# Northern Ireland Electricity
# (The NIE Transmission, Distribution and Landbank Businesses)
# 31 March 2011

## Summary Regulatory Accounts

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## IMPORTANT NOTE AND STATEMENT OF DIRECTORS' RESPONSIBILITIES

The summary regulatory accounts have been extracted from the full regulatory accounts for the year ended 31 March 2011, prepared by Northern Ireland Electricity Limited (the Company) for submission to the Northern Ireland Authority for Utility Regulation (NIAUR) in accordance with Condition 2 of the Company's licence to participate in the transmission of electricity (the Licence). For further information the full regulatory accounts and the auditors' report on those accounts should be consulted. The auditor has issued an unqualified report on the full regulatory accounts. All references in the accounts to "NIE" denote the Company's Transmission Owner, Distribution and Landbank businesses. All income, expenditure, assets and liabilities of NIE's Transmission Owner Business and Distribution Business taken together have been split between the Transmission Owner Business and the Distribution Business in the ratio 18% to 82%, which is in line with the allocation used in use of system and transmission services charge tariff setting for core entitlement.

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

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

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

## INDEPENDENT AUDITORS' STATEMENT TO THE DIRECTORS OF NORTHERN IRELAND ELECTRICITY LIMITED (NIE OR THE COMPANY)

We have examined the summary regulatory accounts of NIE for the year ended 31 March 2011 which comprise the Income Statement, Net Asset Statement, Cash Flow Statement and the related notes 1 to 14.

This statement is made solely to the Company's directors, as a body. Our audit work has been undertaken so that we might state to the Company's directors those matters we are required to state to them in an auditors' statement 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 its directors as a body, for our work, for this statement or for the opinion we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation and submission of the summary regulatory accounts to NIAUR as required by the Licence.

Our responsibility is to report to you our opinion on the consistency of the summary regulatory accounts with the full regulatory accounts.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the full regulatory accounts describes the basis of our opinion on those financial statements.

## OPINION

In our opinion the summary regulatory accounts are consistent with the full regulatory accounts for the year ended 31 March 2011.

Ernst & Young LLP
Belfast

Date:

**NORTHERN IRELAND ELECTRICITY**
**Summary Regulatory Accounts**
**31 March 2011**

## INCOME STATEMENT
## for the year ended 31 March 2011

| | Note | Transmission | | Distribution | | Landbank | |
|---|---|---|---|---|---|---|---|
| | | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m |
| **Revenue** | | | | | | | |
| Sales to NIE Energy Supply[1] | | **23.0** | 19.2 | **104.7** | 87.6 | **-** | - |
| Sales to NIE Energy PPB | | **0.1** | 12.0 | **0.3** | 54.8 | **-** | - |
| Sales to other Viridian Group Companies[2] | | **2.7** | 2.3 | **12.4** | 10.2 | **-** | - |
| | | **25.8** | 33.5 | **117.4** | 152.6 | **-** | - |
| Sales to ESB group undertakings | | **1.1** | - | **4.9** | - | **-** | - |
| External sales[3] | | **12.8** | 10.1 | **58.7** | 45.7 | **-** | 0.2 |
| Sales to NIE businesses | | **-** | - | **0.1** | 0.1 | **0.1** | - |
| Amortisation of customer contributions | | **1.4** | 1.3 | **6.4** | 6.0 | **-** | - |
| 'K' correction PSO | | **3.1** | (0.2) | **13.9** | (0.7) | **-** | - |
| 'K' correction UoS | | **2.3** | (0.9) | **10.3** | (4.0) | **-** | - |
| | | **6.8** | 0.2 | **30.7** | 1.4 | **-** | - |
| **Total Revenue** | | **46.5** | 43.8 | **211.7** | 199.7 | **0.1** | 0.2 |
| Operating costs | 3 | **(28.9)** | (24.4) | **(131.5)** | (111.4) | **(0.1)** | (0.2) |
| **OPERATING PROFIT** | | **17.6** | 19.4 | **80.2** | 88.3 | **-** | - |
| Interest receivable | | **-** | - | **-** | 0.1 | **-** | - |
| Finance costs | | **-** | - | **0.2** | (0.1) | **-** | - |
| Net pension scheme interest | | **(0.9)** | (1.5) | **(4.2)** | (6.6) | **-** | - |
| Net finance costs | | **(0.9)** | (1.5) | **(4.0)** | (6.6) | **-** | - |
| **PROFIT FROM OPERATING ACTIVITIES BEFORE TAX CHARGE** | | **16.7** | 17.9 | **76.2** | 81.7 | **-** | - |

