Registered No. NI607246

NIE Finance PLC

31 December 2018

Annual Report and Financial Statements

CONTENTS

The directors present their Strategic Report for the year ended 31 December 2018.

Business Overview

Principal activities and future developments

The Company's principal activity is to raise finance on behalf of its parent company Northern Ireland Electricity Networks Limited (NIE Networks). In June 2011 the Company issued £400m 6.375% Guaranteed Notes due in 2026 on behalf of NIE Networks (the Guarantor). In September 2018 the Company issued £350m 2.5% Guaranteed Notes due in 2025 on behalf of NIE Networks (the Guarantor). The payments of all amounts in respect of the bonds are unconditionally and irrevocably guaranteed by the Guarantor. The Company has granted two back-to-back loans totalling £750m net of issue costs to the Guarantor. The directors anticipate that the activity of the Company will continue for the foreseeable future.

At 31 December 2018, NIE Networks' debt financing comprised two back-to-back loans totalling £750m with the Company and an undrawn £120m Revolving Credit Facility (RCF) from NIE Networks' ultimate parent, the Electricity Supply Board (ESB).

Financial Review

The results for the year ended 31 December 2018 show a profit of £nil (2017 - £nil).

The Company has in issue two bonds, a 15 year £400m bond which carries interest at a coupon of 6.375% and which matures on 2 June 2026, and a 7 year £350m bond which carries interest at a coupon of 2.5% and which matures on 27 October 2025. Both bonds have been admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market. Interest is paid on the bonds, and earned on the loans to the Guarantor, at fixed rates of 6.375% and 2.5% respectively.

Risk Management and Principal Risks and Uncertainties

The Company is committed to successfully managing exposure to risk and to minimising the impact of risk on the achievement of business objectives. The directors acknowledge that they have responsibility for the Company's systems of internal control and risk management.

NIE Networks' risk management framework incorporates the Company and comprises:

- appropriate structures in place to support risk management;
- formal assignment of risk responsibilities to facilitate managing/reporting on individual risks and to ensure specific risks are understood;
- procedures and systems for risk identification, assessment and reporting; and
- on-going monitoring of the effectiveness of risk mitigation actions and controls.

The principal risks and uncertainties that affect the Company are described below.

Capital management and liquidity risk

The Company is financed through debt finance and interest receivable on the loans issued to the Guarantor. The Company's debt finance at 31 December 2018 comprised two bonds which are repayable on 27 October 2025 and 2 June 2026.

The main source of liquidity for the Company is interest receivable on the loans to the Guarantor. The Company has assessed the liquidity and credit risk of the Guarantor and deems this risk to be low. The Guarantor's Annual Report and Financial Statements at 31 December 2018 indicate that the Guarantor has a cash surplus of £30.4m (2017 - £11.2m) and net assets totalling £373.1m (2017 - £326.9m).

The directors review the Company's capital structure on an annual basis to ensure that the Company will be able to continue as a going concern through optimisation of the debt and equity balance.

The Company manages liquidity risk by continuously monitoring forecasts and funding requirements and matching the maturity profiles of financial assets and liabilities.

Interest rate risk
The Bonds are denominated in Sterling and carry fixed interest rates of 6.375% and 2.5% respectively. The interest rates charged on the loans to the Guarantor are also fixed at 6.375% and 2.5% respectively. Therefore, the Company has no interest rate risk and holds no derivative financial instruments in respect of interest rates.

Currency risk
The assets and liabilities of the Company are denominated in Sterling and are therefore not exposed to foreign currency risk.

Credit risk
The Company's principal financial assets are the loans to the Guarantor and the associated interest receivable outlined in note 6 to the financial statements. The credit risk in respect of financial assets is considered by the directors to be low given that the Company's financial assets relate to amounts owed by the Guarantor. As noted in the Capital management and liquidity risk section above, this assessment is made based on the cash surplus and net assets of the Guarantor at 31 December 2018.

The Company may be exposed to credit-related loss in the event of non-performance by bank counterparties who hold cash deposits from time to time. This risk is managed through conducting business only with approved counterparties which meet the criteria outlined in NIE Networks' treasury policy.

Going concern
The Company's business activities, together with the principal risks and uncertainties likely to affect its future performance, are described above. As noted above, the Company is financed through a combination of debt finance and interest receivable.

In assessing going concern, the directors have also considered the financial resources of NIE Networks for a 12 month period from the date of approval of the financial statements. NIE Networks is deemed to have sufficient resources in order for it to meet its obligations under the terms of its loan with the Company.

On the basis of their assessment of the Company's financial position, which included a review of the Company's projected funding requirements and the cash flow forecasts of NIE Networks, for a period of 12 months from the date of approval of the financial statements, the directors have a reasonable expectation that the Company will have adequate financial resources for the 12 month period from the date of approval of the financial statements and accordingly adopt the going concern basis in preparing the annual report and financial statements.

