	-	17.4	15.7
Total Revenue		45.3	39.6	227.2	235.0	0.1	0.1	272.6	274.7
Operating costs	3	(28.9)	(30.9)	(131.5)	(145.6)	(0.1)	(0.1)	(160.5)	(176.6)
OPERATING PROFIT		16.4	8.7	95.7	89.4	-	-	112.1	98.1
Finance revenue		-	-	0.2	-	-	-	0.2	-
Finance costs		(5.6)	(5.8)	(31.6)	(33.0)	-	-	(37.2)	(38.8)
Net pension scheme interest		(0.4)	(0.5)	(2.4)	(3.1)	-	-	(2.8)	(3.6)
Net finance costs		(6.0)	(6.3)	(33.8)	(36.1)	-	-	(39.8)	(42.4)
PROFIT BEFORE TAX		10.4	2.4	61.9	53.3	-	-	72.3	55.7
Tax charge		(2.0)	(1.3)	(11.5)	(7.3)	-	-	(13.5)	(8.6)
PROFIT AFTER TAX		8.4	1.1	50.4	46.0	-	-	58.8	47.1

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Summary Regulatory Accounts
31 March 2019

NET ASSET STATEMENT
As at 31 March 2019

	Note	Transmission		Distribution		Landbank		Total	
		2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Non-current assets									
Property, plant and equipment	4	408.1	392.8	1,398.7	1,346.6	-	-	1,806.8	1,739.4
Intangible assets	5	4.6	4.4	15.9	15.0	-	-	20.5	19.4
Deferred tax asset	6	-	-	-	-	1.8	1.8	1.8	1.8
Derivative financial assets		113.2	106.2	388.1	364.1	-	-	501.3	470.3
Current assets									
Inventories	7	525.9	503.4	1,802.7	1,725.7	1.8	1.8	2,330.4	2,230.9
Trade and other receivables	8	3.1	3.0	10.8	10.1	-	-	13.9	13.1
Derivative financial assets	9	13.6	14.0	46.2	48.1	-	-	59.8	62.1
Other financial assets	9	3.0	18.1	10.1	61.9	-	-	13.1	80.0
Cash and cash equivalents	10	0.6	0.6	2.2	2.1	-	-	2.8	2.7
		(21.0)	(21.1)	70.8	36.9	-	-	49.8	15.8
		(0.7)	14.6	140.1	159.1	-	-	139.4	173.7
TOTAL ASSETS		525.2	518.0	1,942.8	1,884.8	1.8	1.8	2,469.8	2,404.6
Current liabilities									
Trade and other payables	11	14.8	17.3	50.6	59.3	-	-	65.4	76.6
Current tax	11	1.0	0.9	3.6	2.9	-	-	4.6	3.8
Deferred income	12	4.2	4.1	14.6	14.0	-	-	18.8	18.1
Derivative financial liabilities	13	3.0	18.1	10.1	61.9	-	-	13.1	80.0
Other financial liabilities	13	5.8	68.3	19.8	234.2	2.7	2.7	28.3	305.2
Short-term provisions	14	0.4	1.8	1.3	6.2	-	-	1.7	8.0
		29.2	110.5	100.0	378.5	2.7	2.7	131.9	491.7
Non-current liabilities									
Deferred income	12	115.9	112.4	397.0	385.2	-	-	512.9	497.6
Derivative financial liabilities	13	113.2	106.2	388.1	364.1	-	-	501.3	470.3
Other financial liabilities	13	168.7	90.0	578.2	308.6	-	-	746.9	398.6
Deferred tax liability	6	16.9	15.4	58.0	52.9	-	-	74.9	68.3
Long-term provisions	14	1.4	1.1	4.8	3.7	0.1	0.1	6.3	4.9
Pension liability	14	21.3	27.8	73.0	95.4	-	-	94.3	123.2
		437.4	352.9	1,499.1	1,209.9	0.1	0.1	1,936.6	1,562.9
TOTAL LIABILITIES		466.6	463.4	1,599.1	1,588.4	2.8	2.8	2,068.5	2,054.6
NET ASSETS / (LIABILITIES)		58.6	54.6	343.7	296.4	(1.0)	(1.0)	401.3	350.0