1 Sales to NIE Energy Supply and NIE Energy PPB represent the full year sales
2 Sales to other Viridian Group Companies in 2011 relate to the period 1 April 2010 to 21 December 2010
3 External sales in 2011 include sales to Viridian Group Companies from 21 December 2010 to 31 March 2011

**NORTHERN IRELAND ELECTRICITY**
**Summary Regulatory Accounts**
**31 March 2011**

**NET ASSET STATEMENT AS AT 31 MARCH 2011**

| | Note | Transmission | | Distribution | | Landbank | |
|---|---|---|---|---|---|---|---|
| | | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 4 | **201.6** | 191.3 | **918.6** | 871.6 | **-** | - |
| Intangible assets | 5 | **7.6** | 6.9 | **34.7** | 31.6 | **-** | - |
| Deferred tax asset | 6 | **-** | - | **-** | - | **3.9** | 4.7 |
| Financial assets | 9 | **-** | - | **-** | 0.1 | **-** | - |
| | | **209.2** | 198.2 | **953.3** | 903.3 | **3.9** | 4.7 |
| **Current assets** | | | | | | | |
| Inventories | 7 | **0.9** | 1.1 | **4.2** | 4.9 | **-** | - |
| Trade and other receivables | 8 | **9.6** | 7.8 | **43.6** | 35.5 | **-** | 0.1 |
| Financial assets | 9 | **34.3** | 34.7 | **156.2** | 158.2 | **-** | - |
| Cash and cash equivalents | 10 | **-** | - | **-** | 0.2 | **-** | - |
| | | **44.8** | 43.6 | **204.0** | 198.8 | **-** | 0.1 |
| **TOTAL ASSETS** | | **254.0** | 241.8 | **1,157.3** | 1,102.1 | **3.9** | 4.8 |
| **Current liabilities** | | | | | | | |
| Trade and other payables | 11 | **16.0** | 17.9 | **72.7** | 81.5 | **-** | 1.2 |
| Deferred income | 12 | **1.5** | 1.4 | **6.7** | 6.4 | **-** | - |
| Financial liabilities | 13 | **-** | - | **-** | - | **-** | 1.0 |
| Short-term provisions | 14 | **0.2** | 0.2 | **1.0** | 1.0 | **0.4** | 0.4 |
| | | **17.7** | 19.5 | **80.4** | 88.9 | **0.4** | 2.6 |
| **Non-current liabilities** | | | | | | | |
| Deferred income | 12 | **41.6** | 39.5 | **189.5** | 179.8 | **-** | - |
| Financial liabilities | 13 | **-** | - | **-** | - | **2.1** | - |
| Deferred tax liability | 6 | **16.8** | 16.6 | **76.4** | 75.5 | **-** | - |
| Long-term provisions | 14 | **0.4** | 0.3 | **2.1** | 1.8 | **0.3** | 0.3 |
| Pension liability | | **5.7** | 20.6 | **26.0** | 94.0 | **-** | - |
| | | **64.5** | 77.0 | **294.0** | 351.1 | **2.4** | 0.3 |
| **TOTAL LIABILITIES** | | **82.2** | 96.5 | **374.4** | 440.0 | **2.8** | 2.9 |
| **NET ASSETS** | | **171.8** | 145.3 | **782.9** | 662.1 | **1.1** | 1.9 |

The accounts on pages 5 -16 were approved by the Company's Board of directors and signed on its behalf by:

Director:

Date:

