Registered number: NI 26041

Northern Ireland Electricity Limited
31 March 2011

Annual Report and Accounts

GENERAL INFORMATION

Directors
Stephen Kingon CBE (Chairman) (appointed 4 March 2011)
Rotha Johnston CBE (appointed 4 March 2011)
Ronnie Mercer (appointed 4 March 2011)
Harry McCracken
Joe O'Mahony (appointed 4 March 2011)
Mike Toms (Chairman) (resigned 4 March 2011)
John Biles (resigned 4 March 2011)

Company Secretary
Ruth Conacher

Registered Office Address
120 Malone Road
Belfast
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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
BT1 2BA

DIRECTORS' REPORT

The directors of Northern Ireland Electricity Limited (NIE or the Company) present their report and the Group accounts for the year ended 31 March 2011. The accounts consolidate the results of NIE and its dormant subsidiary undertakings (the Group). The Company, previously named Northern Ireland Electricity plc, re-registered as a private limited company on 26 November 2010.

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 2011 show a profit after tax of £26.1m (2010 - £60.6m). The Company did not pay any dividends during the year (2010 - dividends paid £55.0m).

Principal Activities

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

Acquisition of the Company

On 6 July 2010 Viridian Group Limited (Viridian), the immediate parent undertaking of NIE at that date, entered into a conditional agreement to sell the Company to ESB. The sale completed on 21 December 2010, with ESBNI Limited acquiring the entire share capital of the Company.

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	**2011**	2010
Group pro-forma operating profit (based on regulated entitlement)	**£98.4m**	£108.8m
Interest cover (based on pro-forma operating profit)	**4.0 times**	5.3 times

The Group's pro-forma operating profit decreased from £108.8m to £98.4m, reflecting a reduction in the regulatory allowed rate of return and a lower operating cost allowance.

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

Year to 31 March	2011 £m	2010 £m
Group operating profit from continuing operations	**68.8**	114.6
Add back / (deduct) under / (over)-recovery of regulated entitlement	**29.6**	(5.8)
Group pro-forma operating profit	**98.4**	108.8

Interest cover decreased from 5.3 times to 4.0 times due to lower operating profits and higher finance costs. The calculation of interest cover is shown below:

Year to 31 March	2011 £m	2010 £m
Group pro-forma operating profit	**98.4**	108.8
Net finance costs *	**(24.8)**	(20.6)
Interest cover	**4.0 times**	5.3 times

* excluding net pension scheme interest and loss on financial liabilities at fair value.

Operational KPIs

The operational KPIs are:

- performance against the overall and guaranteed standards set by the Northern Ireland Authority for Utility Regulation (the Utility Regulator);
- 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) and the Gas and Electricity (Internal Markets) Regulations (Northern Ireland) 2011.

Regulators

The Utility Regulator 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 the Utility Regulator include licensing (pursuant to a general authority given by DETI) and the general supervision and enforcement of the licensing regime. DETI's functions include 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 the Utility Regulator 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 the Utility Regulator 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, Directive 2009/72/EC (the Directive), was introduced on 3 September 2009. The package includes measures which aim to ensure the effective separation of networks from generation and supply activities. Following consultation DETI has introduced the Gas and Electricity (Internal Markets) Regulations (Northern Ireland) 2011 to implement the relevant requirements. Of most relevance to NIE are the provisions concerning transmission unbundling under which NIE will apply to the Utility Regulator for certification that the transmission arrangements in Northern Ireland meet the Directive's requirements. NIE's application will be made later in 2011.

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 the electricity transmission system operator in Northern Ireland (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 the Utility Regulator'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.

The Utility Regulator 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.

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

The Utility Regulator 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, the Utility Regulator 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 the Utility Regulator: or where specified insolvency procedures are initiated in respect of the Company or its assets.

The Company's licence is available on the Utility Regulator'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 c820,000 consumers via a number of substations. There are 2,170km (circuit length) of the transmission system, 43,500km of the distribution system and approximately 250 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.

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 the Utility Regulator and DETI under the relevant legislation. These include having regard to the need to ensure that NIE is able to finance its authorised activities.

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

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

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

Rate of return: The allowed rate of return in respect of the distribution portion of T&D's regulatory asset base (RAB) (which is taken to represent 82% of the overall RAB) was 4.9% post tax real for the first three years of RP4 in line with the 2005 distribution network operator (DNO) price control in Great Britain (DPCR4). For the last two years the allowed return in respect of distribution is reduced to 4.0% post tax real in line with the Ofgem baseline allowed return for DPCR5. The allowed return on the transmission portion of the RAB is fixed for the duration of RP4 at 6.4% pre 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 £374m (in 2010/11 prices) compared to £306m in RP3 (in 2010/11 prices). This investment is driven by the need to replace worn assets and to meet continued growth in customer demand.

In July 2010, the Utility Regulator issued a consultation paper in relation to its strategy for the next price control (RP5) which is due to be effective from 1 April 2012. NIE has responded to the strategy consultation paper and has submitted a business plan. Interactions are ongoing between the Company and the Utility Regulator in relation to RP5.

Financial performance

T&D revenues (based on regulated entitlement) increased from £236.2m to £250.4m reflecting higher PSO income offset by lower regulated entitlement reflecting a lower rate of return and a lower allowance in respect of operating costs. T&D operating profit (based on regulated entitlement) decreased from £107.7m to £97.9m principally reflecting the impact of the lower rate of return and lower operating cost allowance.

Operational performance

KPIs	**2011 Number**	2010 Number
Overall standards - defaults	**None**	None
Guaranteed standards - defaults	**None**	None
Stage 2 complaints to the Consumer Council	**2**	3
CML *	**66**	59

* *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 (2010 - 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 two (2010 - three).

The number of CML was 66 minutes (2010 - 59). This performance is better than the target range of 70-90 minutes agreed with the Utility Regulator for the period of the RP4 price control.

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 £109.2m (2010 - £95.1m), the increase principally due to expenditure on systems to remove the current restrictions on residential consumers changing electricity supplier.

A target for Northern Ireland of 40% of electricity consumption from renewable sources by 2020 was approved by the Northern Ireland Assembly in September 2010. NIE is working with DETI and the Utility Regulator 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 the target.

NIE, 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, NIE 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. In August 2010, the Northern Ireland Minister for the Environment announced that the planning application would be referred to the Planning Appeals Commission for a public inquiry. No date has yet been announced for the public inquiry.

Financial Review

Group revenue and operating profit

Based on IFRS 5, revenue from continuing operations decreased from £249.3m to £228.5m and operating profit from continuing operations decreased from £114.6m to £68.8m.

The directors consider that pro-forma revenue and operating profits give a more meaningful measure of performance. Revenue (based on regulated entitlement) increased from £243.5m to £258.1m principally reflecting higher PSO income offset by the lower rate of return and a lower allowance in respect of operating costs. Operating profit (based on regulated entitlement) decreased from £108.8m to £98.4m reflecting the lower allowed rate of return and lower operating cost allowance. PSO revenues are of a pass through nature and do not impact on operating profit (based on regulated entitlement).

Net finance costs

The Group's net finance costs increased from £30.4m to £44.8m reflecting interest costs of £6.2m and fair value movements of £14.0m associated with a portfolio of RPI swaps which were novated to the Company at the time of the acquisition by ESB offset by lower net pension scheme interest.

Tax credit

The tax credit of £2.1m (2010 - charge of £21.8m) reflects a reduction in the deferred tax liability due to a change in corporation tax rate from 28% to 26%. An analysis of the tax credit is shown in note 8 to the accounts.