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Summary Regulatory Accounts
31 March 2019

NET ASSET STATEMENT
As at 31 March 2019 (continued)

The accounts on pages 7-32 were approved by the Company's Board of directors and signed on its behalf by:



Director:

Date: 13 June 2019

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Summary Regulatory Accounts
31 March 2019

CASH FLOW STATEMENT
for the year ended 31 March 2019

	Transmission		Distribution		Landbank		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Cash flows from operating activities:								
Profit before tax	10.4	2.4	61.9	53.3	-	-	72.3	55.7
Adjustments for:								
Net finance costs	6.0	6.3	33.8	36.1	-	-	39.8	42.4
Depreciation of property, plant and equipment	16.1	15.2	55.2	52.2	-	-	71.3	67.4
Amortisation of customer contributions and grants	(4.0)	(3.7)	(13.9)	(12.5)	-	-	(17.9)	(16.2)
Amortisation of intangible assets	1.0	1.1	3.5	3.8	-	-	4.5	4.9
Defined benefit pension charge less contributions paid	(2.2)	(2.0)	(12.3)	(11.7)	-	-	(14.5)	(13.7)
Net movement in provisions	(1.6)	1.9	(5.4)	6.0	-	-	(7.0)	7.9
Operating cash flows before movement in working capital	25.7	21.2	122.8	127.2	-	-	148.5	148.4
Increase in working capital	(3.2)	(12.8)	(11.2)	(44.0)	-	-	(14.4)	(56.8)
Cash generated from operations	22.5	8.4	111.6	83.2	-	-	134.1	91.6
Interest received	0.1	-	0.1	-	-	-	0.2	-
Interest paid	(8.8)	(8.7)	(30.2)	(29.8)	-	-	(39.0)	(38.5)
Net cash flows from / (used in) operating activities	13.8	(0.3)	81.5	53.4	-	-	95.3	53.1
Cash flows used in investing activities:								
Purchase of property, plant and equipment	(31.7)	(44.1)	(109.2)	(150.9)	-	-	(140.9)	(195.0)
Purchase of intangible assets	(1.3)	(0.3)	(4.3)	(1.1)	-	-	(5.6)	(1.4)
Contributions in respect of property, plant and equipment	7.7	16.3	26.3	56.2	-	-	34.0	72.5
Net cash flows used in investing activities	(25.3)	(28.1)	(87.2)	(95.8)	-	-	(112.5)	(123.9)

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Notes to the Summary Regulatory Accounts
31 March 2019

1. GENERAL INFORMATION

Northern Ireland Electricity Networks Limited (NIE Networks or the Company) is a limited company incorporated and domiciled in Northern Ireland. These summary regulatory accounts report on NIE Networks' Transmission Owner, Distribution and Landbank businesses and are separate from NIE Networks' statutory accounts which are prepared on a consolidated basis including the Company's subsidiary businesses. The accounts have been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the EU and applied in accordance with the provisions of the Companies Act 2006 as applicable to companies reporting under IFRS and in accordance with Condition 2 of the Company's Licences. The accounting disclosures are compliant with the Company's Licence requirements and are not required to be prepared under IFRS. The accounts are presented in sterling (£) with all values rounded to the nearest £100,000 except where otherwise indicated.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these accounts 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 not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. With the exception of IFRS 16, 'Leases' (IFRS 16), none of these is expected to have a significant effect on the financial statements of the Company. The expected impact of IFRS 16 is discussed below:

IFRS 16

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

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

The Company continues to assess the impact of IFRS 16 on the financial statements of the Company. The directors anticipate that the adoption of IFRS 16 will result in changes in the presentation of the Company's accounts from 2020.

The Company is aware that the IASB has made a submission to the IFRS Interpretations Committee (IFRS IC) to clarify the accounting position of specific issues under IFRS 16. The Company will review the outcome of this submission to assess if it will require any change to the Company's accounting treatment however it is the Company's assessment that any change arising from the submission will not have a material impact on the financial statements of the Company.

