Registered number: NI 26041

Northern Ireland Electricity plc
31 March 2010

Annual Report and Accounts

GENERAL INFORMATION

Directors
Mike Toms (Chairman)
John Biles
Harry McCracken (appointed 7 July 2009)
Laurence MacKenzie (resigned 7 July 2009)

Company Secretary
Ruth Conacher

Registered Office Address
120 Malone Road
Belfast
BT9 5HT

Company Number
NI 26041

Auditors
Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

Principal Bankers
Bank of Ireland
4-8 High Street
Belfast
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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 2010. 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 Act 2006.

Results and Dividends

The results for the year ended 31 March 2010 show a profit after tax of £60.6m (2009 - £75.7m). The Company paid interim ordinary dividends of £55.0m (2009 - £110.6m).

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), the transmission system operator in Northern Ireland, to EirGrid plc on 11 March 2009.

Events Since the Year End

On 6 July 2010 Viridian Group Limited (Viridian), the immediate parent undertaking of the Company, entered into a conditional agreement to sell the Company to ESB. The sale is subject to a number of conditions including Republic of Ireland (RoI) and United Kingdom (UK) competition clearance and new financing arrangements being put in place for the remaining Viridian group businesses. Subject to fulfilment of the conditions, the transaction is expected to complete by the end of 2010.

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 Group pro-forma operating profit (based on regulated entitlement) and interest cover (based on pro-forma operating profit).

KPIs	**2010**	2009
Group pro-forma operating profit (based on regulated entitlement)	**£108.8m**	£114.0m
Interest cover (based on pro-forma operating profit)	**5.3 times**	4.3 times

The Group's pro-forma operating profit decreased from £114.0m to £108.8m, reflecting the disposal of SONI and lower T&D profits principally reflecting the impact of deflation on regulated revenue and costs associated with an ice storm on 30 March 2010.

The calculation of Group pro-forma operating profit is shown below:

Year to 31 March	**2010 £m**	2009 £m
Group statutory operating profit*:		
Operating profit from continuing operations	**114.6**	84.0
Operating profit from discontinued operations	**-**	32.8
	114.6	116.8
Deduct: over-recovery of regulated entitlement	**(5.8)**	(2.8)
Group pro-forma operating profit	**108.8**	114.0

**In accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, SONI is classified as a discontinued operation in the income statement for the year ended 31 March 2009. 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.*

Interest cover increased from 4.3 times to 5.3 times principally due to lower finance costs. The calculation of interest cover is shown below:

Year to 31 March	**2010 £m**	2009 £m
Group pro-forma operating profit	**108.8**	114.0
Net finance costs (before net pension scheme interest):		
Continuing operations	**(20.6)**	(26.2)
Discontinued operations	**-**	(0.5)
	(20.6)	(26.7)
Interest cover	**5.3 times**	4.3 times

Operational KPIs

The operational KPIs are:

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

Operational KPIs and commentary thereon are set out on page 9.

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 the Department of Enterprise Trade and Investment (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 consumers and dealing with their complaints. The Consumer Council has powers to investigate matters relating to the interests of consumers regarding their electricity supply and to obtain information from electricity licence holders.

EU Legislation

A further package of EU legislative measures concerning energy markets was introduced on 3 September 2009. The package includes measures which aim to ensure the effective separation of networks from generation and supply activities. The sale of SONI in March 2009 was consistent with this aim. DETI intends to consult on its implementation proposals from October to December 2010 following which the required regulations will be drafted and finalised.

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 consumers 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 consumers and establish market registration arrangements to facilitate its obligations as an appointed meter data provider under the Single Electricity Market (SEM) trading rules;

- draw up and publish a schedule of public service obligation (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 consumers' supplies following an interruption and prescribed times for responding to consumers' voltage complaints). The guaranteed standards apply in individual cases and the Company is obliged to make a payment to each consumer 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 consumers 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.uregni.gov.uk

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 c819,000 consumers via a number of substations. There are 2,100km of the transmission system, of which some 80km are underground; 42,900km of the distribution system, of which some 13,100km are underground; and c240 major substations. T&D's transmission system is connected to that of the RoI through 275kV and 110kV interconnectors and to that in Scotland via the Moyle Interconnector.

The T&D business derives its revenue principally through charges for use of the distribution system and PSO charges levied on electricity suppliers and charges for transmission services (mainly for use of the transmission system) 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, defined in a formula set out in the Company's licence, 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: Up until 31 March 2010 the allowed rate of return was 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 applied to the 18% representing the transmission portion. This resulted in a blended rate of return of 4.8% post tax real. For the last two years of RP4 the baseline allowed rate of return on the distribution portion of the RAB will be 4.0% (post tax real) in line with the GB DNO Distribution Price Control Review 5 (DPCR5). The allowed rate of return on the transmission portion will remain unchanged. This results in a blended rate of return of 4.1% post tax real.

Operating costs: The allowance for controllable costs in each year of RP4 is set equal to 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 was subject to some specific reductions in 2007/08 and 2008/09 and also a small disallowance in respect of early retirement pension deficiency costs. 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 five year capital expenditure budget (net of customer contributions) agreed at the start of RP4 was £358m (in 2009/10 prices) compared to £293m in RP3 (in 2009/10 prices). This investment is driven by the need to replace worn assets and to meet continued growth in customer demand.

T&D has commenced discussions with NIAUR on the price control which is due to apply from 1 April 2012 (RP5). NIAUR's indicative timetable shows an initial consultation in June 2010, covering policies and issues, a business plan submission by T&D in October 2010, NIAUR's initial proposals in June 2011 and final proposals in November 2011.

Financial performance

T&D revenues (based on regulated entitlement) increased from £233.1m to £236.2m reflecting growth in the RAB and higher PSO charges offset by the impact of deflation. T&D operating profit (based on regulated entitlement) decreased from £110.1m to £107.7m principally reflecting the impact of deflation on regulated revenue and costs associated with an ice storm on 30 March 2010.

Operational performance

KPIs	**2010 Number**	2009 Number
Overall standards – defaults	None	None
Guaranteed standards – defaults	None	None
Stage 2 complaints to the Consumer Council	3	3
CML *	59	62

* *average number of minutes lost per consumer per annum through distribution fault interruptions, excluding the effect of major storms*

All the overall standards were achieved and there were no defaults against the guaranteed standards (2009 - none).

T&D's strong focus on service failure analysis limits the number of instances when consumers are dissatisfied to the extent that they refer a complaint to the Consumer Council. The number of Stage 2 complaints was three (2009 - three).

The number of CML was 59 minutes (2009 - 62). This performance is better than the target range of 70-90 minutes set by NIAUR for the period of the RP4 price control.

Ice storm

On 30 March 2010, a severe ice storm resulted in widespread damage to T&D's network and the loss of supply to almost 140,000 consumers. T&D's emergency plan was fully implemented with the mobilisation of employees and external contractors including significant additional resources from the RoI and GB. Helicopters were deployed to assist in locating and assessing damage and delivering equipment to locations which were inaccessible due to heavy snow. Supplies of electricity were restored to 83% of the affected consumers within 24 hours and over 120km of overhead lines were rebuilt in a five day period. In the areas worst affected, T&D, in conjunction with local councils, opened nine community reception centres to provide warmth, food and access to voluntary services. A dedicated team maintained contact with c400 critical care consumers dependent on life-supporting electrical equipment, who lost electricity supply as a result of the storm. Following the restoration of supplies T&D made goodwill payments of £100 to c700 consumers who lost electricity supply for the longest period.

NIAUR has agreed to treat the storm as a severe weather event and to apply an exemption from guaranteed standards of performance relating to the restoration of supply.

Investment

T&D continues to make substantial investment in its infrastructure assets. Total capital expenditure during the year (before customer contributions) including expenditure on non-network assets was £95.1m (2009 - £104.7m).

T&D, working jointly with EirGrid, is progressing the development of the 400kV Tyrone-Cavan interconnector to further strengthen the interconnection of the electricity networks of Northern Ireland and the RoI. In December 2009, T&D submitted a planning application seeking consent to construct a new 275/400kV substation near Moy, Co Tyrone and 33.9km of new 400kV overhead transmission line from the new substation to a crossing point on the border between Co. Armagh and Co. Monaghan in the RoI. Submissions made during a public consultation process, which closed on 19 February 2010, are being considered by the Northern Ireland Planning Service and a decision is expected during 2010/11.