Cash flow

The Group's net cash flows from operating activities decreased to £81.4m (2010 - £116.8m) reflecting lower pro-forma operating profits as explained above and under-recovery of regulated entitlement during the year of £29.6m offset by a reduction in current taxes paid.

The cash out flow in respect of investing activities increased to £104.4m (2010 - £92.4m) largely reflecting higher expenditure on IT systems to remove the current restrictions on residential consumers changing electricity supplier.

No dividends were paid during the year (2010 - dividends paid £55.0m).

Net debt

Net debt at 31 March 2011 was £289.0m (2010 - £497.3m). The reduction in net debt primarily reflects a reduction in amounts owed to Viridian group undertakings arising on novation to the Company of a portfolio of RPI swaps at the time of the acquisition by ESB and a reduction in amounts owed to ESB group undertakings resulting from an intra-group loan waived. From an operational perspective net cash outflow for the year after investing activities was £23.0m. 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 decreased from £136.2m at 31 March 2010 to £40.6m at 31 March 2011. This reflects an increase in the discount rate (resulting from higher bond yields) used to discount scheme liabilities, higher asset values and a change in the pension increase assumption from RPI to CPI reflecting the pension increase provisions of the defined benefit section of the Northern Ireland Electricity Pension Scheme (NIEPS) which follow the Pensions Increase (Review) Order (Northern Ireland) 2011 which sets out the annual pensions increase for public sector pensions which is now based on CPI.

Corporate Governance

The Board

It is a requirement of the Company's licence that the Board of Directors comprises a majority of independent non-executive directors.

Until 4 March 2011, the Board comprised one executive director, Harry McCracken, Managing Director and two independent non-executive directors, Mike Toms, Chairman of the Board, and John Biles.

Following the acquisition of the Company by ESB the composition of the Board was changed to comprise two executive directors and three non-executive directors. Mike Toms and John Biles each stood down as directors on 4 March 2011 on the expiry of their three-year term of office. Stephen Kingon CBE, Rotha Johnston CBE and Ronnie Mercer were appointed as independent non-executive directors, and Joe O'Mahony as an executive director, on 4 March 2011.

Stephen Kingon CBE chairs the Board. He is the Chairman of Invest Northern Ireland and the NI Centre for Competitiveness and co-chairs the North/South Roundtable Group and is a non-executive director of a number of other companies. He was formerly Managing Partner of Pricewaterhouse Coopers in Northern Ireland and is a fellow of the Institute of Chartered Accountants in Ireland and of the Institute of Business and Management Consultants.

Rotha Johnston CBE is Pro-Chancellor of Queen's University Belfast and National Trustee for Northern Ireland for the BBC Trust. She is a non-executive director of Allied Irish Bank (UK) plc and an independent board member at the Department of Justice for Northern Ireland.

Ronnie Mercer has been Chairman of Scottish Water since 2006 and is also Chairman of Business Stream. He has extensive relevant experience and knowledge of the energy sector as he formerly held senior executive positions at Scottish Power including Group Director, Infrastructure and Executive Vice President, Operations of the PacifiCorp subsidiary.

Harry McCracken, Managing Director, chairs the Company's Executive Committee. 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.

Joe O'Mahony was appointed as Managing Director (Designate) and member of the Executive Committee in January 2011 and will take over as Managing Director in July 2011 upon Harry McCracken's retirement. He has held a number of senior management positions in ESB including Head of the Wind Development business and Head of Network Projects.

Mike Toms 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 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.

The Company's licence requires it to establish and at all times maintain the full managerial and operational independence of the T&D business. 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.

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

During the year the Board's Audit Committee comprised the two independent non-executive directors and was chaired by John Biles. The Board was satisfied that John Biles had recent and relevant financial experience.

The Committee had three meetings during the year with the external auditors (Ernst & Young LLP) and the internal auditors (PricewaterhouseCoopers LLP) in attendance.

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. During the year the Committee developed a policy regarding the provision of non audit services by the external auditors. 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.

The Audit Committee currently comprises the three independent non-executive directors and is chaired by Rotha Johnston.

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 the Utility Regulator 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 the Utility Regulator 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 The Utility Regulator 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 to Northgate Managed Services Limited. Voice and data telecoms services are provided by eircom through a contract managed by Northgate. 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.

Social, environmental and ethical factors

The Company has in place measures to protect against financial and reputational risk from any failure to manage social, environmental and ethical (SEE) factors. In general, SEE factors are managed through embedding corporate social responsibility (CSR) into the Company's management processes and core business activities. Environmental risk, in particular, is managed through: a detailed environmental risk register; environmental action plans; certified environmental management systems; and identification of potential environmental exposures. These matters are monitored by nominated environmental compliance officers in key parts of the business.

Pensions

Most employees of the Company are members of the NIEPS, previously Viridian Group Pension Scheme. 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 NIEPS trustees seek the advice of professional investment managers regarding the scheme's investments. During the year a deficit repair plan, including the separation of assets and liabilities from the Viridian Group following the acquisition of the Company by ESB, was agreed with the NIEPS trustees.

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.

Knowledge and skills and succession management

NIE recognises that it has a high dependency on the technical competence and credibility of its employees and is committed to maintaining the necessary knowledge and skills throughout the Company. This is achieved through investing in employee training and development and planning for resources and future skills requirements, including succession planning, for all levels within the Company. A recruitment strategy has been developed to attract, recruit and develop best fit candidates in all disciplines.

Treasury risks

ESB's centralised treasury function manages the Company's liquidity, funding, investment and financial risk, including interest rate and counterparty credit risk. The ESB 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 2011 comprised £173.6m in respect of a Eurobond due to mature in September 2018 and an intercompany loan from ESB of £109.6m which is repayable in 2015.

At 31 March	**2011 £m**	2010 £m
Cash and cash equivalents	**0.6**	0.2
Loan from Viridian group undertakings	**-**	(317.6)
Loan from ESB group undertakings	**(109.6)**	-
Eurobond	**(173.6)**	(173.5)
Interest payable on Eurobond	**(6.4)**	(6.4)
Net debt	**(289.0)**	(497.3)
Loans and other borrowings maturity analysis:		
In one year or less or on demand	**(6.4)**	(324.0)
Between two and five years	**(109.6)**	-
In more than five years	**(173.6)**	(173.5)
	(289.6)	(497.5)

The main source of liquidity for the Company is cash generated from operations and intercompany loans from ESB. The Company's liquidity risk in respect of intercompany funding is managed through the preparation of cash flow forecasts, with intercompany loans adjusted on a daily basis to meet the Company's operating cash requirements. The Company's liquidity policy is to have sufficient funds and intercompany loan facilities in place to meet capital expenditure funding requirements for the next 12 - 18 months. The Group has committed undrawn intercompany loan facilities in place of £80m.

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 ESB carry a variable interest rate based on LIBOR.

At 31 March	**2011 £m**	2010 £m
Loans and other borrowings fixed/floating analysis:		
Fixed rate debt	**(180.0)**	(179.9)
Variable rate debt	**(109.6)**	(317.6)
	(289.6)	(497.5)

A £550m portfolio of RPI swaps, previously held by a Viridian Group company, were novated to the Company in December 2010 at the time of the acquisition by ESB. Under the terms of the swaps the Company pays an average fixed rate of interest of 2.38% indexed by RPI and receives a variable rate of interest based on LIBOR. RPI linked accretion is accounted for as interest in the Group Income Statement. The swaps have maturity dates between 2026 and 2036 (average maturity 2031) and have a mandatory break date on 22 December 2015. The purpose of the swaps is to align the cash flows derived from revenues linked to RPI to debt used to finance the operations of the Company.

