Registered number: NI 26041

Northern Ireland Electricity plc
31 March 2009

Annual Report and Accounts

GENERAL INFORMATION

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John Biles
Laurence MacKenzie

Company Secretary
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DIRECTORS' REPORT

The directors of Northern Ireland Electricity plc (NIE or the Company) present their report and the Group accounts for the year ended 31 March 2009. All references in this report and accounts to "Group" denote Northern Ireland Electricity plc and its subsidiary undertakings and to "Company" denote Northern Ireland Electricity plc, the parent company.

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applied in accordance with the provisions of the Companies (Northern Ireland) Order 1986.

Results and Dividends

The results for the year ended 31 March 2009 show a profit after tax of £75.7m (2008 - £81.5m). The Company paid interim ordinary dividends of £110.6m (2008 - £94.4m).

Principal Activities

The Company's principal activity is the transmission and distribution of electricity in Northern Ireland through NIE Transmission and Distribution (T&D).

The Company completed the sale of SONI Limited (SONI) to EirGrid plc (EirGrid) on 11 March 2009. SONI is the electricity transmission system operator (TSO) in Northern Ireland and undertakes the role of market operator for the Single Electricity Market (SEM) through a jointly controlled operation (SEMO) with EirGrid. The disposal, which was announced on 22 August 2008, was consistent with the agreement reached with the Department of Enterprise, Trade and Investment (DETI) and the Northern Ireland Authority for Utility Regulation (NIAUR) to divest SONI in order to further enhance the independence of the TSO in Northern Ireland.

Key Performance Indicators

The directors have determined that the following key performance indicators (KPIs), covering both financial and operational performance, are the most effective measures of progress towards achieving the Group's objectives.

Financial KPIs

The Group's financial KPIs are summarised in the table below:

KPIs	**2009**	2008
Group pro-forma operating profit (based on regulated entitlement)	**£114.0m**	£113.5m
Interest cover (based on pro-forma operating profit)	**4.3 times**	4.7 times

The directors consider that the Group's pro-forma operating profit from continuing and discontinued operations (as shown in note 3(iii) to the accounts) gives a more meaningful measure of performance than Group statutory operating profit (see statutory accounts presentation section below).

The Group's pro-forma operating profit increased from £113.5m to £114.0m, reflecting higher profits from T&D offset by the loss of contribution in respect of the PPB and NIE Supply businesses which were transferred to NIE Energy Limited (NIE Energy) on 1 November 2007. NIE Energy is a fellow subsidiary undertaking of Viridian Group Limited (Viridian), the immediate parent company of NIE.
The calculation of Group pro-forma operating profit is shown below:

Year to 31 March	2009 £m	2008 £m
Group statutory operating profit:		
Operating profit from continuing operations	**84.0**	16.8
Operating profit from discontinued operations	**32.8**	114.0
	116.8	130.8
Deduct: over-recovery of regulated entitlement	**(2.8)**	(17.3)
Group pro-forma operating profit	**114.0**	113.5

Interest cover decreased from 4.7 times to 4.3 times principally due to higher finance costs. The calculation of interest cover is shown below:

Year to 31 March	2009 £m	2008 £m
Group pro-forma operating profit	**114.0**	113.5
Net finance costs (before net pension scheme interest):		
Continuing operations	**(26.2)**	(26.8)
Discontinued operations	**(0.5)**	2.6
	(26.7)	(24.2)
Interest cover	**4.3 times**	4.7 times

Statutory accounts presentation

In accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, SONI is classified as a discontinued operation in the income statements for the years ended 31 March 2009 and 31 March 2008 and classified as held for sale in the balance sheet as at 31 March 2008. Similarly, PPB and NIE Supply have been classified as discontinued operations in the income statement for the year ended 31 March 2008.

IFRS 5 requires that, in the circumstances of discontinued operations, the profits earned by the continuing operations on sales to the discontinued operations be eliminated on consolidation and attributed to the discontinued operations and vice versa. This representation does not reflect the profits earned by continuing or discontinued operations as if they were stand alone entities.

Operational KPIs

The operational KPIs are:

- performance against the overall and guaranteed standards set by NIAUR;
- the number of complaints which the Consumer Council for Northern Ireland (Consumer Council) takes up on behalf of customers (Stage 2 complaints); and
- the average number of minutes lost per customer per annum through distribution interruptions, excluding the effect of major storms (CML).

Operational KPIs and commentary thereon are set out on page 6.

Business Review

Transmission and Distribution (T&D)

Background information
NIE holds a transmission licence covering its roles as owner of the transmission and distribution assets and distribution system operator in Northern Ireland. It is responsible for the planning, development, construction and maintenance of the transmission and distribution network and for the operation of the distribution network.

The T&D network comprises a number of interconnected networks of overhead lines and underground cables which are used for the transfer of electricity to approximately 810,000 customers via a number of substations. There are approximately 2,100km of the transmission system, of which some 80km are underground; approximately 42,900km of the distribution system, of which some 13,100km are underground; and approximately 240 major substations. T&D's transmission system is connected to that of the Republic of Ireland (RoI) through 275kV and 110kV interconnectors and to that in Scotland via the Moyle Interconnector.

The T&D business derives its revenue principally from charges for use of the distribution system levied on electricity suppliers and charges for transmission services levied on SONI.

NIE Powerteam, a fellow subsidiary undertaking of Viridian, provides electrical infrastructure construction and refurbishment, supply chain and meter reading services to the Company.

Price control
T&D is subject to a price control which limits the revenue it may earn and the prices it may charge. The principles of price regulation employed in the licence conditions reflect the general duties of NIAUR and DETI under the relevant legislation. These include having regard to the need to ensure that NIE is able to finance its authorised activities.

If the amount of revenue recovered in any one year exceeds or falls short of the amount allowed by the price control formula, a correction factor operates in the following year to give back any surplus with interest, or to recover any deficit with interest, as appropriate. A surplus is referred to as an over-recovery and a deficit as an under-recovery.

The T&D price control was reset with effect from 1 April 2007 and is scheduled to run to 31 March 2012. This is the fourth five year regulatory period since privatisation of the Company and it is referred to as Regulatory Period 4 (RP4).

The key aspects of the RP4 price control are as follows:

Rate of return: The rate of return is consistent with the 2005 distribution network operator (DNO) price control in Great Britain (GB) in respect of the distribution portion of T&D's regulatory asset base (RAB) (which is taken to represent 82% of the overall RAB) but a lower rate applies to the 18% representing the transmission portion. This results in a blended rate of return of 4.78% post tax real. The rate of return on the distribution portion of the RAB will either decrease or stay flat for the last two years of RP4 depending on the outcome of the next GB DNO review in 2010. The rate of return on the transmission portion will remain unchanged.

Operating costs: The allowance for controllable costs in each year of RP4 is based on the RPI-indexed level of actual costs incurred during the corresponding year in RP3 (T&D price control period April 2002 to March 2007). The allowance for uncontrollable costs such as rates, wayleaves and licence fees is set equal to the actual cost in each year.

Capital expenditure: The capital expenditure budget (net of customer contributions) for RP4 is £361m (in 2008/09 prices) compared to £296m in RP3 (in 2008/09 prices). This investment is driven by the need to replace worn assets and to meet continued growth in customer demand.

Financial performance

T&D revenues (based on regulated entitlement) increased from £216.1m to £233.1m reflecting growth in the RAB, higher pass through costs and the recovery of Public Service Obligation (PSO) charges from 1 November 2007. T&D operating profit (based on regulated entitlement) increased from £102.6m to £110.1m reflecting higher revenues due to growth in the RAB and the return on investments associated with the SEM (from 1 November 2007).

Operational performance

KPIs	**2009 Number**	2008 Number
Overall standards – defaults	**None**	None
Guaranteed standards – defaults	**None**	None
Stage 2 complaints to the Consumer Council	**3**	10
CML	**62**	80

All the overall standards were achieved and there were no defaults against the guaranteed standards (2008 - none).

T&D's strong focus on service failure analysis limits the number of instances when customers are dissatisfied to the extent that they refer a complaint to the Consumer Council. The number of Stage 2 complaints reduced to three (2008 - 10).

The number of CML was 62 minutes (2008 - 80). This performance is better than the target range of 70-90 minutes set by NIAUR for the period of the RP4 price control.

T&D continues to make substantial investment in its infrastructure assets. Total capital expenditure (before customer contributions) including expenditure on non-network assets was £104.7m (2008 - £120.1m).

T&D, working jointly with EirGrid, is progressing the development of the 400kV Tyrone-Cavan interconnector to connect further the electricity networks of Northern Ireland and the RoI. Consultation is continuing with landowners likely to be affected and other interested parties. It is expected that an application for planning permission for an overhead line, to include an environmental impact assessment, will be submitted to the planning authorities during 2009/10.

T&D is also working with DETI and the NIAUR on a long-term strategy for the development of the electricity network to support the connection of additional renewable generation.

SONI

Background information

SONI is the electricity TSO in Northern Ireland and undertakes the role of market operator for the SEM through a jointly controlled operation with EirGrid.

Price control

SONI's TSO price control was reset with effect from 1 November 2007 and is scheduled to run to 31 March 2010. It provides for the recovery of costs relating to system support services and use of the transmission system on a pass-through basis together with an allowance in respect of operating costs, RAB depreciation and return.

SONI's market operator price control provides for SEMO to recover the costs of constraints along with an allowance for its operating costs, RAB depreciation and return. The allowance which was initially set for the 11-month period from 1 November 2007 to 30 September 2008 was extended to 30 September 2009.

Financial performance

In the period to 11 March 2009 SONI's revenue (based on regulated entitlement) was £59.2m (year ended 31 March 2008 - £44.5m). Operating profit in the period to 11 March 2009 (based on regulated entitlement) increased to £3.1m (year ended 31 March 2008 - £2.2m) reflecting the return on investments associated with the SEM.

As noted above, the sale of SONI was completed on 11 March 2009.

Financial Review

Group revenue and operating profit

Based on IFRS 5, revenue from continuing operations increased from £129.2m to £206.5m and operating profit from continuing operations increased from £16.8m to £84.0m. As noted above, the directors consider that the Group's pro-forma operating profit from continuing and discontinued operations (as shown in note 3(iii) to the accounts) gives a more meaningful measure of performance.

Net finance costs

The Group's net finance costs relating to continuing operations increased from £26.5m to £33.2m, principally reflecting an increase in net pension scheme interest.

Tax charge

The Group's tax charge relating to continuing operations of £14.1m (2008 - tax credit of £2.9m) reflects the profit before tax from continuing operations of £50.8m (2008 - loss before tax £9.7m).

Cash flow

The Group's net cash flows from operating activities reduced to £86.9m (2008 - £150.1m) reflecting the transfer of PPB and NIE Supply to NIE Energy in the year ended 31 March 2008 offset by a reduction in corporation tax payments.

The Group's net cash flows used in investing activities reduced to £65.5m (2008 - £146.3m) reflecting proceeds received in the year ended 31 March 2009 in respect of the sale of SONI and payment made in the year ended 31 March 2008 in respect of the transfer of PPB and NIE Supply to NIE Energy.

Interim ordinary dividends paid were £110.6m (2008 - £94.4m).

Net debt

The Group's net debt increased by £88.0m from £378.6m at 31 March 2008 to £466.6m at 31 March 2009 reflecting the cash flows noted above.

Defined benefit pension liability

The Group's defined benefit pension scheme liability relating to continuing operations under IAS 19 Employee Benefits increased from £53.8m at 31 March 2008 to £77.9m at 31 March 2009 reflecting lower asset values offset by lower scheme liabilities due to an increase in the discount rate (resulting from higher bond yields) used to discount scheme liabilities and lower inflation expectations.

Risk Management and Principal Risks and Uncertainties

The Company operates a structured and disciplined approach to the management of risk. The Company conducts business in a manner benefiting customers through balancing costs and risks while taking account of all its stakeholders and protecting the Company's performance and reputation by prudently managing the risks inherent in the business. Management regularly identifies and considers the risks to which the business is exposed. Management's assessment of the key risks and the associated controls and actions required to mitigate these risks are recorded in risk registers. Each risk is regularly assessed for the severity of its impact on the business and for the effectiveness of the controls in place. The risk environment is reviewed continually in order to identify new or emerging potential risks.

The Board's Audit Committee plays a key role in internal control and risk management. The Audit Committee monitors the Company's financial reporting processes and the effectiveness of the internal control and risk management systems. It also reviews and appraises the activities and performance of the internal and external auditors.

The emphasis on sound management structures and policies and procedures is backed up by operational and financial review mechanisms and an externally resourced internal audit function, provided by PricewaterhouseCoopers LLP.

The directors acknowledge that they have responsibility for the Company'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 Company. No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the directors have regard to those specific controls, which in their judgement, are appropriate to the Company's business given the relative costs and benefits of implementing them.