Basis of preparation

In preparing the summary regulatory accounts for the year ended 31 March 2019 the directors of the Company (after consultation with the Utility Regulator) have allocated revenue and operating costs to each of the Transmission Owner and Distribution Businesses on the basis of actual revenue and operating costs incurred by each separate business where clearly identifiable with any residual amounts being apportioned in the ratio 15%:85% to the respective businesses. Net assets have been allocated in proportion to the respective businesses' Regulatory Asset Bases (RABs) at the closing year end dates.

Going concern

On the basis of their assessment of the Company's financial position, which included a review of the Company's projected funding requirements for a period of 12 months from the date of approval of the accounts, the directors have a reasonable expectation that the Company will have adequate financial resources for the 12 month period and accordingly continue to adopt the going concern basis in preparing the accounts.

2. ACCOUNTING POLICIES (continued)

Foreign currency translation

The functional and presentation currency of the Company is sterling (£).

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the balance sheet date are recognised in the income statement.

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 are 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 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 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 economic lives as follows:

Infrastructure assets - up to 40 years

Non-operational buildings - freehold and long leasehold - 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 derecognised 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.

Intangible assets - Computer software

The cost of acquiring computer software is capitalised and amortised on a straight-line basis over its estimated useful economic 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 written off 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.

2. ACCOUNTING POLICIES (continued)

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 selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

The accounting policies for the financial instruments of the Company are set out below

The Company classifies its financial instruments into one of the categories discussed below, depending on the purpose for which the instrument was acquired. The Company'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 Company's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and loans and receivables.

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.

Trade and other receivables

Trade receivables do not carry any interest. The Company assesses, on a forward looking basis, the expected credit losses associated with trade receivables. The Company 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 the bank borrowings and trade payables.

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 and are stated at their amortised cost.

Borrowing costs

Borrowing costs 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 an entity incurs in connection with the borrowing of funds.

Operating lease contracts

Leases are classified as operating lease contracts whenever the terms of the lease do not transfer substantially all the risks and benefits of ownership to the lessee. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Notes to the Summary Regulatory Accounts
31 March 2019

2. ACCOUNTING POLICIES (continued)

Revenue

Revenue is recognised when the Company 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:

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.

Use of System and Public Service Obligation (PSO) revenue

Revenue is recognised on the basis of units distributed during the period. Revenue includes an assessment of the volume of electricity distributed, estimated using historical consumption patterns.

Transmission service revenue

Revenue is recognised in accordance with the schedule of entitlement set by the Utility Regulator for each tariff period.

Customer contributions

Customer 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 economic lives of the related assets.

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 year 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'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 accounts 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 Company 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.

2. ACCOUNTING POLICIES (continued)

Tax (continued)

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 Company 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 Company 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.

Pensions and other post-retirement benefits

Employees of the Company are entitled to membership of the Northern Ireland Electricity Pension Scheme (NIEPS) which has both defined benefit and defined contribution pension arrangements. 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 net pension scheme liabilities is included within net finance costs. Net interest is calculated by applying the discount rate to the net pension asset or liability.

Pension costs in respect of defined contribution arrangements are charged to the income statement as they become payable.

The Company has adopted the exemption allowed in IFRS 1 to recognise all cumulative actuarial gains and losses at the transition date in reserves.

2. ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty

Pensions and other post-employment benefits

The employees in NIE Networks are entitled to membership of the NIEPS which has both defined benefit and defined contribution arrangements. 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.

Unbilled debt

Revenue includes an assessment of the volume of electricity distributed, estimated using historical consumption patterns. A corresponding receivable in respect of unbilled consumption is recognised within trade receivables.

Fair value measurement

The measurement of the Company'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.

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Notes to the Summary Regulatory Accounts
31 March 2019

3. OPERATING COSTS

	Transmission		Distribution		Landbank		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Staff costs	3.9	4.2	21.9	23.4	-	-	25.8	27.6
Depreciation and amortisation	17.0	16.2	58.3	55.6	-	-	75.3	71.8
Power NI charges	-	-	0.6	1.5	-	-	0.6	1.5
Other operating costs	8.0	10.5	50.7	65.1	0.1	0.1	58.8	75.7
	<u>28.9</u>	<u>30.9</u>	<u>131.5</u>	<u>145.6</u>	<u>0.1</u>	<u>0.1</u>	<u>160.5</u>	<u>176.6</u>

