Viridian Group Investments Limited

Annual Report and Accounts
For the year ended 31 March 2012

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GROUP FINANCIAL HIGHLIGHTS

Underlying Business Results[1]

- Group pro-forma Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased to £113.7m[3] (2011 - £100.9m)[3]

- Group pro-forma operating profit increased to £89.3m (2011 - £75.5m)

UK GAAP Results[2]

- Turnover decreased to £1,731.0m (2011 - £1,808.2m)

- Operating profit before goodwill amortisation/impairment decreased to £74.7m (2011 - £96.7m)

[1] Based on regulated entitlement from continuing operations and before goodwill amortisation and exceptional items.
[2] Based on continuing operations and before exceptional items.
[3] Continuing operations pro-forma operating profit (pre exceptional items) £89.3m (2011 - £75.5m) with an add-back for depreciation/amortisation £24.4m (2011 - £25.4m).

DIRECTORS' REPORT

OPERATING REVIEW

All references in this document to 'Group' denote Viridian Group Investments Limited and its subsidiary undertakings and to 'Company' denote Viridian Group Investments Limited, the parent company.

Principal Activities

The principal activity of the Company is that of a holding company. The Group's operating businesses and principal activities comprise:

- Energia Group (previously Viridian Power & Energy (VP&E)) - a vertically integrated energy business consisting of competitive electricity supply to business customers in both Northern Ireland and the Republic of Ireland (RoI) through Energia, its retail supply business, backed by electricity generation from its two Huntstown CCGT plants, and long-term Power Purchase Agreements (PPAs) with third-party renewable generators (including wind generation assets originally wholly owned by the Group). The Energia Group also supplies natural gas to business customers, principally in the RoI; and

- Power NI Energy (previously NIE Energy) - supply of electricity primarily to residential customers in Northern Ireland through Power NI (previously NIE Energy Supply) and power procurement through PPB.

On 14 March 2012 the Group completed the refinancing of its Senior bank facility through the issuance of 5 year Senior secured notes due April 2017.

As part of the refinancing, the Group effected a restructuring of the operating and in-construction windfarms in which the Energia Group had a direct investment. This involved the sale of 100% of its shares in Viridian Resources Limited (VRL) and 50% of its shares in Eco Wind Power Limited (EWP) to an affiliated entity (Windco) under the control of a subsidiary of the Group's intermediate parent undertaking, ElectricInvest I Limited. Energia Group has retained existing PPAs with the disposed windfarms and intends to develop its pipeline of further windfarms which were not part of the disposal.

On 15 June 2012 the sale of 80% of VRL and 75% of EWP (comprising Windco's 50% holding together with 25% owned by the Group) to AMP Capital Investors (UK) Limited was completed. The immediately available proceeds have been used to repay a bridge loan owing by Windco and to make a c£24m (based on prevailing Sterling/Euro exchange rates) prepayment on the Junior bank facility A loan owing by the Group's immediate parent undertaking, Viridian Group Holdings Limited. Further proceeds becoming available at completion of the development of the in-construction windfarms or otherwise arising will be used to make further prepayments of Junior bank facility A when and to the extent they may become available. Also on 15 June, the remaining 20% of VRL was transferred back to Viridian Power & Energy Holdings Limited (VPEHL).

Strategy

The Group's strategy is focused on leveraging its integrated business model to maintain and enhance its position as a leading independent all-island energy utility and to capture available margin arising in all parts of the value chain in all its businesses, both regulated and unregulated. Management is focused on the following five strategic objectives underpinning Viridian's strategy:

- improve profitability and maintain stable cash flows;
- maintain high availability of generation plants;
- continue to drive growth through expansion in renewables;
- focus on customer retention; and
- maintain active engagement with regulators and key lobby groups.

Key Performance Indicators

The Group has 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 financial KPIs are:

- Energia Group EBITDA and operating profit excluding wind farm assets (pre exceptional items); and
- Power NI Energy pro-forma EBITDA and operating profit based on regulated entitlement (pre exceptional items).

The Group's financial KPIs are shown below:

	2012 £m	2011 £m
Energia Group EBITDA excluding wind farm assets (pre exceptional items)[2]	**85.9**	76.8
Energia Group operating profit excluding wind farm assets (pre exceptional items)[1]	**64.0**	53.3
Power NI Energy pro-forma EBITDA and operating profit[3]	**25.3**	25.0

[1]Energia Group EBITDA (pre exceptional items) £91.3m (2011 - £79.0m) less depreciation/amortisation £24.4m (2011 - £25.4m) less operating profit from renewable windfarm assets £2.9m (2011 - £0.3m).
[2]As shown in note 3 to the accounts less EBITDA from renewable windfarm assets £5.4m (2011 - £2.2m).

[3]As shown in note 3 to the accounts

Financial KPIs

Energia Group EBITDA excluding wind farm assets (pre exceptional items) increased to £85.9m (2011 - £76.8m) reflecting increased profitability from renewable PPAs resulting from the commissioning of new contracted capacity; higher availability of the Huntstown plants (together with lower operating and maintenance costs); higher retail electricity margins; the benefit of foreign exchange translation reflecting the strengthening of Euro to Sterling during the period; partly offset by lower Huntstown plant utilisations.

Energia Group operating profit excluding wind farm assets (pre exceptional items) increased to £64.0m (2011 - £53.3m) for the reasons outlined for EBITDA above.

Power NI Energy pro-forma EBITDA and operating profit increased slightly to £25.3m (2011 - £25.0m).

Operational KPIs

The operational KPIs are:

Energia Group

- generation plant availability (the percentage of time Huntstown CCGTs are available to produce full output);
- generation plant utilisation (the percentage of time Huntstown CCGTs are instructed to generate by the Single Electricity Market Operator (SEMO))
- the volume of electricity sales (TWh) by Energia in Northern Ireland and the RoI;
- the volume of gas sales (million therms) by Energia in Northern Ireland and the RoI; and
- the average annual and year end capacity (MW) of contracted renewable generation in operation in Northern Ireland and the RoI.

Power NI

- the number of complaints which the Consumer Council takes up on behalf of customers (Stage 2 complaints);
- the volume of electricity sales (TWh) in Northern Ireland;
- market share (by GWh sales) of electricity sales in Northern Ireland; and
- customer numbers.

Operational KPIs and commentary on business performance are set out in the relevant Business Review.

The Group also regards the lost time incident rate (LTIR) as a KPI in respect of employee safety; details are set out in the Workplace section of the Corporate Social Responsibility (CSR) Report.

Regulation and Legislation

Northern Ireland

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, the Electricity (Single

Wholesale Market) (Northern Ireland) Order 2007 (the SEM Order) and the Gas and Electricity (Internal Markets) Regulations (Northern Ireland) 2011.

Regulators

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

Regulators' objectives and duties

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

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

Competition in electricity generation and supply

All wholesale electricity (with limited exceptions) is bought and sold across the island of Ireland through the Single Electricity Market (SEM) which was established in November 2007. The SEM is based on a gross mandatory pool. Generators make offers to sell their electricity into the pool and are despatched centrally on the basis of their bids. Suppliers purchase all their wholesale requirements from the pool.

The retail market in Northern Ireland is fully open to competition. Approximately 84% of non-residential consumption is supplied by suppliers other than Power NI. Airtricity have been supplying residential customers in Northern Ireland since 2010 and during the year Budget Energy and Electric Ireland also entered the residential market albeit in a limited manner. Approximately 93,000 residential customers are supplied by competitors of Power NI.

Licences

There are four types of electricity licence: participation in transmission, supply, generation and SEM operation. Taken together, these licences: regulate the economic behaviour of licensees; set a framework for competition in generation and supply; underpin the arrangements relating to security of supply; protect the technical integrity of the system; and provide for certain types of customer services.

Energia, the Energia Group's competitive energy supply business, holds a supply licence. Power NI Energy holds a supply licence which also covers PPB's activities.

Energia

Energia's supply licence requires it to:

- comply with specified industry codes and agreements;
- be managerially and operationally independent from Power NI Energy;
- provide NIAUR with information and comply with valid directions; and
- comply with the regulatory rules for trading in the SEM and the rules governing the submission of commercial offers to the SEMO when acting as an intermediary.

Power NI Energy

Power NI Energy's licence requires it to:

- purchase wholesale supplies efficiently (the economic purchasing obligation);
- act as supplier of last resort if directed to do so by NIAUR;
- comply with specified industry codes and agreements;
- set its prices having regard to the tariff methodology statement which sets out the policy for calculating and setting its prices, as approved by NIAUR;
- comply with codes of practice on: payment of bills; services for vulnerable customers; the efficient use of electricity; complaint handling and services for customers with prepayment meters;
- be managerially and operationally independent from Energia; and
- comply with various conditions governing supply to residential customers in the competitive market including a prohibition of discrimination in supply where the licensee (together with its affiliates) is in a dominant position.

Licence conditions applicable to PPB require it to:

- contract for electricity at the best effective price reasonably obtainable, having regard to the sources available, and keep its commitments under review (PPB's economic purchasing obligation);
- enter into and comply with arrangements which facilitate PPB bidding into the SEM the capacity contracted to it under long-term generating contracts;
- comply with the regulatory rules for trading in the SEM and the rules governing the submission of commercial offers to the SEMO;

- comply with separate interface arrangements which govern PPB's relationships with SONI Limited (SONI) and Northern Ireland Electricity Limited (NIE); and

Power NI Energy's licence requires it to establish, and at all times maintain, the full managerial and operational independence of PPB from other businesses within the Group. PPB's compliance plan sets out the practices, procedures, systems and rules of conduct to ensure compliance with this licence condition.

Licence compliance, modification, termination and revocation

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

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

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

Price controls

Power NI and PPB are subject to price controls, defined in formulae set out in Power NI Energy's licence, which limit the revenues they may earn and the prices they may charge. The principles of price regulation employed in the relevant licence conditions reflect the general duties of NIAUR and DETI under the relevant legislation. These include having regard to the need to ensure that licensees are able to finance their authorised activities.

If the amount of revenue recovered in any one year exceeds or falls short of the amount allowed by the relevant 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.

Competition in gas supply

Within Northern Ireland, the gas market of Greater Belfast (the Phoenix licensed area) was fully opened to competition on 1 January 2007. Beyond Greater Belfast (the Firmus licensed area) the gas market will be partially opened to competition from October 2012 and will be fully opened to competition from April 2015. The principal rules for shipping natural gas in Northern Ireland are contained in the Phoenix Distribution Code, the forthcoming Firmus Distribution Code, and the PTL Transportation Code. Energia holds a gas supply licence.

Renewable energy

The UK Renewable Obligation (RO) scheme applies in Northern Ireland. The RO scheme is designed to incentivise the generation of electricity from renewable sources. The scheme places an obligation on suppliers to source a portion of their electricity from renewable sources (5.5% in Northern Ireland for 2011/12 increasing to 6.3% by 2012/13).

Under the RO scheme, eligible renewable generators receive Renewable Obligation Certificates (ROCs) for each MWh of electricity generated. ROCs are freely tradeable and can be sold to suppliers in order to fulfil their obligation. Suppliers can either present ROCs to cover their obligation or pay a buy-out fee of £38.69/MWh (2011/12) for any shortfall. All proceeds from buy-out fees are recycled to the holders of ROCs.

The Northern Ireland Assembly has a target of sourcing 40% of Northern Ireland's electricity from renewable sources by 2020.

In December 2010, the UK government published initial proposals for reform of the renewable support mechanism. The subsequent White Paper published in July 2011 confirmed that England and Wales will introduce a Feed-In Tariff with Contracts for Difference (FIT CfD) in 2014 for large scale generation (i.e. above 5MW) and close the RO to new generation in 2017. ROC benefit rights will be grandfathered to projects that qualify prior to April 2017.

In Northern Ireland, energy is a devolved matter, and as such the Northern Ireland Assembly is not obliged to follow the UK Government's lead on how renewable electricity generation is incentivised. DETI has indicated that a FIT CfD could work within Northern Ireland and the SEM. Although no final decision has been made, it is likely that Northern Ireland will adopt similar arrangements to England and Wales, with some adjustments for the SEM.

Republic of Ireland

The principal legislative instruments governing the regulation of the energy sector in the RoI are the Electricity Regulation Act 1999 (the 1999 Act), the European Communities (Internal Market in Electricity) Regulations 2000 and 2005, the Gas (Interim) (Regulation) Act 2002 (the 2002 Act), the European Communities (Internal Market in Natural Gas) (No. 2) Regulations 2004 and the Electricity Regulation (Amendment) (Single Electricity Market) Act 2007 (the 2007 Act).