The principal risks and uncertainties that affect the Company are described below but are not intended to be an exhaustive analysis of all the risks that may arise in the ordinary course of business or otherwise.

Network reliability

The Company has a key responsibility to maintain a safe and reliable electricity network and to restore supplies as quickly as possible following interruptions. Over the long-term this is achieved by ensuring the correct level of investment in the network. One of the major operational risks is that in the short-term the electricity network can be subject to damage, and potentially major disruption, by the weather. Storms caused by high winds, ice-accretion on power lines resulting from snowfalls, and lightning storms at any time of the year can damage the electricity network and result in customers' supply of electricity being interrupted.

The Company has measures in place to manage the risk of damage to the electricity network resulting from adverse weather conditions. These include the strengthening of the network through further appropriate investment, reliability-centred network maintenance and a systematic tree cutting programme. A specific emergency plan exists to address major incidents impacting the network: this plan is regularly reviewed and tested.

Customer service
The directors believe that customer service and satisfaction is the key to the future success of the business. The risks are that the Company fails to meet customer service expectations or fails to deliver the overall and guaranteed standards of service agreed with NIAUR which could result in damage to reputation and compensation payments to customers. The key performance indicators include the number of customer complaints to the Consumer Council and performance against overall and guaranteed standards.

Health and safety
The Company is committed to ensuring a safe working environment. The risks arising from inadequate management of health and safety matters are the exposure of employees, contractors and third parties to the risk of injury, potential liability and/or loss of reputation. These risks are closely managed by the Company through the promotion of a strong health and safety culture and well defined health and safety policies. The annual health, safety and risk plan sets out detailed targets for the management of safety. There is a strong focus on the audit of work sites and the reporting and reviewing of near miss incidents.

Regulation
One of the major risks for the Company arises from the quinquennial regulatory price control review, when the future income that the Company is entitled to receive from charges for use of the electricity network is set for the next five years. The Company's approach to price control reviews is to be pro-active in promoting arrangements that will lead to an agreed outcome. This includes adherence to relevant precedent and best practice. The Company's price control for regulated entitlement contains an element of indexation which is linked to the Retail Price Index (RPI).

The relationships with NIAUR and DETI are managed by senior management and the dedicated regulatory affairs team through frequent meetings, informed dialogue and formal correspondence. There is regular reporting to NIAUR and DETI on a wide range of financial and other regulatory matters including capital expenditure and licence compliance.

Business continuity
The Company has measures in place to manage the risk that it sustains a greater than necessary financial impact through inability to carry on its operations either for a short or prolonged period. The Company maintains a business continuity plan and an IT disaster recovery plan. Business continuity plans are reviewed and tested annually. Specific contingency plans have been developed to manage the risk from a potential flu pandemic. These plans are regularly reviewed and updated in light of government and World Health Organisation advice.

Outsourcing
The Company outsources a range of important ICT (information and communication technology) and business process services. There is a risk of disruption to the Company if there are service delivery failures. Northgate Managed Services Limited currently provides these services and also manages a contract with Cable & Wireless for local area and wide area network support. These agreements expire in September 2009. An OJEU (Official Journal of the European Union) re-tendering exercise to select an outsourcing partner for the delivery of the services from October 2009 is ongoing.

Social, environmental and ethical factors
The Company has in place measures to protect against financial and reputational risk from any failure to manage social, environmental and ethical (SEE) factors. In general, SEE factors are managed through embedding corporate social responsibility (CSR) into the

Company's management processes and core business activities. Environmental risk, in particular, is managed through: a detailed environmental risk register; environmental action plans; certified environmental management systems; and identification of potential environmental exposures. These matters are monitored by nominated environmental compliance officers in key parts of the business.

Pensions

Most employees of the Company are members of the Viridian Group Pension Scheme (VGPS). This has two sections: 'Options' which is a money purchase arrangement and 'Focus' which is a defined benefit arrangement, closed to new entrants in 1998. There is a risk that the cost of funding the Focus section could increase if investment returns are lower than expected, life expectancy improves or salary or benefit increases are higher than expected. The VGPS trustees seek the advice of professional investment managers regarding the scheme's investments. It is expected that the past service contribution rate will increase following the 31 March 2009 actuarial valuation reflecting lower asset values and greater life expectancy.

IT security and data protection

Failure to maintain adequate IT security measures could lead to the loss of data through malicious attack on the Company's IT systems or employee negligence. Loss of Company or customer data could damage the Company's reputation, adversely impact operational performance or lead to a loss of income. The Company actively promotes awareness of IT security and data protection and targeted controls and procedures are in place to mitigate the risks.

Financial control

Strong financial and business 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 and business control through a combination of: appropriately qualified and experienced personnel; rigorous business planning processes; detailed performance analysis; an integrated accounting system; and clearly defined approval limits. The internal auditors test the effectiveness of financial and business controls. The external auditors provide advice on specific accounting and tax issues.

Treasury risks

Viridian's centralised treasury function manages the Company's liquidity, funding, investment and financial risk, including risk from volatility in currency, interest rates and counterparty credit risk. The Viridian treasury function's objective is to manage risk at optimum cost. The treasury function employs a continuous forecasting and monitoring process to manage risk.

Capital management and liquidity risk

The Company is financed through a combination of equity and debt finance. The Company's equity is detailed in note 24 to the accounts. Debt finance at 31 March 2009 comprised a £173.4m Eurobond due to mature in September 2018 and intercompany loans from Viridian of £288.4m which are repayable on demand.

At 31 March	2009 £m	2008 £m
Cash and cash equivalents/(bank overdraft)	**1.6**	(0.3)
Intercompany loan made to subsidiaries	**-**	7.4
Intercompany loans from Viridian	**(288.4)**	(210.1)
Eurobond	**(173.4)**	(173.3)
Interest payable on Eurobond	**(6.4)**	(6.4)
Net debt	**(466.6)**	(382.7)
Loans and other borrowings maturity analysis:		
In one year or less or on demand	**(294.8)**	(216.8)
In more than five years	**(173.4)**	(173.3)
	(468.2)	(390.1)

The main source of liquidity for the Company, including short-term working capital requirements, is cash generated from operations and intercompany loans from Viridian. The intercompany loans are adjusted on a daily basis to meet the Company's operating cash requirements.

In relation to equity, the Company's policy is to finance equity dividends from accumulated profits. In relation to debt finance, the Company's policy is to maintain a prudent level of gearing. As noted above, interest cover is a KPI. There have been no changes in the Company's capital management policies since last year.

The Company's licence contains various financial conditions. The Company complies with these conditions which principally relate to the availability of financial resources, borrowings on an arm's length basis, restrictions on granting security over the Company's assets and the payment of dividends.

Interest rate risk

The borrowings of the Company are denominated in Sterling. The Eurobond carries a fixed interest rate of 6.875% and intercompany loans from Viridian carry a variable interest rate based on LIBOR. There are no derivative financial instruments in respect of interest rates held at the Company level. Interest rate exposure is managed at the Viridian group level through the use of derivative financial instruments.

At 31 March	2009 £m	2008 £m
Loans and other borrowings fixed/floating analysis:		
Fixed rate debt	**(179.8)**	(179.7)
Variable rate debt	**(288.4)**	(210.4)
	(468.2)	(390.1)

Credit risk

The Company's principal financial assets are cash and cash equivalents, trade and other receivables and other financial assets as outlined in the table below:

At 31 March	2009 £m	2008 £m
Cash and cash equivalents	**1.6**	-
Trade and other receivables	**46.1**	34.0
Other financial assets	**0.4**	8.0
	48.1	42.0

As noted above, the T&D business derives its revenue principally from charges for use of the distribution system levied on electricity suppliers and charges for transmission services levied on SONI.

The Company's credit risk in respect of trade receivables from electricity suppliers is mitigated by security received in the form of letters of credit or parent company guarantees. All payments from customers (except public bodies) in relation to new connections or alterations are paid for in advance of the work being carried out. Payments received on account are disclosed in note 18 to the accounts.

The Company may be exposed to credit-related loss in the event of non-performance by bank counterparties. The Company does not anticipate any non-performance given the high credit ratings of the established financial institutions that comprise these counterparties. The Company manages credit risk arising in respect of such counterparties by transacting only with bank counterparties rated investment grade and above.

Further information on financial instruments is set out in the notes to the accounts in compliance with IFRS 7 Financial Instruments: Disclosures.

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 in the section on capital management and liquidity risk, the Company is financed through a combination of equity and debt finance.

The Company's liquidity risk in respect of intercompany funding is managed through the preparation of cash flow forecasts and discussions with Viridian regarding the level of intercompany funding required. After making enquiries, which have included a review of the financial covenants associated with financing of the wider Viridian group, the directors have a reasonable expectation that the Company will have adequate financial resources for the next 12 months. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Regulation and Legislation

The electricity industry in Northern Ireland is governed principally by the Electricity (Northern Ireland) Order 1992 (the 1992 Order) and by the conditions of the licences which have been granted under the 1992 Order. The 1992 Order has been amended by subsequent legislation including the Energy (Northern Ireland) Order 2003 (the 2003 Order) and most recently, the Electricity Regulations (Northern Ireland) 2007 and the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 (the SEM Order).

Regulators

NIAUR and DETI are the principal regulators. Each is given specific powers, duties and functions under the relevant legislation. The functions of NIAUR include licensing (pursuant to a general authority given by DETI) and the general supervision and enforcement of the licensing regime. DETI's functions include licensing, the giving of consents for new power stations and overhead lines, fuel stocking, the encouragement of renewable generation and the regulation of matters relating to the quality and safety of electricity supply.

Regulators' objectives and duties

The principal objective of both NIAUR and DETI in carrying out their functions in relation to electricity is to protect the interests of consumers of electricity, wherever appropriate, by promoting effective competition between those engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity. Each of NIAUR and DETI has a duty to carry out its functions in the manner which it considers is best calculated to further this principal objective, having regard to a number of factors, including the need to ensure that all reasonable demands for electricity are met and that licensees are able to finance their authorised activities. In performing that duty they are required to have regard to the interests of individuals whose circumstances include being disabled, chronically sick or of pensionable age or having low incomes or residing in rural areas. They must also have regard to the effect of the industry's activities on the environment and their role includes promoting energy efficiency.

The 2003 Order gives the Consumer Council responsibility for representing electricity customers and dealing with their complaints. The Consumer Council has powers to investigate matters relating to the interests of customers regarding their electricity supply and to obtain information from electricity licence holders.

EU Legislation

A further package of EU legislative measures concerning energy markets is expected to be finalised later this year. The package includes measures which aim to ensure the effective separation of networks from generation and supply activities. The sale of SONI was consistent with this aim and the Company is in discussion with DETI and NIAUR on other aspects of demonstrating effective separation. Once the package has been finalised Member States will have 30 months to bring into force the necessary legislation.

Licence

As a transmission licensee and electricity distributor, the Company is required to develop and maintain an efficient, co-ordinated and economical system of:

- electricity transmission - the bulk transfer of electricity across its 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 system and its delivery to customers across a network of overhead lines and underground cables operating at 33kV, 11kV and lower voltages.

The Company's licence requires it to:

- provide transmission services, including making the transmission system available, to SONI and offer terms to SONI for connections by third parties to the transmission system;
- comply with the transmission interface arrangements which govern its relationship with SONI;
- comply with specified industry codes and agreements;
- offer terms for connection to and use of the distribution system on a non-discriminatory basis and secure NIAUR's approval for the basis of charges;
- provide market registration and data services to suppliers to support competition for supplies to customers and establish market registration arrangements to facilitate its obligations as an appointed meter data provider under the SEM trading rules;
- be managerially and operationally independent from other businesses within the Viridian group, in particular those with generation and supply interests;
- draw up and publish a schedule of PSO charges for the provision of services which are of a public service nature; and
- manage the land bank which retains sites in Northern Ireland that are suitable for electricity generation and which all prospective generators can access.

NIAUR sets guaranteed and overall standards, the majority of which apply to services provided by the Company (e.g. the timely restoration of customers' supplies following an interruption and prescribed times for responding to customers' voltage complaints). The guaranteed standards apply in individual cases and the Company is obliged to make a payment to each customer affected if it fails to meet a guaranteed standard. The overall standards apply at the collective level and, whilst the Company is not required to make payments to customers if it fails to meet an overall standard, the licence obliges the Company to conduct its business in such a way as can reasonably be expected to lead to it achieving the overall standards.

NIAUR has statutory powers to enforce compliance with licence conditions. The 2003 Order provides for NIAUR to levy a financial penalty (up to 10% of the licensee's revenue) for breach of a relevant condition.