DETI has proposed a target for Northern Ireland of 40% of electricity consumption from renewable sources by 2020. T&D is working with DETI and NIAUR on a long-term strategy for the development of the electricity network to support the connection of additional renewable generation. It is estimated that an investment in the transmission system of the order of £1bn over the next 10 – 15 years will be needed to achieve DETI's target.

During the year T&D made further progress with an IT project to support the full decoupling of T&D and NIE Energy Supply (a fellow Viridian business) customer records and remove the current restrictions, inherent in the legacy systems, on residential consumers in Northern Ireland switching electricity supplier.

Financial Review

Group revenue and operating profit

Based on IFRS 5, revenue from continuing operations increased from £206.5m to £242.0m and operating profit from continuing operations increased from £84.0m to £114.6m.

The directors consider that the Group's pro-forma revenue and operating profits from continuing and discontinued operations (as shown in note 3(iii) to the accounts) give a more meaningful measure of performance. Revenue (based on regulated entitlement) decreased from £257.4m to £236.2m principally reflecting the disposal of SONI. Operating profit (based on regulated entitlement) decreased from £114.0 to £108.8m reflecting the disposal of SONI and lower T&D profits.

Net finance costs

The Group's net finance costs relating to continuing operations decreased from £33.2m to £30.4m reflecting lower interest rates.

Tax charge

The Group's tax charge relating to continuing operations of £21.8m (2009 - £14.1m) reflects the increase in the profit before tax from continuing operations of £84.2m (2009 - £50.8m). An analysis of the tax charge is shown in note 8 to the accounts.

Loss for the year from discontinued operations

The loss for the year from discontinued operations of £1.8m relates to the finalisation of pension arrangements in respect of SONI employees and related adjustments to the disposal consideration.

Cash flow

The Group's net cash flows from operating activities increased to £102.0m (2009 - £86.9m) reflecting working capital movements and lower interest payable.

The cash out flow in respect of the purchase of property, plant and equipment (net of customer contributions) was £77.4m (2009 - £88.6m) reflecting a reduction in the number of new connections to the T&D network.

Interim ordinary dividends paid were £55.0m (2009 - £110.6m).

Net debt

Net debt increased from £466.6m at 31 March 2009 to £497.3m at 31 March 2010 reflecting the cash flows noted above. An analysis of net debt is shown in note 21 to the accounts.

Defined benefit pension liability

The pension liability in the Group's defined benefit scheme under IAS 19 Employee Benefits increased from £77.9m at 31 March 2009 to £136.2m at 31 March 2010 reflecting higher scheme liabilities due to a decrease in the discount rate (resulting from lower bond yields) used to discount scheme liabilities, higher inflation forecasts and changes in mortality assumptions (reflecting recent scheme experience and the continuing upward trend in observed life expectancies), offset by higher asset values.

Corporate Governance

The Board

The directors of the Company are:

Mike Toms (independent non-executive chairman);
John Biles (independent non-executive director); and
Harry McCracken (executive director).

Harry McCracken was appointed as a director on 7 July 2009. Laurence MacKenzie resigned as a director on 7 July 2009.

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 and Chairman of the Audit Committee 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.

Harry McCracken is Managing Director. He chairs the Company's Executive Committee and is also an executive director of Viridian. He was appointed MD of the Company in July 2009. From 2003 to 2009 he was Group Managing Director of Viridian Power & Energy. He joined the Company in 1970 as an engineer and progressed to Corporate Planning Manager prior to appointment to the Company's Board as Operations Director in 1992.

The Company's licence requires it to establish and at all times maintain the full managerial and operational independence of the T&D business from other businesses within the Viridian group involved in the generation and supply of electricity in Northern Ireland or in the RoI. The Company's Compliance Plan sets out the practices, procedures, systems and rules of conduct to ensure compliance with this licence condition. The Compliance Plan provides that the Board will at all times be responsible for the day to day management and operation of the Company. Viridian participates in the corporate governance of the Company to the extent permitted by the Compliance Plan.

Risk management

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.

Audit Committee

The Board's Audit Committee comprises the two independent non-executive directors and is chaired by John Biles. The Board is satisfied that John Biles has recent and relevant financial experience.

The Committee had four meetings during the year with both members attending each meeting. The external auditors (Ernst & Young LLP), the internal auditors (PricewaterhouseCoopers LLP), and the Company's Managing Director attend each meeting at the invitation of the Committee.

In relation to financial reporting the Committee:

- monitors the integrity of the Company's interim and annual accounts and regulatory accounts before their submission to the Board for approval;
- considers the appropriateness of the Company's accounting policies, whether the accounts give a true and fair view and the appropriateness of the going concern assumption;
- reviews significant issues and judgements and challenges where necessary the actions and judgements of management in relation to the accounts; and
- considers guidance issued by the Financial Reporting Council as it applies to the Company.

The Committee monitors and reviews the effectiveness of internal controls and the Company's risk management system and the effectiveness of the internal audit function. The Committee approves the annual internal audit plan and, at each meeting, reviews reports from the internal auditors on progress against the plan, assurance levels, recommendations made and proposed actions to implement recommendations.

The Committee oversees the relationship with the external auditors and keeps under review the effectiveness of the external auditors' work in terms of nature, scope and results of audit and reviews and monitors the independence of the external auditor. The Committee makes recommendations to the Board on the appointment of the external auditors and their remuneration and determines their terms of engagement.

The Committee reviews the Company's arrangements for its employees to raise concerns about possible wrongdoing in financial reporting or other matters as set out in the Company's Whistleblowing Policy. There were no issues raised under the policy during the year.

The Audit Committee regularly meets with the internal and external auditors without management being present.

Internal control and risk management in relation to the financial reporting process

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. The Audit Committee's role in respect of financial reporting is set out in the Audit Committee section above.

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 which balances 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.

As noted above the Audit Committee plays a key role in internal control and risk management. 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 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, which is primarily of overhead line construction, can be subject to damage, and potentially major disruption, by storms caused by high winds, ice-accretion on power lines resulting from snowfalls and lightning storms.

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 appropriate investment, reliability-centred network maintenance and a systematic overhead line refurbishment and tree cutting programme. A specific emergency plan exists to address major incidents impacting the network: this plan is regularly reviewed and tested.

Consumer service

There is a risk that the Company fails to meet consumer 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 consumers. Adherence to consumer standards is closely monitored and the number of complaints to the Consumer Council and performance against overall and guaranteed standards are KPIs.

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. The approach to health and safety issues is described more fully in the Corporate Social Responsibility section.

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. Contingency plans to manage the risk from a potential 'flu pandemic were reviewed and updated throughout the year 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. Comprehensive business continuity and disaster recovery plans are maintained to manage this risk. Following an OJEU (Official Journal of the European Union) retendering exercise Northgate Managed Services Limited was reappointed to deliver these services for the five year period from October 2009. Voice and data telecoms services are provided by eircom through a contract managed by Northgate.

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 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, mortality rates improve or salary or benefit increases are higher than expected. The VGPS trustees seek the advice of professional investment managers regarding the scheme's investments. Discussions with the VGPS trustees are ongoing in relation to the 31 March 2009 actuarial valuation. It is expected that the past service contribution rate will increase reflecting lower than expected investment returns during the three year period since the last valuation and changes in mortality assumptions reflecting VGPS recent experience and the continuing upward trend in observed life expectancies as advised by Hewitt, the actuaries to VGPS.

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 consumer 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.

Treasury risks

Viridian's centralised treasury function manages the Company's liquidity, funding, investment and financial risk, including interest rate 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. Details in respect of the Company's equity are shown in the Statement of Changes in Equity and in note 24 to the accounts. The Company's debt finance at 31 March 2010 comprised £173.5m in respect of a Eurobond due to mature in September 2018 and intercompany loans from Viridian of £317.6m which are repayable on demand.