Regulators

Overall policy responsibility for the energy sector lies with the Minister for Communications, Energy and Natural Resources (the Minister). In this capacity, the Minister is advised by the Department of Communications, Energy and Natural Resources (DCENR) and other statutory bodies including the Commission for Energy Regulation (CER) and the Sustainable Energy Authority of Ireland. CER was established as the regulator of the electricity sector by the 1999 Act and was subsequently vested with regulatory authority over the downstream gas sector by the 2002 Act.

Regulators' objectives and duties

The principal objective of CER in carrying out its functions in relation to energy is to protect the interests of energy consumers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission or supply of electricity and the transportation and supply of natural gas. CER has a duty to carry out its functions in a manner which does not discriminate between market participants.

The functions of CER include: advising the Minister; licensing market participants; the general supervision and enforcement of the licensing regime; the regulation of third party access and network tariffs in both the gas and electricity sectors; the setting of gas and electricity market rules; setting public electricity supply tariffs and residential gas tariffs and regulating safety in electricity and gas supply to final customers. DCENR's functions include drafting legislation, advising the Minister on issues of energy policy and promoting renewable energy.

Competition in electricity generation and supply

As noted above, all wholesale electricity (with limited exceptions) is bought and sold across the island of Ireland through the SEM. ESB is the incumbent electricity utility in the RoI and its network functions are ring-fenced from its generation and supply interests. EirGrid is the independent TSO.

The retail market in the RoI is fully open to competition and all customers may choose their supplier. On 4 April 2011, ESB's previously regulated supply business was fully deregulated and rebranded as Electric Ireland. Approximately 60% of non-residential consumption and 45% of residential consumption is supplied by suppliers who compete with Electric Ireland.

Licences

There are seven types of electricity licence: transmission system operation; transmission asset ownership; distribution system operation; distribution asset ownership; SEM operation; supply; and generation. Licences regulate the economic behaviour of licensees; set a framework for competition in generation and supply; underpin the arrangements relating to security of supply; and protect the technical integrity of the system. Huntstown 1 and 2 and Eco Wind Power (EWP) hold generation licences and Energia holds a supply licence.

Huntstown and EWP

The generation licences require Huntstown 1 and 2 to:

- comply with specified industry codes;
- submit to central despatch by the TSO in the RoI in providing energy and ancillary services to the electricity system;
- appoint a competent operator;
- comply with the rules governing the submission of commercial offers to SEMO; and
- provide CER with information and comply with valid directions.

EWP's generation licences are similar to Huntstown's generation licences but recognise the special characteristics of wind generation.

Energia

Energia's supply licence requires it to:

- comply with specified industry codes;
- comply with the relevant licence conditions of generators (where acting as an intermediary for generators such as windfarms) in submitting commercial offers; and
- provide CER with information and comply with valid directions.

Competition in gas supply

The gas market in the RoI was fully opened to competition on 1 July 2007. The principal rules for shipping natural gas in the RoI are contained in the BGE Code of Operations. Energia holds a gas shipping and gas supply licence.

Renewable energy

The Renewable Energy Feed-In Tariff scheme (REFIT) is designed to encourage renewable generation in the RoI. Under REFIT, suppliers and renewable energy generators enter into a power purchase agreement (PPA) for a minimum of 15 years. In return for entering into the PPA, the supplier receives a supplier balancing payment equal to 15% of the base REFIT tariff for large scale wind. The supplier is also entitled to compensation if the market price of electricity falls below the REFIT tariff. The REFIT tariff for large scale wind generation is set at €68.08/MWh for 2012, and is indexed annually to the Consumer Price Index (CPI) in the RoI.

In February 2012 a REFIT 3 support scheme was introduced for Biomass technologies and in March 2012 a REFIT 2 support scheme was introduced for onshore wind, hydro and biomass landfill gas technologies. The structure of the new schemes is similar to REFIT 1, but the supplier balancing payment is unindexed and will be recovered where market prices exceed the REFIT reference prices.

The RoI Government has a target for 40% of electricity consumption to come from renewable sources by 2020. Overall the RoI Government is targeting approximately 4GW of renewable generation and achieved c15% of electricity consumption from renewable sources by December 2010.

Single Electricity Market

NIAUR and CER (the Regulatory Authorities (RAs)) work together in the exercise of their statutory functions in relation to the SEM.

Decisions in relation to SEM matters are taken by the SEM Committee which was established in accordance with the SEM Order (in Northern Ireland) and the 2007 Act (in the RoI). DETI and the Minister for Communications, Energy and Natural Resources have appointed members to the SEM Committee from the RAs together with an independent member and a deputy independent member. The voting rights and quorum rules for the SEM Committee are set out in the SEM legislation.
Oversight arrangements discharged by senior management from the RAs include a committee to receive delegations of authority from the SEM Committee to carry out certain functions including: management of resources across both RAs; coordinating and

developing proposals for consideration by the SEM Committee; and the management of key regulatory functions. The four key regulatory functions for which a designated manager has been assigned are: management of the trading rules; monitoring the market; modelling the market; and regulation of SEMO.

On non-SEM matters, NIAUR and CER exercise their statutory functions separately in their own jurisdictions.

Business Reviews – Continuing Operations

Energia Group

Background information

The Energia Group operates as a vertically integrated energy business consisting of competitive electricity supply to business customers in both Northern Ireland and the RoI through Energia, its retail supply business, backed by electricity generation from its two Huntstown CCGT plants and long-term PPAs with third-party renewable generators (including wind generation assets originally wholly owned by the Group). The Energia Group also supplies natural gas to business customers, principally in the RoI.

Huntstown 1, a 343MW CCGT plant on the Huntstown site north of Dublin, was commissioned in November 2002 and Huntstown 2, a 404MW CCGT plant adjacent to Huntstown 1, was commissioned in October 2007.

Sale of direct investment in operating and in-construction windfarm assets

On 14 March 2012 the Energia Group completed the disposal of its operating and in-construction windfarms (104MW) to an affiliated entity (Windco) under the control of the Group's intermediate parent undertaking, ElectricInvest I Limited. The sale consisted of the Group's Northern Ireland in-construction windfarm assets through the disposal of 100% of VRL and the RoI operating and in-construction windfarm assets through the disposal of 50% of EWP.

On 15 June 2012 the sale of 80% of VRL and 75% of EWP (comprising Windco's 50% holding together with 25% owned by the Group) to AMP Capital Investors (UK) Limited was completed. The immediately available proceeds have been used to repay a bridge loan owing by Windco and to make a c£24m (based on prevailing Sterling/Euro exchange rates) prepayment on the Junior bank facility A loan owing by the Group's immediate parent undertaking, Viridian Group Holdings Limited. Further proceeds becoming available at completion of the development of the in-construction windfarms or otherwise arising will be used to make further prepayments of the Junior bank facility A when and to the extent they may become available. Also on 15 June, the remaining 20% of VRL was transferred back to VPEHL.

Financial performance

Revenues increased to £1,021.6m (2011 - £984.8m) primarily reflecting higher wholesale electricity and gas prices, increased revenues from the renewables portfolio reflecting commissioning of new capacity and higher wind factors, partly offset by reductions in electricity and gas sales volumes and lower Huntstown plant utilisations.

Excluding external revenues from renewable windfarm assets of £0.7m (2011 - £1.4m) revenues increased to £1,020.9m (2011 - £983.4m).

EBITDA (pre exceptional carbon revenue levy) increased to £91.3m (2011 - £79.0m) reflecting increased profitability from renewable PPAs resulting from the commissioning of new capacity; increased profitability from renewable windfarm assets reflecting the commissioning of new capacity; higher availability of the Huntstown plants (together with lower operating and maintenance costs); higher retail electricity margins; the benefit of foreign exchange translation; partly offset by lower Huntstown plant utilisations.

Excluding EBITDA from renewable windfarm assets of £5.4m (2011 - £2.2m) EBITDA increased to £85.9m (2011 - £76.8m).

Exceptional item

On 1 July 2010 the RoI Government introduced a carbon revenue levy on generators. The levy is calculated based on 65% of the volume of CO_2 emitted by generators multiplied by the average quarterly price of CO_2. The levy was scheduled to run to 31 December 2012 however the RoI Government repealed the legislation enabling the levy and the levy ended on 25 May 2012. The exceptional impact of the carbon revenue levy was £9.1m (2011 - £10.4m).

Operational performance

KPIs	**2012**	2011
Availability (%)		
- Huntstown 1	**93.3**	91.8
- Huntstown 2	**94.1**	93.0
Utilisation (%)		
- Huntstown 1	**54.2**	76.4
- Huntstown 2	**74.5**	86.8
Energia electricity sales (TWh)	**5.7**	5.9
Energia gas sales (million therms)	**74**	91
Contracted renewable generation capacity in operation in Northern Ireland and the RoI (MW)		
- average during the year	**407**	283
- at 31 March	**446**	309

Huntstown 1 and 2 continued to respond effectively to the flexible despatch profile required under the SEM.

Huntstown 1 availability (including planned and unplanned outages) was 93.3% (2011 – 91.8%). In May 2011, a 6 day planned outage was extended by a further 18 days in order to remedy damage caused by the failure of a combustion chamber heat shield. The 2011 availability reflected a 28½ day major planned outage.

Huntstown 2 achieved availability of 94.1% (2011 – 93.0%) reflecting the commencement of a 20 day planned turbine inspection outage on 26 March 2011 and the commencement of a 12 day planned outage on 23 March 2012. The latter outage was successfully completed and the plant returned to service on 3 April 2012.

Huntstown 1 utilisation reduced to 54.2% (2011 – 76.4%) reflecting a full year impact of the Whitegate CCGT commissioned in November 2010, the impact of the commissioning of new wind capacity together with higher wind factors in 2012 than in 2011 and the coal/gas price switch from November 2011 resulting in increased utilisation of coal plant in the SEM.

Huntstown 2 utilisation reduced to 74.5% (2011 – 86.8%) for the same reasons as noted above for Huntstown 1.

Energia supplies c28% of the business electricity market on an all-island basis. Sales decreased from 5.9TWh to 5.7TWh reflecting lower customer consumption and customer sites supplied increased to 61,400 (2011 – 59,900).

Energia supplies c12% of the natural gas market on an all-island basis. The number of customer sites to which Energia supplies gas decreased to 4,600 (2011 – 5,200) and demand decreased to 74m therms (2011 – 91m therms) reflecting lower customer consumption together with increased competition in the market.

Windfarm portfolio

The average contracted renewable generation capacity in operation during the year was 407MW (2011 – 283MW) with 31 March 2012 capacity reaching 446MW (2011 - 309MW) reflecting the commissioning of new capacity.

Following the disposal of a majority interest in its operating and in-construction windfarm assets (the Energia-developed windfarms), Energia Group's windfarm portfolio consists of offtake contracts with third party-owned windfarms, the Energia-developed windfarms and a development pipeline of windfarm projects in which Energia Group continue to have a direct investment.

Offtake contracts - Energia has entered into contracts with developers under which it has agreed to purchase the long-term output of a number of windfarm projects and with generators of other renewable sources as shown below:

MW	Operating	Under construction	In development	**Total**
NI	119	53	101	**273**
RoI	327	82	159	**568**
	446	135	260	**841**

During the year the operating capacity under contract in Northern Ireland increased to 119MW (2011 – 117MW) and the RoI operating capacity increased to 327MW (2011 – 192MW) as new windfarms were commissioned. 135MW of contracted capacity in Northern Ireland and the RoI relates to windfarms which are currently under construction. The majority of the windfarms being developed (260MW) are expected to become operational in the next two years. Energia is aiming to negotiate further contracts with windfarm developers and generators utilising other renewable sources in both Northern Ireland and the RoI.

Direct investment – the Energia Group has a direct investment in 80MW of in-development windfarm capacity which comprises 12MW in Northern Ireland and 68MW in the RoI. These assets are expected to become operational in the next three years. The Energia Group also has a further pipeline of projects which are in various stages of obtaining planning permission.

Operating and in-construction windfarm assets

In August 2011, the Energia Group successfully commissioned the 10MW Corkermore windfarm in County Donegal.

As noted above, on 14 March 2012 the Energia Group completed the sale of its operating (44MW) and in-construction windfarms (59MW) to an affiliated entity (Windco) under the control of the Group's intermediate parent undertaking, ElectricInvest I Limited.

The availability of the operating windfarms in the period to disposal on 14 March 2012 was 96.7% (2011 - 95.6%).

Review of the Capacity Payment Mechanism (CPM)

The Regulatory Authorities published the CPM Medium Term Review decision on 6 March 2012. There were no changes from the draft decision published in December 2011. The cost of a Best New Entrant peaking plant will be calculated for 2013 and remain in place for a three year period with a level of indexation applied for 2014 and 2015 based on the consumer price index. The capacity requirement will be recalculated annually.

Power NI

Background information

NIE Energy Supply was rebranded as Power NI on 25 July 2011. The rebranding was driven by the requirements of the EU's third legislative package (IME3) together with the sale of NIE by the Group.