NIAUR may modify the conditions of the licence, either in accordance with its terms or in accordance with the procedures set out in the relevant legislation, with the agreement of the Company after due notice, public consultation and consideration of any representations and objections. In the absence of such agreement, NIAUR is required to make a referral to the Competition Commission before a proposed licence modification can be made. Modifications may introduce new conditions (relating to activities authorised by the licence or to other activities) or may amend existing conditions. A modification can be vetoed by DETI. Modifications of licence conditions may also be made by statutory order as a consequence of a reference under the Competition Act 1998. In addition, specific powers have been given in legislation to modify licence conditions without the Company's consent e.g. to implement EU legislation.

The licence may be terminated by not less than 25 years' notice given by DETI and is revocable in certain circumstances including: where the Company consents to revocation; where the Company fails to comply with an enforcement order made by NIAUR; or where specified insolvency procedures are initiated in respect of the Company or its assets.

The Company's licence is available on NIAUR's website www.niaur.gov.uk

Corporate Governance

The directors of the Company, each of whom held office throughout the year, are:

Mike Toms (independent non-executive chairman);
John Biles (independent non-executive director); and
Laurence MacKenzie (executive director).

As required under the Company's licence, the Board of Directors comprises a majority of independent non-executive directors. Each independent non-executive director has relevant experience and knowledge of the energy sector.

Mike Toms, Chairman, is a non-executive director of UK Coal PLC, Birmingham Airport Holdings Limited, Oxera Consulting Limited and Bellway plc and was formerly Group Director, Planning and Regulatory Affairs at BAA and a member of the BAA plc Board.

John Biles, Chairman of the Audit Committee, is a non-executive director of Charter International plc, Bodycote PLC, Sutton & East Surrey Water PLC and Hermes Fund Managers Ltd. He was formerly Finance Director of FKI plc and Group Financial Director of Chubb Security Plc.

Laurence MacKenzie is Managing Director Electricity Infrastructure and an executive director of Viridian. He chairs NIE's Executive Committee. He joined the group as Managing Director of Powerteam in September 2000 and was previously a general manager in power transformer manufacturing with ABB.

The Board's Audit Committee comprises the independent non-executive directors. It monitors the integrity of the financial statements and reviews significant financial reporting issues and judgements. The Audit Committee also monitors the effectiveness of the internal control and risk management systems; monitors and reviews the effectiveness of the internal audit function and oversees the relationship with the external auditors.

The Company purchased and maintained directors' and officers' liability insurance throughout the year.

Corporate Social Responsibility (CSR)

The Company is committed to operating in a socially, environmentally and ethically responsible manner. It aims to be recognised as transparent and ethical in its dealings and to contribute to the general economic and social well-being and development of the communities in which it operates.

The Company recognises the importance of engaging with a wide range of stakeholders including: its shareholders; customers; employees; the wider community; those representing the environment; and suppliers. It does this through many channels including working closely with: industry regulators; various environmental bodies; various health and safety bodies; trade unions; business representatives; elected representatives and politicians; contractors; and landlords.

The Company has defined a number of principal CSR themes and priorities relevant to the management of SEE-related risks that may impact upon the short and long-term value of the Company. These are classified below under the headings of Workplace, Environment, Marketplace and Community.

Workplace

The Company had 262 employees at 31 March 2009 (2008 - 254). NIE Powerteam, a fellow subsidiary undertaking of Viridian, provides electrical infrastructure construction and refurbishment and other managed services to the Company. NIE Powerteam had 966 employees at 31 March 2009 (2008 - 939).

Health and safety

A principal CSR priority for the Company is to ensure the safety of employees, contractors and the general public through the promotion of a positive health and safety culture and adherence to legislation and recognised safety standards. The Company's health and safety policy aims to promote high standards and is supported by specific safety principles, rules, policies and procedures.

The Company health and safety management system is based upon the principles of the Health and Safety Executive guidance 'Successful Health and Safety Management' and the Institute of Directors/Health and Safety Commission guidance 'Leading Health and Safety at Work'. The approach to employment-related performance, such as safety and sickness absence, is to set targets in line with best practice. Safety performance is reported to the Energy Networks Association and the Company regularly engages with other relevant organisations including the Royal Society for the Prevention of Accidents, the Health and Safety Executive for Northern Ireland and DETI.

Including NIE Powerteam, there were six reportable accidents (2008 – seven) and two lost time incidents (2008 – two) during the year. Formal processes for incident investigation and analysis are in place.

During the year the Company's electrical and mechanical safety rules were updated in line with current legislation and best practice with all relevant employees receiving extensive formal training.

Employment

The Company is committed to a working environment: in which personal and employment rights are upheld; which ensures equality of opportunity for all employees and job applicants;

and 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. The Company is Investors in People (IIP) accredited.

Equal opportunities
The Company is pro-active in implementing human resource policies and procedures to ensure compliance with fair employment, sex discrimination, equal pay, disability discrimination, race discrimination, sexual orientation and age discrimination legislation. The Company's equal opportunities policy commits it to providing equality of opportunity for all employees and job applicants and it regularly monitors its actions to promote compliance with legislation and to ensure that it provides equality of opportunity in all its employment practices. Equal opportunity measures and statistics in respect of the relevant businesses are reported formally to the Equality Commission for Northern Ireland.

Disability
It is Company policy to provide people with disabilities equal opportunities for employment, training and career development, having regard to aptitude and ability. Any member of staff who becomes disabled during employment is given assistance and re-training where possible.

Remuneration
The Company operates fair and visible remuneration policies which are externally benchmarked to ensure that employees are paid an appropriate salary for the work they undertake. The Company seeks to align employee interests with those of other key stakeholders through an effective approach to recognition and reward, based on business and individual performance. Various reward schemes are in place from time to time including incentive schemes, out of hours schemes, time banking arrangements, bonus schemes and skills progression arrangements.

Learning and development
The Company aims to align its human resources policies with key business drivers, which include performance and productivity improvement; cost reduction; business growth and innovation; and providing value to customers. These policies are supported by clearly defined values and behaviours, a robust performance management process, a strong commitment to employee and management development and organisational competence built upon appropriate capabilities and skills. To ensure a highly skilled, multi disciplined workforce, a multi skilled approach has been taken to vocational training schemes. Learning and development needs are identified through performance, planning and review processes.

Policies
There are formal employee complaints and grievance procedures and the Company has a wide range of family-friendly working arrangements including enhanced maternity and paternity provisions, adoption, parental and dependant leave, a child care scheme, career breaks, job sharing and flexible working hours.

Sickness absence
The Company believes that the pro-active management of illness and absenteeism is to the mutual benefit of the Company and its employees. An employee health and well-being policy is in place with specific policies on stress management, mental health, alcohol and drug-related problems, smoking and first aid. External occupational health and counselling services are available for employees. Including NIE Powerteam, sickness absence was 2.68% (2008 – 3.02%), below the national average of 3.5%.

Employee participation and external engagement

The Company places significant emphasis on internal communications. Employee communications occur through team briefings, employee surveys, engagement groups, communication and involvement groups, project groups, electronic communications, company forums and through interaction, consultation and negotiation with trade unions. Employee relations are positive and constructive. Including NIE Powerteam, approximately 70% of employees are union members. There are well established arrangements for consultation, involvement and the promotion of employee relations through a framework of company councils. Several consultative committees are also in place dealing with areas such as health and safety and business improvement ideas. A managed process of communication occurs at the individual employee level and the performance, planning and review processes are designed to include upward feedback.

The Company engages with relevant external organisations including the Confederation of British Industry (CBI) Employment Affairs Committee, the Equality Commission for Northern Ireland and the Labour Relations Agency.

Environment

The Company's environmental policy commits the Company to protecting the environment and is designed to ensure compliance with all relevant legislative and regulatory requirements. Where practical and economically viable, the Company seeks to develop standards in excess of such requirements. Areas of particular focus include the responsible management of emissions, waste and recycling, measures to protect against oil pollution and the promotion of energy efficiency.

The Company is working with DETI and NIAUR on a long-term strategy for the development of the T&D network to support the connection of additional renewable generation.

The Company is certified to ISO 14001:2004 for its environmental management system. During the year, the British Standards Institute confirmed full compliance with the standard. In the 2008 environmental management survey conducted by ARENA Network in Northern Ireland, the Company's results were above both the Northern Ireland and utilities sector average. The Company has a full time environmental compliance officer and designated auditors in its relevant operations.

During the year the Company introduced further waste management initiatives to increase the level of recycling throughout its operations and reduce the burden on landfill.

The Company's Sustainable Management of Assets and Renewable Technologies (SMART) programme is part of the regulatory framework agreed with NIAUR. The programme supports emerging renewable energy technologies and encourages a sustainable approach to the provision of network infrastructure to meet customer demand in Northern Ireland. During the year the Company committed over £0.26m under the SMART programme to support photovoltaics, biomass and wind and hydro-electric power projects. In addition the Company contributed £0.5m to the 1.2MW tidal turbine project, 'Seagen', in Strangford Lough.

The Company is committed to a programme of research and development appropriate to its businesses. As part of its price control arrangements under RP4, the Company has committed to a £1m Sustainable Networks Programme to fund research focused on identifying the best long-term options for development of the Company's network to accommodate Government objectives on sustainability. Over the last two years £0.4m has been provided to progress a number of projects aimed at facilitating the connection of increased levels of distributed renewable generation to the network.

Marketplace

A key CSR priority is to maintain a highly ethical approach to regulatory responsibilities, licence obligations and public positioning. The Company aims to be transparent and ethical in all its dealings with third parties and has a number of policies in place to underpin this objective. Policies include internal ethical dealing and 'whistleblowing' procedures as well as the Company's corporate governance arrangements.

As a major purchaser the Company recognises that it has an opportunity to encourage suppliers of materials and services to deliver good environmental and safety performance and to maintain responsible practices towards their employees and the communities in which they operate. The Company subscribes to the Achilles utilities vendor database to pre-qualify potential suppliers for major contracts on a fair and equal basis; this assessment includes environmental and health and safety practices. In addition the Company assesses suppliers' CSR practices through questionnaires issued with invitation-to-tender documents.

Community

Through its mainstream business activities and its community involvement policy, the Company seeks to make a positive impact on the community in which it operates.

The Company seeks to maintain safe and reliable electricity supplies to its customers. During the year the average number of minutes lost per customer per annum through distribution interruptions, excluding the effect of major storms, was 62 minutes compared to 80 minutes the previous year. All the overall customer standards set by NIAUR were achieved and there were no defaults against the guaranteed standards. Over recent years the Company has achieved a significant reduction in the level of customer complaints referred to the Consumer Council and during 2008/09 experienced only three such complaints.

During the year, the Company continued its public safety awareness programme, promoting the importance of electrical safety to over 18,000 school children, farmers, anglers and agricultural and building contractors. The Company's 'Kidzsafe' programme raises safety awareness among primary school children in an effort to reduce incidences of vandalism and electricity-related injuries. The Company continued to host a number of farm safety events. The Company offers contractors undertaking road works a wide range of advice and assistance to help them avoid damaging underground electrical cables. The Company's safety website www.niesafety.co.uk offers key safety advice on a wide range of activities.

As part of its price control arrangements for RP4, the Company has committed to a £1m vulnerable customer programme to help alleviate fuel poverty in Northern Ireland.

The Company provides a critical care information service to over 2,500 customers dependent on life-supporting electrical equipment.

Charitable and political donations

Donations to charities in the year were £10,000 (2008 - £12,000). There were no contributions for political purposes.

Payment of suppliers

The Company's procurement policy is to source equipment, goods and services from a wide range of suppliers throughout the EU and beyond in accordance with commercial practices based on fairness and transparency. The Company recognises the important role that suppliers play in its business, and works to ensure that payments are made to them in accordance with agreed contractual terms. At 31 March 2009 the Company had 45 days payments outstanding to trade creditors.

Auditors

A resolution to re-appoint Ernst & Young LLP as external auditors and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

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 Group'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.

Statement of directors' responsibilities

The directors are responsible for preparing the accounts in accordance with applicable United Kingdom law and those IFRS as adopted by the EU.

The directors are required to prepare accounts for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and the Group for that year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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 IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance of the Company and the Group, and disclose and explain any departure from IFRS where, in their view, compliance would be so misleading as to conflict with a fair presentation; and
- state that (except for any such departure) the accounts have been prepared in accordance with IFRS as adopted by the EU.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company to enable them to ensure that the accounts comply with the Companies (Northern Ireland) Order 1986 and Article 4 of the International Accounting Standards (IAS) Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As required under the UK Listing Authority's Disclosure and Transparency Rules, each of the directors listed on page 17 confirms that to the best of his knowledge:

- the accounts, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Ruth Conacher
Company Secretary
Registered Office
120 Malone Road
Belfast BT9 5HT
Registered Number: NI 26041

Date: 25 June 2009

INDEPENDENT AUDITORS' REPORT
To the members of Northern Ireland Electricity plc

We have audited the Group and Company accounts of Northern Ireland Electricity plc for the year ended 31 March 2009. The accounts comprise the Group Income Statement, Group and Company Statements of Recognised Income and Expense, Group and Company Balance Sheets, Group and Company Cash Flow Statements and the related notes 1 to 27. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members as a body in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the accounts in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (ISA) (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986 and Article 4 of the International Accounting Standards (IAS) Regulation. We also report to you whether the information given in the Directors' Report is consistent with the accounts.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with ISA (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the Group accounts give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 March 2009 and of its profit for the year then ended;
- the Company accounts give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies (Northern Ireland) Order 1986, of the state of the Company's affairs as at 31 March 2009;
- the accounts have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the accounts.