At 31 March	**2010 £m**	2009 £m
Cash and cash equivalents	**0.2**	1.6
Intercompany loans from Viridian	**(317.6)**	(288.4)
Eurobond	**(173.5)**	(173.4)
Interest payable on Eurobond	**(6.4)**	(6.4)
Net debt	**(497.3)**	(466.6)

Loans and other borrowings maturity analysis:		
In one year or less or on demand	**(324.0)**	(294.8)
In more than five years	**(173.5)**	(173.4)
	(497.5)	(468.2)

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 Company's liquidity risk in respect of intercompany funding is managed through the preparation of cash flow forecasts and discussions with Viridian's treasury function regarding the level of intercompany funding required. Intercompany loans are adjusted on a daily basis to meet the Company's operating cash requirements.

As noted above, Viridian has entered into a conditional agreement to sell the Company to ESB. Upon completion of the sale the intercompany loans from the Viridian group would be replaced by intercompany loans from ESB or third party funding.

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. The Company has no derivative financial instruments in respect of interest rates. Interest rate exposure is managed by Viridian at the group level.

At 31 March	**2010 £m**	2009 £m
Loans and other borrowings fixed/floating analysis:		
Fixed rate debt	**(179.9)**	(179.8)
Variable rate debt	**(317.6)**	(288.4)
	(497.5)	(468.2)

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	**2010 £m**	2009 £m
Cash and cash equivalents	**0.2**	1.6
Trade and other receivables	**43.4**	46.1
Other financial assets	**0.3**	0.4
	43.9	48.1

As noted above, the T&D business derives its revenue principally from charges for use of the distribution system and PSO charges 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 cash deposits, letters of credit or parent company guarantees. With the exception of public bodies, payments 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.

On the basis of their assessment of the Company's financial position, which has included discussions with the Viridian group, the directors have a reasonable expectation that the sale of the Company to ESB will be completed and that the financing requirements of the Company will be supported by ESB following the sale. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

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; consumers; 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 256 employees at 31 March 2010 (2009 - 262). NIE Powerteam, a fellow subsidiary undertaking of Viridian, provides electrical infrastructure construction and refurbishment and other managed services to the Company. NIE Powerteam had 940 employees at 31 March 2010 (2009 - 966).

Health and safety

A 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. Contractors must adhere to the same safety rules and requirements as employees.

The Board is deeply saddened to record that in September 2009 a six year old girl died on coming into contact with an overhead line while climbing a tree.

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 (RoSPA), the Health and Safety Executive for Northern Ireland and DETI. During the year RoSPA awarded the Company and NIE Powerteam a Level Four Quality Safety Audit award following a comprehensive audit.

Including NIE Powerteam, there were five reportable incidents (2009 - six) and no lost time incidents (2009 – two) during the year. Formal processes for incident investigation and analysis are in place.

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 and NIE Powerteam are Investors in People 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 Group'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 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 2.44% in 2009/10 compared to 2.68% the previous year, below the UK national average of 3.3%.

Employee participation and external engagement
The Company places significant emphasis on internal communications. Employee communications occur through team briefings, 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 73% 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 assessing its obligations under, and collating data in order to ensure compliance with, the UK Government's Carbon Reduction Commitment (CRC) Energy Efficiency Scheme which became effective in April 2010.

As noted in the Business Review, the Company continues to work with DETI and NIAUR on a long-term strategy for the development of the electricity network to support the connection of additional renewable generation.

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 T&D network to accommodate Government objectives on sustainability. Over the last three years £0.6m has been provided to progress a number of projects aimed at facilitating the connection of increased levels of distributed renewable generation to the network.

During the year the Company and NIE Powerteam renewed their ISO 14001:2004 certification for their environmental management system. In the 2009 environmental management survey conducted by ARENA Network in Northern Ireland, the Company was positioned in the first quintile achieving a score of 88% compared with the Northern Ireland average of 67% and a utilities sector average of 72%. The Company has a full time environmental compliance officer and designated auditors in its relevant operations.

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 £0.4m under the SMART programme to support photovoltaics, biomass and wind and hydro-electric power projects.

Marketplace

A 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.

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 communities in which it operates.

The Company seeks to maintain safe and reliable electricity supplies to consumers. As noted in the Business Review, the number of CMLs during the year was 59 minutes, compared with 62 minutes the previous year. The overall consumer 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 complaints referred to the Consumer Council with only three such complaints during 2009/10 (2008/09 – three).

The Company provides a critical care information service to c2,800 consumers who are dependent on life-supporting electrical equipment.

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 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'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 by assisting low income households to access grants and social benefits.

Charitable and Political Donations

In addition to sponsorship of charities and organisations of £4,000, the Group's donations to charities in the year were £10,000 (2009 - £10,000). 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 2010 the Company had 45 days payments outstanding to trade creditors.

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.

Directors' Insurance

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

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 Group and Company accounts comply with the Companies Act 2006 and, in the case of the Group accounts, 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 12 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: 21 July 2010

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

We have audited the accounts of Northern Ireland Electricity plc for the year ended 31 March 2010 which comprise the Group Income Statement, the Group and Company Statements of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and, as regards the Company accounts, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit the accounts in accordance with applicable law and International Standards on Auditing (ISA) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the accounts.

Opinion on the accounts

In our opinion:

- the accounts give a true and fair view of the state of the Group's and Company's affairs as at 31 March 2010 and of the Group's profit for the year then ended;
- the Group accounts have been properly prepared in accordance with IFRS as adopted by the EU;
- the Company accounts have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006 and as regards the Group accounts, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company accounts are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Colm Devine (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

Date: 22 July 2010

GROUP INCOME STATEMENT
for the year ended 31 March 2010

	Note	2010 £m	2009 £m
Continuing operations			
Revenue	3,5	**242.0**	206.5
Operating costs	5	**(127.4)**	(122.5)
OPERATING PROFIT		**114.6**	84.0
Finance costs		**(20.6)**	(26.2)
Net pension scheme interest		**(9.8)**	(7.0)
Net finance costs	7	**(30.4)**	(33.2)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		**84.2**	50.8
Tax charge	8	**(21.8)**	(14.1)
PROFIT FROM CONTINUING OPERATIONS AFTER TAX		**62.4**	36.7
Discontinued operations			
(Loss)/profit for the year from discontinued operations	4	**(1.8)**	39.0
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		**60.6**	75.7

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 March 2010

	Note	Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
Profit for the financial year		**60.6**	75.7	**60.6**	76.7
Other comprehensive income/(expense):					
Actuarial loss on pension scheme assets and liabilities	23	**(59.7)**	(25.7)	**(59.7)**	(25.2)
Deferred tax credit relating to actuarial loss on pension scheme assets and liabilities		**16.7**	7.2	**16.7**	7.1
Net other comprehensive expense for the year		**(43.0)**	(18.5)	**(43.0)**	(18.1)
Total comprehensive income for the year attributable to the equity holders of the parent company		**17.6**	57.2	**17.6**	58.6

GROUP AND COMPANY BALANCE SHEET
as at 31 March 2010

	Note	2010 £m	2009 £m
Non-current assets			
Property, plant and equipment	11	**1,063.1**	1,009.1
Intangible assets	13	**38.6**	44.0
Financial assets	14	**0.1**	0.2
		1,101.8	1,053.3
Current assets			
Inventories	15	**6.0**	6.1
Trade and other receivables	16	**43.4**	46.1
Financial assets	14	**0.2**	0.2
Cash and cash equivalents	17	**0.2**	1.6
		49.8	54.0
TOTAL ASSETS		**1,151.6**	1,107.3
Current liabilities			
Trade and other payables	18	**104.0**	98.7
Current tax payable		**9.4**	13.1
Deferred income	19	**7.8**	7.4
Financial liabilities	20	**324.0**	294.8
Provisions	22	**1.7**	3.8
		446.9	417.8
Non-current liabilities			
Deferred tax liabilities	8	**80.1**	91.9
Deferred income	19	**219.3**	212.7
Financial liabilities	20	**173.5**	173.4
Provisions	22	**7.5**	8.1
Pension liability	23	**136.2**	77.9
		616.6	564.0
TOTAL LIABILITIES		**1,063.5**	981.8
NET ASSETS		**88.1**	125.5
Equity			
Share capital	24	**36.4**	36.4
Share premium	24	**24.4**	24.4
Capital redemption reserve	24	**6.1**	6.1
Accumulated profits		**21.2**	58.6
TOTAL EQUITY		**88.1**	125.5