**NORTHERN IRELAND ELECTRICITY**
**Summary Regulatory Accounts**
**31 March 2011**

**CASH FLOW STATEMENT**
**for the year ended 31 March 2011**

| | Transmission | | Distribution | | Landbank | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| **Cashflows from operating activities:** | | | | | | |
| Profit before tax | **6.7** | 17.9 | **76.2** | 81.7 | **-** | - |
| Adjustments for: | | | | | | |
| Net finance costs | **0.9** | 1.5 | **4.0** | 6.6 | **-** | - |
| Depreciation of property, plant and equipment | **7.7** | 7.4 | **35.1** | 33.4 | **-** | - |
| Amortisation of customer contributions | **(1.5)** | (1.4) | **(6.7)** | (6.4) | **-** | - |
| Amortisation of intangible assets | **0.9** | 1.0 | **4.3** | 4.5 | **-** | - |
| Contributions in respect of property, plant and equipment | **3.7** | 2.7 | **16.7** | 12.1 | **-** | - |
| Loss on disposal of property, plant and equipment | **-** | - | **-** | 0.1 | **-** | - |
| Defined benefit pension charge less contributions paid | **(1.2)** | (1.4) | **(5.5)** | (6.2) | **-** | - |
| Net gain arising on pension transfer | **(1.0)** | - | **(4.6)** | - | **-** | - |
| Net movement in provisions | **0.1** | - | **0.3** | 0.4 | **-** | (2.8) |
| **Operating cash flows before movement in working capital** | **26.3** | 27.7 | **119.8** | 126.2 | **-** | (2.8) |
| Decrease/ (increase) in working capital | **(4.3)** | 1.7 | **(19.9)** | 7.9 | **(1.1)** | - |
| **Cash generated from/ (used in) operations** | **22.0** | 29.4 | **99.9** | 134.1 | **(1.1)** | (2.8) |
| Interest received | **-** | - | **-** | 0.1 | **-** | - |
| Interest paid | **-** | - | **-** | - | **-** | - |
| **Net cash flows from/(used in) operating activities** | **22.0** | 29.4 | **99.9** | 134.2 | **(1.1)** | (2.8) |
| **Cash flows from investing activities:** | | | | | | |
| Purchase of property, plant and equipment | **(17.8)** | (16.6) | **(80.9)** | (75.7) | **-** | - |
| Purchase of intangible assets | **(1.0)** | - | **(4.6)** | (0.2) | **-** | - |
| Loans made to fellow NIE undertakings | **(3.2)** | (13.1) | **(14.6)** | (59.4) | **-** | - |
| **Net cash flows used in investing activities** | **(22.0)** | (29.7) | **(100.1)** | (135.3) | **-** | - |
| **Cash flows from financing activities:** | | | | | | |
| Proceeds from borrowings | **-** | - | **-** | - | **1.1** | 2.8 |
| **Net cash flows from financing activities** | **-** | - | **-** | - | **1.1** | 2.8 |
| Net (decrease)/increase in cash and cash equivalents | **-** | (0.3) | **(0.2)** | (1.1) | **-** | - |
| Cash and cash equivalents at the beginning of year | **-** | 0.3 | **0.2** | 1.3 | **-** | - |
| **Cash and cash equivalents at the end of year** | **-** | - | **-** | 0.2 | **-** | - |

## 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.

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.

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 Company has adopted IFRIC 18 'Transfers of Assets from Customers' during the period. 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 previous years' 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 Cash Flow Statement for the year ended 31 March 2010 are now included in 'cash generated from operations' in the Cash Flow Statement.

The following amendments to existing standards and interpretations were effective for the current period, but did not have a material impact on the Company's statutory or regulatory 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 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) |

**2. ACCOUNTING POLICIES** (continued)

| | |
|---|---|
| IFRS 1 (revised) | Limited exemption from comparative IFRS 7 disclosures (effective for accounting periods beginning on or after 1 July 2010) |
| 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 Company's statutory and regulatory accounts in the period of initial application, the adoption of the standards and interpretations may result in certain changes in the presentation of the statutory and regulatory accounts from 2012 onwards.

The principal accounting policies are set out below:

**Basis of preparation**
The accounts are prepared on the basis of the accounting policies set out below which are consistent with the policies adopted in the Company's statutory accounts.

**Foreign currency translation**
The functional and presentation currency of the Company is Sterling (£).

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

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

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

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

*Derivative financial instruments*
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.

**2. ACCOUNTING POLICIES** (continued)

**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.

**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 Company 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 Public Service Obligation (PSO) revenue*
Revenue is recognised on the basis of units distributed during the period. Revenue includes an assessment of the volume of electricity distributed, estimated using historical consumption patterns.

*Transmission service revenue*
Revenue is recognised in accordance with the schedule of entitlement set by NIAUR 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 Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax payable or recoverable on differences between the carrying amount of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

## 2. ACCOUNTING POLICIES (continued)

**Tax** (continued)
Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

**Pensions and other post-retirement benefits**
Employees of the Company are entitled to membership of Northern Ireland Electricity Pension Scheme (previously known as Viridian Group Pension Scheme), 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.