Ernst & Young LLP
Registered Auditors
Belfast
25 June 2009

GROUP INCOME STATEMENT
for the year ended 31 March 2009

	Note	**2009 £m**	2008 £m
Continuing operations			
Revenue	3,5	**206.5**	129.2
Operating costs	5	**(122.5)**	(112.4)
OPERATING PROFIT		**84.0**	16.8
Interest receivable		**-**	0.7
Finance costs		**(26.2)**	(27.5)
Net pension scheme interest		**(7.0)**	0.3
Net finance costs	7	**(33.2)**	(26.5)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX		**50.8**	(9.7)
Tax (charge)/credit	8	**(14.1)**	2.9
PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER TAX		**36.7**	(6.8)
Discontinued operations			
Profit for the year from discontinued operations	4	**39.0**	88.3
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		**75.7**	81.5

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
for the year ended 31 March 2009

	Note	**Group**		**Company**	
		2009 £m	2008 £m	**2009 £m**	2008 £m
Actuarial (loss)/gain on pension scheme assets and liabilities	22	**(25.7)**	12.1	**(25.2)**	10.6
Gains on cash flow hedges		**-**	1.9	**-**	1.9
Deferred tax credit/(charge) on items taken directly to equity		**7.2**	(4.3)	**7.1**	(3.8)
Net (expense)/income recognised directly in equity		**(18.5)**	9.7	**(18.1)**	8.7
Transfers					
Gains transferred from equity to the income statement on cash flow hedges		**-**	(1.9)	**-**	(1.9)
Deferred tax charge transferred from equity to the income statements		**-**	0.6	**-**	0.6
Profit for the financial year		**75.7**	81.5	**76.7**	77.5
Total recognised income and expense for the year attributable to the equity holders of the parent company		**57.2**	89.9	**58.6**	84.9

BALANCE SHEETS
as at 31 March 2009

	Note	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Non-current assets					
Property, plant and equipment	11	**1,009.1**	943.6	**1,009.1**	943.6
Investment in subsidiaries	12	**-**	-	**-**	0.5
Intangible assets	13	**44.0**	49.0	**44.0**	49.0
Financial assets	14	**0.2**	0.4	**0.2**	0.4
		1,053.3	993.0	**1,053.3**	993.5
Current assets					
Inventories	15	**6.1**	6.9	**6.1**	6.9
Trade and other receivables	16	**46.1**	34.0	**46.1**	34.0
Financial assets	14	**0.2**	0.2	**0.2**	7.6
Cash and cash equivalents	17	**1.6**	-	**1.6**	-
		54.0	41.1	**54.0**	48.5
Assets held for sale and included in disposal groups	4	**-**	22.7	**-**	-
		54.0	63.8	**54.0**	48.5
TOTAL ASSETS		**1,107.3**	1,056.8	**1,107.3**	1,042.0
Current liabilities					
Trade and other payables	18	**98.7**	86.3	**98.7**	86.3
Current tax payable		**13.1**	15.4	**13.1**	15.4
Deferred income	19	**7.4**	6.9	**7.4**	6.9
Financial liabilities	20	**294.8**	211.2	**294.8**	216.8
Provisions	21	**3.8**	3.9	**3.8**	3.9
		417.8	323.7	**417.8**	329.3
Liabilities included in disposal groups	4	**-**	19.0	**-**	-
		417.8	342.7	**417.8**	329.3
Non-current liabilities					
Deferred tax liabilities	8	**91.9**	97.1	**91.9**	97.1
Deferred income	19	**212.7**	199.1	**212.7**	199.1
Financial liabilities	20	**173.4**	173.3	**173.4**	173.3
Provisions	21	**8.1**	11.9	**8.1**	11.9
Pension liability	22	**77.9**	53.8	**77.9**	53.8
		564.0	535.2	**564.0**	535.2
TOTAL LIABILITIES		**981.8**	877.9	**981.8**	864.5
NET ASSETS		**125.5**	178.9	**125.5**	177.5
Equity					
Share capital	23	**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
Accumulated profits	24	**58.6**	112.0	**58.6**	110.6
TOTAL EQUITY		**125.5**	178.9	**125.5**	177.5

The accounts were approved by the Board of directors and authorised for issue on 25 June 2009. They were signed on its behalf by:

Mike Toms — Chairman

Laurence MacKenzie — Director

Date: 25 June 2009

CASH FLOW STATEMENTS
for the year ended 31 March 2009

	Note	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cash flows from operating activities					
Profit for the year		**75.7**	81.5	**76.7**	77.5
Adjustments for:					
Tax charge/(credit) - continuing operations		**14.1**	(2.9)	**14.1**	(2.9)
Tax charge - discontinued operations		**8.8**	28.3	**9.7**	29.8
Net finance costs - continuing operations		**33.2**	26.5	**33.2**	26.5
Net finance costs/(income) - discontinued operations		**0.7**	(2.6)	**-**	(2.3)
Gain on disposal of discontinued operations		**(15.7)**	-	**(14.2)**	-
Depreciation of property, plant and equipment		**38.6**	37.8	**36.0**	36.5
Amortisation of customers' contributions and grants		**(7.4)**	(7.0)	**(7.4)**	(7.0)
Amortisation of intangible assets		**5.7**	3.5	**5.7**	3.5
Impairment of property, plant and equipment		**2.6**	-	**2.6**	-
Defined benefit pension charge less contributions paid		**(8.5)**	(9.3)	**(8.1)**	(9.2)
Net movement in provisions		**(4.1)**	(7.7)	**(4.1)**	(7.7)
Hedging gains transferred to the income statement		**-**	(1.9)	**-**	(1.9)
Operating cash flows before movement in working capital		**143.7**	146.2	**144.2**	142.8
(Increase)/decrease in working capital		**(3.6)**	78.9	**3.0**	63.2
Cash generated from operations		**140.1**	225.1	**147.2**	206.0
Interest received		**-**	0.7	**0.6**	0.6
Interest paid		**(28.5)**	(22.6)	**(28.2)**	(22.5)
Preference dividend paid		**-**	(2.1)	**-**	(2.1)
Current taxes paid		**(24.7)**	(51.0)	**(24.2)**	(49.5)
Net cash flows from operating activities		**86.9**	150.1	**95.4**	132.5
Purchase of property, plant and equipment		**(110.1)**	(103.0)	**(104.8)**	(95.9)
Purchase of intangible assets	13	**(0.7)**	(22.4)	**(0.7)**	(22.4)
Proceeds from disposal of property, plant and equipment		**-**	-	**-**	2.5
Contributions in respect of property, plant and equipment	19	**21.5**	27.1	**21.5**	27.1
Disposal of subsidiary undertaking	4	**11.8**	-	**14.2**	-
Repayment of loans made		**12.0**	-	**7.4**	-
Payment made in respect of disposal of discontinued operations		**-**	(48.0)	**-**	(48.0)
Net cash flows used in investing activities		**(65.5)**	(146.3)	**(62.4)**	(136.7)
Cash flows from financing activities					
Proceeds from borrowings		**85.2**	173.1	**79.5**	175.2
Repayment of borrowings		**-**	(100.0)	**-**	(100.0)
Equity dividend paid		**(110.6)**	(94.4)	**(110.6)**	(94.4)
Net cash flows used in financing activities		**(25.4)**	(21.3)	**(31.1)**	(19.2)
Net (decrease)/increase in cash and cash equivalents		**(4.0)**	(17.5)	**1.9**	(23.4)
Cash and cash equivalents at beginning of year		**5.6**	23.1	**(0.3)**	23.1
Cash and cash equivalents at end of year		**1.6**	5.6	**1.6**	(0.3)
Cash and cash equivalents relating to continuing operations	17, 20	1.6	(0.3)	1.6	(0.3)
Cash and cash equivalents relating to discontinued operations	4	-	5.9	-	-
		1.6	5.6	**1.6**	(0.3)

For the purposes of the cash flow statements, cash and cash equivalents comprise cash at bank and in hand, short-term bank deposits and bank overdrafts.

NOTES TO THE ACCOUNTS

1. General Information

Northern Ireland Electricity plc is a public limited company incorporated and domiciled in Northern Ireland.

The accounts have been prepared in accordance with IFRS as adopted by the EU and applied in accordance with the provisions of the Companies (Northern Ireland) Order 1986. The accounts are presented in Sterling (£) with all values rounded to the nearest £100,000 except where otherwise indicated.

The Group has early adopted IFRS 8 'Operating Segments', which is effective for accounting periods beginning on or after 1 January 2009 in the accounts. The disclosures required by this standard are shown in note 3 to the accounts. The Group has also early adopted the amendment to paragraph 23 of IFRS 8 'Operating Segments' in the Improvements to IFRS April 2009 and not disclosed total assets information for each reportable segment.

At the date of authorisation of these accounts, the following standards and interpretations, which have not been applied in the accounts, were in issue but not yet effective:

IAS 1	Amendment - Revised Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009)
IAS 1 and IAS 32	Amendment - Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009)
IAS 23	Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009)
IAS 27	Consolidated and Separate Financial Statements (revised) (effective for accounting periods beginning on or after 1 July 2009)
IAS 39	Amendment - Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009)
IAS 39 and IFRS 7	Amendments - Reclassification of Financial Assets (effective for accounting periods beginning on or after 1 July 2009)
IFRS 1 and IAS 27	Amendments - Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2009)
IFRS 2	Amendment - Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 July 2008)
IFRS 3	Business Combinations (revised) (effective for accounting periods beginning on or after 1 July 2009)
IFRS 7	Amendment - Improving Disclosures about Financial Instruments (effective for accounting periods beginning on or after 1 January 2009)
Improvements	Improvements to IFRS (May 2008 and April 2009) (various effective dates)
IFRIC 13	Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008)
IFRIC 15	Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008)
IFRIC 17	Distribution of Non-Cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009)
IFRIC 18	Transfers of Assets from Customers (effective for transfers of assets from customers received on or after 1 July 2009)

1. General Information (continued)

The directors are currently assessing the impact of IFRIC 18 on the Group's customer contributions received in respect of connections to the distribution system. The contributions are currently recognised as deferred income and released to the income statement by instalments over the estimated useful economic lives of the related assets. Depending on the outcome of the directors' assessment, it is possible that contributions received from 1 July 2009 onwards will be required to be recognised in the income statement at the time the connection is made. All contributions prior to that date would continue to be recognised in line with the current accounting policy. The directors do not expect any change in the treatment of the costs of connections which are currently capitalised and depreciated as infrastructure assets.

The directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's accounts in the period of initial application.

2. Accounting Policies

Change in cash flow presentation

In the accounts for the year ended 31 March 2008 the cash flow statement started from operating profit; in preparing the accounts for the year ended 31 March 2009 the directors have chosen to present the cash flow statement starting from profit for the year, as they believe this reflects a more suitable presentation in accordance with IAS 7 'Cash flow statements'. The change in presentation has no impact on cash generated from operations for the years ended 31 March 2009 and 31 March 2008.

The principal accounting policies are set out below:

Basis of consolidation

The Group accounts consolidate the accounts of Northern Ireland Electricity plc (the Company) and entities controlled by the Company (its subsidiaries). Subsidiaries are consolidated from the date 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. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of investment.

Foreign currency translation

The functional and presentational currency of the Company and its subsidiaries 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.

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 and 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 50 years
Fixtures and equipment - up to 25 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.

2. Accounting Policies (continued)

Property, plant and equipment (continued)

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.

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 five and ten years. Costs include direct labour relating to software development and an appropriate portion of directly attributable overheads.

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 derecognition 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 average purchase price and net realisable value.

Financial instruments

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.

Loans and receivables
Loans and receivables are initially recorded at fair value. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

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. Except for interest capitalised in relation to significant capital projects, interest payable is reflected in the income statement as it arises.

Trade and other receivables
Trade receivables do not carry any interest and are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the asset is impaired. Balances are written off when the probability of recovery is assessed as being remote.

Trade payables
Trade payables are not interest bearing and are stated at their nominal value.