The accounts were approved by the Board of directors and authorised for issue on 21 July 2010. They were signed on its behalf by:

Harry McCracken
Managing Director

Date: 21 July 2010

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 March 2010

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 April 2008	**36.4**	**24.4**	**6.1**	**112.0**	**178.9**
Profit for the year	-	-	-	75.7	75.7
Net other comprehensive expense for the year	-	-	-	(18.5)	(18.5)
Total net comprehensive income for the year	-	-	-	57.2	57.2
Equity dividends	-	-	-	(110.6)	(110.6)
At 1 April 2009	**36.4**	**24.4**	**6.1**	**58.6**	**125.5**
Profit for the year	-	-	-	60.6	60.6
Net other comprehensive expense for the year	-	-	-	(43.0)	(43.0)
Total net comprehensive income for the year	-	-	-	17.6	17.6
Equity dividends	-	-	-	(55.0)	(55.0)
At 31 March 2010	**36.4**	**24.4**	**6.1**	**21.2**	**88.1**

Company	Share Capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 April 2008	**36.4**	**24.4**	**6.1**	**110.6**	**177.5**
Profit for the period	-	-	-	76.7	76.7
Net other comprehensive expense for the year	-	-	-	(18.1)	(18.1)
Total net comprehensive income for the year	-	-	-	58.6	58.6
Equity dividends	-	-	-	(110.6)	(110.6)
At 1 April 2009	**36.4**	**24.4**	**6.1**	**58.6**	**125.5**
Profit for the period	-	-	-	60.6	60.6
Net other comprehensive expense for the year	-	-	-	(43.0)	(43.0)
Total net comprehensive income for the year	-	-	-	17.6	17.6
Equity dividends	-	-	-	(55.0)	(55.0)
At 31 March 2010	**36.4**	**24.4**	**6.1**	**21.2**	**88.1**

CASH FLOW STATEMENTS
for the year ended 31 March 2010

	Note	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash flows from operating activities					
Profit for the year		**60.6**	75.7	**60.6**	76.7
Adjustments for:					
Tax charge - continuing operations		**21.8**	14.1	**21.8**	14.1
Tax charge - discontinued operations		**-**	8.8	**-**	9.7
Net finance costs - continuing operations		**30.4**	33.2	**30.4**	33.2
Net finance costs - discontinued operations		**-**	0.7	**-**	-
Loss/(gain) on disposal of discontinued operations		**1.8**	(15.7)	**1.8**	(14.2)
Depreciation of property, plant and equipment	11	**40.8**	38.6	**40.8**	36.0
Amortisation of customers' contributions and grants	19	**(7.8)**	(7.4)	**(7.8)**	(7.4)
Amortisation of intangible assets	13	**5.6**	5.7	**5.6**	5.7
Loss on disposal of property, plant and equipment		**0.1**	-	**0.1**	-
Impairment of property, plant and equipment		**-**	2.6	**-**	2.6
Defined benefit pension charge less contributions paid	22	**(8.5)**	(8.5)	**(8.5)**	(8.1)
Net movement in provisions		**(2.8)**	(4.1)	**(2.8)**	(4.1)
Operating cash flows before movement in working capital		**142.0**	143.7	**142.0**	144.2
Decrease/(increase) in working capital		**1.9**	(3.6)	**1.9**	3.0
Cash generated from operations		**143.9**	140.1	**143.9**	147.2
Interest received		**-**	-	**-**	0.6
Interest paid		**(20.6)**	(28.5)	**(20.6)**	(28.2)
Current taxes paid		**(21.3)**	(24.7)	**(21.3)**	(24.2)
Net cash flows from operating activities		**102.0**	86.9	**102.0**	95.4
Purchase of property, plant and equipment		**(92.2)**	(110.1)	**(92.2)**	(104.8)
Purchase of intangible assets	13	**(0.2)**	(0.7)	**(0.2)**	(0.7)
Contributions in respect of property, plant and equipment	19	**14.8**	21.5	**14.8**	21.5
Disposal of subsidiary undertaking	4	**-**	11.8	**-**	14.2
Repayment of loans made		**-**	12.0	**-**	7.4
Net cash flows used in investing activities		**(77.6)**	(65.5)	**(77.6)**	(62.4)
Cash flows from financing activities					
Proceeds from borrowings		**29.2**	85.2	**29.2**	79.5
Equity dividend paid		**(55.0)**	(110.6)	**(55.0)**	(110.6)
Net cash flows used in financing activities		**(25.8)**	(25.4)	**(25.8)**	(31.1)
Net (decrease)/increase in cash and cash equivalents		**(1.4)**	(4.0)	**(1.4)**	1.9
Cash and cash equivalents at beginning of year		**1.6**	5.6	**1.6**	(0.3)
Cash and cash equivalents at end of year	17	**0.2**	1.6	**0.2**	1.6

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 Act 2006. The accounts are presented in Sterling (£) with all values rounded to the nearest £100,000 except where otherwise indicated.

2. Accounting Policies

Adoption of new and revised accounting standards and interpretations

The Group has adopted the following revised accounting standards that are relevant in the preparation of the accounts for the year ended 31 March 2010:

- IAS1 (revised) "Presentation of Financial Statements". The reconciliation of changes in equity, previously disclosed in note 24 to the Group's accounts for the year ended 31 March 2009 is now a primary statement entitled "Statement of Changes in Equity". In addition, the Group and Company Statements of Recognised Income and Expense have been replaced with Group and Company Statements of Comprehensive Income resulting in some presentational changes from the previous statement.
- Amendment to paragraph 23 of IFRS 8 'Operating Segments' in the Improvements to IFRS April 2009. The Group has early adopted the amendment and not disclosed total assets information for each reportable segment.

The following amendments to existing standards and interpretations were also effective for the current period, but did not have a material impact on the Group's accounts:

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)
IAS23	Borrowing Costs (revised)
IFRS 7	Amendments to IFRS 7 Improving Disclosures about Financial Instruments
IFRIC 14	The Limit in a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRS 1 and IAS 27	Amendment – Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2	Amendment - Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 July 2008)
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)

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

IAS 27 (revised)	Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009)
IAS 24	Revised Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011)

2. Accounting Policies (continued)

Adoption of new and revised accounting standards and interpretations (continued)

IAS 39	Amendment - Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009)
IFRS 3 (revised)	Business Combinations (effective for accounting periods beginning on or after 1 July 2009)
IFRS 9	Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2013)
Improvements	Improvements to IFRS (April 2009) (various effective dates)
IFRIC 9 and IAS 39	Embedded Derivatives (effective for accounting periods beginning on or after 30 June 2009)
IFRIC 14	Amendment - Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011)
IFRIC 18	Transfers of Assets from Customers (effective for accounting periods beginning after 31 October 2009 in respect of transfers of assets on or after 1 July 2009)

Whilst the directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's accounts in the period of initial application, the adoption of the standards and interpretations may result in certain changes in the presentation of the Group's accounts from 2011 onwards.

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

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 provided it meets the recognition criteria in IAS 23 and is written off as part of the total cost of the asset.

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

Infrastructure assets - up to 40 years
Non-operational buildings - freehold and long leasehold - up to 50 years
Fixtures and equipment - up to 25 years

2. Accounting Policies (continued)

Property, plant and equipment (continued)

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

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

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

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. Interest on funding attributable to significant capital projects is capitalised during the period of construction provided it meets the recognition criteria in IAS 23 and is written off as part of the total cost of the asset.

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

Gains or losses arising from 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.

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.

Borrowing costs

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

2. Accounting Policies (continued)

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.

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.

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.

2. Accounting Policies (continued)

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

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 comprehensive income.

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.

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 according to the nature of the goods and services provided as described in the Directors' Report. Until 11 March 2009, the Group's operating segments included SONI Limited.

The operating segment information provided below is based on regulated entitlement in line with the basis of information regularly reported to the directors. The adjustment for over-recovery represents the amount by which the Group over-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 statement for the year ended 31 March 2009.