Power NI is the regulated electricity supplier in Northern Ireland. The number of customers supplied at 31 March 2012 reduced to 703,000 (2011 - 768,000) primarily reflecting continued competition from Airtricity and the entry of Budget Energy to the Northern Ireland residential market in August 2011.

Power NI purchases the majority of its wholesale requirements from the SEM pool and hedges its exposure to pool price volatility through a combination of contracts for differences (CfDs) with PPB, ESB Power Generation and other independent generators and tariffs for certain larger customers which are partly or fully indexed to pool price.

Price control

On 20 January 2012, Power NI accepted NIAUR's proposals for a 2 year price control with effect from 1 April 2012. The structure of the new price control is similar to the previous price control. In addition to an allowance in respect of its operating costs plus a margin, the price control allows Power NI to pass through to customers its wholesale energy costs subject to compliance with its economic purchasing obligation, together with the cost of market levies and payments for use of the transmission system and the distribution system.

Tariffs

In May 2012 NIAUR published a decision paper entitled "Regulatory Approach to Energy Supply Competition in Northern Ireland" which indicates that they are not anticipating significant deregulation of the Northern Ireland retail market during the next few years. For the moment, price controls remain in all customer categories, except for large customers consuming more than 150MWh per year.

Financial performance

Revenues (based on regulated entitlement) reduced to £520.8m (2011 - £539.5m) primarily due to lower consumption per customer, the reduction in residential customer numbers due to competition in the market reducing Power NI's market share from 97% in 2011 to 89% by volume in 2012; partly offset by an increase in tariffs from October 2011.

EBITDA (based on regulated entitlement) increased to £19.6m (2011 - £19.0m) reflecting higher gross margin contribution from renewable PPAs partly offset by higher operating costs associated with the rebranding of the business.

Operational performance

KPI	**2012**	2011
Stage 2 complaints to the Consumer Council (number)	**1**	**5**
Market share of Northern Ireland electricity sales (%)		
- Residential	**89**	**97**
- Non-residential	**16**	**19**
Customers (number)		
- Residential	**666,000**	**732,000**
- Non-residential	**37,000**	**36,000**
	703,000	**768,000**
Electricity sales (TWh)	**3.6**	**4.1**

During the year Power NI received one (2011 - five) Stage 2 complaints. The number of Stage 2 complaints compares favourably with best practice in GB.

Airtricity continued to be active in the Northern Ireland residential market and during the year Budget Energy became the second active competitor to Power NI in that market. To date approximately 93,000 residential customers have switched from Power NI and at 31 March 2012 Power NI had c666,000 residential customers with a market share of 89% by volume (2011 – 97%). Non-residential customer numbers increased to 37,000 (2011 – 36,000) with market share decreasing to 16% (2011 – 19%).

Electricity sales reduced to 3.6TWh (2011 – 4.1TWh) reflecting the reduction in residential customer numbers and lower consumption per customer.

During the year Power NI continued to progress a joint project with NIE in relation to IT systems required to support the full decoupling of NIE and Power NI customer records. The system went live in May 2012.

PPB

Background information

PPB administers and manages a portfolio of PPAs. Its primary role is to administer the contracted generation capacity from three power stations in Northern Ireland (Ballylumford, Kilroot and Coolkeeragh) under legacy generating unit agreements, or GUAs, which were established in 1992 when the Northern Ireland electricity industry was restructured and sell this wholesale electricity into the SEM pool. PPB also offers CfDs to suppliers and sells ancillary services to SONI. To the extent that the revenue PPB receives from trading in the SEM (including any CfD revenues) and from ancillary services payments is insufficient to cover its costs in procuring wholesale supplies of electricity plus the regulated allowance to cover its own costs, PPB is entitled to recover any shortfall via PSO charges payable by suppliers. (In practice NIE makes payments to PPB equal to the shortfall and recovers the cost of those payments through its PSO charges). Equally, PPB is required to return any surplus revenue.

As at 31 March 2012, and following the expiry of the GUA with Ballylumford for 180MW, the generation capacity under contract to PPB for 832MW comprised:

- Ballylumford - 716MW (600MW CCGT, 116MW gasoil);
- Coolkeeragh - 58MW (gasoil); and
- Kilroot - 58MW (gasoil).

On 30 April 2012, NIAUR notified PPB of its intention to exercise cancellation rights in respect of 116MW of contracted capacity with Ballylumford, 58MW with Coolkeeragh and 58MW with Kilroot with effect from 1 November 2012. Following that date PPB will have 600MW of generation capacity with Ballylumford under contract.

Price control

PPB's previous price control expired on 31 March 2012. On 26 April 2012, NIAUR published final proposals for a three year price control with effect from 1 April 2012. PPB formally accepted NIAUR's proposals on 10 May 2012 and the licence modifications required to reflect the price control are expected to be incorporated shortly. The price control provides an allowance in respect of PPB's own costs through a management fee which is partially subject to PPB's performance as measured against a set of targets relating to the business's activity in the SEM and its control of costs under its generation contracts.

Financial performance

Revenues (based on regulated entitlement) reduced to £203.6m (2011 - £266.8m) primarily reflecting the full year impact of the Kilroot contract cancellation on 1 November 2010 and a corresponding reduction in electricity sales. EBITDA (based on regulated entitlement) decreased to £5.7m (2011 - £6.0m) as a result of higher operating costs due to the recovery of certain prior year costs in 2011.

SUMMARY OF FINANCIAL PERFORMANCE

Turnover

Turnover from continuing operations decreased to £1,731.0m (2011 - £1,808.2m). The breakdown by business is as follows:

Year to 31 March	2012 £m	2011 £m
Energia Group *	**1,021.6**	984.8
Power NI Energy (based on regulated entitlement)	**725.5**	805.3
Adjustment for (under)/over-recovery	**(14.6)**	21.2
Inter business elimination	**(1.5)**	(3.1)
Total turnover from continuing operations	**1,731.0**	1,808.2

* *includes £0.7m of turnover associated with the operational renewable assets sold 14 March 2012 (2011 - £1.4m)*

Energia Group turnover increased to £1,021.6m (2011 - £984.8m). Excluding external turnover from renewable windfarm assets of £0.7m (2011 - £1.4m) Energia Group revenues increased to £1,020.9m (2011 - £983.4m) reflecting higher wholesale electricity and gas prices and increased turnover generated from renewable PPAs due to the commissioning of new capacity and higher wind factors. These increases were partially offset by a reduction in electricity and gas sales volumes and lower Huntstown plant utilisations.

Power NI Energy turnover decreased to £725.5m (2011 - £805.3m) primarily reflecting lower Power NI and PPB turnover. Power NI turnover (based on regulated entitlement) decreased to £520.8m (2011 - £539.5m) primarily due to lower consumption per customer together with a reduction in residential customer numbers partly offset by an increase in tariffs from October 2011. PPB turnover (based on regulated entitlement) decreased to £203.6m (2011 - £266.8m) primarily reflecting the full year impact of the cancellation of the Kilroot contract with PPB in November 2010.

During the year the Power NI Energy businesses under-recovered against their regulated entitlement by £14.6m (2011 – over-recovered by £21.2m) and at 31 March 2012 the cumulative under-recovery against regulated entitlement was £13.0m. The over/(under)-recovery of regulated entitlement reflects the phasing of tariffs.

Operating costs

Operating costs (pre exceptional items) decreased to £1,656.3m (2011 - £1,711.5m) and include energy costs, employee costs, depreciation and amortisation and other operating charges.

Energy costs include the cost of wholesale energy purchases from the SEM pool, capacity payments made to the SEM, the cost of natural gas and fixed natural gas capacity costs for the Huntstown plants, emissions costs, use of system changes and costs for third party renewable PPAs. Energy costs decreased to £1,556.0m (2011 - £1,607.2m) as a result of lower utilisations at the Huntstown plants, lower unit sales in Energia and Power NI and the full year impact of the cancellation of the Kilroot contract with PPB. These decreases were partially offset by higher wholesale electricity and gas prices in the market and higher renewable PPA costs associated with the commissioning of new capacity and higher wind factors.

Employee costs include salaries, social security costs and pension costs. Employee costs increased to £19.9m (2011 – £18.8m) reflecting an increase in staff numbers to 382 at 31 March 2012 (31 March 2011 – 368) primarily as a result of in-sourcing of staff to Power NI.

Depreciation and amortisation decreased to £24.4m (2011 – £25.4m) primarily due to the accelerated depreciation on replaced fixed assets at Huntstown in 2011.

Other operating charges include costs such as operating and maintenance costs, insurance, local business taxes, consultancy, marketing, licence fees and IT services. Other operating charges decreased to £56.0m (2011 - £60.1m) primarily due to lower planned outage days resulting in lower operating and maintenance costs for the Huntstown plants partially offset by higher marketing and advertising costs for Power NI associated with the rebranding of the business.

Group operating profit (pre exceptional items and goodwill amortisation)

Operating profit from continuing operations (pre goodwill amortisation and exceptional items) decreased to £74.7m (2011 - £96.7m) reflecting an under-recovery of regulated entitlement of £14.6m (2011 – over-recovery of £21.2m).

Year to 31 March	**2012 £m**	2011 £m
Energia Group operating profit (pre exceptional items) [1]	**66.9**	53.6
Power NI Energy pro-forma operating profit (pre exceptional items)[2]	**25.3**	25.0
Other[3]	**(2.9)**	(3.1)
Group pro-forma operating profit (pre exceptional items)	**89.3**	75.5
(Under)/over-recovery of regulated entitlement[2]	**(14.6)**	21.2
Operating profit (pre exceptional items)	**74.7**	96.7

[1]Profit before depreciation, amortisation, exceptional items, interest and tax £91.3m (2011 - £79.0m) less depreciation/amortisation £24.4m (2011 - £25.4m)[2].
[2]As shown in note 3 to the accounts
[3]Loss before depreciation, amortisation, exceptional items, interest and tax £2.9m (2011 - loss of £3.1m) less depreciation/amortisation £nil (2011- £nil)[2].

Group pro-forma operating profit (pre-exceptional items and goodwill amortisation) increased to £89.3m (2011 - £75.5m) reflecting an increase in Energia Group operating profit from £53.6m to £66.9m and an increase in Power NI Energy pro-forma operating profit from £25.0m to £25.3m.

Energia Group operating profit (pre exceptional items) increased to £66.9m (2011 - £53.6m). Excluding operating profit from renewable wind farm assets of £2.9m (2011 - £0.3m) Energia Group operating profit (pre exceptional items) increased to £64.0m (2011 - £53.3m) primarily as a result of increased profitability from renewable PPAs due to the commissioning of additional capacity and higher wind factors; higher availability of the Huntstown plants as a result of a lower number of outage days (together with lower operating and maintenance costs); higher retail electricity margins; and foreign exchange translation benefit which were partly offset by lower Huntstown plant utilisations associated with a full year impact of the Whitegate CCGT commissioned in November 2010, the impact of the commissioning of new wind capacity together with higher wind factors in 2012 than in

2011 and the coal/gas price switch from November 2011 resulting in increased utilisation of coal plant in the SEM.

Power NI Energy pro-forma operating profit increased to £25.3m (2011 - £25.0m) reflecting an increase in Power NI pro-forma operating profit to £19.6m (2011 - £19.0m) due to higher Renewable PPA gross margins reflecting the commissioning of new capacity, partly offset by higher operating costs associated with the rebranding of Power NI and a decrease in PPB pro-forma operating profit to £5.7m (2011 - £6.0m) due to higher operating costs reflecting the recovery of certain prior year costs in 2011.

Group pro-forma EBITDA

The following table shows the Group pro-forma EBITDA by business:

Year to 31 March	**2012 £m**	2011 £m
Energia Group	**91.3**	79.0
Power NI Energy (based on regulated entitlement)	**25.3**	25.0
Other	**(2.9)**	(3.1)
	113.7	100.9

Group pro-forma EBITDA increased to £113.7m (2011 - £100.9m) due to increases in pro-forma EBITDA at both Energia Group and Power NI Energy.

Energia Group EBITDA (pre exceptional items) increased to £91.3m (2011 - £79.0m). Excluding EBITDA from renewable wind farm assets of £5.4m (2011 - £2.2m) Energia Group EBITDA (pre exceptional items) increased to £85.9m (2011 - £76.8m) reflecting increased profitability from renewable PPAs; higher availability of the Huntstown plants (together with lower operating and maintenance costs); higher retail electricity margins and the benefit of foreign exchange translation; partly offset by lower Huntstown plant utilisations as described above for the increase in operating profit.