On behalf of the Board

Paul Stapleton
Director

Date: 12 March 2019

Registered Office
120 Malone Road
Belfast BT9 5HT
Company Number: NI607246

The directors present their Directors' Report for the year ended 31 December 2018.

In the Directors' Report and financial statements, unless specified otherwise, the 'Company' refers to NIE Finance PLC, a public limited company registered in Northern Ireland with registered number NI607246.

The immediate parent undertaking of the Company and the parent of the smallest group for which group financial statements are prepared is Northern Ireland Electricity Networks Limited (NIE Networks or the Guarantor). The latest Annual Report and Accounts for NIE Networks and its subsidiary undertakings are available on NIE Networks' website at: http://www.nienetworks.co.uk/About-us/investor-relations.

The ultimate parent undertaking and controlling party of the Company, and the parent of the largest group of which the Company is a member and for which group financial statements are prepared, is Electricity Supply Board (ESB). A copy of ESB's financial statements is available from ESB's registered office at Two Gateway, East Wall Road, Dublin 3, DO3 A995.

The audited financial statements presented are for the year ended 31 December 2018 with the comparative year end being 31 December 2017.

Results and Dividends

The results for the year ended 31 December 2018 show a profit of £nil (2017 - £nil). The Company did not pay any dividends during the year (2017 - £nil) and no dividend in respect of the year has been proposed. The business and financial review together with future business developments is provided in the Strategic Report.

Corporate Governance

Internal control and risk management in relation to the financial reporting process
Strong financial controls are necessary to ensure the integrity and reliability of financial and other information on which the Company relies for day-to-day operations, external reporting and for longer term planning. The Company exercises financial control through a combination of: appropriately qualified and experienced personnel; rigorous business planning processes; an integrated accounting system; and clearly defined approval limits. The internal auditors test the effectiveness of financial controls. The external auditors provide advice on specific accounting and permitted tax issues.

The remit of NIE Networks' Audit & Risk Committee includes the Company. The Audit & Risk Committee reviews:

- the effectiveness of the Company's internal controls and the risk management system;
- the Company's financial statements considering the appropriateness of the 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;
- the external auditors' plan for the scope of the audit of the statutory financial statements;
- reports from the external auditor on its audit of the Company's financial statements and the recommendations made by the auditor and management's response; and
- a report on the effectiveness and independence of the external auditors.

Directors

Nicholas Tarrant and Eddie Byrne resigned as directors on 30 April 2018 and 31 October 2018 respectively. Paul Stapleton was appointed as a director on 1 May 2018 and Gavan Walsh was appointed as a director on 9 November 2018. Peter Ewing was a director throughout the year.

Directors' Insurance

Insurance in respect of directors' and officers' liability is maintained by the Company's ultimate parent, ESB.

Disclosure of Information to the 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 auditors are aware of that information.

Re-appointment of Auditors

PricewaterhouseCoopers LLP (PwC) were re-appointed as statutory auditor of the Company at the Company's annual general meeting in May 2018. PwC have indicated their willingness to continue in office and a resolution to re-appoint PwC as statutory auditor will be proposed at the 2019 annual general meeting.

Financial Risk Management

Details of the Company's objectives and policies for financial risk management (including liquidity risk and credit risk) are provided in the Risk Management and Principal Risks and Uncertainties section of the Strategic Report.

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 laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

The directors 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 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

Paul Stapleton
Director

Date: 12 March 2019

Registered Office
120 Malone Road
Belfast BT9 5HT
Company Number: NI607246

Report on the audit of the financial statements

Opinion

In our opinion, NIE Finance PLC's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2018; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

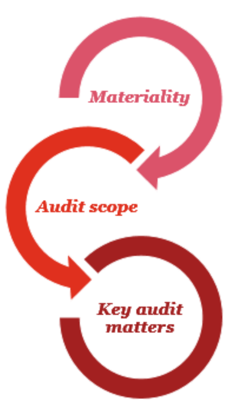
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the parent company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview



Overall materiality: £3,307,500 (2017: £2,650,000), based on 1% of total assets capped at NIE Networks group materiality.

Each of the financial statement line items were subject to audit.

We have no key audit matters to report.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the company's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- We have audited key reconciliations, obtained external confirmations and incorporated elements of unpredictability into our audit testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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. We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality	£3,307,500 (2017: £2,650,000).
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark however as this is greater than the materiality applied at NIE Networks group level, the level has been capped at NIE Networks group materiality.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above £165,000 (2017: £132,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on pages 6 and 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit & Risk Committee, we were appointed by the directors on 17 October 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2017 to 31 December 2018.