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	**2011 £m**	2010 £m
Cash and cash equivalents	**0.6**	0.2
Trade and other receivables	**32.0**	43.4
Other financial assets	**0.1**	0.3
	32.7	43.9

As noted above, the Company 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 licenced 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 17 to the accounts.

The Company may be exposed to credit-related loss in the event of non-performance by bank counterparties. Company policy is to minimise cash holdings. As noted above, intercompany loans are adjusted on a daily basis to manage operating cash requirements.

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

Going concern

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

On the basis of their assessment of the Company's financial position, which included a review of projected funding requirements over the next 12 months, the directors have a reasonable expectation that the Company will have adequate financial resources for the next 12 months and accordingly 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: 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 258 employees at 31 March 2011 (2010 - 256). NIE Powerteam, a fellow subsidiary undertaking of ESB, provides electrical infrastructure construction and refurbishment and other managed services exclusively to the Company. NIE Powerteam had 955 employees at 31 March 2011 (2010 - 940).

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 Company health and safety management system is based upon the principles of the Health and Safety Executive guidance 'HSG 65 Successful Health and Safety Management' and the Institute of Directors/Health and Safety Executive 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. In 2009 RoSPA awarded the Company and NIE Powerteam a Level Four Quality Safety Audit award following a comprehensive audit.

Including NIE Powerteam, there were three reportable incidents (2010 - five) and two lost time incidents (2010 - nil) 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 Company's equal opportunities policy commits it to providing equality of opportunity for all employees and job applicants and it regularly monitors its actions to promote compliance with legislation and to ensure that it provides equality of opportunity in all its employment practices. Equal opportunity measures and statistics in respect of the relevant businesses are reported formally to the Equality Commission for Northern Ireland.

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

Remuneration
The Company operates fair and visible remuneration policies which are externally benchmarked to ensure that employees are paid an appropriate salary for the work they undertake. The Company seeks to align employee interests with those of other key stakeholders through an effective approach to recognition and reward, based on business and individual performance. Various reward schemes are in place 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 during the year was 2.55% (2010 - 2.44%), below the UK national average of 3.4%.

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 68% 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 waste and recycling, measures to protect against oil pollution and the promotion of energy efficiency.

The Company was included in Viridian Group's registration as an Information Declarer under the UK Government's Carbon Reduction Commitment (CRC) Energy Efficiency Scheme which became effective in April 2010. Following the acquisition by ESB, the Company is reassessing its obligations under the scheme.

As noted in the Business Review, the Company continues to work with DETI and the Utility Regulator 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 four years £0.8m has been provided to progress a number of projects aimed at facilitating the connection of increased levels of distributed renewable generation to the network.

The Company and NIE Powerteam are certified to ISO 14001:2004 for their environmental management system. In the 2010 environmental management survey conducted by ARENA Network in Northern Ireland, the Company achieved the prestigious "Platinum" standard achieving a score of 93% compared with the Northern Ireland average of 72% and a utilities sector average of 74%. 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 £0.6m 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, during the year the Company continued to outperform NIAUR's target range with CMLs of 66 minutes. 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 two such complaints during 2010/11 (2009/10 - three).

The Company provides a critical care information service to c3,100 consumers who are dependent on life-supporting electrical equipment. In the event of consumers being without electricity for an extended period of time due to severe weather there are arrangements in place with local councils to open community reception centres providing warmth, food and access to voluntary services.

During the year, the Company continued its public safety awareness programme, promoting the importance of electrical safety to over 19,000 schoolchildren, 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.

During the year, the Company has completed its £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 £16,250, the Company's donations to charities in the year were £10,000 (2010 - £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 2011 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/she is obliged to take as a director in order to make himself/herself 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.

Under company law the directors must not approve the accounts unless they are satisfied that they 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;
- state that (except for any such departure) the accounts have been prepared in accordance with IFRS as adopted by the EU; and
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and 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 current directors as detailed on page 12 confirms that to the best of his/her 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

Northern Ireland Electricity Limited
Registered Office
120 Malone Road
Belfast BT9 5HT
Registered Number: NI 26041

Date: 16 May 2011

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

We have audited the accounts of Northern Ireland Electricity Limited for the year ended 31 March 2011 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 27. 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 pages 24-25, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify any material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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.

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

Date: 16 May 2011

GROUP INCOME STATEMENT
for the year ended 31 March 2011

	Note	2011 £m	2010 £m
Continuing operations			
Revenue	3,5	**228.5**	249.3
Operating costs	5	**(159.7)**	(134.7)
OPERATING PROFIT		**68.8**	114.6
Finance costs		**(38.8)**	(20.6)
Net pension scheme interest		**(6.0)**	(9.8)
Net finance costs	7	**(44.8)**	(30.4)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		**24.0**	84.2
Tax credit / (charge)	8	**2.1**	(21.8)
PROFIT FROM CONTINUING OPERATIONS AFTER TAX		**26.1**	62.4
Discontinued operations			
Loss for the year from discontinued operations	4	**-**	(1.8)
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		**26.1**	60.6

GROUP AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 March 2011

	Note	2011 £m	2010 £m
Profit for the financial year		**26.1**	60.6
Other comprehensive income / (expense):			
Actuarial gain / (loss) on pension scheme assets and liabilities	23	**89.3**	(59.7)
Deferred tax (charge) / credit relating to components of other comprehensive income	8	**(26.5)**	16.7
Net other comprehensive income / (expense) for the year		**62.8**	(43.0)
Total comprehensive income for the year attributable to the equity holders of the parent company		**88.9**	17.6

GROUP AND COMPANY BALANCE SHEET
as at 31 March 2011

	Note	2011 £m	2010 £m
Non-current assets			
Property, plant and equipment	11	**1,120.5**	1,063.1
Intangible assets	12	**42.3**	38.6
Financial assets	13	**-**	0.1
		1,162.8	1,101.8
Current assets			
Inventories	14	**5.1**	6.0
Trade and other receivables	15	**32.0**	43.4
Financial assets	13	**0.1**	0.2
Cash and cash equivalents	16	**0.6**	0.2
		37.8	49.8
TOTAL ASSETS		**1,200.6**	1,151.6
Current liabilities			
Trade and other payables	17	**89.5**	104.0
Current tax payable		**1.3**	9.4
Deferred income	18	**8.2**	7.8
Financial liabilities:			
Derivative financial liabilities	19	**6.7**	-
Other financial liabilities	20	**6.4**	324.0
Provisions	22	**1.6**	1.7
		113.7	446.9
Non-current liabilities			
Deferred tax liabilities	8	**85.8**	80.1
Deferred income	18	**231.1**	219.3
Financial liabilities:			
Derivative financial liabilities	19	**244.9**	-
Other financial liabilities	20	**283.2**	173.5
Provisions	22	**7.9**	7.5
Pension liability	23	**40.6**	136.2
		893.5	616.6
TOTAL LIABILITIES		**1,007.2**	1,063.5
NET ASSETS		**193.4**	88.1
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		**126.5**	21.2
TOTAL EQUITY		**193.4**	88.1

The accounts were approved by the Board of directors and authorised for issue on 16 May 2011. They were signed on its behalf by:

Harry McCracken
Managing Director

Date: 16 May 2011

GROUP AND COMPANY STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 March 2011