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 is the main reason for the increase in revenue and operating profits from continuing operations to £242.0m and £113.5m respectively in the year ended 31 March 2010 from £206.5m and £84.0m respectively in the year ended 31 March 2009.

(i) Revenue and profit - continuing operations

	2010 External £m	**2010 Internal £m**	**2010 Total £m**	2009 External £m	2009 Internal £m	2009 Total £m
Revenue						
T&D	**236.0**	**0.2**	**236.2**	197.9	35.2	233.1
Other	**0.2**	**-**	**0.2**	0.3	0.1	0.4
	236.2	**0.2**	**236.4**	198.2	35.3	233.5
Inter-group elimination			**(0.2)**			(35.3)
			236.2			198.2
Adjustment for over-recovery			**5.8**			8.3
			242.0			206.5
Operating costs						
T&D			**(128.5)**			(123.0)
Other			**0.9**			0.4
Inter-group elimination			**0.2**			0.1
			(127.4)			(122.5)
Operating profit						
T&D			**107.7**			110.1
Other			**1.1**			0.8
Inter-group elimination			**-**			(35.2)
			108.8			75.7
Adjustment for over-recovery			**5.8**			8.3
			114.6			84.0
Finance costs			**(20.6)**			(26.2)
Net pension scheme interest			**(9.8)**			(7.0)
Net finance costs			**(30.4)**			(33.2)
Profit from continuing operations before tax			**84.2**			50.8

3. Operating Segments Information (continued)

(ii) Revenue and profit - discontinued operations

	2010 External £m	**2010 Internal £m**	**2010 Total £m**	2009 External £m	2009 Internal £m	2009 Total £m
Revenue						
SONI	**-**	**-**	**-**	59.2	-	59.2
Adjustment for under-recovery			**-**			(5.5)
			-			53.7
Operating costs						
SONI			**-**			(56.1)
Inter-group elimination			**-**			35.2
			-			(20.9)
Operating profit						
SONI			**-**			3.1
Inter-group elimination			**-**			35.2
			-			38.3
Adjustment for under-recovery			**-**			(5.5)
			-			32.8
Interest receivable			**-**			0.4
Finance costs			**-**			(0.9)
Net pension scheme interest			**-**			(0.2)
Net finance costs			**-**			(0.7)
Profit before tax charge			**-**			32.1

(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**	
	2010 £m	2009 £m	**2010 £m**	2009 £m
T&D	**236.2**	233.1	**107.7**	110.1
SONI	**-**	59.2	**-**	3.1
Other	**0.2**	0.4	**1.1**	0.8
Inter-group elimination	**(0.2)**	(35.3)	**-**	-
	236.2	257.4	**108.8**	114.0
Adjustment for over-recovery	**5.8**	2.8	**5.8**	2.8
Total	**242.0**	260.2	**114.6**	116.8
Relating to continuing operations	**242.0**	206.5	**114.6**	84.0
Relating to discontinued operations	**-**	53.7	**-**	32.8
Total	**242.0**	260.2	**114.6**	116.8

3. Operating Segments Information (continued)

(iv) Other information

	2010 £m	2009 £m
Capital additions		
Continuing operations:		
T&D	**95.1**	104.7
Other	**-**	0.1
Discontinued operations:		
SONI	**-**	4.8
	95.1	109.6
Depreciation and amortisation		
Continuing operations:		
T&D	**38.5**	36.7
Other	**0.1**	0.2
	38.6	36.9
Increase in provisions		
Continuing operations:		
T&D	**1.5**	0.7

Major customers

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

	2010 £m	2009 £m
Continuing operations:		
T&D	**186.1**	173.2
Discontinued operations:		
SONI	**-**	35.2
	186.1	208.4

During the year ended 31 March 2010 T&D received revenue of £35.0m from SONI.

(v) Geographical information

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

	UK 2010 £m	RoI 2010 £m	Total 2010 £m	UK 2009 £m	RoI 2009 £m	Total 2009 £m
Continuing operations						
T&D	**235.5**	**6.5**	**242.0**	192.5	14.0	206.5
Discontinued operations						
SONI	**-**	**-**	**-**	53.7	-	53.7

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.

(i) Group Income Statement

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

	2010 £m	2009 £m
Revenue	-	53.7
Operating costs	-	(20.9)
Operating profit	-	32.8
Interest receivable	-	0.4
Finance costs	-	(0.9)
Net pension scheme interest	-	(0.2)
Net finance costs	-	(0.7)
Profit from discontinued operations before tax	-	32.1
Current tax charge	-	(9.7)
Deferred tax credit	-	0.9
Total tax charge	-	(8.8)
Profit from discontinued operations after tax	-	23.3
(Loss)/profit on disposal of discontinued operations before tax	**(1.1)**	15.7
Tax charge relating to loss on disposal of discontinued operations	**(0.7)**	-
(Loss)/profit on disposal of discontinued operations	**(1.8)**	15.7
(Loss)/profit for the year from discontinued operations	**(1.8)**	39.0

The loss on disposal of discontinued operations in the current year arises from the finalisation of pension arrangements in respect of SONI employees and related adjustments to the disposal consideration.

The tax charge in the Group Income Statement relating to the profit on disposal of discontinued operations is £0.7m (2009 - £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**	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Net cash flows (used in)/from operating cash flows	-	(7.7)	-	-
Net cash flows (used in)/from investing activities	-	(5.2)	-	-
Net cash flows provided by/(used in) financing activities	-	9.5	-	-

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

(iii) 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 the jointly controlled operation's operating profits for the period ended 31 March 2009, included in discontinued operations, was as follows:

	2009 £m
Revenue	3.2
Operating costs	(2.6)
Share of operating profit of jointly controlled operation	0.6

5. Revenue and Operating Costs

An analysis of external revenue is as follows:

	2010			2009		
	Continuing £m	**Discontinued £m**	**Total £m**	Continuing £m	Discontinued £m	Total £m
Regulated energy business revenue	**242.0**	**-**	**242.0**	206.5	53.7	260.2
Interest receivable	**-**	**-**	**-**	-	0.4	0.4
	242.0	**-**	**242.0**	206.5	54.1	260.6

Operating costs are analysed as follows:

	2010			2009		
	Continuing £m	**Discontinued £m**	**Total £m**	Continuing £m	Discontinued £m	Total £m
Energy costs	**-**	**-**	**-**	-	5.2	5.2
Employee costs (note 6)	**11.3**	**-**	**11.3**	11.2	3.9	15.1
Depreciation and amortisation	**38.6**	**-**	**38.6**	36.9	-	36.9
Other operating charges	**77.5**	**-**	**77.5**	74.4	11.8	86.2
	127.4	**-**	**127.4**	122.5	20.9	143.4

Operating costs include:

	2010 £m	2009 £m
Depreciation charge on property, plant and equipment	**40.8**	38.6
Associated release of customers' contributions and grants	**(7.8)**	(7.4)
	33.0	31.2
Amortisation of intangible assets	**5.6**	5.7
Impairment of property, plant & equipment	**-**	2.6
Minimum payments due under operating leases	**0.4**	0.3
Cost of inventories recognised as an expense	**1.5**	2.2

Auditors' remuneration	**£'000**	£'000
Auditors' remuneration in respect of services to the Group and Company:		
Audit of the accounts	**36**	39
Taxation services	**2**	12
Other assurance	**4**	4

6. Employees

Employee costs

	2010 Continuing £m	2010 Discontinued £m	2010 Total £m	2009 Continuing £m	2009 Discontinued £m	2009 Total £m
Salaries	**11.6**	**-**	**11.6**	11.6	3.3	14.9
Social security costs	**1.1**	**-**	**1.1**	1.1	0.3	1.4
Pension costs						
- defined contribution plans	**0.3**	**-**	**0.3**	0.3	0.1	0.4
- defined benefit plans	**1.5**	**-**	**1.5**	1.6	0.3	1.9
	14.5	**-**	**14.5**	14.6	4.0	18.6
Less: charged to the balance sheet	**(3.2)**	**-**	**(3.2)**	(3.4)	(0.1)	(3.5)
Charged to the income statement	**11.3**	**-**	**11.3**	11.2	3.9	15.1

Employee numbers

	Average during the year Number 2010	Average during the year Number 2009	Actual headcount at 31 March Number 2010	Actual headcount at 31 March Number 2009
T&D	**231**	227	**227**	232
SONI	**-**	68	**-**	-
Other	**29**	30	**29**	30
	260	325	**256**	262

Directors' emoluments

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

	2010 £m	2009 £m
Emoluments in respect of qualifying services	**0.7**	0.4
Aggregate contributions to defined contribution pension schemes	**-**	0.1

Emoluments in respect of qualifying services for the year ended 31 March 2010 included deferred remuneration awarded in the year but payable in future years. No amounts were paid to directors in respect of long term incentive plans.