Derivative financial instruments and hedge accounting
During the year ended 31 March 2008 the Group entered into contracts for differences (CfDs) to hedge the risk of changes in wholesale electricity prices. Changes in the fair value of CfDs which are designated as effective hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net income or expense.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

2. Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)
Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the hedged transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

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.

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, exclusive of value added tax and other sales related taxes.

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 PSO revenue
Revenue is recognised on the basis of units distributed during the year. 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 NIAUR for each tariff period.

Energy supply
Revenue is recognised on the basis of energy supplied during the year. Revenue for energy supply includes an assessment of energy supplied to customers between the date of the last meter reading and the balance sheet date, estimated using historical consumption patterns.

Government grants and customer contributions
Government grants and customer contributions received in respect of property, plant and equipment are deferred and released to 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 year. 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 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 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.

2. Accounting Policies (continued)

Tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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.

Dividends

Final dividends are recorded in the period in which shareholder approval is obtained. Interim dividends are recorded in the period in which they are paid.

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.

Pensions and other post-retirement benefits

Employees of the Group are entitled to membership of VGPS, 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 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. Actuarial gains and losses are recognised in full in the period in which they occur and are recognised outside the income statement and presented in the statement of recognised income and expense.

The cost of providing benefits under the defined benefit scheme is charged to the income statement over the periods benefiting from employees' service. Past service cost is recognised immediately to the extent that the benefits are already vested. Curtailment losses are recognised in the income statement in the period they occur. The expected return on pension scheme assets and the interest on pension scheme liabilities are included within net finance costs.

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

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

Exceptional items

The Group presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

2. Accounting Policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

Pensions and other post employment benefits
Employees of the Group are entitled to membership of VGPS which has both defined benefit and defined contribution arrangements. The cost of providing benefits under the defined benefit scheme is determined using the projected unit method. The key assumptions used for the actuarial valuation are based on the Group's best estimate of the variables that will determine the ultimate cost of providing post-employment benefits, on which further detail is provided in note 22.

3. Operating Segments Information

The Group's operating businesses are organised and managed separately according to the nature of the goods and services provided as described in the Directors' Report. Until 1 November 2007, the Group's operating segments also included PPB, which provided wholesale supplies of electricity to suppliers under the terms of the Bulk Supply Tariff (BST) or under bilateral arrangements with suppliers, and NIE Supply, which acquired bulk supplies of electricity from PPB at the BST in order to supply its customers.

The operating segment information provided below is based on regulated entitlement. The adjustment for over/(under)-recovery represents the amount by which the Group over/(under)-recovered against its regulated entitlement. Inter-segment pricing is determined on an arm's length basis.

In accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, SONI is classified as a discontinued operation in the income statements for the years ended 31 March 2009 and 31 March 2008 and classified as held for sale in the balance sheet as at 31 March 2008. Similarly, PPB and NIE Supply have been classified as discontinued operations in the income statement for the year ended 31 March 2008.

IFRS 5 requires that, in the circumstances of discontinued operations, the profits earned by the continuing operations on sales to the discontinued operations be eliminated on consolidation and attributed to the discontinued operations and vice versa. This representation does not reflect the profits earned by continuing or discontinued operations as if they were stand alone entities. The combination of this treatment and sales by Transmission and Distribution (T&D) to PPB and NIE Supply since 1 November 2007 being classified as continuing is the main reason for the significant increase in revenue and operating profits from continuing operations to £206.5m and £84.0m respectively in the year ended 31 March 2009 from £129.2m and £16.8m respectively in the year ended 31 March 2008.

(i) Revenue and profit - continuing operations

	2009 External £m	**2009 Internal £m**	**2009 Total £m**	2008 External £m	2008 Internal £m	2008 Total £m
Revenue						
T&D	**197.9**	**35.2**	**233.1**	135.7	80.4	216.1
Other	**0.3**	**0.1**	**0.4**	-	0.2	0.2
	198.2	**35.3**	**233.5**	135.7	80.6	216.3
Inter-group elimination			**(35.3)**			(80.6)
			198.2			135.7
Adjustment for over/(under)-recovery			**8.3**			(6.5)
			206.5			129.2
Operating costs						
T&D			**(123.0)**			(113.5)
Other			**0.4**			(1.4)
Inter-group elimination			**0.1**			2.5
			(122.5)			(112.4)
Operating profit/(loss)						
T&D			**110.1**			102.6
Other			**0.8**			(1.2)
Inter-group elimination			**(35.2)**			(78.1)
			75.7			23.3
Adjustment for over/(under)-recovery			**8.3**			(6.5)
			84.0			16.8
Interest receivable			**-**			0.7
Finance costs			**(26.2)**			(27.5)
Net pension scheme interest			**(7.0)**			0.3
Net finance costs			**(33.2)**			(26.5)
Profit/(loss) from continuing operations before tax			**50.8**			(9.7)

3. Operating Segments Information (continued)

(ii) Revenue and profit - discontinued operations

	2009 External £m	**2009 Internal £m**	**2009 Total £m**	2008 External £m	2008 Internal £m	2008 Total £m
Revenue						
PPB	**-**	**-**	**-**	69.2	152.3	221.5
NIE Supply	**-**	**-**	**-**	234.4	4.4	238.8
SONI	**59.2**	**-**	**59.2**	27.0	17.5	44.5
Other	**-**	**-**	**-**	(1.3)	-	(1.3)
	59.2	**-**	**59.2**	329.3	174.2	503.5
Inter-group elimination			**-**			(174.2)
			59.2			329.3
Adjustment for (under)/over-recovery			**(5.5)**			23.8
			53.7			353.1
Operating costs						
PPB			**-**			(218.3)
NIE Supply			**-**			(232.2)
SONI			**(56.1)**			(42.3)
Inter-group elimination			**35.2**			253.7
			(20.9)			(239.1)
Operating profit						
PPB			**-**			3.2
NIE Supply			**-**			6.6
SONI			**3.1**			2.2
Other			**-**			(1.3)
Inter-group elimination			**35.2**			79.5
			38.3			90.2
Adjustment for (under)/over-recovery			**(5.5)**			23.8
			32.8			114.0
Interest receivable			**0.4**			2.9
Finance costs			**(0.9)**			(0.3)
Net pension scheme interest			**(0.2)**			-
Net finance (costs)/income			**(0.7)**			2.6
Profit before tax charge			**32.1**			116.6

(iii) Revenue and profit - continuing and discontinued operations

The above disclosures are in accordance with IFRS 5. However, the directors believe the following breakdown of the total Group's business gives a more meaningful measure of performance.

	Revenue		**Operating profit/(loss)**	
	2009 £m	2008 £m	**2009 £m**	2008 £m
T&D	**233.1**	216.1	**110.1**	102.6
NIE Supply	**-**	238.8	**-**	6.6
PPB	**-**	221.5	**-**	3.2
SONI	**59.2**	44.5	**3.1**	2.2
Other	**0.4**	(1.1)	**0.8**	(1.1)
Inter-group elimination	**(35.3)**	(254.8)	**-**	-
	257.4	465.0	**114.0**	113.5
Adjustment for over-recovery	**2.8**	17.3	**2.8**	17.3
Total	**260.2**	482.3	**116.8**	130.8
Relating to continuing operations	**206.5**	129.2	**84.0**	16.8
Relating to discontinued operations	**53.7**	353.1	**32.8**	114.0
Total	**260.2**	482.3	**116.8**	130.8

3. Operating Segments Information (continued)

(iv) Other information

	2009 £m	2008 £m
Capital additions		
Continuing operations:		
T&D	**104.7**	120.1
Other	**0.1**	0.2
Discontinued operations:		
SONI	**4.8**	6.5
	109.6	126.8
Depreciation and amortisation		
Continuing operations:		
T&D	**36.7**	32.4
Other	**0.2**	0.2
Discontinued operations:		
SONI	**-**	1.2
PPB	**-**	0.1
NIE Supply	**-**	0.4
	36.9	34.3
Increase in provisions		
Continuing operations:		
T&D	**0.7**	0.6

Major customers
The table below shows revenue received by the Group from fellow Viridian undertakings:

	2009	2008
Continuing operations:		
T&D	**172.5**	91.3
Discontinued operations:		
SONI	**6.1**	6.0
	178.6	97.3

(v) Geographical information

The following table provides an analysis of the Group's external revenue by geographical segment based on the location of customers.

	UK 2009 £m	RoI 2009 £m	Total 2009 £m	UK 2008 £m	RoI 2008 £m	Total 2008 £m
Continuing operations						
T&D	**192.5**	**14.0**	**206.5**	100.0	29.2	129.2
Discontinued operations						
SONI	**53.7**	**-**	**53.7**	30.1	-	30.1
PPB	**-**	**-**	**-**	73.6	0.9	74.5
NIE Supply	**-**	**-**	**-**	248.5	-	248.5
	53.7	**-**	**53.7**	352.2	0.9	353.1

RoI revenue relates to use of system charges to suppliers based in the RoI, which supply energy to customers based in Northern Ireland.

The Group's assets are all located within the UK.

4. Discontinued operations

On 11 March 2009 the sale of SONI was completed. On 1 November 2007 PPB and NIE Supply were transferred to NIE Energy.

(i) Group Income Statement

The results of discontinued operations in the Group Income Statement are as follows:

	2009 £m	2008 £m
Revenue	**53.7**	353.1
Operating costs	**(20.9)**	(239.1)
Operating profit	**32.8**	114.0
Interest receivable	**0.4**	2.9
Finance costs	**(0.9)**	(0.3)
Net pension scheme interest	**(0.2)**	-
Net finance (costs)/income	**(0.7)**	2.6
Profit from discontinued operations before tax	**32.1**	116.6
Current tax charge	**(9.7)**	(29.0)
Deferred tax credit	**0.9**	0.7
Total tax charge	**(8.8)**	(28.3)
Profit from discontinued operations after tax	**23.3**	88.3
Profit on disposal of discontinued operations	**15.7**	-
Profit for the year from discontinued operations	**39.0**	88.3

The tax effect in the Group Income Statement relating to the profit on disposal of discontinued operations is £nil.

(ii) Cash Flow Statement

The cash flows of discontinued operations which have been included in the Cash Flow Statement are as follows:

	Group		**Company**	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Net cash flows (used in)/from operating cash flows	**(7.7)**	82.6	**-**	65.0
Net cash flows (used in)/from investing activities	**(5.2)**	4.4	**-**	14.0
Net cash flows provided by/(used in) financing activities	**9.5**	(81.7)	**-**	(79.6)

4. Discontinued operations (continued)

(ii) Cash Flow Statement (continued)

An analysis of the assets and liabilities of SONI at the date of disposal and the profit arising on disposal is as follows:

	As at 11 March 2009 £m
Total disposal consideration	15.4
Net assets:	
Property, plant and equipment	15.4
Deferred tax asset	0.4
Trade and other receivables	13.4
Cash and cash equivalents	2.4
Trade and other payables	(19.4)
Loans	(12.0)
Pension liability	(1.7)
Total net liabilities sold	(1.5)
Costs of disposal	1.2
Profit on disposal	15.7
Net cash inflow arising on disposal:	
Cash consideration	15.4
Costs of disposal	(1.2)
Net proceeds received by the Company	14.2
Cash and cash equivalents disposed of	(2.4)
	11.8

PPB and NIE Supply were transferred to NIE Energy on 1 November 2007. There was no gain or loss as a result of the transfer as the Company made a payment to NIE Energy equal to the carrying value of the net liabilities transferred.

	As at 1 November 2007 £m
Payment to NIE Energy	(48.0)
Net liabilities transferred:	
Property, plant and equipment	0.1
Deferred tax asset	2.5
Trade and other receivables	71.8
Derivative financial assets	12.4
Cash and cash equivalents	0.6
Trade and other payables	(114.8)
Pension liability	(10.1)
Derivative financial liabilities	(10.5)
Total net liabilities transferred	(48.0)
Profit on disposal	-
Net cash outflow arising on disposal:	
Payment to NIE Energy	(48.0)
Cash and cash equivalents disposed of	(0.6)
	(48.6)

4. Discontinued operations (continued)

(iii) Balance Sheet

At 31 March 2008 SONI was classified as held for sale and presented separately in the balance sheet. The major classes of assets and liabilities comprising the operations classified as held for sale were as follows:

	2008 £m
Property, plant and equipment	13.2
Trade and other receivables	3.6
Cash and cash equivalents	5.9
Total assets classified as held for sale	22.7
Trade and other payables	16.6
Current tax payable	0.5
Deferred tax liabilities	0.5
Pension liability	1.4
Total liabilities associated with assets classified as held for sale	19.0

(iv) Investment in Jointly Controlled Operation

Since 1 November 2007, SONI has undertaken the role of market operator to the SEM through a jointly controlled operation, SEMO, with EirGrid. Under the joint control agreement, SONI is responsible for 25% of the funding of SEMO.