Power NI Energy pro-forma EBITDA increased to £25.3m (2011 - £25.0m) reflecting an increase in Power NI pro-forma EBITDA to £19.6m (2011 - £19.0m) offset by a decrease in PPB pro-forma EBITDA to £5.7m (2011 - £6.0m) for the same reasons as described above for the increase in pro-forma operating profit.

Exceptional operating costs

Exceptional costs from continuing operations of £9.1m (2011 – £22.6m) comprises carbon revenue levy costs £9.1m (2011 - £10.4m) and pension scheme settlements £nil (2011 - £12.2m) as set out in note 5 to the accounts.

As noted previously the RoI Government repealed the legislation enabling the carbon revenue levy and the levy ended on 25 May 2012.

Profit on disposal of continuing operations of £11.0m relates to the sale of 100% of Viridian Resources Limited and 50% of Eco Wind Power Limited and certain of their subsidiaries to Windco. The sale completed on 14 March 2012.

Net finance costs

Net finance costs (excluding exceptional finance costs of £58.4m (2011 - £176.7m)) reduced from £101.0m to £54.0m reflecting the full year impact of lower levels of net debt following the sale of NIE and Powerteam in December 2010 and lower net pension scheme interest and a decrease in the amortisation of financing charges.

Exceptional finance costs of £58.4m in 2011/12 reflect amounts in respect of the overall refinancing of the Group (including costs associated with the short term extension of the Senior bank facility in December 2011 and the new Senior Revolving Credit Facility (SRCF)) £21.0m together with the close out of fixed rate interest rate swaps £37.4m.

Tax charge

The total tax charge (pre exceptional items) was £8.3m (2011 – £14.9m) primarily reflecting the reduction in operating profit (pre exceptional items) from £145.7m to £74.7m. A detailed analysis of the tax charge is outlined in note 8 to the accounts.

Cash flow before interest and tax

Group cash flow before interest and tax of continuing operations is summarised in the following table:

Year to 31 March	**2012 £m**	2011 £m
Group pro-forma EBITDA (1)	**113.7**	100.9
Defined benefit pension charge less contributions paid	**(1.0)**	(1.2)
Net movement in provisions	**-**	(0.7)
Net movement in security deposits	**(34.3)**	(3.4)
Changes in working capital (2)	**24.6**	22.8
(Under)/over-recovery of regulated entitlement	**(14.6)**	21.2
Foreign exchange translation benefit	**1.7**	0.9
Exceptional cash outflows	**(11.1)**	(19.5)
Cash flow from operating activities of continuing operations	**79.0**	121.0
Gross capital expenditure used in continuing operations (3)	**(50.8)**	(48.8)
Proceeds from sale and purchases of other intangibles	**1.1**	(3.1)
Cash flow before interest and tax of continuing operations	**29.3**	69.1

(1) Includes EBITDA of renewable wind farm assets of £5.4m (2011 - £2.2m)
(2) Includes changes in working capital of renewable wind farm assets of £4.4m decrease (2011 – £1.4m increase)
(3) Includes capital expenditure on renewable wind farm assets of £40.4m (2011 - £34.3m)

The cash flows include the cash flows of Energia Group's windfarm assets up to the date of disposal on 14 March 2012. Group cash flow from operating activities of continuing operations decreased to £79.0m (2011 - £121.0m) primarily reflecting the under-recovery of regulated entitlement £14.6m (2011 – over-recovery of £21.2m), an increase in cash outflow from security deposits £34.3m (2011 - £3.4m) partly offset by the increase in pro-forma EBITDA £113.7m (2011 - £100.9m) and a reduction in exceptional cash outflows £11.1m (2011 - £19.5m).

Net movement in security deposits

The net movement in security deposits was an outflow of £34.3m (2011 – £3.4m) as a result of the replacement of LOCs with cash deposits. The requirement for security deposits during the year was driven by the maturity of the Senior bank facility by virtue of which

LOCs with a tenor greater than 12 months maturity were not available to meet the Group's trading requirements. Following the successful refinancing of the Group in March 2012, security deposits have been replaced with LOCs drawn under the new SRCF. As at 31 March 2012 there were £38.2m of security deposits in place. However post year end a further £36.8m of security deposits have been returned to the Group and have been replaced with LOCs.

Changes in working capital

Working capital consists of stocks plus trade and other debtors (primarily retail energy sales including unbilled consumption), wholesale energy costs, capacity payment income and ROC sales), prepayments and accrued income less trade and other creditors (primarily wholesale energy costs, capacity payments, natural gas and fixed natural gas capacity costs, renewable PPA costs, ROC costs, emission costs and use of system charges), payments received on account, accruals and tax and social security.

Working capital from continuing operations decreased by £24.6m (2011 - £22.8m) due to reductions in the working capital requirements of the Energia Group, Power NI Energy and other Viridian holding companies.

Energia Group working capital decreased by £4.8m (2011 - £16.3m). Excluding changes in the working capital of renewable wind farm assets, Energia Group working capital decreased by £0.4m primarily due to a reduction in trade debtors (associated with lower sales volumes and prices), lower SEM accrued income (reflecting lower plant utilisations) and an increase in the ROC obligation creditor in line with the increased obligation percentage, partly offset by a decrease in trade creditors and accruals (primarily due to lower gas creditors reflecting lower plant utilisations) and a decrease in emissions liability (also associated with lower plant utilisations together with a fall in the price of carbon).

Working capital at Power NI Energy decreased by £13.8m (2011 - £1.2m) primarily due to a reduction in Power NI trade debtors (due to lower customer numbers and lower consumption partly offset by a tariff increase during the year), lower PPB trade debtors and accrued income (reflecting lower PSO debtors and lower SEM income associated with a major unplanned outage at Ballylumford), lower VAT debtors, partly offset by lower trade creditors associated with lower power purchase costs due to unplanned outages at Ballylumford and lower gas costs and lower payments received on account for Power NI.

Working capital at other Viridian holding companies decreased by £6.0m (2011 - £5.4m) primarily due to an increase in accruals relating to timing differences in the payment of management fees to Arcapita Ltd.

(Under)/over-recovery of regulated entitlement

As noted previously the Power NI Energy businesses under-recovered against their regulated entitlement by £14.6m (2011 – over-recovered by £21.2m) and at 31 March 2012 the cumulative under-recovery against regulated entitlement was £13.0m. The over/(under)-recovery of regulated entitlement reflects the phasing of tariffs.

Exceptional cash outflows

Exceptional cash outflows of £11.1m (2011 - £19.5m) consisted of payments made in respect of the ROI carbon revenue levy of £11.1m (2011 - £7.3m) and a pension settlement payment of £nil (2011 - £12.2m).

Capital expenditure used in continuing operations

Gross capital expenditure in respect of tangible fixed assets and intangible software assets used in continuing operations increased to £50.8m (2011 - £48.8m) primarily due to capital expenditure on the Drumlough Hill, Corkermore, Crighshane and Churchill wind farms. Excluding capital expenditure on renewable wind farm assets, gross capital expenditure decreased to £10.4m (2011 - £14.5m).

Gross capital expenditure used in continuing operations at Energia Group (excluding capital expenditure on renewable wind farm assets) decreased to £4.5m (2011 - £9.1m) with 2011 including payments under the long term maintenance agreement of Huntstown 1 for the major planned outage in that year.

Gross capital expenditure used in continuing operations at Power NI increased to £5.9m (2011 - £5.3m) due to higher expenditure on the Enduring Solution project. The system go-live was achieved in May 2012.

Other cash flows

Net interest paid of continuing operations

Net interest paid of continuing operations (excluding issue costs on new long-term loans and exceptional finance costs including the settlement of swap accretion) decreased to £51.5m (2011 - £69.2m) primarily reflecting lower net debt.

Dividends

Equity dividends paid were £nil (2011 - £nil). No final dividend for 2011/12 is proposed.

Net debt

The Group Cash Flow Statement shows a reduction in net debt of £59.6m from £761.3m at 31 March 2011 to £701.7m at 31 March 2012 primarily reflecting the cash flows noted above and the refinancing of the Group.

Defined benefit pension liability

The pension liability in the Group's defined benefit scheme under FRS 17 Retirement Benefits reduced from a deficit of £0.8m net of deferred tax at 31 March 2011 to a deficit of £0.4m net of deferred tax at 31 March 2012.

The trustees of the VGPS have commenced an actuarial valuation of the scheme as at 31 March 2012. The outcome of the actuarial valuation and the impact on employer contributions is expected within 15 months of the valuation date.

RISK MANAGEMENT AND PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group's Audit Committee plays a key role in internal control and risk management. The Audit Committee monitors the Group's financial reporting processes and the effectiveness of the internal control and risk management systems; reviews and appraises the activities of the internal and external auditors; and provides an open channel of communication among the internal and external auditors, senior management and the Board.

The Group's Risk Management Committee (RMC) comprises a number of senior managers from across the Group and meets bi-monthly to oversee the management of risks and ensure that adequate and timely action is taken to mitigate and manage risk. The RMC reviews individual business and functional risk registers and reports to the Audit Committee on an annual basis.

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

The directors acknowledge that they have responsibility for the Group'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 Group. 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 Group's business given the relative costs and benefits of implementing them.

The principal risks and uncertainties that affect the Group 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.

Competition in generation and supply of electricity

There is a risk that increased competition in generation and supply will reduce margins. Under the SEM, the system marginal price (SMP) is received by all generators and reflects the marginal cost of the last generating unit called to meet demand. Generators also receive capacity payments for their available capacity. The commissioning of new generating capacity may reduce the SMP and lead to lower capacity payments, subject to the impact of plant retirements and overall levels of demand.

The main competitors in the electricity supply markets in both Northern Ireland and the RoI are Electric Ireland, BGE and Airtricity.

Wholesale electricity price

All electricity bought and sold across the island of Ireland is traded through the SEM. The Group manages wholesale electricity price risk as follows:

- The gas costs of Huntstown 1 and 2 are hedged in line with Energia's retail electricity sales contracts. Gas price exposure is hedged when fixed price customer contracts are signed. In some of Energia's customer contracts, the electricity price payable by the customer varies according to the price of gas;

- Power NI's price control allows it to pass through the costs of wholesale electricity subject to compliance with its economic purchasing obligation, which it discharges by hedging wholesale electricity prices in line with policies agreed with NIAUR; and

- PPB is entitled to receive additional revenues from PSO charges to the extent that the revenue it receives from the pool, CfDs and ancillary services is insufficient to cover its regulated entitlement.

Huntstown plant and owned windfarm availability

Energia Group runs the risk of interruptions to the availability of Huntstown 1 and 2 and its owned windfarms.

For the Huntstown plants, this risk is managed by having long-term maintenance agreements in place with the plants' original manufacturers, Siemens Ireland Limited and Mitsubishi Corporation. Energia Group operates the plants to the manufacturers' guidelines within a suite of ISO approved operation, maintenance and safety policies and procedures. The plant designs incorporate industry accepted levels of redundancy for critical plant components and there is regular testing of back up services and standby equipment.

The availability of owned windfarms is managed through maintenance contracts with the original manufacturers and third parties.

Health and safety

The Group 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 Group through the use of the services of an external health and safety consultant, the promotion of a strong health and safety culture and well defined health and safety policies. There is a strong focus on the audit of work sites and the reporting and reviewing of near miss incidents. The Group's approach to health and safety issues is described more fully in the CSR Report.

Regulation and Legislation

Energia Group is exposed to the impact of regulatory decisions as well as changes in legislation which impact its generation and supply activities. Through its senior management, Energia Group maintains regular interaction with NIAUR, CER, the SEM Committee, DETI and DCENR. A pro-active approach is taken to the RAs' consultations on all SEM-related matters.

Power NI and PPB are exposed to regulatory risk in respect of their price controls. The Group'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. There is regular reporting to NIAUR and DETI on a wide range of financial and other regulatory matters including capital expenditure and licence compliance. Regulatory relationships are managed by senior management through frequent meetings, informed dialogue and formal correspondence.

Business continuity

The Group has measures in place to manage the risk that one or more of its businesses sustains a greater than necessary financial impact through inability to carry on its operations either for a short or prolonged period. Energia Group have business interruption insurance in place for both Huntstown 1 and 2 and the windfarm assets. Each business maintains a business continuity plan, including a flu pandemic contingency plan, and there is an IT disaster recovery plan which covers the whole Group. Business continuity plans are reviewed and tested annually.

Outsourcing

The Group outsources a range of important ICT and business process services from Northgate Managed Services Limited (Northgate). Voice and data telecoms services are provided by Eircom through a contract managed by Northgate. There is a risk of disruption to the Group 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 Group 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 CSR into the Group'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.