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

	2010 £'000	2009 £'000
Emoluments	**589**	328
Total accrued pension at 31 March (per annum)	**146**	-

	2010 Number	2009 Number
Members of the defined benefit pension scheme	**1**	-
Members of the defined contribution scheme	**1**	1

No directors exercised share options during the year or received shares under long-term incentive schemes. The Company made pension contributions of £21,000 in respect of the directors during the year ended 31 March 2010 (2009 - £71,000).

7. Net Finance Costs

	2010 £m	2009 £m
Interest receivable:		
Bank interest	**-**	0.4
Interest payable:		
Amounts owed to fellow Viridian undertakings	**(8.6)**	(15.2)
Eurobond	**(12.0)**	(12.0)
	(20.6)	(27.2)
Less: capitalised interest	**0.1**	0.1
Total interest charged to the Group Income Statement	**(20.5)**	(27.1)
Other finance costs:		
Amortisation of financing charges	**(0.1)**	-
Total finance costs	**(20.6)**	(27.1)
Net pension scheme interest:		
Expected return on pension scheme assets	**25.0**	30.9
Interest on pension scheme liabilities	**(34.8)**	(38.1)
	(9.8)	(7.2)
Net finance costs	**(30.4)**	(33.9)
Relating to continuing operations	**(30.4)**	(33.2)
Relating to discontinued operations	**-**	(0.7)
	(30.4)	(33.9)

Interest charged to the balance sheet during the year was capitalised using a weighted average interest rate of 2.6% (2009 – 5.0%).

8. Tax Charge

(i) Analysis of charge in the year

Group Income Statement	2010 £m	2009 £m
Current tax charge		
UK corporation tax at 28% (2009 - 28%)	**18.7**	21.9
Corporation tax overprovided in previous years	**(1.1)**	-
Total current tax charge	**17.6**	21.9
Deferred tax charge		
Origination and reversal of temporary differences in current year	**5.8**	1.0
Origination and reversal of temporary differences relating to prior years	**(0.9)**	-
Total deferred tax charge	**4.9**	1.0
Total tax charge	**22.5**	22.9
Relating to continuing operations	**21.8**	14.1
Relating to discontinued operations	**0.7**	8.8
	22.5	22.9

Tax relating to items charged in other comprehensive income

	2010 £m	2009 £m
Deferred tax		
Actuarial losses on pension liability	**(16.7)**	(7.2)

8. Tax Charge (continued)

(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% (2009 - 28%). The differences are reconciled below:

	2010 £m	2009 £m
Accounting profit from continuing and discontinued operations before tax charge	**83.1**	82.9
Accounting profit multiplied by the UK standard rate of corporation tax of 28% (2009 - 28%)	**23.3**	23.2
Tax overprovided in previous years	**(2.0)**	-
Other permanent differences	**1.2**	(0.3)
Tax charge for the year	**22.5**	22.9

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

(iii) Deferred tax

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

	2010 £m	2009 £m
Deferred tax assets		
Pension liability	**38.1**	21.8
Other temporary differences	**2.7**	3.5
	40.8	25.3
Deferred tax liabilities		
Accelerated capital allowances	**119.6**	115.9
Held-over gains on property disposals	**1.3**	1.3
	120.9	117.2
Net deferred tax liability	**80.1**	91.9

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

	2010 £m	2009 £m
Accelerated capital allowances	**3.7**	0.1
Other temporary differences	**0.8**	1.5
Temporary differences in respect of pensions	**(0.4)**	0.3
Deferred tax charge/(credit) in respect of discontinued operations	**0.8**	(0.9)
Deferred tax charge	**4.9**	1.0
Relating to continuing operations	**4.2**	1.9
Relating to discontinued operations	**0.7**	(0.9)
	4.9	1.0

9. Profit for the Financial Year

The profit dealt with in the accounts of the Company is £60.6m (2009 - £76.7m). No separate income statement is presented for the Company as permitted by Section 408 of the Companies Act 2006.

10. Equity Dividends

Amounts recognised as distributions to equity holders in the year:	**2010 £m**	2009 £m
Equity dividends on ordinary shares:		
Interim dividend of 37.78p per share for the year ended 31 March 2010 (2009 – 75.98p per share)	**55.0**	110.6

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 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
Additions	92.6	-	2.3	94.9
Disposals	(0.7)	-	-	(0.7)
At 31 March 2010	**1,620.1**	**5.1**	**44.8**	**1,670.0**
Depreciation:				
At 1 April 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
Charge for the year	38.0	0.1	2.7	40.8
Disposals	(0.6)	-	-	(0.6)
At 31 March 2010	**569.5**	**1.2**	**36.2**	**606.9**
Net book value:				
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
At 31 March 2010	**1,050.6**	**3.9**	**8.6**	**1,063.1**

Included in Group infrastructure assets are amounts in respect of assets under construction amounting to £31.7m (2009 - £40.4m) and capitalised interest of £4.5m (2009 - £4.5m).

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 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
Additions	92.6	-	2.3	94.9
Disposals	(0.7)	-	-	(0.7)
At 31 March 2010	**1,620.1**	**5.1**	**44.8**	**1,670.0**
Depreciation:				
At 1 April 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
Charge for the year	38.0	0.1	2.7	40.8
Disposals	(0.6)	-	-	(0.6)
At 31 March 2010	**569.5**	**1.2**	**36.2**	**606.9**
Net book value:				
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
At 31 March 2010	**1,050.6**	**3.9**	**8.6**	**1,063.1**

Included in Company infrastructure assets are amounts in respect of assets under construction amounting to £31.7m (2009 - £40.4m) and capitalised interest of £4.5m (2009 - £4.5m).

12. Investments

Company - Investment in subsidiaries	**2010 £m**	2009 £m
At 1 April	**-**	0.5
Impairment of investment in NIE Generation Limited	**-**	(0.5)
At 31 March	**-**	-

At 31 March 2010, 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	2010 £m
Cost:	
At 1 April 2008	61.6
Additions acquired externally	0.7
At 31 March 2009	62.3
Additions acquired externally	0.2
At 31 March 2010	**62.5**
Amortisation/impairment:	
At 1 April 2008	12.6
Amortisation charge for the year	5.7
At 31 March 2009	18.3
Amortisation charge for the year	5.6
At 31 March 2010	**23.9**
Net book value:	
At 31 March 2008	49.0
At 31 March 2009	44.0
At 31 March 2010	**38.6**

Computer software includes capitalised interest of £0.8m (2009 - £0.9m).

14. Financial Assets

Group and Company	2010 £m	2009 £m
Non-current		
Other loans	**0.1**	0.2
Current		
Other loans	**0.2**	0.2

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

15. Inventories

Group and Company	2010 £m	2009 £m
Materials and consumables	**3.8**	3.9
Work-in-progress	**2.2**	2.2
	6.0	6.1

16. Trade and Other Receivables

Group and Company

	2010 £m	2009 £m
Trade receivables (including unbilled consumption)	**10.3**	9.3
Other receivables	**0.4**	0.5
Amounts owed by fellow Viridian undertakings	**32.2**	35.9
Prepayments and accrued income	**0.5**	0.4
	43.4	46.1

Trade receivables are stated net of a provision of £0.8m (2009 - £0.7m) for estimated irrecoverable amounts based on past default experience:

Group and Company	2010 £m	2009 £m
At 1 April	**0.7**	0.5
Increase in provision	**0.3**	0.3
Bad debts written off	**(0.2)**	(0.1)
At 31 March	**0.8**	0.7

The above provision includes £0.6m (2009 - £0.6m) 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' which are all within credit terms.