An analysis of SONI's share of SEMO's assets and liabilities at the date of disposal is as follows:

	£m
Non-current assets	**7.8**
Current assets	**6.4**
Total assets	**14.2**
Current liabilities	**(13.5)**
Share of net assets of jointly controlled operation	**0.7**

The Group's share of SEMO's assets and liabilities at 31 March 2008, included in assets held for sale and liabilities included in disposal groups, was as follows:

	£m
Non-current assets	8.2
Current assets	10.8
Total assets	19.0
Current liabilities	(18.6)
Share of net assets of jointly controlled operation	0.4

The Group's share of the jointly controlled operation's operating profits for the periods ended 31 March 2009 and 31 March 2008, included in discontinued operations, was as follows:

	2009 £m	2008 £m
Revenue	**3.2**	2.0
Operating costs	**(2.6)**	(1.6)
Share of operating profit of jointly controlled operation	**0.6**	0.4

5. Revenue and Operating Costs

An analysis of external revenue is as follows:

	2009			2008		
	Continuing £m	**Discontinued £m**	**Total £m**	Continuing £m	Discontinued £m	Total £m
Regulated energy business revenue	**206.5**	**53.7**	**260.2**	129.2	353.1	482.3
Interest receivable	**-**	**0.4**	**0.4**	0.7	2.9	3.6
	206.5	**54.1**	**260.6**	129.9	356.0	485.9

Operating costs are analysed as follows:

	2009			2008		
	Continuing £m	**Discontinued £m**	**Total £m**	Continuing £m	Discontinued £m	Total £m
Energy costs	**-**	**5.2**	**5.2**	-	210.5	210.5
Employee costs (note 6)	**11.2**	**3.9**	**15.1**	11.5	4.7	16.2
Depreciation and amortisation	**36.9**	**-**	**36.9**	32.6	1.7	34.3
Other operating charges	**74.4**	**11.8**	**86.2**	68.3	22.2	90.5
	122.5	**20.9**	**143.4**	112.4	239.1	351.5

Operating costs include:

	2009 £m	2008 £m
Depreciation charge on property, plant and equipment	**38.6**	37.8
Associated release of customers' contributions and grants	**(7.4)**	(7.0)
	31.2	30.8
Amortisation of intangible assets	**5.7**	3.5
Impairment of property, plant & equipment	**2.6**	-
Cost of inventories recognised as an expense	**2.2**	1.9
Minimum lease payments due under operating leases:		
- Land and buildings	**0.3**	0.3
- Generating agreements	**-**	90.9

Auditors' remuneration

	2009 £m	2008 £m
Auditors' remuneration in respect of services to the Group and Company:		
Audit of the financial statements	**0.1**	0.1
Taxation services	**0.1**	1.3

6. Employees

Employee costs

	2009 Continuing £m	2009 Discontinued £m	2009 Total £m	2008 Continuing £m	2008 Discontinued £m	2008 Total £m
Salaries	**11.6**	**3.3**	**14.9**	12.1	4.1	16.2
Social security costs	**1.1**	**0.3**	**1.4**	1.1	0.4	1.5
Pension costs						
- defined contribution plans	**0.3**	**0.1**	**0.4**	0.3	0.1	0.4
- defined benefit plans	**1.6**	**0.3**	**1.9**	1.9	0.6	2.5
	14.6	**4.0**	**18.6**	15.4	5.2	20.6
Less: charged to the balance sheet	**(3.4)**	**(0.1)**	**(3.5)**	(3.9)	(0.5)	(4.4)
Charged to the income statement	**11.2**	**3.9**	**15.1**	11.5	4.7	16.2

Employee numbers

	Average during the year Number 2009	Average during the year Number 2008	Actual headcount at 31 March Number 2009	Actual headcount at 31 March Number 2008
T&D	**227**	220	**232**	225
SONI	**68**	54	**-**	61
Other	**30**	34	**30**	29
NIE Supply	**-**	29	**-**	-
PPB	**-**	6	**-**	-
	325	343	**262**	315

Directors' emoluments

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

	2009 £m	2008 £m
Emoluments in respect of qualifying services	**0.4**	2.2
Aggregate contributions to defined contribution pension schemes	**0.1**	0.3

Emoluments in respect of qualifying services for the year ended 31 March 2008 included deferred remuneration awarded in the year but payable in future years. In the year ended 31 March 2008, directors' remuneration of £0.5m was also paid to the Group's directors by other Viridian undertakings. The directors do not believe that it is practical to apportion the emoluments between their services as directors of the Company and their services as directors of other Viridian undertakings.

The remuneration in respect of the highest paid director was as follows:

	2009 £'000	2008 £'000
Emoluments	**328**	925
Total accrued pension at 31 March (per annum)	**-**	82

	2009 Number	2008 Number
Members of the defined benefit pension scheme	**-**	3
Members of the defined contribution scheme	**1**	2

No directors exercised share options during the year or received shares under long-term incentive schemes.

7. Net Finance Costs

	2009 £m	2008 £m
Interest receivable:		
Bank interest	**0.4**	0.7
Interest payable:		
Bank loans and overdrafts	**-**	(4.1)
Amounts owed to fellow Viridian undertakings	**(15.2)**	(7.3)
Eurobond	**(12.0)**	(12.0)
	(27.2)	(23.4)
Less: capitalised interest	**0.1**	1.1
Total interest charged to the Group Income Statement	**(27.1)**	(22.3)
Other finance costs:		
Preference dividends	**-**	(2.1)
Other finance charges	**-**	(0.5)
Total other finance costs	**-**	(2.6)
Total finance costs	**(27.1)**	(24.9)
Net pension scheme interest:		
Expected return on pension scheme assets	**30.9**	38.5
Interest on pension scheme liabilities	**(38.1)**	(38.2)
	(7.2)	0.3
Net finance costs	**(33.9)**	(23.9)
Relating to continuing operations	**(33.2)**	(26.5)
Relating to discontinued operations	**(0.7)**	2.6
	(33.9)	(23.9)

8. Tax Charge

(i) Analysis of charge in the year

Group Income Statement	2009 £m	2008 £m
Current tax charge		
UK corporation tax at 28% (2008 - 30%)	**21.9**	26.6
Corporation tax underprovided in previous years	**-**	7.6
Total current tax charge	**21.9**	34.2
Deferred tax charge/(credit)		
Origination and reversal of temporary differences in current year	**1.0**	6.3
Impact of rate changes	**-**	(7.0)
Origination and reversal of temporary differences relating to prior years	**-**	(8.1)
Total deferred tax charge/(credit)	**1.0**	(8.8)
Total tax charge	**22.9**	25.4
Relating to continuing operations	**14.1**	(2.9)
Relating to discontinued operations	**8.8**	28.3
	22.9	25.4

Tax relating to items charged to equity

	2009 £m	2008 £m
Deferred tax		
Actuarial (losses)/gains on pension liability	**(7.2)**	3.7

(ii) Reconciliation of total tax charge

The tax charge in the Group Income Statement for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 - 30%). The differences are reconciled below:

	2009 £m	2008 £m
Accounting profit from continuing and discontinued operations before tax charge	**82.9**	106.9
Accounting profit multiplied by the UK standard rate of corporation tax of 28% (2008 - 30%)	**23.2**	32.1
Impact of providing deferred tax @ 28%	**-**	(7.0)
Tax overprovided in previous years	**-**	(0.5)
Other permanent differences	**(0.3)**	0.8
Tax charge for the year	**22.9**	25.4

There are no tax consequences for the Company attaching to the payment of dividends to shareholders.

8. Tax Charge (continued)

(iii) Deferred tax

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

	2009 £m	2008 £m
Deferred tax assets		
Pension liability	**21.8**	15.0
Other temporary differences	**3.5**	5.0
	25.3	20.0
Deferred tax liabilities		
Accelerated capital allowances	**115.9**	115.8
Held-over gains on property disposals	**1.3**	1.3
	117.2	117.1
Net deferred tax liability	**91.9**	97.1

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

	2009 £m	2008 £m
Accelerated capital allowances	**0.1**	(15.0)
Other temporary differences	**1.5**	2.4
Temporary differences in respect of pensions	**0.3**	3.9
Deferred tax credit in respect of discontinued operations	**(0.9)**	-
Held-over gains on property disposals	**-**	(0.1)
Deferred tax charge/(credit)	**1.0**	(8.8)
Relating to continuing operations	**1.9**	(8.1)
Relating to discontinued operations	**(0.9)**	(0.7)
	1.0	(8.8)

9. Profit for the Financial Year

The profit dealt with in the accounts of the Company is £76.7m (2008 - £77.5m). No separate income statement is presented for the Company as permitted by Article 238 of the Companies (Northern Ireland) Order 1986.

10. Equity Dividends

	2009 £m	2008 £m
Amounts recognised as distributions to equity holders in the year:		
Equity dividends on ordinary shares:		
Interim dividend of 75.98p per share for the year ended 31 March 2009 (2008 - £944,000 per share)	**110.6**	94.4

11. Property, Plant and Equipment

Group	Infrastructure assets £m	Non-operational land and buildings £m	Fixtures and equipment £m	Total £m
Cost:				
At 1 April 2007	1,335.7	4.4	53.4	1,393.5
Additions	93.8	0.7	9.9	104.4
Assets held for sale and included in disposal groups	(2.1)	-	(23.7)	(25.8)
At 31 March 2008	1,427.4	5.1	39.6	1,472.1
Additions	101.2	-	2.9	104.1
Disposals	(0.4)	-	-	(0.4)
At 31 March 2009	**1,528.2**	**5.1**	**42.5**	**1,575.8**
Depreciation:				
At 1 April 2007	465.0	0.9	37.4	503.3
Charge for the year	33.6	0.1	4.1	37.8
Assets held for sale and included in disposal groups	(1.8)	-	(10.8)	(12.6)
At 31 March 2008	496.8	1.0	30.7	528.5
Charge for the year	35.7	0.1	2.8	38.6
Disposals	(0.4)	-	-	(0.4)
At 31 March 2009	**532.1**	**1.1**	**33.5**	**566.7**
Net book value:				
At 31 March 2007	870.7	3.5	16.0	890.2
At 31 March 2008	930.6	4.1	8.9	943.6
At 31 March 2009	**996.1**	**4.0**	**9.0**	**1,009.1**

Included in Group infrastructure assets are amounts in respect of assets under construction amounting to £40.4m (2008 - £35.6m) and capitalised interest of £4.5m (2008 - £4.8m).

11. Property, Plant and Equipment (continued)

Company

	Infrastructure assets £m	Non-operational land and buildings £m	Fixtures and equipment £m	Total £m
Cost:				
At 1 April 2007	1,335.3	4.4	48.1	1,387.8
Additions	93.8	0.7	3.4	97.9
Disposals	(2.1)	-	(11.9)	(14.0)
At 31 March 2008	1,427.0	5.1	39.6	1,471.7
Additions	101.2	-	2.9	104.1
At 31 March 2009	**1,528.2**	**5.1**	**42.5**	**1,575.8**
Depreciation:				
At 1 April 2007	464.8	0.9	37.4	503.1
Charge for the year	33.4	0.1	3.0	36.5
Disposals	(1.8)	-	(9.7)	(11.5)
At 31 March 2008	496.4	1.0	30.7	528.1
Charge for the year	35.7	0.1	2.8	38.6
At 31 March 2009	**532.1**	**1.1**	**33.5**	**566.7**
Net book value:				
At 31 March 2007	870.5	3.5	10.7	884.7
At 31 March 2008	930.6	4.1	8.9	943.6
At 31 March 2009	**996.1**	**4.0**	**9.0**	**1,009.1**

Included in Company infrastructure assets are amounts in respect of assets under construction amounting to £40.4m (2008 - £35.6m) and capitalised interest of £4.5m (2008 - £4.8m).

12. Investments

Company - Investment in subsidiaries	**2009 £m**	2008 £m
At 1 April	**0.5**	0.5
Impairment of investment in NIE Generation Limited	**(0.5)**	-
At 31 March	**-**	0.5

At 31 March 2009, the Company held an investment of 100% of ordinary shares in NIE Generation Limited, a company incorporated in Northern Ireland. NIE Generation Limited ceased all operating activities on 14 September 2007 resulting in an impairment of the Company's carrying value of its investment in NIE Generation Limited as at 31 March 2009.

13. Intangible Assets

Group and Company - Computer software	2009 £m
Cost:	
At 1 April 2007	39.2
Additions acquired externally	22.4
At 31 March 2008	61.6
Additions acquired externally	0.7
At 31 March 2009	**62.3**
Amortisation/impairment:	
At 1 April 2007	9.1
Amortisation charge for the year	3.5
At 31 March 2008	12.6
Amortisation charge for the year	5.7
At 31 March 2009	**18.3**
Net book value:	
At 31 March 2007	30.1
At 31 March 2008	49.0
At 31 March 2009	**44.0**

Computer software includes capitalised interest of £0.9m (2008 - £1.0m).