	Share Capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
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 1 April 2010	**36.4**	**24.4**	**6.1**	**21.2**	**88.1**
Profit for the period	-	-	-	26.1	26.1
Net other comprehensive income for the year	-	-	-	62.8	62.8
Total net comprehensive income for the year	-	-	-	88.9	88.9
Immediate loss arising on RPI linked interest rate swaps novated from a Viridian group company	-	-	-	(63.3)	(63.3)
Deferred tax credit relating to immediate loss arising on RPI linked interest rate swaps novated from a Viridian group company	-	-	-	16.4	16.4
Intra-group loan waived	-	-	-	63.3	63.3
At 31 March 2011	**36.4**	**24.4**	**6.1**	**126.5**	**193.4**

GROUP AND COMPANY CASH FLOW STATEMENTS
for the year ended 31 March 2011

	Note	**2011 £m**	2010 £m
Cash flows from operating activities			
Profit for the year		**26.1**	60.6
Adjustments for:			
Tax (credit) / charge - continuing operations		**(2.1)**	21.8
Net finance costs - continuing operations		**44.8**	30.4
Loss on disposal of discontinued operations		**-**	1.8
Depreciation of property, plant and equipment	11	**42.7**	40.8
Release of customers' contributions and grants	18	**(8.2)**	(7.8)
Amortisation of intangible assets	12	**5.4**	5.6
Loss on disposal of property, plant and equipment		**-**	0.1
Contributions in respect of property, plant and equipment	18	**20.4**	14.8
Defined benefit pension charge less contributions paid	23	**(6.7)**	(8.5)
Net gain on transfer of pension assets and liabilities relating to former employees	23	**(5.6)**	-
Net movement in provisions		**0.3**	(2.8)
Operating cash flows before movement in working capital		**117.1**	156.8
(Increase) / decrease in working capital		**(6.5)**	1.9
Cash generated from operations		**110.6**	158.7
Interest paid		**(18.8)**	(20.6)
Current taxes paid		**(10.4)**	(21.3)
Net cash flows from operating activities		**81.4**	116.8
Purchase of property, plant and equipment		**(91.9)**	(92.2)
Purchase of intangible assets		**(12.5)**	(0.2)
Net cash flows used in investing activities		**(104.4)**	(92.4)
Cash flows from financing activities			
Proceeds from borrowings		**172.9**	29.2
Repayment of borrowings		**(149.5)**	-
Equity dividend paid		**-**	(55.0)
Net cash flows from / (used in) financing activities		**23.4**	(25.8)
Net increase / (decrease) in cash and cash equivalents		**0.4**	(1.4)
Cash and cash equivalents at beginning of year		**0.2**	1.6
Cash and cash equivalents at end of year	16	**0.6**	0.2

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 Limited (NIE or the Company) is a limited company incorporated and domiciled in Northern Ireland. The Company re-registered as a private limited company on 26 November 2010. The Company's registered office address is 120 Malone Road, Belfast, BT9 5HT. The principal activities of the Company are described in the Directors' Report.

The accounts consolidate the results of NIE and its dormant subsidiary undertakings (the Group), namely NIE Generation Limited, NIE Limited, NIE Power Limited and NIE Enterprises Limited. The carrying value of these investments as at 31 March 2011 was £nil.

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 IFRIC 18 'Transfers of Assets from Customers' during the year. Customer contributions received in respect of property, plant and equipment are deferred and released to revenue in the income statement by instalments over the estimated useful economic lives of the related assets. In last year's accounts these amounts were released to operating costs. This has resulted in a reclassification of £7.3m from operating costs to revenue in the prior year and the recognition of £7.7m in revenue in the current year.

Contributions received in respect of property, plant and equipment, previously included in 'net cash flows used in investing activities' in the Group and Company Cash Flow Statements for the year ended 31 March 2010 are now included in 'cash generated from operations' in the Group and Company Cash Flow Statements.

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

IAS 27 (revised)	Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009)
IAS 39	Amendment - Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009)
IFRS 3 (revised)	Business Combinations (effective for accounting periods beginning on or after 1 July 2009)
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)
IAS 32 (revised)	Classification of rights issue (effective for accounting periods beginning on or after 1 February 2010)

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:

IFRIC 14	Amendment - Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011)
IFRIC 19	Extinguishing financial liabilities with equity instruments (effective for accounting periods beginning on or after 1 July 2010)
IFRS 1 (revised)	Limited exemption from comparative IFRS 7 disclosures (effective for accounting periods beginning on or after 1 July 2010)

2. Accounting Policies (continued)

IFRS 7 (revised)	Disclosures - Transfers of financial assets (effective for accounting period beginning on or after 1 July 2011)
IFRS Improvements	Improvements to IFRS 2010 annual improvements project (effective at various dates, mostly 1 January 2011)
IFRS 9	Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2013)
IAS 24	Revised Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011)

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 2012 onwards.

The principal accounting policies are set out below:

Basis of consolidation

The Group accounts consolidate the accounts of Northern Ireland Electricity Limited (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. Dividends received from subsidiaries are recognised in the income statement. The carrying values of investments in subsidiaries are reviewed annually for any indications of impairment, including whether the carrying value is impaired as a result of the receipt of dividends.

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

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

2. Accounting Policies (continued)

Property, plant and equipment (continued)

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

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

Computer software

The cost of acquiring computer software is capitalised and amortised on a straight-line basis over its estimated useful economic life which is between five and ten years. Costs include direct labour relating to software development and an appropriate portion of directly attributable overheads. 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.

Derivative financial instruments
Derivatives that are not designated as hedging instruments are accounted for at ‘fair value through profit or loss’. These derivatives are carried in the balance sheet at fair value, with changes in fair value recognised in net finance costs in the income statement.

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 the Utility Regulator for each tariff period.

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

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

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

Tax currently payable is based on taxable profit for the 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.

2. Accounting Policies (continued)

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

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

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

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

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

Pensions and other post-retirement benefits
Employees of the Group are entitled to membership of NIEPS (previously known as the Viridian Group Pensions Scheme - 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.

2. Accounting Policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

Pensions and other post employment benefits
Employees of the Group are entitled to membership of NIEPS 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 23.

3. Operating Segments Information

The principal activities of the Group are described in the Directors' Report. 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 (under) / over-recovery represents the amount by which the Group (under) / over-recovered against its regulated entitlement. Inter-segment pricing is determined on an arm's length basis.

(i) Revenue and profit - continuing operations

	2011 External £m	**2011 Internal £m**	**2011 Total £m**	2010 External £m	2010 Internal £m	2010 Total £m
Revenue						
T&D (based on regulated entitlement)	**250.3**	**0.1**	**250.4**	236.0	0.2	236.2
Other	**0.1**	**-**	**0.1**	0.2	-	0.2
	250.4	**0.1**	**250.5**	236.2	0.2	236.4
Inter-group elimination			**(0.1)**			(0.2)
			250.4			236.2
Release of customer contributions from deferred income			**7.7**			7.3
Total revenue (based on regulated entitlement)			**258.1**			243.5
Adjustment for (under) / over-recovery			**(29.6)**			5.8
Total revenue			**228.5**			249.3
Operating costs						
T&D			**(160.2)**			(135.8)
Other			**0.4**			0.9
Inter-group elimination			**0.1**			0.2
			(159.7)			(134.7)
Operating profit						
T&D			**97.9**			107.7
Other			**0.5**			1.1
Operating profit (based on regulated entitlement)			**98.4**			108.8
Adjustment for (under) / over-recovery			**(29.6)**			5.8
Operating profit			**68.8**			114.6
Finance costs			**(38.8)**			(20.6)
Net pension scheme interest			**(6.0)**			(9.8)
Net finance costs			**(44.8)**			(30.4)
Profit from continuing operations before tax			**24.0**			84.2

3. Operating Segments Information (continued)

(ii) Other information

	2011 £m	2010 £m
Capital additions		
T&D	**109.2**	**95.1**
Depreciation and amortisation		
T&D	**48.0**	46.3
Other	**0.1**	0.1
	48.1	46.4
Increase in provisions		
T&D	**0.8**	1.5

Major customers
The Group received revenue from one major customer during the year of £153.4m (2010 - £186.1m).