Kevin MacAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
12 March 2019

INCOME STATEMENT
for the year ended 31 December 2018

	Note	**2018 £'000**	2017 £'000
Finance income	4	**27,979**	25,629
Finance costs	4	**(27,979)**	(25,629)
Result before tax		**-**	-
Tax		**-**	-
RESULT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDER OF THE COMPANY		**-**	-

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

Other than the results noted above, the Company had no other comprehensive income for the year ended 31 December 2018 or 31 December 2017.

BALANCE SHEET
as at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Financial assets	6	**746,814**	398,529
Current assets			
Financial assets	6	**17,088**	14,811
Cash at bank and in hand	7	**50**	50
		17,138	14,861
TOTAL ASSETS		**763,952**	413,390
Current liabilities			
Financial liabilities	8	**17,088**	14,811
Non-current liabilities			
Financial liabilities	8	**746,814**	398,529
TOTAL LIABILITIES		**763,902**	413,340
NET ASSETS		**50**	50
Equity			
Share capital	10	**50**	50
Retained earnings		**-**	-
TOTAL EQUITY		**50**	50

The notes on pages 15 – 19 are an integral part of these financial statements.

The financial statements on pages 12 – 19 were approved by the Board of directors and authorised for issue on 11 March 2019.

They were signed on its behalf by:

Paul Stapleton
Director

Date: 12 March 2019

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share capital £'000	Accumulated profits £'000	Total £'000
At 1 January 2017	**50**	-	**50**
Result for the year	-	-	-
Net other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	-	-
At 31 December 2017	**50**	-	**50**
Result for the year	-	-	-
Net other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	-	-
At 31 December 2018	**50**	-	**50**

1. General Information

NIE Finance PLC is a public limited company, incorporated, domiciled and registered in Northern Ireland (registered number NI607246).

The Company is a wholly owned subsidiary of Northern Ireland Electricity Networks Limited (NIE Networks). The results of NIE Finance PLC are included in the consolidated financial statements of the NIE Networks group (see note 11).

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting Policies

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

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

a) the requirements of paragraphs 10(d), 10(f), 16, 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 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* relating to the disclosure of amendments to IFRS that are not yet effective; and
d) the requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures* relating to the disclosure of key management personnel compensation.

The accounting policies applied in preparing the financial statements for the year ended 31 December 2018 are set out below.

New and revised accounting standards and interpretations
No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2018, have had a material impact on the financial statements of the Company.

Going concern
The Company's business activities including financial risk management along with the factors likely to affect its future development are set out within the Strategic Report.

As described in the Strategic Report, on the basis of their assessment of the Company's financial position, which included a review of the Company's projected funding requirements and the cash flow forecasts of NIE Networks for a period of 12 months from the date of approval of the financial statements, 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 annual report and financial statements.

Financial instruments
Cash at bank and in hand
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less.

2. Accounting Policies (continued)

Loan receivables
Loan receivables are initially recorded at fair value. After initial recognition, they are subsequently measured at amortised cost using the effective interest method.

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

Borrowing costs
Borrowing costs are reflected in the income statement in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

3. Operating Costs

Fees payable to the Company's auditor for the audit of the Company's financial statements totalled £3,000 (2017 - £3,000). These fees were paid for and borne by the Guarantor on behalf of the Company. In addition, fees totalling £35,000 (2017 - £Nil) were paid in relation to audit related assurance services during the year.

4. Net Finance Costs

	2018	2017
	£'000	£'000
Finance income:		
Interest receivable on loan to immediate parent undertaking	**27,777**	25,500
Amortisation of financing income	**202**	129
Total finance income	**27,979**	25,629
Finance costs:		
Interest payable on £400m bond	**25,500**	25,500
Interest payable on £350m bond	**2,277**	-
Amortisation of financing charges	**202**	129
Total finance costs	**27,979**	25,629
Net finance costs	**-**	-

All of the Company's income and expenses, and assets and liabilities derive from its sole activity in the UK, being the provision of loan finance to NIE Networks.

5. Employees and Directors

The Company has no employees. Due to the limited activities of the Company no remuneration has been paid to the directors by the Company.

6. Financial Assets

	2018 **£'000**	2017 £'000
Financial assets – non-current		
Loan to immediate parent undertaking	**746,814**	398,529
Financial assets – current		
Interest receivable on loan to immediate parent undertaking	**17,088**	14,811

On 2 June 2011 the Company issued a loan of £400m to NIE Networks, the Company's immediate parent undertaking, net of £2.1m of costs associated with raising finance. The loan has a maturity date of 2 June 2026 and interest is earned at a fixed rate of 6.375%. On 27 September 2018 the Company issued a second loan of £350m to NIE Networks, net of £1.9m of costs associated with raising finance. The loan has a maturity date of 27 October 2025 and interest is earned at a fixed rate of 2.5%. Neither loan is past due or impaired.