Pensions

The Viridian Group Pension Scheme (2011) ("VGPS"), was established with effect from 1 April 2011 and has two sections: a money purchase section and a defined benefit section. The defined benefit section is closed to new entrants. At 31 March 2012 the defined benefit section comprised 59 members of whom 58 were active members and one was a pensioner. There is also a money purchase arrangement for employees in the RoI known as 'Choices'. Most employees of the Group are members of VGPS or Choices. There is a risk that the cost of funding the defined benefit section could increase if investment returns are lower than expected, mortality rates improve or salary or benefit increases are higher than expected. The VGPS trustees seek the advice of professional investment managers regarding the scheme's investments.

The bulk transfer of accrued benefits of consenting members from the NIE Pension Scheme to VGPS was agreed by the VGPS trustees and completed on 30 March 2012. The trustees of the VGPS have commenced an actuarial valuation of VGPS as at 31 March 2012 which is expected to conclude within 15 months of the valuation date.

IT security and data protection

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

Financial control

Strong financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the Group relies for day-to-day operations, external reporting and for longer term planning. The Group 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. Investment decisions are accompanied by detailed analysis, both short and long-term, of the markets in which the Group operates.

Treasury risks

The Group's treasury function manages liquidity, funding, investment and the Group's financial risk, including risk from volatility in currency, interest rates, commodity prices and counterparty credit risk. The treasury function's objective is to manage risk at optimum cost in line with Group policies and procedures approved by the Board. The treasury function employs a continuous forecasting and monitoring process to manage risk and to ensure that the Group complies with its financial and operating covenants.

Refinancing

In December 2011, the Group obtained unanimous consent to extend the maturity of its Senior bank facility from December 2011 to November 2012.

In March 2012, the Group then completed a full refinancing of its Senior bank facility through the issuance of Euro and US Dollar denominated 5 year Senior secured notes due in April 2017. At the same time the Group also:

- put in place a £225.0m SRCF maturing in October 2016, which can be used for both letters of credit and working capital purposes;
- acquired 100% of the share capital of ElectricInvest Cayman Limited, a Cayman registered company that directly owns £366.0m (sterling equivalent) of the Group's parent company's Junior bank facility. This Junior bank facility asset is reflected in the Group's Net Debt at £336.9m which represents its purchase cost plus the amortisation of discount to 31 March 2012;
- as part of the restructuring of the operating and in-construction windfarms in which Energia Group had a direct investment, all non-recourse project finance facilities were disposed of by the Group; and

- under the terms of the refinancing security the shareholder loan is subordinated to the Senior secured notes and Senior revolving credit facility.

The maturity profile of the Group's loans and borrowings at 31 March 2012 is as follows:

Facility	£m	Maturity
Senior secured notes	(380.9)	April 2017
Senior revolving credit facility	(55.0)	October 2016
Subordinated shareholder loan	(634.7)	
Interest accruals	(3.4)	
	(1,074.0)	

At 31 March	**2012 £m**	2011 £m
Investments	**26.6**	43.2
Cash	**8.8**	37.1
Loan receivable from fellow subsidiary	**-**	116.6
Junior bank facility asset	**336.9**	
Loans and other borrowings	**(1,074.0)**	(957.6)
Net debt	**(701.7)**	(760.7)
Loans and other borrowings maturity analysis:		
In one year or less or on demand	**(58.4)**	(360.9)
In more than one year but less than two years	**-**	(566.9)
In more than two years but less than five years	**-**	(23.9)
In more than five years	**(1,015.6)**	(5.9)
	(1,074.0)	(957.6)

Liquidity and Capital Resources

The Group is financed through a combination of retained earnings, medium-term bond issuance and both medium term and long term bank facilities. Liquidity, including short term working capital requirements, is managed through committed Senior revolving credit bank facilities together with available cash resources.

The Group can have significant movements in its liquidity position due to working capital variations such as the movements in commodity prices, the seasonal nature of the business and regulatory under-recoveries. Short term liquidity is reviewed daily by the treasury function and Group cash forecasts, covering a rolling one year period, are reviewed monthly. This monitoring includes reviewing the Net Debt to EBITDA financial covenant, required to be reported quarterly under the SRCF, to ensure sufficient headroom is maintained.

At 31 March 2012 the Group had cash drawings under the SRCF of £55.0m and letters of credit issued out of the SRCF of £87.6m resulting in undrawn committed facilities of £82.4m (2011 - £121.3m).

Interest rate risk

Historically the Group has been exposed to interest rate risk principally in relation to its Senior bank facilities and has sought to mitigate this risk with interest rate hedges on a proportion of these debt facilities. As part of the Group refinancing, the Group issued fixed rate Senior secured notes bearing interest at a fixed rate coupon of 11.125%. As the majority of the Group's borrowings now bear interest at fixed rates, the interest rate swaps directly linked to the Senior bank facilities were closed out during the year. No new interest rate swaps have been taken out since but the Group has retained a small amount of Euro denominated interest rate swaps and the estimated fair value of these is disclosed in note 27 to the accounts.

The shareholder loan from the Group's immediate parent undertaking partly bears interest at a fixed rate of 14% £171.5m and is partly non interest bearing £463.2m. As such, the Group's only exposure to interest rate risk is in respect of drawings on the SRCF. At 31 March 2012, only 5% of the Group's total borrowings were subject to interest rate risk with 52% at fixed interest rates and 43% non interest bearing.

At 31 March	**2012** **£m**	2011 £m
Loans and other borrowings fixed/floating analysis:		
Fixed rate debt	**(555.8)**	(628.5)
Variable rate debt	**(55.0)**	(329.1)
Non interest bearing	**(463.2)**	-
	(1,074.0)	(957.6)

Foreign currency risk

As part of the refinancing, the Group issued €313m Euro and US$250m Dollar denominated 5 year Senior secured notes due in April 2017. The majority of the Dollar denominated Notes were immediately converted through cross currency swaps into a mixture of Euro and Sterling. As a result the Group has only retained a small $8.5m currency exposure to Dollars which mainly relates to the original issue discount on the US Dollar denominated notes. After taking into consideration the cross currency swaps, the proportion of the Group's debt denominated in Euro and Sterling respectively, broadly matches the cash generation profile of the Group's Euro and Sterling denominated businesses. As such, Euro-denominated assets on the Group's balance sheet are broadly matched by Euro borrowings.

Energia Group primarily receives income and incurs expenditure in Euro. Energia Group is also exposed to currency movements in respect of its gas purchases denominated in Sterling. The Group's policy is to identify foreign exchange exposures with a value equivalent to or greater than £0.5m with the percentage level of hedging dependent on the specific project. Exchange rate exposures are identified, monitored and hedged through the use of financial instruments (mainly forward currency contracts and swap arrangements).

Power NI is exposed to currency movements in respect of its Euro-denominated CfDs with ESB Power Generation. These exposures are hedged in accordance with a policy agreed with NIAUR.

The estimated fair value of the Group's derivative financial instruments is disclosed in note 27 to the accounts.

Commodity risk

Energia Group employs commodity swaps to hedge gas price exposures and forward purchase contracts to hedge its shortfall of CO_2 emission allowances. Energia Group's policy is to hedge its exposure to changes in the price of gas and CO_2 emission allowances in line with retail electricity sales contracts. Energia Group is entitled to a 68% allocation of CO_2 emission allowances in respect of Huntstown 1 and 2 under phase 2 of the EU Emissions Trading Scheme which applies to 31 December 2012.

PPB is exposed to commodity price fluctuations in respect of its generation contracts. These exposures are hedged through the use of commodity swaps in accordance with a policy agreed with NIAUR.

Energia Group, Power NI and PPB enter into CfDs to hedge their exposure to pool price volatility.

The estimated fair value of the Group's derivative financial instruments is disclosed in note 27 to the accounts.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. Provisions are made based on previous experience and identifiable events which indicate a reduction in the recoverability of cash flows. Energia and Power NI are not exposed to major concentrations of credit risk in respect of their trade receivables, with exposure spread over a large number of customers. Energia takes out credit insurance in respect of certain trade receivables. Energia and PPB also receive security from certain suppliers in the form of letters of credit, parent company guarantees or cash collateral.

The Group may be exposed to credit-related loss in the event of non-performance by bank counterparties. The Group manages this credit risk by establishing and monitoring counterparty exposure limits which are adjusted and tightened when necessary. The Group actively manages its banking exposures on a daily basis and cash deposits are placed for periods not exceeding one month to provide maximum flexibility. During the year the Group did not suffer any bank counterparty exposure loss.

The Directors consider that no significant credit risk arises in respect of the investment in the parent undertaking's Junior bank facility.

Going concern

The Group's business activities, together with principal risk and uncertainties likely to affect its future performance are described above. As noted in the Operating Review and the liquidity section above, on 14 March 2012, the Group completed the refinancing of its Senior bank facility through the issuance of 5 year Senior Secured Notes. The Group entered into a new 4½ year Senior Revolving Credit Facility and its immediate parent undertaking, Viridian Group Holdings Limited, obtained unanimous consent to restructure its Junior bank facility to an eight year facility.

On 19 March 2012, Arcapita Bank B.S.C.(c)[1] ("Arcapita") together with five affiliated companies ("the Filing Debtors") filed petitions under Chapter 11 of the US Bankruptcy Code. No member of the Group consisting of Viridian Group Investments Limited or the immediate shareholder of Viridian Group Investments Limited is a Filing Debtor. Following the completion of the refinancing described above, the Group is not financially dependent on Arcapita or any other Filing Debtor. While the Group's borrowing facilities contain provisions of a type customary for such facilities, including change of control provisions, on

[1] *As referred to in note 28 to the accounts.*

the basis of their enquiries and input from the Group's advisors, the Directors have concluded that the Chapter 11 filings do not impact the Group's borrowing facilities and do not expect them to affect the continued operation and trading of the Viridian Group. Further the Directors have considered the likelihood of future events in relation to the Chapter 11 process which might adversely impact on the Group's borrowing facilities and the Directors do not expect any such event to impact on the Group's borrowing facilities.

The Group's forecasts and projections, taking into account possible changes in trading performance, show that the Group will have adequate financial resources to enable it to continue to trade for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

CORPORATE SOCIAL RESPONSIBILITY REPORT

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

The Group 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 Group. These are classified below under the headings of Workplace, Environment, Marketplace and Community.

Workplace

The Group had 382 employees at 31 March 2012 (2011 – 359) with 292 employees employed in Northern Ireland (2011 – 275) and 90 in the RoI (2011 – 84).

Health and safety

A CSR priority for the Group 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 Group'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 Group health and safety management system is based upon the principles of the Health and Safety Executive guidance 'Successful Health and Safety Management' and the Institute of Directors/Health and Safety Commission guidance 'Leading Health and Safety at Work'. The Group's approach to employment-related performance, such as safety and sickness absence, is to set targets in line with best practice. The Group regularly engages with relevant organisations including the Health and Safety Executive for Northern Ireland as well as the Health and Safety Authority in the Republic of Ireland. The Group retains the services of an external health and safety consultant who provides advice and recommendations to management on a range of health and safety matters and carries out external audits as deemed necessary.

During the year there were no reportable incidents or lost time incidents (2011 – none). Formal processes for incident investigation and analysis are in place.

KPI	2012 Number	2011 Number
LTIR (per 100 employees)	0	0

Huntstown 1 and 2 continue to be accredited to OHSAS 18001:2007 for their occupational health and safety management systems.

Employment

The Group 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 personal development.

Equal opportunities

The Group is pro-active in implementing human resource policies and procedures to ensure compliance with fair employment, sex discrimination, equal pay, disability discrimination, race discrimination, sexual orientation and age discrimination legislation. The Group's equal opportunities policy was updated during the year and 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. During the year Equal Opportunities training was provided to all managers in Northern Ireland.

Disability

It is Group 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. During the year a new Disability Policy was implemented.

Remuneration

The Group 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 Group 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 bonus schemes, excellence awards, reward and recognition bonuses and skills progression arrangements.

Learning and development

The Group aims to align its human resources policies with key business drivers, which include performance improvement; cost reduction; business growth and innovation; and excellence in customer service. 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. Learning and development needs are identified through the Performance Development Review process.

Policies

There are formal employee complaint and grievance procedures and the Group also 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. During the year the Group completed a review of HR policies and procedures and updated these where necessary.

Sickness absence

The Group believes that the pro-active management of illness and absenteeism is to the mutual benefit of the Group and its employees. The sickness absence for the Group was 2.57% in 2011/12. This is a slight increase compared to 2.46% the previous year.

During the year a new Wellbeing Policy was introduced along with the introduction of a Wellbeing Programme which included a new employee committee, flu vaccines, employee health checks and smoking cessation clinics. Updated training in first aid and Display Screen Equipment assessments was provided during the year. External occupational health and counselling services are available for employees if required.

Employee participation and external engagement

The Group places significant emphasis on engagement and communication. In order to assess employee engagement levels, an Employee Survey was conducted in December 2011 with very positive results.