4. PROPERTY, PLANT AND EQUIPMENT

	Transmission		Distribution		Landbank		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Cost:								
At 1 April 2018	625.3		2,143.9		-	-	2,769.2	
Additions	32.3		106.4		-	-	138.7	
Re-apportionment on RAB values	(0.9)		0.9		-	-	-	
At 31 March 2019	<u>656.7</u>	<u>656.7</u>	<u>2,251.2</u>	<u>2,251.2</u>	<u>-</u>	<u>-</u>	<u>2,907.9</u>	<u>2,907.9</u>
Depreciation:								
At 1 April 2018	232.5		797.3		-	-	1,029.8	
Charge for year	16.1		55.2		-	-	71.3	
At 31 March 2019	<u>248.6</u>	<u>248.6</u>	<u>852.5</u>	<u>852.5</u>	<u>-</u>	<u>-</u>	<u>1,101.1</u>	<u>1,101.1</u>
Net Book Value:								
At 1 April 2018	392.8		1,346.6		-	-	1,739.4	
At 31 March 2019	<u>408.1</u>	<u>408.1</u>	<u>1,398.7</u>	<u>1,398.7</u>	<u>-</u>	<u>-</u>	<u>1,806.8</u>	<u>1,806.8</u>

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Notes to the Summary Regulatory Accounts
31 March 2019

5. INTANGIBLE ASSETS

	Transmission £m	Distribution £m	Landbank £m	Total £m
Cost:				
At 1 April 2018	23.6	81.0	-	104.6
Additions	1.2	4.4	-	5.6
At 31 March 2019	24.8	85.4	-	110.2
Amortisation:				
At 1 April 2018	19.2	66.0	-	85.2
Amortisation charge for year	1.0	3.5	-	4.5
At 31 March 2019	20.2	69.5	-	89.7
Net Book Value:				
At 1 April 2018	4.4	15.0	-	19.4
At 31 March 2019	4.6	15.9	-	20.5

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Notes to the Summary Regulatory Accounts
31 March 2019

6. DEFERRED TAX

	Transmission		Distribution		Landbank		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Deferred tax assets								
At 1 April	-	-	-	-	1.8	1.8	1.8	1.8
At 31 March	-	-	-	-	1.8	1.8	1.8	1.8
Deferred tax liabilities								
At 1 April	15.4	13.2	52.9	47.8	-	-	68.3	61.0
Increase in provision	1.5	1.6	5.1	5.7	-	-	6.6	7.3
Re-apportionment on RAB values	-	0.6	-	(0.6)	-	-	-	-
At 31 March	16.9	15.4	58.0	52.9	-	-	74.9	68.3

7. INVENTORIES

	Transmission		Distribution		Landbank		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Materials and consumables								
Work in progress	3.0	2.9	10.5	9.9	-	-	13.5	12.8
	0.1	0.1	0.3	0.2	-	-	0.4	0.3
	3.1	3.0	10.8	10.1	-	-	13.9	13.1

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Notes to the Summary Regulatory Accounts
31 March 2019

8. TRADE AND OTHER RECEIVABLES

	Transmission		Distribution		Landbank		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Trade receivables (incl. unbilled consumption)	11.4	13.1	39.0	45.0	-	-	50.4	58.1
Other receivables	1.2	0.1	4.1	0.5	-	-	5.3	0.6
Amounts owed by ESB group undertakings	0.6	0.5	1.9	1.7	-	-	2.5	2.2
Prepayments and accrued income	0.4	0.3	1.2	0.9	-	-	1.6	1.2
	<u>13.6</u>	<u>14.0</u>	<u>46.2</u>	<u>48.1</u>	<u>-</u>	<u>-</u>	<u>59.8</u>	<u>62.1</u>

9. OTHER FINANCIAL ASSETS

Current	Transmission		Distribution		Landbank		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Intra-group loans	<u>0.6</u>	<u>0.6</u>	<u>2.2</u>	<u>2.1</u>	<u>-</u>	<u>-</u>	<u>2.8</u>	<u>2.7</u>

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Notes to the Summary Regulatory Accounts
31 March 2019