The following shows an aged analysis of trade receivables:

Group and Company	2010 £m	2009 £m
Within credit terms:		
Current	**8.9**	6.9
Past due but not impaired:		
Less than 30 days	**-**	-
30 - 60 days	**0.3**	0.5
60 - 90 days	**-**	0.1
+ 90 days	**1.1**	1.8
	10.3	9.3

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	2010 £m	2009 £m
Cash at bank and in hand	**0.2**	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

	2010 £m	2009 £m
Trade payables	**7.0**	11.5
Payments received on account	**27.8**	23.1
Amounts owed to fellow Viridian undertakings	**43.0**	46.1
Tax and social security	**3.1**	1.6
Accruals	**23.1**	16.4
	104.0	98.7

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	6.4	6.9
Non-current	9.6	189.5	199.1
Total at 1 April 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**
Receivable	-	14.8	14.8
Released to income statement	(0.5)	(7.3)	(7.8)
Current	**0.5**	**7.3**	**7.8**
Non-current	**8.6**	**210.7**	**219.3**
Total at 31 March 2010	**9.1**	**218.0**	**227.1**

20. Financial Liabilities

Group and Company	**2010**	2009
	£m	£m
Current		
Interest payable on Eurobond	**6.4**	6.4
Amounts owed to fellow Viridian undertakings	**317.6**	288.4
	324.0	294.8
Non-current		
Eurobond	**173.5**	173.4

Loans and other borrowings outstanding are repayable as follows:

Group and Company	**2010**	2009
	£m	£m
In one year or less or on demand	**324.0**	294.8
In more than five years	**173.5**	173.4
	497.5	468.2

The Group's objectives, policies and strategies in respect of financial liabilities and capital management are disclosed on pages 16-17 of 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 2.62% (2009 – 5.07%).

With the exception of the Eurobond which had a fair value at 31 March 2010 of £189.1m (2009 - £201.5m) based on current market prices, the directors consider that the carrying amount of loans and other borrowings equates to fair value.

An increase of 0.5% in effective interest rates would increase the interest charged to the Group Income Statement by £1.6m (2009 - £1.6m); a decrease of 0.25% would reduce the interest charged to the Group Income Statement by £0.8m (2009 - £0.7m).

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 2010 **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	48.1	48.2	**108.3**
Eurobond	-	-	-	-	175.0	**175.0**
Amounts owed to fellow Viridian undertakings	317.6	-	-	-	-	**317.6**
Trade and other payables	24.7	76.2	-	-	-	**100.9**
	342.3	**76.2**	**12.0**	**48.1**	**223.2**	**701.8**

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	21.5	75.6	-	-	-	**97.1**
	309.9	**75.6**	**12.0**	**48.0**	**235.3**	**680.8**

21. Analysis of Net Debt

	At 1 April 2009 £m	Cash flow £m	Non cash movement £m	At 31 March 2010 £m
Cash and cash equivalents	**1.6**	(1.4)	-	**0.2**
Interest payable on Eurobond	**(6.4)**	(12.0)	12.0	**(6.4)**
Current financial liabilities	**(288.4)**	(29.2)	-	**(317.6)**
Eurobond	**(173.4)**	-	(0.1)	**(173.5)**
	(466.6)	(42.6)	11.9	**(497.3)**

22. Provisions

Group and Company	Environment £m	Liability and damage claims £m	Other £m	Total £m
Current	2.8	0.6	0.4	3.8
Non-current	5.5	2.6	-	8.1
Total at 1 April 2009	**8.3**	**3.2**	**0.4**	**11.9**
Applied in the year	(1.5)	(0.5)	(0.2)	(2.2)
Increase in provisions	0.1	1.2	0.2	1.5
Release to income statement	(2.0)	(0.1)	-	(2.1)
Unwinding of discount	0.1	-	-	0.1
Current	0.4	0.9	0.4	1.7
Non-current	4.6	2.9	-	7.5
Total at 31 March 2010	**5.0**	**3.8**	**0.4**	**9.2**

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.

23. 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 2010 based on the following assumptions (in nominal terms) and using the projected unit method.

	2010	2009
Rate of increase in pensionable salaries	**4.45% per annum**	4.0% per annum
Rate of increase in pensions in payment	**3.45% per annum**	3.0% per annum
Discount rate	**5.60% per annum**	6.75% per annum
Inflation assumption	**3.45% per annum**	3.0% per annum
Life expectancy:		
Current pensioners (at age 60) – males	**25.0 years**	23.7 years
Current pensioners (at age 60) – females	**27.7 years**	26.4 years
Future pensioners (at age 60) – males	***26.7 years**	24.5 years
Future pensioners (at age 60) – females	***29.4 years**	27.2 years

*Life expectancy from age 60 for males and females currently aged 40.

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 2010 shows a Group net pension liability relating to continuing operations (before deferred tax) of £136.2m (2009 - £77.9m). A 0.5% increase/decrease in the assumed discount rate would decrease/increase the net pension liability by £45.8m. A 0.5% increase/decrease in the assumed inflation rate would increase/decrease the net pension liability by £43.8m. A one year increase/decrease in life expectancy would increase/decrease the net pension liability by £17.9m.

Assets and Liabilities

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

	Value at 31 March 2010 £m	**Expected rate of return %**	Value at 31 March 2009 £m	Expected rate of return %
Equities	**210.3**	**7.7**	137.1	7.2
Bonds	**314.7**	**5.0**	309.6	5.2
Other	**19.4**	**4.5**	3.2	4.0
Total market value of assets	**544.4**		449.9	
Actuarial value of liabilities	**(680.6)**		(527.8)	
Net pension liability	**(136.2)**		(77.9)	

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.

23. Pension Commitments (continued)

Changes in the market value of assets

Group	Continuing operations 2010 £m	Continuing operations 2009 £m	Discontinued operations 2010 £m	Discontinued operations 2009 £m
Market value of assets at 1 April	**449.9**	532.9	**-**	10.6
Expected return	**25.0**	30.4	**-**	0.5
Contributions from employer	**10.0**	9.7	**-**	0.7
Contributions from scheme members	**0.2**	0.4	**-**	0.1
Benefits paid	**(34.7)**	(32.6)	**-**	(0.7)
Actuarial gain / (loss)	**88.4**	(90.9)	**-**	(1.7)
Disposal of discontinued operations	**5.6**	-	**-**	(9.5)
Market value of assets at 31 March	**544.4**	449.9	**-**	-

Company	Continuing operations 2010 £m	Continuing operations 2009 £m	Discontinued operations 2010 £m	Discontinued operations 2009 £m
Market value of assets at 1 April	**449.9**	532.9	**-**	-
Expected return	**25.0**	30.4	**-**	-
Contributions from employer	**10.0**	9.7	**-**	-
Contributions from scheme members	**0.2**	0.4	**-**	-
Benefits paid	**(34.7)**	(32.6)	**-**	-
Actuarial gain / (loss)	**88.4**	(90.9)	**-**	-
Disposal of discontinued operations	**5.6**	-	**-**	-
Market value of assets at 31 March	**544.4**	449.9	**-**	-

Changes in the actuarial value of liabilities

Group	Continuing operations 2010 £m	Continuing operations 2009 £m	Discontinued operations 2010 £m	Discontinued operations 2009 £m
Actuarial value of liabilities at 1 April	**527.8**	586.7	**-**	12.0
Interest cost	**34.8**	37.4	**-**	0.7
Current service cost	**1.4**	1.6	**-**	0.3
Curtailment loss	**0.1**	-	**-**	-
Contributions from scheme members	**0.2**	0.4	**-**	0.1
Benefits paid	**(34.7)**	(32.6)	**-**	(0.7)
Actuarial loss / (gain)	**148.1**	(65.7)	**-**	(1.2)
Disposal of discontinued operations	**2.9**	-	**-**	(11.2)
Actuarial value of liabilities at 31 March	**680.6**	527.8	**-**	-

Company	Continuing operations 2010 £m	Continuing operations 2009 £m	Discontinued operations 2010 £m	Discontinued operations 2009 £m
Actuarial value of liabilities at 1 April	**527.8**	586.7	**-**	-
Interest cost	**34.8**	37.4	**-**	-
Current service cost	**1.4**	1.6	**-**	-
Curtailment loss	**0.1**	-	**-**	-
Contributions from scheme members	**0.2**	0.4	**-**	-
Benefits paid	**(34.7)**	(32.6)	**-**	-
Actuarial loss / (gain)	**148.1**	(65.7)	**-**	-
Disposal of discontinued operations	**2.9**	-	**-**	-
Actuarial value of liabilities at 31 March	**680.6**	527.8	**-**	-

23. Pension Commitments (continued)

The Group expects to make contributions of £1.9m to Focus in 2010/11 in respect of current service pension costs. During the year ended 31 March 2010, the Group made contributions of £6.0m in respect of past service pension costs; it is expected that contributions in respect of past service will increase significantly in 2010/11 reflecting lower than expected investment returns during the three year period since the last valuation and changes in mortality assumptions reflecting VGPS recent experience and the continuing upward trend in observed life expectancies.