Employee communications occur through team briefings, engagement groups, communication and involvement groups, project groups, electronic communications and through interaction, consultation and negotiation with trade unions. Employee relations in all businesses are positive and constructive. There is a well established arrangement for consultation and involvement throughout the Group and for negotiation with the relevant Trade Union in Power NI.

The Group engages with relevant external organisations including the CBI Employment Affairs Committee, the Equality Commission for Northern Ireland, the Labour Relations Agency and the Irish Business and Employers' Confederation.

Environment

Environmental CSR priorities within the Group are focused on a number of key areas:

- operation of the Huntstown plants in compliance with legal and regulatory requirements and having a robust environmental management system in place;
- direct investment in, and contracting with, a range of renewable generators for the production of low carbon electricity which can be supplied to customers of the Group's retail supply businesses; and
- the promotion of energy-saving ideas to its customers through the provision of energy efficiency advice, grants and other value-added services.

The Group's environmental policy commits the Group to protecting the environment and is designed to ensure compliance with all relevant legislative and regulatory requirements.

Where practical and economically viable, the Group seeks to develop standards in excess of such requirements. Areas of particular focus include the responsible management of emissions, waste and recycling, measures to protect against pollution and the promotion of energy efficiency.

Energia Group

Huntstown 1 and 2 operate in compliance with their Integrated Pollution Prevention and Control (IPPC) licences. Emissions of NOx, SO_2 and CO are measured by onsite Continuous Emissions Monitoring Systems, CO_2 is calculated as per GHG permit requirements. Emissions for calendar year 2011 are as set out below:

Tonnes	NO_x	SO_2	CO	CO_2
Huntstown 1	317	5.6	57	578,080*
Huntstown 2	511	10.0	194	931,269*

* Calculated value

Through the operation of their respective IPPC licences, Huntstown 1 and 2 comply with the emission limits for NO_x, SO_2 and dust under the EU's Large Combustion Plant Directive. The emissions from these highly efficient gas-fired plants displace greater emissions from coal and/or oil fired generating stations.

Huntstown 1 and 2 continue to operate in accordance with the Environmental Management System ISO: 14001.

Energia is a significant contributor to the sustainable energy agenda in both Northern Ireland and the RoI. Its renewable portfolio currently offsets the emission of over 620,000 tonnes (2011 – 346,000 tonnes) of CO_2 per annum.

Energia continues to provide energy efficiency products and services to its business energy customers in Ireland.

In Northern Ireland, through the NISEP Scheme (Northern Ireland Sustainable Energy Programme) approved by NIAUR, Energia managed a £274k (2011 - £164k) energy efficiency programme implementing a total of 56 projects (2011 – 145 projects) with estimated lifetime reductions of 200GWh (2011 – 88.5GWh) in energy demand. This represents an estimated 104,000 tonnes (2011 – 48,300 tonnes) of CO2 savings and customer benefits of over £20.1m (2011 - £10.7m) over the lifetime of these measures.

During the year Energia introduced a new online energy bureau. This is an easy-to-use tool which helps customers manage their energy projects by tracking them online and allowing Energia staff to contribute to these projects through ideas and tasks.

During the year Energia ran a customer information programme particularly aimed at energy efficiency for all industrial and commercial customers. These programmes include; customer energy conferences, energy efficiency training programmes, energy awareness days and energy efficiency literature/brochures. Energia also continues to provide online billing, energy efficiency and pricing information to its customers via its website www.energia.ie.

Power NI

An Energy Services team within Power NI oversees sustainable energy activities and considers business opportunities in this expanding field.

During the year Power NI managed a £5.8m (2011 - £5.1m) energy efficiency programme aimed at reducing CO_2 emissions and alleviating fuel poverty in Northern Ireland. Funded by the NISEP, a total of 14 energy efficiency schemes (2011 – 9 schemes) were implemented with estimated lifetime reductions of 566GWh (2011 – 441GWh) in energy demand. This represents an estimated 350,000 tonnes of CO_2 savings (2011 – 324,000 tonnes) and customer benefits in excess of £48m (2011 - £42m) over the lifetime of these measures.

In addition, through commitments in Power NI's price control, 46.4GWh (2011 – 44GWh) of lifetime savings to customers were delivered during the year via investment in energy efficiency measures which equates to over £5.7m (2011 – £6m) of customer benefits. Over 15,000 customers (2011 – 18,000 customers) continue to use 'EcoEnergy', Power NI's 'green' electricity tariff.

During the year Power NI continued to work closely with the Energy Saving Trust giving over 2,500 domestic customers access to free and impartial advice on saving energy.

Power NI continues to encourage the installation of renewable energy and combined heat and power (CHP) systems through its generation tariff which offers customer rewards for the value of ROCs and electricity generated and exported to the network. Over 920 customers use this service and Power NI acts as an Ofgem Agent on behalf of more than 800 customers.

The 'Saving Energy' section of Power NI's website www.powerni.co.uk provides a wide range of information and advice on energy efficiency and renewable energy. An online Home Energy Check is now available and over 5,100 customers have already availed themselves of the service which provides an indicative home energy rating and recommendations for energy saving measures.

An online billing service is also available from the Power NI website. The service, called Energy Online has over 6,000 customers registered to view their bills, submit their meter readings and view their electricity consumption online. In May 2012 the Energy Online service was updated and enhanced following the successful implementation of the new Power NI customer billing system.

Power NI provides a comprehensive portfolio of products and value added services for its customers such as home insulation, boiler servicing, boiler replacement, solar water heating, solar photovoltaics, air source heat pumps and wood pellet boilers.

Working with the University of Ulster and other stakeholders, Power NI is actively involved in a smart meter trial with vulnerable customers which aims to test the benefits of smart meters and will measure the impact of a support and education package.

Power NI is a consortium member of the Northern Ireland Plugged in Places project which aims to install electric vehicle infrastructure over the next two years in an attempt to encourage the purchase of over 600 electric vehicles.

In-house energy monitors are growing in popularity and Power NI has purchased 5,000 monitors for distribution to its customers.

Marketplace

A CSR priority is to maintain a highly ethical approach to regulatory responsibilities, obligations under licences, public positioning and marketing of products and services. The Group 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 Group's corporate governance arrangements. During the year the Group implemented a new Anti-Corruption and Bribery policy following the introduction of the Bribery Act 2010 in the UK.

The Group'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. Where applicable the Group adheres to the required tender procedures of the EU Procurement Directive as it relates to Utilities. The Group 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.

As a major purchaser, the Group 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.

Community

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

Following the closure of the NIE 'For Your Benefit' programme in December 2010, Power NI introduced a new programme in September 2011 which offers vulnerable customers a 'one-stop-shop' package including a home visit to carry out a Benefit Entitlement Check and identify referrals for energy efficiency schemes. Since September 2011 there have been 377 customers referred to the programme. Power NI also offers an online benefit calculator in partnership with Access2Benefits and during the year there were over 690 benefit checks completed via the website.

Power NI offers a number of services to its customers that are promoted through its codes of practice (produced in several different languages) and through various advice providers, including Citizens Advice Bureaux, Advice NI and Energy Saving Trust advice centres. Power NI aims to assist its customers with special needs through a number of these services. Over 2,950 customers with special requirements benefit from a range of services through Power NI's customer care register.

The Group recognises the social dimension of debt prevention and management and Power NI continues to offer a wide range of payment options and debt prevention measures. Approximately 256,000 residential customers (2011 – 261,000) use 'Keypad' meters. These pay-as-you-go meters enable customers to budget for their electricity payments, while Power NI offer a 2.5% discount off the standard price of electricity, and provide user-friendly credit and consumption information. In addition Power NI offers a 'time of use' keypad tariff enabling customers to benefit from lower electricity charges at certain times of the day.

The Power NI BIG Energy Saving Challenge was launched in December 2010 and closed for applications at the end of March 2011. Applications were encouraged from communities across Northern Ireland who were keen to save energy by working together. The year long challenge started in June 2011 with 6 communities being awarded £15,000 to spend on energy saving measures and at the end of June 2012 the winning community group will receive a further £20,000 to invest in community energy saving measures.

Power NI engages with a wide range of organisations in the voluntary, public and private sectors focusing on social action and CO_2 reduction. During the year this included playing an active role in the Department of Social Development's Fuel Poverty Advisory Group.

Charitable and political donations

In addition to sponsorship of charities and organisations of £90,000 (2011 - £43,000), the Group's donations to charities in the year were £13,000 (2011 - £6,000). There were no contributions for political purposes.

The Group operates a 'Helping Hands in the Community' Scheme which is available for all employees to obtain support of up to £250 for an organisation/charity that they are involved with.

Directors

The directors of the Company who held office during the period were as follows:

Henry Thompson (Chairman) – an executive director and general counsel of Arcapita and general manager of its UK subsidiary, Arcapita Limited
Salah Al-Shaikh – director for investment administration at Arcapita
Mohammed Chowdhury - executive director of Arcapita
Essa Zainal - executive director of Arcapita

The Directors' Report, as set out on pages 4 to 41 has been approved by the Board and signed on its behalf by:

Mohammed Chowdhury
Director

Registered office:
Paget Brown Trust Company Limited
Boundary Hall
Cricket Square
PO Box 1111
Grand Cayman
KY1-1102
Cayman Islands

Registered Number: 192375
17 June 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the group accounts and have elected to prepare those accounts in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and relevant provisions of the EU Fourth and Seventh Company Law Directives.

Accordingly, the directors are required to prepare group accounts which give a true and fair view of the financial position, the financial performance and cash flows of the Group and, in preparing the group accounts, to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis.

INDEPENDENT AUDITORS' REPORT
To the members of Viridian Group Investments Limited

We have audited the Group accounts of Viridian Group Investments Limited for the year ended 31 March 2012 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Group Cash Flow Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards.

This report is made solely to the Company's members as a body in accordance with our engagement letter dated 5 February 2010. Our audit work has been undertaken so that we might state to the Company's members those matters we are required under International Standards on Auditing (UK and Ireland) 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 42 the Company's 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 International Standards on Auditing (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 financial statements

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 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 Directors' Report to identify 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

In our opinion the accounts:

- give a true and fair view of the state of the Group's affairs as at 31 March 2012 and of its loss for the year then ended; and
- have been properly prepared in accordance with United Kingdom accounting standards.

Ernst & Young LLP
Belfast
18 June 2012

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2012

	Note	Pre-exceptional 2012 £m	Exceptional 2012 £m	Total 2012 £m	Pre-exceptional 2011 £m	Exceptional 2011 £m	Total 2011 £m
Turnover:							
Continuing operations – total	3	**1,731.0**	**-**	**1,731.0**	1,808.2	-	1,808.2
Sales to discontinued operations	3	**-**	**-**	**-**	(30.3)	-	(30.3)
	3	**1,731.0**	**-**	**1,731.0**	1,777.9	-	1,777.9
Discontinued operations – total	3	**-**	**-**	**-**	177.3	-	177.3
Sales to continuing operations	3	**-**	**-**	**-**	(108.9)	-	(108.9)
	3	**1,731.0**	**-**	**1,731.0**	68.4	-	68.4
GROUP TURNOVER		**1,731.0**	**-**	**1,731.0**	1,846.3	-	1,846.3
Operating costs	4,5	**(1,656.3)**	**(9.1)**	**(1,665.4)**	(1,700.6)	(22.6)	(1,723.2)
Operating profit/(loss) before goodwill amortisation:							
Continuing operations		**74.7**	**(9.1)**	**65.6**	96.7	(22.6)	74.1
Discontinued operations		**-**	**-**	**-**	49.0	-	49.0
	3	**74.7**	**(9.1)**	**65.6**	145.7	(22.6)	123.1
Goodwill amortisation/ impairment	4	**(33.8)**	**(2.0)**	**(35.8)**	(55.6)	-	(55.6)
OPERATING PROFIT/(LOSS)							
Continuing operations		**40.9**	**(11.1)**	**29.8**	63.3	(22.6)	40.7
Discontinued operations		**-**	**-**	**-**	26.8	-	26.8
	3	**40.9**	**(11.1)**	**29.8**	90.1	(22.6)	67.5
Profit on disposal of continuing operations	5	**-**	**11.0**	**11.0**			
Profit on disposal of discontinued operations	5	**-**	**-**	**-**	-	25.1	25.1
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX		**40.9**	**(0.1)**	**40.8**	90.1	2.5	92.6
Net interest payable	7	**(54.0)**	**-**	**(54.0)**	(97.3)	-	(97.3)
Net pension scheme interest	20	**-**	**-**	**-**	(3.7)	-	(3.7)
Exceptional finance costs	5	**-**	**(58.4)**	**(58.4)**	-	(176.7)	(176.7)
		(54.0)	**(58.4)**	**(112.4)**	(101.0)	(176.7)	(277.7)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX		**(13.1)**	**(58.5)**	**(71.6)**	(10.9)	(174.2)	(185.1)
Tax (charge)/credit on loss on ordinary activities	8	**(8.3)**	**12.3**	**4.0**	(14.9)	4.6	(10.3)
LOSS FOR THE FINANCIAL YEAR		**(21.4)**	**(46.2)**	**(67.6)**	(25.8)	(169.6)	(195.4)