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 finance costs.

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

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

## 3. OPERATING COSTS

| | Transmission | | Distribution | | Landbank | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| Staff costs | **1.4** | 1.5 | **6.3** | 6.7 | **-** | - |
| Depreciation and amortisation | **8.6** | 8.3 | **39.0** | 37.5 | **-** | - |
| NIE Energy Supply charges | **1.4** | 1.6 | **6.5** | 7.6 | **-** | - |
| NIE Energy PPB charges | **8.0** | 2.8 | **36.3** | 12.7 | **-** | - |
| NIE Corporate charges | **0.7** | - | **3.0** | - | **-** | - |
| NIE Transmission and Distribution (T&D) charges | **-** | - | **-** | - | **0.1** | 1.4 |
| Landbank charges / (credit) | **-** | (0.2) | **0.1** | (1.1) | **-** | - |
| Net gain on transfer of defined benefit plan | **(1.0)** | - | **(4.6)** | - | **-** | - |
| Other operating costs / (credit) | **9.8** | 10.4 | **44.9** | 48.0 | **-** | (1.2) |
| | **28.9** | 24.4 | **131.5** | 111.4 | **0.1** | 0.2 |

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Transmission | Distribution | Landbank |
|---|---|---|---|
| | £m | £m | £m |
| **Cost:** | | | |
| At 1 April 2010 | 299.7 | 1,365.3 | - |
| Additions | 18.0 | 82.1 | - |
| Disposals | | | |
| At 31 March 2011 | 317.7 | 1,447.4 | - |
| **Depreciation:** | | | |
| At 1 April 2010 | 108.4 | 493.7 | - |
| Charge for year | 7.7 | 35.1 | - |
| Disposals | - | - | |
| At 31 March 2011 | 116.1 | 528.8 | - |
| **Net Book Value:** | | | |
| At 1 April 2010 | 191.3 | 871.6 | - |
| At 31 March 2011 | **201.6** | **918.6** | - |

## 5. INTANGIBLE ASSETS

| | Transmission | Distribution | Landbank |
|---|---|---|---|
| | £m | £m | £m |
| **Cost:** | | | |
| At 1 April 2010 | 11.2 | 51.1 | - |
| Additions | 1.6 | 7.4 | - |
| At 31 March 2011 | 12.8 | 58.5 | - |
| **Amortisation:** | | | |
| At 1 April 2010 | 4.3 | 19.5 | - |
| Amortisation charge for year | 0.9 | 4.3 | - |
| At 31 March 2011 | 5.2 | 23.8 | - |
| **Net Book Value:** | | | |
| At 1 April 2010 | 6.9 | 31.6 | - |
| At 31 March 2011 | **7.6** | **34.7** | **-** |

## 6. DEFERRED TAX

| | Transmission | | Distribution | | Landbank | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| **Deferred tax assets** | | | | | | |
| At 1 April | **-** | - | **-** | - | **4.7** | 4.7 |
| (Decrease) in provision | **-** | - | **-** | - | **(0.8)** | - |
| At 31 March | **-** | - | **-** | - | **3.9** | 4.7 |
| **Deferred tax liabilities** | | | | | | |
| At 1 April | **16.6** | 18.5 | **75.5** | 84.0 | **-** | - |
| Increase/(Decrease) in provision | **0.2** | (1.9) | **0.9** | (8.5) | **-** | - |
| At 31 March | **16.8** | 16.6 | **76.4** | 75.5 | **-** | - |

## 7. INVENTORIES

| | Transmission | | Distribution | | Landbank | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| Materials and consumables | **0.7** | 0.7 | **3.1** | 3.1 | **-** | - |
| Work in progress | **0.2** | 0.4 | **1.1** | 1.8 | **-** | - |
| | **0.9** | 1.1 | **4.2** | 4.9 | **-** | - |

## 8. TRADE AND OTHER RECEIVABLES

| | Transmission | | Distribution | | Landbank | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| Trade receivables (incl unbilled consumption) | **5.0** | 1.9 | **22.3** | 8.4 | **-** | 0.1 |
| Other receivables | **0.1** | - | **0.6** | 0.3 | **-** | - |
| Amounts owed by Viridian group undertakings | **-** | 5.8 | **-** | 26.5 | **-** | - |
| Amounts owed by ESB group undertakings | **0.3** | - | **1.5** | - | **-** | - |
| Prepayments and accrued income | **0.4** | 0.1 | **1.8** | 0.3 | **-** | - |
| K Correction under-recovery | **3.8** | - | **17.4** | - | **-** | - |
| | **9.6** | 7.8 | **43.6** | 35.5 | **-** | 0.1 |