14. Financial Assets

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Non-current				
Other loans	**0.2**	0.4	**0.2**	0.4
Current				
Intercompany loan made to subsidiary undertakings	**-**	-	**-**	7.4
Other loans	**0.2**	0.2	**0.2**	0.2
	0.2	0.2	**0.2**	7.6

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

15. Inventories

Group and Company	2009 £m	2008 £m
Materials and consumables	**3.9**	3.5
Work-in-progress	**2.2**	3.4
	6.1	6.9

16. Trade and Other Receivables

Group and Company

	2009 £m	2008 £m
Trade receivables (including unbilled consumption)	**9.3**	7.5
Other receivables	**0.5**	0.4
Amounts owed by fellow Viridian undertakings	**35.9**	25.7
Prepayments and accrued income	**0.4**	0.4
	46.1	34.0

Trade receivables are stated net of a provision of £0.7m (2008 - £0.5m) for estimated irrecoverable amounts based on past default experience:

Group and Company	**2009 £m**	2008 £m
At 1 April	**0.5**	5.0
Increase in provision	**0.3**	1.2
Bad debts written off	**(0.1)**	(0.2)
Disposal of discontinued operations	**-**	(5.5)
At 31 March	**0.7**	0.5

The above provision includes £0.6m (2008 - £0.4m) in respect of individual balances impaired based on the age of debt and past default experience. There is no provision for estimated irrecoverable amounts included in 'amounts owed by fellow Viridian undertakings'.

The following shows an aged analysis of trade receivables:

Group and Company	**2009 £m**	2008 £m
Within credit terms:		
Current	**6.9**	4.5
Past due but not impaired:		
Less than 30 days	**-**	-
30 - 60 days	**0.5**	0.9
60 - 90 days	**0.1**	0.6
+ 90 days	**1.8**	1.5
	9.3	7.5

The credit quality of trade receivables that are neither past due nor impaired 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.

17. Cash and Cash Equivalents

Group and Company	**2009 £m**	2008 £m
Cash at bank and in hand	**1.6**	-

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.

18. Trade and Other Payables

Group and Company

	2009 £m	2008 £m
Trade payables	**11.5**	10.4
Payments received on account	**23.1**	15.6
Amounts owed to fellow Viridian undertakings	**46.1**	40.7
Tax and social security	**1.6**	0.5
Accruals	**16.4**	19.1
	98.7	86.3

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	0.5	5.5	6.0
Non-current	10.1	169.8	179.9
Total at 1 April 2007	**10.6**	**175.3**	**185.9**
Receivable	0.1	27.0	27.1
Released to income statement	(0.6)	(6.4)	(7.0)
Current	0.5	6.4	6.9
Non-current	9.6	189.5	199.1
Total at 31 March 2008	**10.1**	**195.9**	**206.0**
Receivable	-	21.5	21.5
Released to income statement	(0.5)	(6.9)	(7.4)
Current	**0.5**	**6.9**	**7.4**
Non-current	**9.1**	**203.6**	**212.7**
Total at 31 March 2009	**9.6**	**210.5**	**220.1**

20. Financial Liabilities

	Group		Company	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
Current				
Interest payable on Eurobond	**6.4**	6.4	**6.4**	6.4
Bank loans and overdrafts	**-**	0.3	**-**	0.3
Amounts owed to fellow Viridian undertakings	**288.4**	204.5	**288.4**	210.1
	294.8	211.2	**294.8**	216.8
Non-current				
Eurobond	**173.4**	173.3	**173.4**	173.3

Loans and other borrowings outstanding are repayable as follows:

	Group		Company	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
In one year or less or on demand	**294.8**	211.2	**294.8**	216.8
In more than five years	**173.4**	173.3	**173.4**	173.3
	468.2	384.5	**468.2**	390.1

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

The principal features of the Group's borrowings are as follows:
- the Eurobond is repayable in 2018 and carries a fixed rate of interest of 6.875%;
- amounts owed to fellow Viridian undertakings are repayable on demand. The weighted average interest rate during the year was 5.07% (2008 - 6.45%).

With the exception of the Eurobond which had a fair value at 31 March 2009 of £201.5m (2008 - £181.4m) based on current market prices, the directors consider that the carrying amount of loans and other borrowings equates to fair value.

Based on average loans and borrowings, an increase of 0.5% in effective interest rates would increase the interest charged to the Group Income Statement by £1.5m; a decrease of 0.25% would reduce the interest charged to the Group Income Statement by £0.7m (2008: 1% increase/(decrease) - £1.5m). The change in assumptions from 31 March 2008 in respect of interest rate movements is as a result of recent significant reductions in effective interest rates.

The tables below summarise the maturity profile of the Group and Company's financial liabilities (including trade and other payables) based on contractual undiscounted payments.

At 31 March 2009 **Group and Company**	On demand £m	Within 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	**Total** **£m**
Interest payable on Eurobond	-	-	12.0	48.0	60.3	**120.3**
Eurobond	-	-	-	-	175.0	**175.0**
Amounts owed to fellow Viridian undertakings	288.4	-	-	-	-	**288.4**
Trade and other payables	23.1	75.6	-	-	-	**98.7**
	311.5	**75.6**	**12.0**	**48.0**	**235.3**	**682.4**

20. Financial Liabilities (continued)

At 31 March 2008 Group	On demand £m	Within 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	**Total** **£m**
Interest payable on Eurobond	-	-	12.0	48.0	72.3	**132.3**
Eurobond	-	-	-	-	175.0	**175.0**
Amounts owed to fellow Viridian undertakings	204.5	-	-	-	-	**204.5**
Trade and other payables	15.6	70.7	-	-	-	**86.3**
Bank loans and overdrafts	0.3	-	-	-	-	**0.3**
	220.4	**70.7**	**12.0**	**48.0**	**247.3**	**598.4**

At 31 March 2008 Company	On demand £m	Within 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	**Total** **£m**
Interest payable on Eurobond	-	-	12.0	48.0	72.3	**132.3**
Eurobond	-	-	-	-	175.0	**175.0**
Amounts owed to fellow Viridian undertakings	210.1	-	-	-	-	**210.1**
Trade and other payables	15.6	70.7	-	-	-	**86.3**
Bank loans and overdrafts	0.3	-	-	-	-	**0.3**
	226.0	**70.7**	**12.0**	**48.0**	**247.3**	**604.0**

21. Provisions

Group and Company	**Environment** **£m**	**Liability and damage claims** **£m**	**Other** **£m**	**Total** **£m**
Current	3.3	0.4	0.2	3.9
Non-current	8.4	3.5	-	11.9
Total at 1 April 2008	**11.7**	**3.9**	**0.2**	**15.8**
Applied in the year	(3.6)	(0.7)	(0.1)	(4.4)
Increase in provisions	-	0.4	0.3	0.7
Release to income statement	-	(0.4)	-	(0.4)
Unwinding of discount	0.2	-	-	0.2
Current	2.8	0.6	0.4	3.8
Non-current	5.5	2.6	-	8.1
Total at 31 March 2009	**8.3**	**3.2**	**0.4**	**11.9**

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 most expenditure will take place within the next five years.

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 matters and employee claims. These provisions are expected to be utilised within a period not exceeding five years.

22. Pension Commitments

Most employees of the Group are members of VGPS. This has two sections: 'Options' which is a money purchase arrangement whereby the Group generally matches the members' contributions up to a maximum of 6% 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.

Hewitt, the actuaries to VGPS, have provided a valuation of Focus under IAS 19 as at 31 March 2009 based on the following assumptions (in nominal terms) and using the projected unit method.

	2009	2008
Rate of increase in pensionable salaries	**4.0% per annum**	4.6% per annum
Rate of increase in pensions in payment	**3.0% per annum**	3.6% per annum
Discount rate	**6.75% per annum**	6.5% per annum
Inflation assumption	**3.0% per annum**	3.6% per annum
Life expectancy:		
Current pensioners (at age 60) - males	**23.7 years**	23.7 years
Current pensioners (at age 60) - females	**26.4 years**	26.4 years
Future pensioners (at age 60) - males	**24.5 years**	24.5 years
Future pensioners (at age 60) - females	**27.2 years**	27.2 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 March 2009 shows a Group net pension liability relating to continuing operations (before deferred tax) of £77.9m (2008 - £53.8m). A 0.25% increase/decrease in the assumed discount rate would decrease/increase the net pension liability by £18.2m. A 0.25% increase/decrease in the assumed inflation rate would increase/decrease the net pension liability by £17.7m.

Assets and Liabilities
The Group and Company's share of the assets and liabilities of Focus and the expected rates of return are:

Continuing operations	**Value at 31 March 2009 £m**	**Expected rate of return %**	Value at 31 March 2008 £m	Expected rate of return %
Equities	**137.1**	**7.2**	173.8	7.8
Bonds	**309.6**	**5.2**	341.6	5.0
Other	**3.2**	**4.0**	17.5	4.6
Total market value of assets	**449.9**		532.9	
Actuarial value of liabilities	**(527.8)**		(586.7)	
Net pension liability	**(77.9)**		(53.8)	

Discontinued operations	**Value at 31 March 2009 £m**	**Expected rate of return %**	Value at 31 March 2008 £m	Expected rate of return %
Equities	**-**	**7.2**	3.5	7.8
Bonds	**-**	**5.2**	6.8	5.0
Other	**-**	**4.0**	0.3	4.6
Total market value of assets	**-**		10.6	
Actuarial value of liabilities	**-**		(12.0)	
Net pension liability	**-**		(1.4)	

The expected rate of return on equities is based on the expected median return over the long-term. The expected rate of return on bonds is measured directly from actual market yields for UK gilts and corporate bonds. Other assets include cash balances and other investments. The expected rate of return on these assets is measured directly from short-term market interest rates.

22. Pension Commitments (continued)

Changes in the market value of assets

Group	Continuing operations		Discontinued operations	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
Market value of assets at 1 April	**532.9**	462.8	**10.6**	209.8
Expected return	**30.4**	28.5	**0.5**	10.0
Contributions from employer	**9.7**	10.5	**0.7**	1.3
Contributions from scheme members	**0.4**	0.4	**0.1**	0.1
Benefits paid	**(32.6)**	(28.6)	**(0.7)**	(9.7)
Intergroup transfer	**-**	83.3	**-**	(83.3)
Actuarial loss	**(90.9)**	(24.0)	**(1.7)**	(4.5)
Disposal of discontinued operations	**-**	-	**(9.5)**	(113.1)
Market value of assets at 31 March	**449.9**	532.9	**-**	10.6

Company	Continuing operations		Discontinued operations	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
Market value of assets at 1 April	**532.9**	462.8	**-**	111.6
Expected return	**30.4**	28.5	**-**	4.0
Contributions from employer	**9.7**	10.5	**-**	0.7
Contributions from scheme members	**0.4**	0.4	**-**	-
Benefits paid	**(32.6)**	(28.6)	**-**	(3.8)
Intergroup transfer	**-**	83.3	**-**	-
Actuarial (loss)/gain	**(90.9)**	(24.0)	**-**	0.6
Disposal of discontinued operations	**-**	-	**-**	(113.1)
Market value of assets at 31 March	**449.9**	532.9	**-**	-

Changes in the actuarial value of liabilities

Group	Continuing operations		Discontinued operations	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
Actuarial value of liabilities at 1 April	**586.7**	521.8	**12.0**	237.8
Interest cost	**37.4**	28.2	**0.7**	10.0
Current service cost	**1.6**	1.8	**0.3**	0.6
Curtailment loss	**-**	0.1	**-**	-
Contributions from scheme members	**0.4**	0.4	**0.1**	0.1
Benefits paid	**(32.6)**	(28.6)	**(0.7)**	(9.7)
Intergroup transfer	**-**	93.9	**-**	(93.9)
Actuarial loss	**(65.7)**	(30.9)	**(1.2)**	(9.7)
Disposal of discontinued operations	**-**	-	**(11.2)**	(123.2)
Actuarial value of liabilities at 31 March	**527.8**	586.7	**-**	12.0

Company	Continuing operations		Discontinued operations	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
Actuarial value of liabilities at 1 April	**586.7**	521.8	**-**	126.0
Interest cost	**37.4**	28.2	**-**	4.0
Current service cost	**1.6**	1.8	**-**	0.1
Curtailment loss	**-**	0.1	**-**	-
Contributions from scheme members	**0.4**	0.4	**-**	-
Benefits paid	**(32.6)**	(28.6)	**-**	(3.8)
Disposal of discontinued operations	**-**	-	**-**	(123.2)
Intergroup transfer	**-**	93.9	**-**	-
Actuarial gain	**(65.7)**	(30.9)	**-**	(3.1)
Actuarial value of liabilities at 31 March	**527.8**	586.7	**-**	-

22. Pension Commitments (continued)

The Group expects to make contributions of £6.3m to Focus in 2009/10 in respect of current service pension costs. During the year ended 31 March 2009, the Group made contributions of £6.0m in respect of past service pension costs. It is expected that the past service contribution rate will increase following the 31 March 2009 actuarial valuation reflecting lower asset values and greater life expectancy.