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2012

	Note	2012 £m	2011 £m
Loss for the financial year		**(67.6)**	(195.4)
Exchange difference on retranslation of foreign subsidiaries		**17.0**	3.0
Exchange difference on loan hedged against foreign subsidiary	7	**(14.2)**	4.2
Actuarial (loss)/gain on pension scheme assets and liabilities	20	**(0.4)**	131.1
Deferred tax credit / (charge) on actuarial (loss)/ gain on pension scheme assets and liabilities	8	**0.1**	(35.3)
Effect of decreased tax rate on opening deferred tax liability		**-**	(2.3)
Total recognised losses relating to the year		**(65.1)**	(94.7)

GROUP BALANCE SHEET
as at 31 March 2012

	Note	2012 £m	2011 £m
Fixed assets			
Intangible assets	10	**514.9**	563.1
Tangible assets	11	**301.6**	402.5
Investments	12	**337.6**	0.9
		1,154.1	966.5
Current assets			
Stocks	13	**9.8**	10.5
Debtors - due within one year	14	**211.7**	216.0
- due after more than one year	14	**-**	116.6
Investments	15	**26.6**	43.2
Cash at bank and in hand		**8.8**	16.5
		256.9	402.8
Creditors (amounts falling due within one year)	16	**(311.8)**	(1,180.7)
Net current liabilities		**(54.9)**	(777.9)
Total assets less current liabilities		**1,099.2**	188.6
Creditors (amounts falling due after more than one year):	16		
External borrowings		**(380.9)**	(33.5)
Subordinated shareholder loan		**(634.7)**	-
		(1,015.6)	(33.5)
Provisions for liabilities and charges	18	**(10.7)**	(10.3)
Deferred taxation	8	**(13.3)**	(19.5)
Deferred income	19	**-**	(0.2)
Net assets excluding pension liability		**59.6**	125.1
Defined benefit pension liability	20	**(0.4)**	(0.8)
NET ASSETS		**59.2**	124.3
Equity			
Called up share capital	21	**-**	-
Share premium	22	**510.0**	510.0
Profit and loss account	22	**(450.8)**	(385.7)
TOTAL EQUITY		**59.2**	124.3

The accounts were approved by the Board of directors and authorised for issue on 17 June 2012. They were signed on its behalf by:

Mohammed Chowdhury
Director

Date: 17 June 2012

GROUP CASH FLOW STATEMENT
for the year ended 31 March 2012

	Note	2012 £m	2011 £m
Cash flow from operating activities	23	**79.0**	188.0
Returns on investments and servicing of finance			
Interest received	23	**4.1**	2.3
Interest paid	23	**(55.6)**	(83.6)
Issue costs on new long-term loans	23	**(22.0)**	(2.0)
Exceptional finance costs	23	**(57.2)**	(8.6)
Exceptional settlement of swap accretion	23	**-**	(69.3)
		(130.7)	(161.2)
Taxation	23	**(0.8)**	(5.1)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	23	**(43.7)**	(114.2)
Purchase of intangible assets	23	**(30.1)**	(30.4)
Proceeds from disposal of intangible assets	23	**24.1**	18.1
Contributions in respect of tangible fixed assets	23	**-**	15.5
Loan receivable from fellow group undertaking	23	**-**	(116.6)
		(49.7)	(227.6)
Acquisitions and disposals			
Sale of subsidiary undertaking	12	**(4.1)**	1,031.8
Net cash disposed of with subsidiary undertaking	12	**(18.0)**	(9.0)
		(22.1)	1,022.8
Cash (outflow)/inflow before use of liquid resources and financing		**(124.3)**	816.9
Management of liquid resources			
Decrease in bank deposits		**14.7**	33.4
Decrease in short-term managed funds		**-**	0.3
		14.7	33.7
Financing			
Receipts from loans		**569.0**	111.6
Repayment of loans		**(466.4)**	(958.6)
		102.6	(847.0)
(Decrease)/ increase in cash in the year		**(6.9)**	3.6
Reconciliation of net cash flow to movement in net debt			
(Decrease)/ increase in cash in the year		**(6.9)**	3.6
Cash inflow/ (outflow) from movement in net debt		**(102.6)**	963.6
Cash inflow from movement in liquid resources		**(14.7)**	(33.7)
Change in net debt resulting from cash flows		**(124.2)**	933.5
Disposal of subsidiaries	24	**141.7**	192.4
Decrease in interest accruals (including swap accretion)		**0.6**	58.9
Amortisation of financing charges	7	**(1.4)**	(5.2)
Issue costs on new loans included in net debt		**26.0**	2.0
Interest accrual extinguished on acquisition of subsidiary	12	**2.8**	-
Translation difference	24	**14.1**	11.2
Movement in net debt in the year		**59.6**	1,192.8
Net debt at beginning of year		**(761.3)**	(1,954.1)
Net debt at end of year	24	**(701.7)**	(761.3)

NOTES TO THE ACCOUNTS

1. General Information

Viridian Group Investments Limited is a limited company incorporated and domiciled in the Cayman Islands.

2. Accounting Policies

The principal accounting policies are set out below:

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). The accounts are presented in Sterling (£) with all values rounded to the nearest £100,000 except where otherwise indicated.

Applicability of going concern basis

As noted in the Operating Review, on 14 March 2012 the Group completed the refinancing of its Senior bank facility through the issuance of 5 year Senior Secured Notes. The Group entered into a new 4½ year Senior Revolving Credit Facility and its immediate parent undertaking, Viridian Group Holdings Limited, obtained unanimous consent to restructure its Junior bank facility to an eight year facility.

On 19 March 2012, Arcapita Bank B.S.C.(c)* ("Arcapita") together with five affiliated companies ("the Filing Debtors") filed petitions under Chapter 11 of the US Bankruptcy Code. No member of the Group consisting of Viridian Group Investments Limited or the immediate shareholder of Viridian Group Investments Limited is a Filing Debtor. Following the completion of the refinancing described above, the Group is not financially dependent on Arcapita or any other Filing Debtor. While the Group's borrowing facilities contain provisions of a type customary for such facilities, including change of control provisions, on the basis of their enquiries and input from the Group's advisors, the Directors have concluded that the Chapter 11 filings do not impact the Group's borrowing facilities and do not expect them to affect the continued operation and trading of the Viridian Group. Further the Directors have considered the likelihood of future events in relation to the Chapter 11 process which might adversely impact on the Group's borrowing facilities and the Directors do not expect any such event to impact on the Group's borrowing facilities.

The Group's forecasts and projections, taking into account possible changes in trading performance, show that the Group will have adequate financial resources to enable it to continue to trade for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Basis of consolidation

The Group accounts consolidate the accounts of Viridian Group Investments Limited (the Company) and entities controlled by the Company (its subsidiaries) to 31 March each year. 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.

Acquisitions of subsidiaries which are considered as business combinations are accounted for using the purchase method. The cost of the acquisition is measured as the cash paid plus any costs directly attributable to the acquisition. The acquiree's identifiable assets and liabilities are recognised at their fair value at the acquisition date. The acquisition of subsidiaries which are not considered as business combinations are accounted for based upon the substance of the acquisition, which in the current year has resulted in the underlying asset acquired being recognised at the fair value of consideration given by the Group

Entities, other than subsidiary undertakings and joint ventures, in which the group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates and are accounted for using the equity method.

* *As referred to in note 28 to the accounts.*

2. Accounting Policies (continued)

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the identifiable net assets of a subsidiary at the date of acquisition. Goodwill is capitalised as an intangible asset and amortised by equal instalments against profit or loss over its estimated useful life which usually does not exceed 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. If a subsidiary is subsequently sold any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale.

Foreign currency translation
The presentation currency of the Group is Sterling (£). The local currency of subsidiaries incorporated in the Cayman Islands and the UK is Sterling (£). The local currency of subsidiaries incorporated in the RoI and the Grand Duchy of Luxembourg is the Euro (€).

Foreign currency transactions are translated into the local currency at the rates of exchange prevailing on the dates of the transactions or at the contracted rate if the transaction is covered by a forward foreign currency contract. 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, or where appropriate at the forward contract rate, are recognised in the profit and loss account.

On consolidation, the assets and liabilities of the Group's foreign subsidiaries are translated into Sterling at the rate of exchange ruling at the balance sheet date and their profit and loss accounts are translated at the average rates of exchange for the period. Exchange differences arising are recognised in the statement of total recognised gains and losses.

Exchange differences arising on foreign currency borrowings used to hedge foreign currency net investments in foreign subsidiaries are recognised in the statement of total recognised gains and losses.

Emissions allowances and renewable obligations
The Group recognises the allocation of CO_2 emissions allowances from government or a similar body at £nil value. Purchased CO_2 emissions allowances and renewable obligation certificates (ROCs) are initially recognised at cost (purchase price) within intangible assets. No amortisation is recorded during the period as the intangible asset is surrendered at the end of the compliance period reflecting the consumption of economic benefit.

The Group recognises liabilities in respect of its obligations to deliver emissions allowances to the extent that the allowances to be delivered exceed the level of allocation under the EU emissions trading scheme. Any liabilities recognised are measured based on the current estimates of the amounts that will be required to satisfy the obligation. A liability for the renewables obligation is recognised based on the level of electricity supplied to customers.

Computer software
The cost of acquiring computer software is capitalised and amortised on a straight-line basis over the directors' estimate of its useful economic life which is between three and ten years. The carrying value of computer software is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets and depreciation
Tangible fixed assets are included in the balance sheet at cost, less accumulated depreciation and any recognised impairment loss. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of overheads.

Interest on funding attributable to significant capital projects is capitalised during the period of construction and written off as part of the total cost of the asset.

2. Accounting Policies (continued)

Freehold land is not depreciated. Other tangible fixed assets are depreciated on a straight-line basis so as to write off the cost, less estimated residual value, over their estimated useful economic lives as follows:

Infrastructure assets - up to 40 years
Generation assets - up to 30 years
Freehold operational land - nil
Fixtures and equipment - up to 25 years
Vehicles and mobile plant - up to 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. Where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Stocks

Stocks are stated at the lower of average purchase price and net realisable value.

Financial instruments

Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recorded at cost, being the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the profit and loss account using the effective interest rate method. Except for interest capitalised in relation to significant capital projects interest payable is reflected in the profit and loss account as it arises.

Loans and receivables

Loans and receivables are carried at cost. Finance income, including premiums receivable on settlement or redemption, are accounted for on an accruals basis to the profit and loss account using the effective interest rate method. Profits or losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the effective interest rate method.

Trade debtors

Trade debtors 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 creditors

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

Derivative financial instruments

The Group considers that its derivative financial instruments qualify for hedge accounting where the instrument relates to a firm committed transaction involving the same underlying variable as the hedged item and the instrument reduces the risk of changes in the underlying variable on the Group's operations. Derivative financial instruments are not reflected in the balance sheet at fair value. Derivative financial instruments are accounted for as follows:

- **Forward exchange contracts, commodity contracts and CfDs**
  The rates under such contracts are used to record the hedged item. As a result, gains and losses under these contracts are offset in the profit and loss account in line with the transactions which they are hedging. Where the contract is used to hedge a committed future transaction, it is not recognised until the transaction occurs. If the underlying commitment does not occur and the instrument ceases to be a hedge, a gain or loss is recognised in the profit and loss account.

- **Interest rate swaps**
  Amounts receivable or payable in respect of swap agreements are recognised as adjustments to net interest payable in the profit and loss account over the period of the agreement. Where a swap and underlying debt are terminated together, the net gain or loss is included in net interest payable. When swaps are terminated but the underlying debt is retained, any gain or loss is deferred and is amortised to net interest payable over the remaining term of the underlying debt.

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 profit and loss account on a straight-line basis over the lease term.

Turnover
Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover 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 turnover is recognised:

- **Energy supply**
  Turnover is recognised on the basis of energy supplied during the period and tariffs or contracted prices as appropriate. Turnover for energy supply includes an assessment of energy supplied to customers between the date of the last meter reading and the balance sheet date, estimated using historical consumption patterns.