10. CASH AND CASH EQUIVALENTS

	Transmission		Distribution		Landbank		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Cash at bank and in hand	-	-	1.3	5.8	-	-	1.3	5.8
Deposit account	(21.0)	(21.1)	69.5	31.1	-	-	48.5	10.0
	<u>(21.0)</u>	<u>(21.1)</u>	<u>70.8</u>	<u>36.9</u>	<u>-</u>	<u>-</u>	<u>49.8</u>	<u>15.8</u>

11. TRADE AND OTHER PAYABLES

	Transmission		Distribution		Landbank		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Trade payables	3.2	4.1	10.8	14.0	-	-	14.0	18.1
Payments received on account	2.7	5.4	9.3	18.6	-	-	12.0	24.0
Taxation and social security	2.5	2.7	8.7	9.2	-	-	11.2	11.9
Accruals	3.9	4.7	13.3	16.2	-	-	17.2	20.9
Amounts owed to parent undertaking	1.6	-	5.6	-	-	-	7.2	-
Other payables	0.9	0.4	2.9	1.3	-	-	3.8	1.7
	<u>14.8</u>	<u>17.3</u>	<u>50.6</u>	<u>59.3</u>	<u>-</u>	<u>-</u>	<u>65.4</u>	<u>76.6</u>

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Notes to the Summary Regulatory Accounts
31 March 2019

12. DEFERRED INCOME

	Transmission £m	Distribution £m	Landbank £m	Total £m
Current	4.1	14.0	-	18.1
Non-current	112.4	385.2	-	497.6
Total at 1 April 2018	116.5	399.2	-	515.7
Receivable	7.6	26.3	-	33.9
Released to income statement	(4.0)	(13.9)	-	(17.9)
Current	4.2	14.6	-	18.8
Non-current	115.9	397.0	-	512.9
Total at 31 March 2019	120.1	411.6	-	531.7
Deferred income at 31 March 2019 comprises:				
Grants	1.1	3.8	-	4.9
Customer contributions	119.0	407.8	-	526.8
	120.1	411.6	-	531.7

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Notes to the Summary Regulatory Accounts
31 March 2019

13. FINANCIAL LIABILITIES

	Transmission		Distribution		Landbank		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Current								
Intra-group loans	-	-	-	-	2.7	2.7	2.7	2.7
Interest payable on bonds	-	1.5	-	5.0	-	-	-	6.5
Interest payable to NIE Networks undertaking	5.8	4.7	19.8	16.4	-	-	25.6	21.1
Bonds	-	39.5	-	135.4	-	-	-	174.9
Amounts owed to parent undertaking	-	22.6	-	77.4	-	-	-	100.0
	<u>5.8</u>	<u>68.3</u>	<u>19.8</u>	<u>234.2</u>	<u>2.7</u>	<u>2.7</u>	<u>28.3</u>	<u>305.2</u>
Non-current								
Amounts owed to NIE Networks undertaking	168.7	90.0	578.2	308.6	-	-	746.9	398.6
	<u>168.7</u>	<u>90.0</u>	<u>578.2</u>	<u>308.6</u>	<u>-</u>	<u>-</u>	<u>746.9</u>	<u>398.6</u>

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Notes to the Summary Regulatory Accounts
31 March 2019

14. PROVISIONS

	Transmission £m	Distribution £m	Landbank £m	Total £m
Current	1.8	6.2	-	8.0
Non-current	1.1	3.7	0.1	4.9
Total at 1 April 2018	2.9	9.9	0.1	12.9
Applied in the year	(1.7)	(5.9)	-	(7.6)
Increase in provision	0.6	2.1	-	2.7
Current	0.4	1.3	-	1.7
Non-current	1.4	4.8	0.1	6.3
Total at 31 March 2019	1.8	6.1	0.1	8.0
Provisions at 31 March 2019 comprise:				
Environmental	0.3	1.2	0.1	1.6
Liability and damage claims	0.9	2.9	-	3.8
Litigation	0.5	1.7	-	2.2
Re-organisation and restructuring	0.1	0.3	-	0.4
	1.8	6.1	0.1	8.0

NORTHERN IRELAND ELECTRICITY NETWORKS LIMITED
Notes to the Summary Regulatory Accounts
31 March 2019

SUPPLEMENTARY INFORMATION

This document includes supplementary information as required by the Licences.