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**	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Current service cost	**(1.4)**	(1.9)	**(1.4)**	(1.6)
Curtailment loss	**(0.1)**	-	**(0.1)**	-
Total operating charge	**(1.5)**	(1.9)	**(1.5)**	(1.6)
Relating to continuing operations	**(1.5)**	(1.6)	**(1.5)**	(1.6)
Relating to discontinued operations	**-**	(0.3)	**-**	-
	(1.5)	(1.9)	**(1.5)**	(1.6)

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**	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Expected return on assets	**25.0**	30.9	**25.0**	30.4
Interest on liabilities	**(34.8)**	(38.1)	**(34.8)**	(37.4)
Net pension scheme interest	**(9.8)**	(7.2)	**(9.8)**	(7.0)
Relating to continuing operations	**(9.8)**	(7.0)	**(9.8)**	(7.0)
Relating to discontinued operations	**-**	(0.2)	**-**	-
	(9.8)	(7.2)	**(9.8)**	(7.0)

The actual return on Group Focus assets was £113.4m (2009 – loss of £61.7m). The actual return on Company Focus assets was £113.4m (2009 – loss of £60.5m).

Analysis of amount recognised in the Statement of Comprehensive Income	**Group**		**Company**	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Actuarial gain / (loss) on assets	**88.4**	(92.6)	**88.4**	(90.9)
Actuarial (loss) / gain on liabilities	**(148.1)**	66.9	**(148.1)**	65.7
Net actuarial loss	**(59.7)**	(25.7)	**(59.7)**	(25.2)
Relating to continuing operations	**(59.7)**	(25.2)	**(59.7)**	(25.2)
Relating to discontinued operations	**-**	(0.5)	**-**	-
	(59.7)	(25.7)	**(59.7)**	(25.2)

The cumulative actuarial losses recognised in the Group and Company Statements of Comprehensive Income since 1 April 2004 are £38.5m and £44.4m respectively (2009 - actuarial gains of £21.2m and £15.3m). 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 Comprehensive Income shown before 1 April 2004.

23. Pension Commitments (continued)

	Group					Company				
	2010	2009	2008	2007	2006	**2010**	2009	2008	2007	2006
	£m	£m	£m	£m	£m	**£m**	£m	£m	£m	£m
History of experience gains and losses										
Experience (losses)/gains on assets	**88.4**	(92.6)	(28.5)	(22.8)	86.5	**88.4**	(90.9)	(23.4)	(19.5)	74.0
Experience losses on liabilities	**(3.6)**	(0.7)	(0.4)	(4.6)	(30.6)	**(3.6)**	(0.7)	(0.3)	(3.9)	(26.1)

	Group					Company				
At 31 March	**2010**	2009	2008	2007	2006	**2010**	2009	2008	2007	2006
	£m	£m	£m	£m	£m	**£m**	£m	£m	£m	£m
Market value of assets	**544.4**	449.9	543.5	672.6	676.0	**544.4**	449.9	532.9	574.4	576.5
Actuarial value of liabilities	**(680.6)**	(527.8)	(598.7)	(759.6)	(790.3)	**(680.6)**	(527.8)	(586.7)	(647.8)	(673.7)
Net pension liability	**(136.2)**	(77.9)	(55.2)	(87.0)	(114.3)	**(136.2)**	(77.9)	(53.8)	(73.4)	(97.2)
Relating to continuing operations	**(136.2)**	(77.9)	(53.8)	(87.0)	(114.3)	**(136.2)**	(77.9)	(53.8)	(73.4)	(97.2)
Relating to discontinued operations	**-**	-	(1.4)	-	-	**-**	-	-	-	-
	(136.2)	(77.9)	(55.2)	(87.0)	(114.3)	**(136.2)**	(77.9)	(53.8)	(73.4)	(97.2)

24. Share Capital and Equity

	2010	2009
	£m	£m
Share capital	**36.4**	36.4
Share premium	**24.4**	24.4
Capital redemption reserve	**6.1**	6.1
Accumulated profits	**21.2**	58.6
TOTAL EQUITY	**88.1**	**125.5**

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

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

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

Allotted and fully paid share capital:	**2010**	2009
	£m	£m
145,566,431 ordinary shares of 25p each	**36.4**	36.4

25. Lease Obligations

Property, plant and equipment
The Group and Company have 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:

	2010	2009
	£m	£m
Within one year	**0.5**	0.5
After one year but not more than five years	**1.7**	1.8
More than five years	**5.3**	5.7
	7.5	8.0

26. Commitments and Contingent Liabilities

(i) Capital commitments

At 31 March 2010 the Group and Company had contracted future capital expenditure in respect of property, plant and equipment of £9.4m (2009 - £10.8m).

(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.

Liability and damage claims

In the normal course of business the group has contingent liabilities arising from claims made by third parties and employees. Provision for a liability is made (as disclosed in note 22) when the directors believe that it is probable that an outflow of funds will be required to settle the obligation where it arises from an event prior to the year end. The Group does not anticipate that any material liabilities will arise other than those recognised in the accounts.

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:

	2010 £m	2009 £m
Salaries and short-term employee benefits	**0.5**	0.4
Post employment benefits:		
- defined benefit scheme	**-**	-
- defined contribution scheme	**-**	0.1
Other long-term benefits	**0.2**	-
	0.7	0.5

Other related parties

During the year the Group and Company contributed £10.3m (2009 – Group: £10.8m, Company: £10.0m) to VGPS.

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 Powerteam Ltd
NIE Energy Ltd
Power and Energy Holdings (RoI) Ltd
Powerteam Electrical Services Ltd
Powerteam Electrical Services (UK) Ltd
Viridian Capital Ltd
Viridian Energy Ltd (trading as Energia)
Viridian Energy Supply Ltd (trading as Energia)
Viridian Enterprises Ltd
Viridian Group Ltd
Viridian Group Investments Ltd
Viridian Insurance Ltd
Viridian Power Ltd
Viridian Power and Energy Holdings Ltd
Viridian Power and Energy Ltd
Viridian Properties Ltd
Viridian Resources Ltd

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

	Ordinary dividends 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 2010						
Viridian	**55.0**	**8.6**	**-**	**-**	**-**	**328.8**
Viridian subsidiaries	**-**	**-**	**186.1**	**71.2**	**32.2**	**31.8**
	55.0	**8.6**	**186.1**	**71.2**	**32.2**	**360.6**
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

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

	Ordinary dividends 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 2010						
Viridian	**55.0**	**8.6**	**-**	**-**	**-**	**328.8**
Viridian subsidiaries	**-**	**-**	**186.1**	**71.2**	**32.2**	**31.8**
	55.0	**8.6**	**186.1**	**71.2**	**32.2**	**360.6**
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

Interest received from and paid to fellow Viridian undertakings reflects 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. Transactions with Viridian group undertakings are determined on an arm's length basis.

28. Events Since the Year End

On 6 July 2010 Viridian Group Limited entered into a conditional agreement to sell the Company to ESB. The sale is subject to a number of conditions including RoI and UK competition clearance and new financing arrangements being put in place in respect of the remaining Viridian group businesses. Subject to fulfilment of the conditions, the transaction is expected to complete by the end of 2010.