(iii) Geographical information

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

	UK 2011 £m	RoI 2011 £m	Total 2011 £m	UK 2010 £m	RoI 2010 £m	Total 2010 £m
Continuing operations						
T&D	**207.8**	**20.7**	**228.5**	242.8	6.5	249.3

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

Loss for the year from discontinued operations of £1.8m in the prior year comprises £1.1m loss on disposal of discontinued operations before tax, arising from the finalisation of pension arrangements in respect of SONI employees and related adjustments to the disposal consideration and £0.7m tax charge relating to the loss on disposal of discontinued operations.

5. Revenue and Operating Costs

An analysis of external revenue is as follows:

	2011 £m	2010 £m
Regulated energy business revenue	**228.5**	249.3

Operating costs are analysed as follows:

	2011 £m	2010 £m
Employee costs (note 6)	**6.2**	11.3
Depreciation and amortisation	**48.1**	46.4
Other operating charges	**105.4**	77.0
	159.7	134.7

Operating costs include:

	2011 £m	2010 £m
Depreciation charge on property, plant and equipment	**42.7**	40.8
Amortisation of intangible assets	**5.4**	5.6
Minimum payments due under operating leases	**0.5**	0.4
Cost of inventories recognised as an expense	**1.6**	1.5

Auditors' remuneration	**£'000**	£'000
Auditors' remuneration in respect of services to the Group and Company:		
Audit of the accounts	**40**	36
Taxation services	**40**	2
Other assurance and compliance	**9**	9

6. Employees

Employee costs

	2011 **£m**	2010 £m
Salaries	**11.4**	11.6
Social security costs	**1.1**	1.1
Pension costs / (credit)		
- defined contribution plans	**0.4**	0.3
- defined benefit plans	**2.3**	1.5
- other	**(5.6)**	-
	9.6	14.5
Less: charged to the balance sheet	**(3.4)**	(3.2)
Charged to the income statement	**6.2**	11.3

Other pension credit of £5.6m relates to a net gain arising on the transfer of pension scheme assets and liabilities in respect of former employees. Further details are provided in note 23.

Employee numbers

	Average during the year		**Actual headcount at 31 March**	
	Number 2011	Number 2010	**Number 2011**	Number 2010
T&D	**224**	231	**230**	227
Other	**38**	29	**28**	29
	262	260	**258**	256

Directors' emoluments

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

	2011 **£m**	2010 £m
Emoluments in respect of qualifying services	**0.8**	0.7

No amounts were paid to the directors by other Viridian or ESB group undertakings. 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:

	2011 **£'000**	2010 £'000
Emoluments	**659**	589
Total accrued pension at 31 March (per annum)	**146**	146

	2011 **Number**	2010 Number
Members of the defined benefit pension scheme	**1**	1
Members of the defined contribution scheme	**-**	1

No directors exercised share options during the year or received shares under long-term incentive schemes. The Company made pension contributions of £nil in respect of the directors during the year ended 31 March 2011 (2010 - £21,000).

7. Net Finance Costs

	2011 **£m**	2010 £m
Interest payable:		
Eurobond	**(12.0)**	(12.0)
Amounts owed to Viridian group undertakings	**(6.0)**	(8.6)
Amounts owed to ESB group undertakings	**(0.8)**	-
Interest rate swaps	**(6.2)**	-
	(25.0)	(20.6)
Less: capitalised interest	**0.3**	0.1
Total interest charged to the Group Income Statement	**(24.7)**	(20.5)
Other finance costs:		
Amortisation of financing charges	**(0.1)**	(0.1)
Loss on financial liabilities at fair value charged to the Group Income Statement	**(14.0)**	-
Total finance costs	**(38.8)**	(20.6)
Net pension scheme interest:		
Expected return on pension scheme assets	**31.2**	25.0
Interest on pension scheme liabilities	**(37.2)**	(34.8)
	(6.0)	(9.8)
Net finance costs	**(44.8)**	(30.4)

Interest charged to the balance sheet during the year was capitalised using a weighted average interest rate of 2.52% (2010 - 2.6%).

8. Tax Charge

(i) Analysis of (credit) / charge in the year

Group Income Statement	2011 £m	2010 £m
Current tax charge		
UK corporation tax at 28% (2010 - 28%)	**2.3**	18.7
Corporation tax overprovided in previous years	**-**	(1.1)
Total current tax charge	**2.3**	17.6
Deferred tax (credit) / charge		
Origination and reversal of temporary differences in current year	**4.7**	5.8
Origination and reversal of temporary differences relating to prior years	**-**	(0.9)
Effect of decreased tax rate on opening liability	**(9.1)**	-
Total deferred tax (credit) / charge	**(4.4)**	4.9
Total tax (credit) / charge	**(2.1)**	22.5
Relating to continuing operations	**(2.1)**	21.8
Relating to discontinued operations	**-**	0.7
	(2.1)	22.5

Tax relating to items charged in other comprehensive income

Deferred tax		
Deferred tax charge / (credit) relating to components of other comprehensive income	**23.2**	(16.7)
Effect of decreased tax rate on opening liability	**3.3**	-
	26.5	(16.7)

Tax relating to items charged in changes in equity

Deferred tax		
Deferred tax (credit) relating to immediate losses arising on RPI linked interest rate swaps novated from a Viridian group company	**(16.4)**	-
	(16.4)	-

(ii) Reconciliation of total tax (credit) / charge

The tax credit in the Group Income Statement for the year is lower than the standard rate of corporation tax in the UK of 28% (2010 - 28%). The differences are reconciled below:

	2011 £m	2010 £m
Accounting profit from continuing and discontinued operations before tax charge	**24.0**	83.1
Accounting profit multiplied by the UK standard rate of corporation tax of 28% (2010 - 28%)	**6.7**	23.3
Tax effect of:		
Impact of deferred tax at 26%	**(9.5)**	-
Other permanent differences	**0.7**	1.2
Tax overprovided in previous years	**-**	(2.0)
Tax (credit) / charge for the year	**(2.1)**	22.5

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

8. Tax Charge (continued)

(iii) Deferred tax

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

	2011 £m	2010 £m
Deferred tax assets		
Pension liability	**10.6**	38.1
Interest rate swaps	**18.1**	-
Other temporary differences	**2.5**	2.7
	31.2	40.8
Deferred tax liabilities		
Accelerated capital allowances	**115.8**	119.6
Held-over gains on property disposals	**1.2**	1.3
	117.0	120.9
Net deferred tax liability	**85.8**	80.1

Deferred tax has been calculated at 26% as at 31 March 2011 reflecting HMRC enactment, in March 2011, of a reduction in the corporation tax rate effective from 6 April 2011.

HM Treasury have announced their intention for the main rate of corporation tax to decrease to 23% by 2015, through reductions of 1% per annum over the next three years, although this decrease in rates is not enacted at the balance sheet date. A decrease in rate to 23% would reduce the deferred tax asset at 31 March 2011 to £27.6m and the deferred tax liability to £103.5m.