Appendix 1 Historical data used in calculation of maximum regulated revenue for RP6 (unaudited)

NORTHERN IRELAND ELECTRICITY NETWORKS
Supplementary Information

Appendix 1

HISTORICAL DATA USED IN THE CALCULATION OF MAXIMUM REGULATED DISTRIBUTION REVENUE FOR RP6 (UNAUDITED)

Required by Paragraph 12.23 of Annex 2 of Northern Ireland Electricity Ltd: Electricity Distribution Licence

Information for 'Actuals Inp' and 'Licence Inp' tabs of the RP6 Financial Model. Figures are in Nominal Prices (unless otherwise stated).

	31/03/2018 £m	31/03/2019 £m
RP6 DISTRIBUTION LICENCE – ANNEX 2		
4.17 Qualifying Capex Expenditure amount - QCE_X_t		
Qualifying Capex Expenditure amount - QCE_DN _t	32.426	75.952
Qualifying Capex Expenditure amount - QCE_MTRN _t	4.534	5.557
Qualifying Capex Expenditure amount - QCE_D5Y _t	4.489	13.215
4.21 Pass Through Capex Expenditure amount - PTCE_X_t		
Capex Connections amount - CC_DN _t	0.193	2.996
4.28 Capex Disposal amount - CD_X_t		
Historic timeline		
Outturn Capex Disposal Amount - OCD_DN _t	31/03/2013 0.032	30/09/2017 0.000
	31/03/2014 0.000	31/03/2016 0.000
	31/03/2015 0.049	31/03/2018 0.000
Current timeline		
Outturn Capex Disposal Amount - OCD_DN _t	1,464	3,530
4.35 Volume of properties with undereaves service - UV_t		
Volume of properties with undereaves service - UV _t	0.000	2.611
4.37 Additional allowed capex – ACDR_X_t		
Additional allowed capex - ACDR_D5Y _t		
4.46 Metering Volume units - MV_C_t		
Meter installs/changes		
Credit	14,059	26,533
Keypad	10,293	18,575
Commercial	1,183	2,491

HISTORICAL DATA USED IN THE CALCULATION OF MAXIMUM REGULATED DISTRIBUTION REVENUE FOR RP6 (UNAUDITED) (continued)

	31/03/2018	31/03/2019
	£m	£m

RP6 DISTRIBUTION LICENCE – ANNEX 2 (continued)

4.42 Metering Volume units - MV_C_t (continued)

Meter Recertification

Credit	21,596	4,693
Keypad	10,972	12,725
Commercial	1,269	3,013
Commercial: 110/33kv Bulk Supply Point and S/Station metering	2	22
Commercial: Power Stations >100MW Metering	0	0
Commercial: Generator metering <100MW and >1MW	3	9
Commercial: HV Demand customer Metering >1MW	22	42
Commercial: HV Demand customer Metering <1MW	4	19
Commercial: Teleswitch/Telemeter replacement programme	0	0
Commercial: Northern Ireland Customer Load Profiles	0	0

Meter Replacement for theft
Meter Replacement for theft

	2,283	4,474
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6.3 Qualifying Opex Expenditure amount - QOE_t

Qualifying Opex Expenditure amount - QOE_t

	34,066	59,645
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6.7 Pass Through Opex Expenditure amount - PTOE_t

Opex Licence Fee amount - OLF_t

	0,767	1,554
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Opex Connections amount - OC_t

	0,533	(0.029)
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6.15 Allowed Opex Other amount - AOO_t

Allowed Opex Other amount - Injurious Affection - IA_t

	0,028	0,000
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Allowed Opex Other amount - Changes of Law - COL_t

	0,106	0,000
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9.1 Tax Amount - TAX_t †

Capital allowances - CA_t

	25,617	55,320
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NORTHERN IRELAND ELECTRICITY NETWORKS
Supplementary Information

Appendix 1 (continued)

HISTORICAL DATA USED IN THE CALCULATION OF MAXIMUM REGULATED DISTRIBUTION REVENUE FOR RP6 (UNAUDITED) (continued)

	31/03/2018 £m	31/03/2019 £m
RP6 DISTRIBUTION LICENCE – ANNEX 2 (continued)		
10.1 Revenue Protection Services Incentive amount - RPSI_t		
Revenue Protection Services Revenue - RPSR _t	0.304	0.471
11 Correction Factor amount - K_t		
Actual Regulated Distribution Revenue Recovered – ARP6 _t	115.257	195.273
Average Specified Rate - I _t	0.67%	0.75% [†]

Values for other Licence Terms as per Annex 2 of Northern Ireland Electricity Ltd: Electricity Distribution Licence.
 Values for all remaining Licence Terms deemed zero.