7. Cash at Bank and in Hand

	2018 **£'000**	2017 £'000
Cash at bank and in hand	**50**	50

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The directors consider that the carrying amount of cash and cash equivalents equates to fair value.

8. Financial Liabilities

The Company's objectives, policies and strategies in respect of financial liabilities and capital management are disclosed in the Strategic Report.

	2018 **£'000**	2017 £'000
Current		
Interest payable on £400m bond	**14,811**	14,811
Interest payable on £350m bond	**2,277**	-
	17,088	14,811
Non-current		
£400m bond	**398,665**	398,529
£350m bond	**348,149**	-
	746,814	398,529

On 2 June 2011, the Company issued a 15 year £400m bond which carries interest at a coupon of 6.375%. On 27 September 2018, the company issued a 7 year £350m bond which carries interest at a coupon of 2.5%. The payments of all amounts in respect of the Bonds are unconditionally and irrevocably guaranteed by the Company's immediate parent company, NIE Networks. Interest is due annually in arrears on 2 June and 27 October respectively.

9. Financial Instruments

The Company's objective is to issue financial instruments in order to raise finance on behalf of its immediate parent undertaking. Therefore, the Company is financed through debt finance and interest receivable. The Company's debt finance at 31 December 2018 comprised two bonds which are repayable on 27 October 2025 and 2 June 2026 respectively. The bond issues incurred £4.0m of costs in total associated with raising finance. The Company's policies and objectives for financial risk management are discussed in note 2 and in the Risk Management and Principal Risks and Uncertainties section of the Strategic Report on pages 3 - 4.

Credit risk

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The maximum exposure to credit risk at the reporting date was:

	Note	**2018 £'000**	2017 £'000
Loans and receivables	6	**763,902**	413,340
Cash and cash equivalents	7	**50**	50
		763,952	413,390

The table below summarises the maturity profile of the bonds based on contractual undiscounted payments:

31 December 2018	**On demand £'000**	**Less than 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Financial Liabilities						
£400m bond (including interest payable)	**-**	**-**	**25,500**	**102,000**	**476,000**	**604,000**
£350m bond (including interest payable)	**-**	**-**	**9,468**	**35,000**	**367,500**	**411,968**
	-	**-**	**34,968**	**137,000**	**843,500**	**1,015,968**

31 December 2017	**On demand £'000**	**Less than 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Financial Liabilities						
£400m bond (including interest payable)	-	-	25,500	102,000	502,000	629,500

Fair values of financial assets and financial liabilities

The £400m and £350m bonds, which are listed on the London Stock Exchange's regulated market, had fair values at 31 December 2018 of £519.6m (2017 - £545.3m) and £352.0m respectively, based on current market prices. The Company's back-to-back loans had a fair value at 31 December 2018 of £519.6m (2017 - £545.3m) and £352.0m respectively based on the fair value of the £400m and £350m bonds.

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

9. Financial Instruments (continued)

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 bonds as at 31 December 2018 and 31 December 2017 is considered by the Company to fall within the level 1 fair value hierarchy as defined in IFRS 13. There have been no transfers between levels in the hierarchy during the year.

The directors consider that the carrying amount of other financial assets and liabilities equates to fair value.

10. Share Capital

Allotted and fully paid	**2018** **£'000**	2017 £'000
50,000 Ordinary shares of £1 each fully paid up	**50**	50

11. Related Party Disclosures

The immediate parent undertaking of the Company and the parent of the smallest group of which the Company is a member and for which group financial statements are prepared is Northern Ireland Electricity Networks Limited. A copy of the immediate parent's financial statements is available from its registered office at 120 Malone Road, Belfast, BT9 5HT. The ultimate parent undertaking in the UK is ESBNI Limited. The ultimate parent undertaking and controlling party of the Company and the parent of the 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 Two Gateway, East Wall Road, Dublin 3, DO3 A995.

A full list of the subsidiary undertakings of ESB is included in its financial statements.

Transactions between the Company and related parties and the balances outstanding are disclosed below:

	Interest received from related party **£'000**	**Amounts owed by related party** **£'000**
Year to 31 December 2018		
Northern Ireland Electricity Networks Limited	**27,979**	**763,902**
Year to 31 December 2017		
Northern Ireland Electricity Networks Limited	25,500	413,340

On 2 June 2011 a loan of £400m, net of £2.1m of costs associated with raising finance, was issued to Northern Ireland Electricity Networks Limited. The loan has a maturity date of 2 June 2026. A further loan of £350m, net £1.9m of issue costs associated with raising finance, was issued on 27 September 2018. The loan has a maturity date of 27 October 2025. Further details of these loans are disclosed in note 6.