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

	2011 £m	2010 £m
Accelerated capital allowances	**(3.8)**	3.7
Interest rate swaps	**(1.7)**	-
Temporary differences in respect of pensions	**1.0**	(0.4)
Other temporary differences	**0.1**	0.8
Deferred tax charge / (credit) in respect of discontinued operations	**-**	0.8
Deferred tax charge	**(4.4)**	4.9
Relating to continuing operations	**(4.4)**	4.2
Relating to discontinued operations	**-**	0.7
	(4.4)	4.9

9. Profit for the Financial Year

The profit dealt with in the accounts of the Company is £26.1m (2010 - £60.6m). 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 dividends to equity holders in the year:	**2011 £m**	2010 £m
Equity dividends on ordinary shares:		
Interim dividend of nil per share for the year ended 31 March 2011 (2010 - 37.78p per share)	**-**	55.0

11. Property, Plant and Equipment

Group and Company	**Infrastructure assets £m**	**Non-operational land and buildings £m**	**Fixtures and equipment £m**	**Total £m**
Cost:				
At 1 April 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
Additions	94.8	-	5.3	100.1
At 31 March 2011	**1,714.9**	**5.1**	**50.1**	**1,770.1**
Depreciation:				
At 1 April 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
Charge for the year	40.2	-	2.5	42.7
At 31 March 2011	**609.7**	**1.2**	**38.7**	**649.6**
Net book value:				
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
At 31 March 2011	**1,105.2**	**3.9**	**11.4**	**1,120.5**

Infrastructure assets include amounts in respect of assets under construction of £30.9m (2010 - £31.7m) and capitalised interest of £4.6m (2010 - £4.5m). Fixtures and equipment include amounts in respect of assets under construction of £3.2m (2010 - £nil).

12. Intangible Assets

Group and Company - Computer software	2011 £m
Cost:	
At 1 April 2009	62.3
Additions acquired externally	0.2
At 31 March 2010	62.5
Additions acquired externally	9.1
At 31 March 2011	**71.6**
Amortisation / impairment:	
At 1 April 2009	18.3
Amortisation charge for the year	5.6
At 31 March 2010	23.9
Amortisation charge for the year	5.4
At 31 March 2011	**29.3**
Net book value:	
At 31 March 2009	44.0
At 31 March 2010	38.6
At 31 March 2011	**42.3**

Software assets include amounts in respect of assets under construction amounting to £9.0m (2010 - £nil) and capitalised interest of £0.9m (2010 - £0.8m).

13. Financial Assets

Group and Company	2011 £m	2010 £m
Non-current		
Other loans	-	0.1
Current		
Other loans	**0.1**	0.2

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

14. Inventories

Group and Company	2011 £m	2010 £m
Materials and consumables	**3.8**	3.8
Work-in-progress	**1.3**	2.2
	5.1	6.0

15. Trade and Other Receivables

Group and Company	2011 £m	2010 £m
Trade receivables (including unbilled consumption)	**27.4**	10.3
Other receivables	**0.7**	0.4
Amounts owed by Viridian group undertakings	**-**	32.2
Amounts owed by ESB group undertakings	**1.8**	-
Prepayments and accrued income	**2.1**	0.5
	32.0	43.4

Trade receivables are stated net of a provision of £0.6m (2010 - £0.8m) for estimated irrecoverable amounts based on past default experience.

Group and Company	2011 £m	2010 £m
At 1 April	**0.8**	0.7
Increase in provision	**-**	0.3
Bad debts written off	**(0.2)**	(0.2)
At 31 March	**0.6**	0.8

The above provision includes £0.4m (2010 - £0.6m) in respect of individual balances impaired based on the age of debt and past default experience. There are no provisions for estimated irrecoverable amounts included in 'amounts owed by Viridian group undertakings' or amounts owed by ESB group undertakings' which are all within credit terms.

The following shows an aged analysis of trade receivables:

Group and Company	2011 £m	2010 £m
Within credit terms:		
Current	**26.1**	8.9
Past due but not impaired:		
Less than 30 days	**-**	-
30 - 60 days	**0.4**	0.3
60 - 90 days	**-**	-
+ 90 days	**0.9**	1.1
	27.4	10.3

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.

16. Cash and Cash Equivalents

Group and Company	2011 £m	2010 £m
Cash at bank and in hand	**0.6**	0.2

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.

17. Trade and Other Payables

Group and Company	2011 £m	2010 £m
Trade payables	**18.4**	7.0
Payments received on account	**36.9**	27.8
Amounts owed to Viridian group undertakings	**-**	43.0
Amounts owed to ESB group undertakings	**5.7**	-
Tax and social security	**5.9**	3.1
Accruals	**22.6**	23.1
	89.5	104.0

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

18. Deferred Income

Group and Company	Grants £m	Customers' contributions £m	Total £m
Current	0.5	6.9	7.4
Non-current	9.1	203.6	212.7
Total at 1 April 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**
Receivable	-	20.4	20.4
Released to income statement	(0.5)	(7.7)	(8.2)
Current	**0.5**	**7.7**	**8.2**
Non-current	**8.1**	**223.0**	**231.1**
Total at 31 March 2011	**8.6**	**230.7**	**239.3**

19. Derivative Financial Instruments

Group and Company - Interest rate swaps	**2011 £m**	2010 £m
Current liabilities	**6.7**	-
Non-current liabilities	**244.9**	-
	251.6	-

A £550m portfolio of RPI linked interest rate swaps, previously held by a Viridian group company, was novated to the Company in December 2010. Under the swap arrangements, the Company pays an average fixed rate of interest of 2.38% indexed by RPI and receives a variable rate of interest based on LIBOR. RPI accretion is accounted for as interest in the Group Income Statement. The swaps have maturity dates between 2026 and 2036 (average maturity 2031) and have mandatory break dates on 22 December 2015.

At 31 March 2011 the fair value of interest rate swaps was a liability of £251.6m (2010 - £nil). During the year ended 31 March 2011, losses in respect of movements in the fair value of the swaps of £14.0m are included within finance costs in the income statement (2010 - £nil). Losses of £63.3m arising on the extension of the interest rate swaps immediately following the novation of the swaps to the Company are recognised in the Group and Company Statement of Changes in Equity.

The fair value of interest rate swaps has been valued by calculating the present value of future cash flows, estimated using forward rates from third party market price quotations.

The Company uses the hierarchy as set out in IFRS 7 Financial Instruments: Disclosures for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of interest rate swaps as at 31 March 2011 is considered by the Company to fall within the level 2 fair value hierarchy. There have been no transfers between level 1 or 3 of the hierarchy during the current year.

At 31 March 2011, the Company is exposed to future changes in the fair value of unsettled interest rate swaps. An increase / (decrease) of 0.5% in interest rates would decrease / (increase) the fair value of interest rate swap liabilities by £66.3m / (£72.3m) (2010 - £nil.) These sensitivities are based on an assessment of market rate movements during the year and each is considered to be a reasonably possible range.