† :- Provisional figures, subject to change

NORTHERN IRELAND ELECTRICITY NETWORKS
Supplementary Information

Appendix 1 (continued)

HISTORICAL DATA USED IN THE CALCULATION OF MAXIMUM REGULATED TRANSMISSION REVENUE FOR RP6 (UNAUDITED)

Required by Paragraph 12.23 of Annex 2 of Northern Ireland Electricity Ltd. Participate in Transmission Licence

Information for 'Actuals Inp' and 'Licence Inp' tabs of the RP6 Financial Model. Figures are in Nominal Prices (unless otherwise stated).

	31/03/2018	31/03/2019
	£m	£m
RP6 TRANSMISSION LICENCE – ANNEX 2		
4.17 Qualifying Capex Expenditure amount - QCE_Xt		
Qualifying Capex Expenditure amount - QCE_TNt	9.118	11.382
Qualifying Capex Expenditure amount - QCE_RNt	0.341	0.792
Qualifying Capex Expenditure amount - QCE_T5Yt	0.122	0.489
4.21 Pass Through Capex Expenditure amount - PTCE_Xt		
Capex Connections amount - CC_RNt	2.390	(0.509)
4.33 Additional allowed capex - ACTR_Xt		
Additional allowed capex - ACTR_TNt (15/16 Price Base)	0.435	1.441
6.3 Qualifying Opex Expenditure amount - QOEt		
Qualifying Opex Expenditure amount - QOEt	4.246	7.090
6.7 Pass Through Opex Expenditure amount - PTOEt		
Opex Licence Fee amount - OLFt	0.192	0.389
Opex Connections amount - OCt	0.017	0.000
6.15 Allowed Opex Other amount - AOOt		
Allowed Opex Other amount - Injurious Affection - IAt	0.000	0.101
Allowed Opex Other amount - Changes of Law - COLt	0.013	0.000
9.1 Tax Amount - TAXt †		
Capital allowances - CAt	6.656	13.610

NORTHERN IRELAND ELECTRICITY NETWORKS
Supplementary Information

Appendix 1 (continued)

HISTORICAL DATA USED IN THE CALCULATION OF MAXIMUM REGULATED TRANSMISSION REVENUE FOR RP6 (UNAUDITED) (continued)

	31/03/2018 £m	31/03/2019 £m
RP6 TRANSMISSION LICENCE – ANNEX 2 (continued)		
11 Correction Factor amount - K_t		
Actual Regulated Transmission Revenue Recovered – ARP6 _t	18.451	40.441
Average Specified Rate - I _t	0.67%	0.75%†

Values for other Licence Terms as per Annex 2 of Northern Ireland Electricity Ltd: Participate in Transmission Licence.
 Values for all remaining Licence Terms deemed zero.

† :- Provisional figures, subject to change

HISTORICAL DATA USED IN THE CALCULATION OF MAXIMUM REGULATED PSO AMOUNT FOR RP6 (UNAUDITED)

Required by Paragraph 6.17 of Annex 1 of Northern Ireland Electricity Ltd. Electricity Distribution Licence

Figures are in Nominal Prices (unless otherwise stated).

	31/03/2018	31/03/2019
RP6 DISTRIBUTION LICENCE – ANNEX 1		
	£m	£m
3.5 Maximum Regulated PSO Amount - MPSOR_t		
PPB Amount - PPB _t	(10.610)	(6.800)
NIE Energy Supply Amount - Supply _t	0.000	0.000
Land Bank Amount - LB _t	(0.415)	0.051
Excluded PSO Amount - D _t	3.596	6.254
5 Correction Factor amount - K_t		
Actual Regulated PSO Amount Recovered - APSOR _t	2.931	2.997
Average Specified Rate - I _t	0.67%	0.75%†