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

Analysis of the amount charged to operating costs (before capitalisation)	**Group**		**Company**	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Current service cost	**(1.9)**	(2.4)	**(1.6)**	(1.9)
Curtailment loss	**-**	(0.1)	**-**	(0.1)
Total operating charge	**(1.9)**	(2.5)	**(1.6)**	(2.0)
Relating to continuing operations	**(1.6)**	(1.9)	**(1.6)**	(1.9)
Relating to discontinued operations	**(0.3)**	(0.6)	**-**	(0.1)
	(1.9)	(2.5)	**(1.6)**	(2.0)

Focus is closed to new members and therefore under the projected unit 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)/credited to net pension scheme interest	**Group**		**Company**	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Expected return on assets	**30.9**	38.5	**30.4**	32.5
Interest on liabilities	**(38.1)**	(38.2)	**(37.4)**	(32.2)
Net pension scheme interest	**(7.2)**	0.3	**(7.0)**	0.3
Relating to continuing operations	**(7.0)**	0.3	**(7.0)**	0.3
Relating to discontinued operations	**(0.2)**	-	**-**	-
	(7.2)	0.3	**(7.0)**	0.3

The actual return on Group Focus assets was a loss of £61.7m (2008 - £10.0m). The actual return on Company Focus assets was a loss of £60.5m (2008 - £9.1m).

Analysis of amount recognised in the Statement of Recognised Income and Expense	**Group**		**Company**	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Actuarial loss on assets	**(92.6)**	(28.5)	**(90.9)**	(23.4)
Actuarial gain on liabilities	**66.9**	40.6	**65.7**	34.0
Net actuarial (loss)/gain	**(25.7)**	12.1	**(25.2)**	10.6
Relating to continuing operations	**(25.2)**	6.9	**(25.2)**	6.9
Relating to discontinued operations	**(0.5)**	5.2	**-**	3.7
	(25.7)	12.1	**(25.2)**	10.6

The cumulative actuarial gains recognised in the Group and Company Statements of Recognised Income and Expense since 1 April 2004 are £21.2m and £15.3m respectively (2008 - actuarial gains of £46.9m and £40.5m). The directors are unable to determine how much of the net pension liability recognised on transition to IFRS and taken directly to equity is attributable to actuarial gains and losses since the inception of Focus. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group and Company Statements of Recognised Income and Expense shown before 1 April 2004.

22. Pension Commitments (continued)

	Group					Company				
	2009	2008	2007	2006	2005	**2009**	2008	2007	2006	2005
	£m	£m	£m	£m	£m	**£m**	£m	£m	£m	£m
History of experience gains and losses										
Experience (losses)/gains on assets	**(92.6)**	(28.5)	(22.8)	86.5	15.7	**(90.9)**	(23.4)	(19.5)	74.0	13.5
Experience losses on liabilities*	**(0.7)**	(0.4)	(4.6)	(30.6)	-	**(0.7)**	(0.3)	(3.9)	(26.1)	-

* The directors have been unable to determine the experience gains/losses on liabilities for the year ended 31 March 2005.

At 31 March	Group					Company				
	2009	2008	2007	2006	2005	**2009**	2008	2007	2006	2005
	£m	£m	£m	£m	£m	**£m**	£m	£m	£m	£m
Market value of assets	**449.9**	543.5	672.6	676.0	581.2	**449.9**	532.9	574.4	576.5	495.3
Actuarial value of liabilities	**(527.8)**	(598.7)	(759.6)	(790.3)	(720.4)	**(527.8)**	(586.7)	(647.8)	(673.7)	(613.7)
Net pension liability	**(77.9)**	(55.2)	(87.0)	(114.3)	(139.2)	**(77.9)**	(53.8)	(73.4)	(97.2)	(118.4)
Relating to continuing operations	**(77.9)**	(53.8)	(87.0)	(114.3)	(139.2)	**(77.9)**	(53.8)	(73.4)	(97.2)	(118.4)
Relating to discontinued operations	**-**	(1.4)	-	-	-	**-**	-	-	-	-
	(77.9)	(55.2)	(87.0)	(114.3)	(139.2)	**(77.9)**	(53.8)	(73.4)	(97.2)	(118.4)

23. Share Capital

	2009	2008
Authorised	**£m**	£m
216,000,004 ordinary shares of 25p each	**54.0**	54.0
Allotted and fully paid	**£m**	£m
145,566,431 ordinary shares of 25p each	**36.4**	36.4

On 1 October 2007, the preference shares held in the Company were converted to 145,566,331 ordinary shares of 25 pence each.

24. Reconciliation of Movements in Equity

Group

	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 April 2007	**-**	**24.4**	**6.1**	**116.5**	**147.0**
Total recognised income and expense for the year	-	-	-	89.9	89.9
Conversion of preference shares to ordinary shares	36.4	-	-	-	36.4
Equity dividends	-	-	-	(94.4)	(94.4)
At 1 April 2008	**36.4**	**24.4**	**6.1**	**112.0**	**178.9**
Total recognised income and expense for the year	-	-	-	57.2	57.2
Equity dividends	-	-	-	(110.6)	(110.6)
At 31 March 2009	**36.4**	**24.4**	**6.1**	**58.6**	**125.5**

Company

	Share Capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 April 2007	**-**	**24.4**	**6.1**	**120.1**	**150.6**
Total recognised income and expense for the year	-	-	-	84.9	84.9
Conversion of preference shares to ordinary shares	36.4	-	-	-	36.4
Equity dividends	-	-	-	(94.4)	(94.4)
At 1 April 2008	**36.4**	**24.4**	**6.1**	**110.6**	**177.5**
Total recognised income and expense for the year	-	-	-	58.6	58.6
Equity dividends	-	-	-	(110.6)	(110.6)
At 31 March 2009	**36.4**	**24.4**	**6.1**	**58.6**	**125.5**

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.

25. Lease Obligations

Property, plant and equipment

The Group has entered into leases on certain items of property, plant and equipment. These leases contain options for renewal before the expiry of the lease term at rentals based on market prices at the time of renewal.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2009 £m	2008 £m
Within one year	**0.3**	0.3
After one year but not more than five years	**1.7**	1.3
More than five years	**3.2**	2.4
	5.2	4.0

26. Commitments and Contingent Liabilities

(i) Capital commitments

At 31 March 2009 the Group and Company had contracted future capital expenditure in respect of property, plant and equipment of £10.8m (2008 - £11.5m).

(ii) Contingent liabilities

Contract buy-out agreement
In December 2000, the Group renegotiated a number of the generating contracts at Ballylumford. As part of these arrangements a contract buy-out (CBO) agreement was entered into to make payments to fund a buy-out of the profit element under the original agreements at Ballylumford. The CBO agreement has provisions under which a termination amount becomes payable in certain circumstances. The size of the payment depends on the termination date. The Group does not anticipate that any liability will arise and no provision has been made.

Protected persons
The Group has contingent liabilities in respect of obligations under the Electricity (Protected Persons) Pensions Regulations (Northern Ireland) 1992 to protect the pension rights of employees of the Group at privatisation. This includes members employed in companies which have subsequently been disposed of by the Group. The Group does not anticipate that any liability will arise.

Power station sites
The Group leases sites to power stations in Northern Ireland. Under the terms of the lease agreements the Group may be required to pay compensation if a lease is terminated. Since the extent of the compensation will depend on the circumstances which give rise to the termination, it is not possible to identify the magnitude of any potential liability. The Group does not anticipate that any liability for compensation will arise and no provision has been made.

27. Related Party Disclosures

Remuneration of key management personnel
Key management personnel of the Group comprise the directors of the Company and the Company Secretary. The compensation paid to those personnel is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	2009 £m	2008 £m
Salaries and short-term employee benefits	**0.4**	1.9
Post employment benefits:		
- defined benefit scheme	**-**	0.1
- defined contribution scheme	**0.1**	0.3
Other long-term benefits	**-**	0.3
Compensation for loss of employment	**-**	0.6
	0.5	3.2

Other related parties
During the year the Group contributed £10.8m (2008 - £12.2m) to VGPS; the Company contributed £10.0m (2008 - £11.6m).

Group
The immediate parent undertaking of the Group is Viridian Group Limited (Viridian). The ultimate parent undertaking in the United Kingdom is EI Ventures Limited. The parent of the smallest and largest group of which the Company is a member and for which group accounts are prepared is Viridian Group Holdings Limited, a company incorporated in the Cayman Islands. A copy of Viridian Group Holdings Limited's accounts is available from the Company Secretary, Viridian Group Limited, 120 Malone Road, Belfast, BT9 5HT. The ultimate parent undertaking and controlling party of the Group is Arcapita Bank B.S.C.(c), a company incorporated in the Kingdom of Bahrain.

27. Related Party Disclosures (continued)

Principal subsidiaries of Viridian Group Holdings Limited are related parties of the Group and are listed below:
Eco Wind Power Ltd
EI Ventures Ltd
ElectricInvest Acquisitions Ltd
ElectricInvest Holding Company Ltd
ElectricInvest (Lux) RoI S.à.r.l.
GenSys Power Ltd
Huntstown Power Company Ltd
NIE Energy Ltd
NIE Powerteam Ltd
Power and Energy Holdings (RoI) Ltd
Powerteam Electrical Services Ltd
Powerteam Electrical Services (UK) Ltd
Viridian Capital Ltd
Viridian Energy Supply Ltd (trading as Energia)
Viridian Energy Ltd (trading as Energia)
Viridian Enterprises Ltd
Viridian Group Ltd
Viridian Group Investments Ltd
Viridian Insurance Ltd
Viridian Power Ltd
Viridian Power and Energy Ltd
Viridian Power and Energy Holdings Ltd
Viridian Properties Ltd
Viridian Resources Ltd

In addition to the companies listed above NIE Generation Ltd is also a related part of the Company.

On 1 November 2007, the Group's PPB and NIE Supply businesses were transferred to NIE Energy Ltd. Details of the transfer are included in note 4.

Other transactions between the Group and the related parties above and the balances outstanding are disclosed below:

	Ordinary dividends paid £m	Preference dividend paid £m	Interest paid £m	Revenue from related party £m	Charges from related party £m	Amounts owed by related party at 31 March £m	Amounts owed to related party at 31 March £m
Year to 31 March 2009							
Viridian	**110.6**	**-**	**14.3**	**-**	**-**	**-**	**299.6**
Viridian subsidiaries	**-**	**-**	**0.9**	**208.4**	**77.2**	**35.9**	**34.9**
	110.6	**-**	**15.2**	**208.4**	**77.2**	**35.9**	**334.5**
Year to 31 March 2008							
Viridian	94.4	2.1	6.4	-	-	-	212.3
Viridian subsidiaries	-	-	0.9	164.5	76.4	25.7	32.9
	94.4	2.1	7.3	164.5	76.4	25.7	245.2

27. Related Party Disclosures (continued)

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

	Ordinary dividends paid £m	Preference dividend paid £m	Interest paid/ (received) £m	Revenue from related party £m	Charges from related party £m	Amounts owed by related party at 31 March £m	Amounts owed to related party at 31 March £m
Year to 31 March 2009							
NIE subsidiaries	**-**	**-**	**(0.6)**	**34.6**	**0.2**	**-**	**-**
Viridian	**110.6**	**-**	**14.2**	**-**	**-**	**-**	**299.6**
Viridian subsidiaries	**-**	**-**	**0.7**	**173.2**	**72.3**	**35.9**	**34.9**
	110.6	**-**	**14.3**	**207.8**	**72.5**	**35.9**	**334.5**
Year to 31 March 2008							
NIE subsidiaries	-	-	0.1	26.2	17.5	7.4	7.4
Viridian	94.4	2.1	6.4	-	-	-	211.8
Viridian subsidiaries	-	-	0.8	144.8	72.8	25.7	31.6
	94.4	2.1	7.3	171.0	90.3	33.1	250.8

Interest received from and paid to fellow Viridian undertakings carries floating interest rates based on LIBOR. Outstanding balances with subsidiaries are unsecured. Intra-group loan balances are repayable on demand while current account balances are settled on a monthly basis. Current account balances primarily arise from transactions relating to regulated sales to Viridian subsidiaries and utility contracting services purchased from Viridian subsidiaries.

During the year ended 31 March 2008 a liability of £10.6m was transferred to the Company from SONI in respect of net pension liabilities of former employees of the Company.