20. Financial Liabilities

Group and Company	2011 £m	2010 £m
Current		
Interest payable on Eurobond	**6.4**	6.4
Amounts owed to Viridian group undertakings	**-**	317.6
	6.4	324.0
Non-current		
Eurobond	**173.6**	173.5
Amounts owed to ESB group undertakings	**109.6**	-
	283.2	**173.5**

Loans and other borrowings outstanding are repayable as follows:

Group and Company	2011 £m	2010 £m
In one year or less or on demand	**6.4**	324.0
Between two and five years	**109.6**	-
In more than five years	**173.6**	173.5
	289.6	497.5

The Group's objectives, policies and strategies in respect of financial liabilities and capital management are disclosed on pages 17-18 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 Viridian group undertakings were repaid during the year. The weighted average interest rate during the year was 2.55% (2010 - 2.62%);
- amounts owed to ESB group undertakings are repayable in 2015. The weighted average interest rate during the year was 2.45% (2010 - nil%)

With the exception of the Eurobond which had a fair value at 31 March 2011 of £194.6m (2010 - £189.1m) 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 £0.5m (2010 - £1.6m); a decrease of 0.25% would reduce the interest charged to the Group Income Statement by £0.3m (2010 - £0.8m). Based on average borrowings, an increase of 0.5% in effective interest rates would increase the interest charged to the Group Income Statement by £1.3m (2010 - £1.6m); a decrease of 0.25% would reduce the interest charged to the Group Income Statement by £0.7m (2010 - £0.8m).

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

At 31 March 2011 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	36.2	**96.3**
Eurobond	-	-	-	-	175.0	**175.0**
Amounts owed to ESB undertakings	-	-	-	109.6	-	**109.6**
Trade and other payables	33.2	50.4	-	-	-	**83.6**
Interest rate swap liabilities	**-**	3.9	2.9	542.1	-	**548.9**
	33.2	**54.3**	**14.9**	**699.8**	**211.2**	**1,013.4**

20. Financial Liabilities (continued)

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**

21. Analysis of Net Debt

Group and Company	**At 1 April 2010** **£m**	**Cash flow** **£m**	**Non cash movement** **£m**	**At 31 March 2011** **£m**
Cash and cash equivalents	**0.2**	0.4	-	**0.6**
Interest payable on Eurobond	**(6.4)**	(12.0)	12.0	**(6.4)**
Amounts owed to Viridian undertakings	**(317.6)**	149.5	168.1	**-**
Amounts owed to ESB undertakings	**-**	(172.9)	63.3	**(109.6)**
Eurobond	**(173.5)**	-	(0.1)	**(173.6)**
	(497.3)	(35.0)	243.3	**(289.0)**

22. Provisions

Group and Company	**Environment** **£m**	**Liability and damage claims** **£m**	**Other** **£m**	**Total** **£m**
Current	0.4	0.9	0.4	1.7
Non-current	4.6	2.9	-	7.5
Total at 1 April 2010	**5.0**	**3.8**	**0.4**	**9.2**
Applied in the year	-	(0.5)	-	(0.5)
Increase in provisions	-	0.8	-	0.8
Release to income statement	-	-	-	-
Unwinding of discount	-	-	-	-
Current	0.4	0.8	0.4	1.6
Non-current	4.6	3.3	-	7.9
Total at 31 March 2011	**5.0**	**4.1**	**0.4**	**9.5**

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 Northern Ireland Electricity Pension Scheme (NIEPS), previously called Viridian Group Pension Scheme (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 NIEPS, have provided a valuation of Focus under IAS 19 as at 31 March 2011 based on the following assumptions (in nominal terms) and using the projected unit method.

	2011	2010
Rate of increase in pensionable salaries	**3.90% per annum**	4.45% per annum
Rate of increase in pensions in payment	**2.50% per annum**	3.45% per annum
Discount rate	**5.65% per annum**	5.60% per annum
Inflation assumption *	**2.50% per annum**	3.45% per annum
Life expectancy:		
Current pensioners (at age 60) - males	**25.0 years**	25.0 years
Current pensioners (at age 60) - females	**27.7 years**	27.7 years
Future pensioners (at age 60) - males	****26.7 years**	**26.7 years
Future pensioners (at age 60) - females	****29.4 years**	**29.4 years

* The inflation and pension increase assumptions are measured with reference to RPI at 31 March 2010 and to CPI at 31 March 2011.

** 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 2011 shows a net pension liability relating to continuing operations (before deferred tax) of £40.6m (2010 - £136.2m). A 0.5% increase/decrease in the assumed discount rate would decrease/increase the net pension liability by £48.0m (2010 - £45.8m). A 0.5% increase/decrease in the assumed inflation rate would increase/decrease the net pension liability by £44.0m (2010 - £43.8m). A one year increase/decrease in life expectancy would increase/decrease the net pension liability by £19m (2010 - £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 2011 £m	**Expected rate of return %**	Value at 31 March 2010 £m	Expected rate of return %
Equities	**264.0**	**7.6**	210.3	7.7
Bonds	**437.7**	**4.8**	314.7	5.0
Other	**3.8**	**4.4**	19.4	4.5
Total market value of assets	**705.5**		544.4	
Actuarial value of liabilities	**(746.1)**		(680.6)	
Net pension liability	**(40.6)**		(136.2)	

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 and Company	**2011 £m**	2010 £m
Market value of assets at 1 April	**544.4**	449.9
Expected return	**31.2**	25.0
Contributions from employer	**9.0**	10.0
Contributions from scheme members	**0.2**	0.2
Benefits paid	**(33.5)**	(34.7)
Actuarial gain	**9.5**	88.4
Net transfer of assets in respect of former employees	**144.7**	-
Disposal of discontinued operations	**-**	5.6
Market value of assets at 31 March	**705.5**	544.4

Changes in the actuarial value of liabilities

Group and Company	**2011 £m**	2010 £m
Actuarial value of liabilities at 1 April	**680.6**	527.8
Interest cost	**37.2**	34.8
Current service cost	**2.3**	1.4
Curtailment loss	**-**	0.1
Contributions from scheme members	**0.2**	0.2
Benefits paid	**(33.5)**	(34.7)
Actuarial (gain) / loss	**(79.8)**	148.1
Net transfer of liabilities in respect of former employees	**139.1**	-
Disposal of discontinued operations	**-**	2.9
Actuarial value of liabilities at 31 March	**746.1**	680.6

Following completion of the sale of the Company by Viridian in December 2010, VGPS changed its name to NIEPS and most members of the scheme who were employed by subsidiary undertakings of the Viridian Group transferred to a new pension scheme. The net transfers of assets and liabilities in respect of former employees reflect the reallocation to the Group of scheme assets and liabilities which were previously allocated to other Viridian Group undertakings, net of assets and liabilities transferred to the new Viridian pension scheme. The net gain in respect of this transfer was £5.6m which is included within operating costs in the income statement.

The Group expects to make contributions of c£15.3m to Focus in 2011/12 comprising c£2.1m in respect of current service and £13.2m in respect of past service.

The Group's share of NIEPS 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 NIEPS net pension liability.

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

Group and Company	**2011 £m**	2010 £m
Current service cost	**(2.3)**	(1.4)
Curtailment loss	**-**	(0.1)
Net gain arising on transfer of assets and liabilities in respect of former employees	**5.6**	
Total operating credit/(charge)	**3.3**	(1.5)

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.

23. Pension Commitments (continued)

Analysis of the amount (charged) / credited to net pension scheme interest

Group and Company	2011 £m	2010 £m
Expected return on assets	**31.2**	25.0
Interest on liabilities	**(37.2)**	(34.8)
Net pension scheme interest	**(6.0)**	(9.8)

The actual return on Focus assets was £40.7m (2010 - £113.4m).

Analysis of amounts recognised in the Statement of Comprehensive Income

Group and Company	2011 £m	2010 £m
Actuarial gain on assets	**9.5**	88.4
Actuarial gain / (loss) on liabilities	**79.8**	(148.1)
Net actuarial gain / (loss)	**89.3**	(59.7)

The cumulative actuarial gains recognised in the Group and Company Statements of Comprehensive Income since 1 April 2004 are £50.8m and £44.9m respectively (2010 - actuarial losses of £38.5m and £44.4m). 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 Statement of Comprehensive Income shown before 1 April 2004.