## 9. FINANCIAL ASSETS

| | Transmission | | Distribution | | Landbank | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| **Non-current** | | | | | | |
| Loan receivables | **-** | - | **-** | 0.1 | **-** | - |
| **Current** | | | | | | |
| Intra-group loans | **34.3** | 34.7 | **156.2** | 158.0 | **-** | - |
| Loan receivables | **-** | - | **-** | 0.2 | **-** | - |
| | **34.3** | 34.7 | **156.2** | 158.2 | **-** | - |

## 10. CASH AND CASH EQUIVALENTS

| | Transmission | | Distribution | | Landbank | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| Cash at bank and in hand | **-** | - | **-** | 0.2 | - | - |
| | **-** | - | **-** | 0.2 | - | - |

## 11. TRADE AND OTHER PAYABLES

| | Transmission | | Distribution | | Landbank | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| Trade payables | **3.2** | 1.2 | **14.8** | 5.6 | **-** | 0.1 |
| Other payables | **0.2** | - | **0.2** | 0.1 | **-** | - |
| Payments received on account | **6.6** | 5.0 | **30.3** | 22.8 | **-** | - |
| Amounts owed to Viridian group undertakings | **-** | 5.9 | **-** | 26.6 | **-** | 0.7 |
| Amounts owed to ESB group undertakings | **1.0** | - | **4.8** | - | **-** | - |
| Taxation and social security | **1.0** | 0.4 | **4.5** | 1.8 | **-** | - |
| Accruals | **4.0** | 3.9 | **18.1** | 17.8 | **-** | 0.4 |
| K correction over-recovery | **-** | 1.5 | **-** | 6.8 | **-** | - |
| | **16.0** | 17.9 | **72.7** | 81.5 | **-** | 1.2 |

## 12. DEFERRED INCOME

| | Transmission £m | Distribution £m | Landbank £m |
|---|---|---|---|
| Current | 1.4 | 6.4 | - |
| Non-current | 39.5 | 179.8 | - |
| Total at 31 March 2010 | 40.9 | 186.2 | - |
| Receivable | 3.7 | 16.7 | - |
| Released to income statement | (1.5) | (6.7) | - |
| Current | 1.5 | 6.7 | - |
| Non-current | 41.6 | 189.5 | - |
| **Total at 31 March 2011** | **43.1** | **196.2** | **-** |
| Deferred income at 31 March 2011 comprises: | | | |
| Grants | 1.6 | 7.1 | - |
| Customer contributions | 41.5 | 189.1 | - |
| | **43.1** | **196.2** | **-** |

## 13. FINANCIAL LIABILITIES

| | Transmission | | Distribution | | Landbank | |
|---|---|---|---|---|---|---|
| | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m | **2011 £m** | 2010 £m |
| **Current** | | | | | | |
| Amounts owed to fellow Viridian undertakings | **-** | - | **-** | - | **-** | 1.0 |
| **Non Current** | | | | | | |
| Amounts owed to fellow ESB undertakings | **-** | - | **-** | - | **2.1** | - |

## 14. PROVISIONS

| | Transmission £m | Distribution £m | Landbank £m |
|---|---|---|---|
| Current | 0.2 | 1.0 | 0.4 |
| Non-current | 0.3 | 1.8 | 0.3 |
| Total at 1 April 2010 | 0.5 | 2.8 | 0.7 |
| Applied in the year | (0.1) | (0.4) | - |
| Increase in provision | 0.2 | 0.7 | - |
| Current | 0.2 | 1.0 | 0.4 |
| Non-current | 0.4 | 2.1 | 0.3 |
| **Total at 31 March 2011** | **0.6** | **3.1** | **0.7** |
| *Provisions at 31 March 2011 comprise:* | | | |
| Reorganisation and restructuring | 0.1 | 0.4 | - |
| Environmental | 0.1 | 0.4 | 0.7 |
| Liability and damage claims | 0.4 | 2.3 | - |
| | **0.6** | **3.1** | **0.7** |