History of experience gains and losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Group					
Experience gains / (losses) on assets	**163.4**	88.4	(92.6)	(28.5)	(22.8)
Experience losses on liabilities	**-**	(3.6)	(0.7)	(0.3)	(4.6)
Company					
Experience gains / (losses) on assets	**163.4**	88.4	(90.9)	(23.4)	(19.5)
Experience losses on liabilities	**-**	(3.6)	(0.7)	(0.3)	(3.9)

At 31 March	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Market value of assets	**705.5**	**544.4**	449.9	532.9	574.4
Actuarial value of liabilities	**(746.1)**	**(680.6)**	(527.8)	(586.7)	(647.8)
Net pension liability	**(40.6)**	**(136.2)**	(77.9)	(53.8)	(73.4)

24. Share Capital and Equity

	2011 **£m**	2010 £m
Share capital	**36.4**	36.4
Share premium	**24.4**	24.4
Capital redemption reserve	**6.1**	6.1
Accumulated profits	**126.5**	21.2
	193.4	88.1

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

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

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

Allotted and fully paid share capital:	**2011** **£m**	2010 £m
145,566,431 ordinary shares of 25p each	**36.4**	36.4

25. Lease Obligations

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

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

	2011 **£m**	2010 £m
Within one year	**0.4**	0.5
After one year but not more than five years	**1.6**	1.7
More than five years	**5.0**	5.3
	7.0	7.5

26. Commitments and Contingent Liabilities

(i) Capital commitments

At 31 March 2011 the Group and Company had contracted future capital expenditure in respect of property, plant and equipment of £6.2m (2010 - £9.4m) and computer software assets of £12.7m (2010 - £nil).

(ii) Contingent liabilities

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:

	2011 £m	2010 £m
Salaries and short-term employee benefits	**0.8**	0.5
Other long-term benefits	**0.2**	0.2
	1.0	0.7

Group

Until 21 December 2010 the immediate parent undertaking of the Group was Viridian Group Limited and the parent of the smallest and largest group of which the Company was a member and for which group accounts were prepared was Viridian Group Holdings Limited. From that date the immediate parent undertaking of the Group and the ultimate parent company in the UK is ESBNI Limited (ESBNI). The ultimate parent undertaking and controlling party of the Group and the parent of the smallest and largest group of which the Company is a member and for which group accounts are prepared is Electricity Supply Board (ESB), a statutory corporation established under the Electricity (Supply) Act 1927 domiciled in the Republic of Ireland. A copy of ESB's accounts is available from 27 Lower Fitzwilliam Street, Dublin 2.

27. Related Party Disclosures (continued)

Subsidiaries of ESB undertakings are related parties of the Group and are listed below:

NIE Powerteam Ltd
Powerteam Electrical Services Ltd
Powerteam Electrical Services (UK) Ltd
Capital Pensions Management Ltd
ESBNI Ltd
ESB Energy International Ltd
ESBI Engineering and Facility Management Ltd
ESBI Engineering Overseas Ltd
ESBI Contracting Ltd
ESBI Consultants Ltd
ESBI Computing Ltd
ESB International Ltd
ESBII Technology and Construction Ltd
Elfinance Ltd
ESB International Investments Ltd
ESBI Contracts Engineering Ltd
ESB Financial Enterprises Ltd
ESB Independent Energy Ltd
ESB Independent Energy NI Ltd
ESB Contracts Ltd
Canal Construction Ltd
ESB Power Generation Holding Company Ltd
Gort Windfarms Ltd
Crockahenny Wind Farm Ltd
Utilities O&M Services Ltd
Hibernian Wind Power Ltd
ESB Retail Ltd
ESB Telecoms Ltd
ESBI Facility Management Espana S.L.
ESBI Engineering UK Ltd
Electricity Supply Board Services B.V.
Electricity Supply Board International Investments B.V.
Coolkeeragh ESB Ltd
ESBII UK Ltd
ESBI International Luxembourg S.A.
Power Generation Technology Snd. Bhd.
Facility Management UK Ltd
ESBI Georgia Ltd
Financelectric
ESBI Engineering Overseas Ltd

Marchwood Power Development Ltd
Menloe Two Ltd
Menloe Investments Ltd
Centrum Power Ltd
Asturias Generation de Electricidad S.L.
Mountain Lodge Power Ltd
Tullynahaw Power Ltd
Boleywind Ltd
Blackwind Ltd
Kobai Ltd
Orliven Ltd
Cappawhite Ltd
Waterfern Ltd
Seltan One Ltd
Hunter's Hill Wind Farm Ltd
ESB Wind Development Ltd
ESB Wind Development UK Ltd
ESB Commercial Properties Ltd
Crockagarran Windfarm Ltd
West Durham Wind Farm Ltd
West Durham Wind Farm Holdings Ltd
West Durham Wind Farm Holdings 2 Ltd
Devon Wind Power Ltd
Synergen Power Ltd
ESB Novusmodus GP Ltd
Airvolution Energy Ltd (UK)
ESB Networks Ltd
ESB 1927 Properties Ltd
ESBI Carbon Solutions Ltd
ESB Independent Generation Trading Ltd
ESBI Energía España S.L.
Carrington Power Ltd
ESB Finance Ltd
Cambrian Renewable Energy Ltd
EC02 Cambrian Ltd
Curryfree Wind Farm Ltd
Mount Eagle Wind Farm Ltd
ESB ESOP Trustee Ltd
Garvagh Glebe Wind Farm Ltd

Principal subsidiaries of Viridian Group Holdings Limited were also related parties during the year 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

Related parties of the Company also include the subsidiaries listed in note 1.

27. Related Party Disclosures (continued)

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

	Ordinary dividends paid £m	Interest (paid)/ received £m	Revenue from related party £m	Charges from related party £m	Other transactions with 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 2011							
Viridian	**-**	**(6.0)**	**-**	**-**	**168.1**	**-**	**-**
Viridian subsidiaries	**-**	**-**	**114.5**	**(64.5)**	**-**	**-**	**-**
ESBNI	**-**	**(0.8)**	**-**	**-**	**63.3**	**-**	**109.6**
ESB subsidiaries	**-**	**-**	**5.9**	**(13.8)**	**-**	**1.8**	**5.7**
	-	**(6.8)**	**120.4**	**(78.3)**	**231.4**	**1.8**	**115.3**
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

There are no 'amounts owed to' or 'amounts owed by' related parties in respect of ESB as at 31 March 2010 nor in respect of Viridian as at 31 March 2011 as they were not related parties as at those respective dates. Revenue and charges from Viridian undertakings and ESB undertakings relate to the period 1 April 2010 to 21 December 2010 and 21 December 2010 to 31 March 2011 respectively.

Interest received from and paid to Viridian and ESB undertakings reflects floating interest rates based on LIBOR. Outstanding balances with subsidiaries are unsecured. Intra-group loan balances are repayable in 2015 while current account balances are settled on a monthly basis. Amounts owed to related parties primarily arise from transactions relating to regulated sales to Viridian subsidiaries, ESB subsidiaries and utility contracting services purchased from and loan amounts owed to ESB subsidiaries. Transactions with Viridian and ESB group undertakings are determined on an arm's length basis.

Other transactions with related parties relate to the novation of RPI swaps explained in note 19 and waiver of an intra-group loan of £63.3m owed to ESB.

Other related parties
During the year the Company contributed £9.4m (2010 - £10.3m) to NIEPS.