- **Energy generation**
  Two key revenue streams are received by the Huntstown plant and PPB. Capacity revenue is recognized based upon the capacity (MW) provided to the Single Electricity Market (SEM) for the period. Energy revenue is recognized based upon electricity units generated during the period at market price, including an allowance for any anticipated resettlement within the SEM. Units are based on energy volumes recorded by the Single Electricity Market Operator (SEMO) and these units are reconciled to the units recorded on the plant systems to ensure accuracy

Government grants and customer contributions
Government grants and customer contributions received in respect of tangible fixed assets are deferred and released to the profit and loss account by instalments over the estimated useful economic lives of the related assets. Grants received in respect of expenditure charged to the profit and loss account during the period are included in the profit and loss account.

Tax
The tax charge represents the sum of tax currently payable and deferred tax. Tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to the statement of recognised gains and losses, in which case the deferred tax is also dealt with in the statement of total recognised gains and losses.

Tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account 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 timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised.

Deferred tax is not provided in respect of gains arising from the sale or revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

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

2. Accounting Policies (continued)

Deferred tax assets and liabilities are calculated on an undiscounted basis 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 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 net interest payable.

Decommissioning

Provision is made for estimated decommissioning costs at the end of the estimated useful economic lives of generation assets on a discounted basis based on price levels and technology at the balance sheet date. Changes in these estimates and changes to the discount rates are dealt with prospectively. Capitalised decommissioning costs are depreciated over the estimated useful economic lives of the related assets. The unwinding of the discount is included within net interest payable.

Pensions and other post-retirement benefits

The Group 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, which in the case of quoted securities is the published bid price, 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 profit and loss account and presented in the statement of total recognised gains and losses.

The cost of providing benefits under the defined benefit scheme is charged to the profit and loss account over the periods benefiting from employees' service. Past service cost is recognised immediately to the extent that the benefits are already vested. When a settlement or a curtailment occur the change in present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date the employer becomes demonstrably committed to the transaction and gains when all parties who consent is required are irrevocably committed to the transaction. The difference between the expected return on pension scheme assets and the interest on pension scheme liabilities is recognised in the profit and loss account.

Pension costs in respect of defined contribution arrangements are charged to the profit and loss account as they become payable.

Dividends

Dividends are recorded in the period in which they are paid.

3. Segmental Information

The Group's operating businesses are organised and managed separately according to the nature of the goods and services provided as described in note 12 and in the Business Reviews on pages 14 to 19.

Inter-segment pricing is determined on an arm's length basis.

Turnover, profit before depreciation, amortisation, exceptional items, interest and tax, exceptional operating costs, depreciation/amortisation and operating profit/(loss) on ordinary activities before interest and tax are analysed between the businesses as follows:

	External 2012 £m	**Sales to continuing operations 2012 £m**	**Total 2012 £m**	External 2011 £m	Sales/ (rebates) to continuing operations 2011 £m	Sales to discontinued operations 2011 £m	Total 2011 £m
Turnover							
Continuing operations:							
- Energia Group	1,020.1	1.5	1,021.6	981.4	3.2	0.2	984.8
- Power NI Energy	710.9	-	710.9	796.5	(0.1)	30.1	826.5
- Other	-	-	-	-	-	-	-
- Inter-group elimination	-	(1.5)	(1.5)	-	(3.1)	-	(3.1)
Continuing operations turnover	1,731.0	-	1,731.0	1,777.9	-	30.3	1,808.2
Discontinued operations:							
- NIE	-	-	-	49.7	108.9	0.2	158.8
- Powerteam	-	-	-	18.4	-	38.4	56.8
- Other	-	-	-	0.3	-	-	0.3
- Inter-group elimination	-	-	-	-	-	(38.6)	(38.6)
Discontinued operations turnover	-	-	-	68.4	108.9	-	177.3
Inter-group elimination	-	-	-	-	(108.9)	(30.3)	(139.2)
Group Turnover	1,731.0	-	1,731.0	1,846.3	-	-	1,846.3

	2012 £m	2011 £m
Profit before depreciation, amortisation, exceptional items, interest and tax		
Continuing operations:		
- Energia Group	91.3	79.0
- Power NI Energy	10.7	46.2
- Other	(2.9)	(3.1)
	99.1	122.1
Discontinued operations:		
- NIE	-	81.6
- Powerteam	-	3.0
- Inter-group elimination	-	(1.1)
	-	83.5
Group profit before depreciation, amortisation, exceptional items, interest and tax	99.1	205.6
Exceptional operating costs		
Continuing operations:		
- Energia Group	(9.1)	(13.8)
- Power NI Energy	-	(5.7)
- Other	-	(3.1)
Group exceptional operating costs	(9.1)	(22.6)
Depreciation/amortisation		
Continuing operations:		
- Energia Group	(24.4)	(25.4)
	(24.4)	(25.4)
Discontinued operations:		
- NIE	-	(33.9)
- Powerteam	-	(0.9)
- Inter-group elimination	-	0.3
	-	(34.5)
Group depreciation/amortisation	(24.4)	(59.9)

Segmental Information (continued)

Operating profit/(loss) post exceptional operating costs		
Continuing operations:		
- Energia Group	**57.8**	39.8
- Power NI Energy	**10.7**	40.5
- Other	**(2.9)**	(6.2)
	65.6	74.1
Discontinued operations:		
- NIE	**-**	47.7
- Powerteam	**-**	2.1
- Inter-group elimination	**-**	(0.8)
	-	49.0
Group operating profit post exceptional operating costs	**65.6**	123.1
Goodwill amortisation/ impairment		
- continuing operations	**(35.8)**	(33.4)
- discontinued operations	**-**	(22.2)
	(35.8)	(55.6)
Group operating profit	**29.8**	67.5
Profit on disposal of continuing operations	**11.0**	-
Profit on disposal of discontinued operations	**-**	25.1
Profit on ordinary activities before interest and tax	**40.8**	92.6
Net interest payable	**(54.0)**	(97.3)
Net pension scheme interest	**-**	(3.7)
Exceptional finance costs	**(58.4)**	(176.7)
	(112.4)	(277.7)
Loss on ordinary activities before tax	**(71.6)**	(185.1)

3. Segmental Information (continued)

The Group operates within two principal geographical areas.

Turnover, profit before depreciation, amortisation, exceptional items, interest and tax, depreciation/amortisation and profit/(loss) on ordinary activities are analysed between geographical areas as follows:

		External 2012 £m	**Sales to continuing operations 2012 £m**	**Inter-group elimination 2012 £m**	**Total 2012 £m**	External 2011 £m	Sales/ (rebates) to continuing operations 2011 £m	Sales to discontinued operations 2011 £m	Inter-group elimination 2011 £m	Total 2011 £m
Turnover by origin										
Continuing operations -	UK	877.5	-	-	877.5	987.3	(0.1)	30.3	0.1	1,017.6
	RoI	853.5	1.5	(1.5)	853.5	790.6	3.2	-	(3.2)	790.6
		1,731.0	1.5	(1.5)	1,731.0	1,777.9	3.1	30.3	(3.1)	1,808.2
Discontinued operations -	UK	-	-	-	-	49.0	108.9	38.6	(38.6)	157.9
	RoI	-	-	-	-	19.4	-	-	-	19.4
		-	-	-	-	68.4	108.9	38.6	(38.6)	177.3
Inter-group elimination		-	(1.5)	1.5	-	-	(112.0)	(68.9)	41.7	(139.2)
		1,731.0	-	-	1,731.0	1,846.3	-	-	-	1,846.3
Turnover by destination										
Continuing operations -	UK	877.5	-	-	877.5	987.3	(0.1)	30.3	0.1	1,017.6
	RoI	853.5	1.5	(1.5)	853.5	790.6	3.2	-	(3.2)	790.6
		1,731.0	1.5	(1.5)	1,731.0	1,777.9	3.1	30.3	(3.1)	1,808.2
Discontinued operations -	UK	-	-	-	-	61.0	108.9	38.6	(38.6)	169.9
	RoI	-	-	-	-	7.4	-	-	-	7.7
		-	-	-	-	68.4	108.9	38.6	(38.6)	177.3
Inter-group elimination		-	(1.5)	1.5	-	-	(112.0)	(68.9)	41.7	(139.2)
Group turnover		1,731.0	-	-	1,731.0	1,846.3	-	-	-	1,846.3

		Total 2012 £m	Total 2011 £m
Profit before depreciation, amortisation, exceptional items, interest and tax			
Continuing operations -	UK	20.0	53.2
	RoI	79.1	68.9
		99.1	122.1
Discontinued operations -	UK	-	84.3
	RoI	-	0.3
Inter-group elimination		-	(1.1)
		-	83.5
Group profit before depreciation, amortisation, exceptional items, interest and tax		99.1	205.6
Exceptional operating costs			
Continuing operations -	UK	-	(12.2)
	RoI	(9.1)	(10.4)
		(9.1)	(22.6)
Depreciation/amortisation			
Continuing operations -	UK	(1.6)	(1.6)
	RoI	(22.8)	(23.8)
		(24.4)	(25.4)
Discontinued operations -	UK	-	(34.7)
	RoI	-	(0.1)
Inter-group elimination		-	0.3
		-	(34.5)
Group depreciation/amortisation		(24.4)	(59.9)

Segmental Information (continued)

		2012	2011
Operating profit post exceptional operating costs			
Continuing operations -	UK	18.4	29.0
	RoI	47.2	45.1
		65.6	74.1
Discontinued operations –	UK	-	49.6
	RoI	-	0.2
Inter-group elimination		-	(0.8)
		-	49.0
Operating profit before goodwill		65.6	123.1
Goodwill amortisation/ impairment		(35.8)	(55.6)
Group operating profit		29.8	67.5
Profit on disposal of continuing operations – RoI		11.0	-
Profit on disposal of discontinued operations – UK		-	25.1
Profit on ordinary activities before interest and tax		40.8	92.6
Net interest payable		(54.0)	(97.3)
Net pension scheme interest		-	(3.7)
Exceptional finance costs		(58.4)	(176.7)
		(112.4)	(277.7)
Loss on ordinary activities before tax		(71.6)	(185.1)

In addition to the disclosures given above, the directors believe the following analysis of the Group's regulated businesses' turnover and operating profit according to regulated entitlement is relevant to understanding the Group's results:

Based on regulated entitlement:	**Turnover**		**Operating profit pre exceptional operating costs**		**Profit before depreciation, amortisation, exceptional items, interest & tax**	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Continuing operations:						
Energia Group	1,021.6	984.8	66.9	53.6	91.3	79.0
Power NI	520.8	539.5	19.6	19.0	19.6	19.0
Power Procurement	203.6	266.8	5.7	6.0	5.7	6.0
Inter-business elimination	1.1	(1.0)	-	-	-	-
Power NI Energy	725.5	805.3	25.3	25.0	25.3	25.0
Other	-	-	(2.9)	(3.1)	(2.9)	(3.1)
Inter-business elimination	(1.5)	(3.1)	-	-	-	-
	1,745.6	1,787.0	89.3	75.5	113.7	100.9
Adjustment for over/(under)-recovery	(14.6)	21.2	(14.6)	21.2	(14.6)	21.2
Total continuing operations	1,731.0	1,808.2	74.7	96.7	99.1	122.1
Discontinued operations:						
NIE	-	174.5	-	63.4	-	97.3
Powerteam	-	56.8	-	2.1	-	3.0
Other	-	0.3	-	-	-	-
Inter-business elimination	-	(38.6)	-	(0.8)	-	(1.1)
	-	193.0	-	64.7	-	99.2
Adjustment for (under)/over-recovery	-	(15.7)	-	(15.7)	-	(15.7)
Total discontinued operations	-	177.3	-	49.0	-	156.2

3. Segmental Information (continued)

The adjustment for over/(under)-recovery represents the amount by which the regulated businesses over/(under)-recovered against their regulated entitlement.

Net operating assets/(liabilities) are analysed as follows:

By business	**2012 £m**	2011 £m
Energia Group	**268.6**	361.6
Power NI Energy	**35.2**	23.4
Other	**2.8**	(0.9)
Net operating assets	**306.5**	384.1
Unallocated net liabilities	**(247.4)**	(259.8)
Total net assets	**59.2**	124.3

By geographical area	**2012 £m**	2011 £m
UK	**41.3**	44.9
RoI	**264.5**	339.2
Other	**0.8**	-
Net operating assets	**306.5**	384.1
Unallocated net liabilities	**(247.4)**	(259.8)
Total net assets	**59.2**	124.3

Unallocated net liabilities comprise net debt, deferred tax liabilities, current tax payable, pension liability and goodwill.

4. Operating Costs

Operating costs are analysed as follows:

2012	**External continuing operations £m**	**Transactions with discontinued operations £m**	**Total continuing £m**	**External discontinued operations £m**	**Transactions with continuing operations £m**	**Total discontinued £m**	**Interbusiness elimination £m**	**Total £m**
Energy costs	1,556.0	-	1,556.0	-	-	-	-	1,556.0
Employee costs (note 6)	19.9	-	19.9	-	-	-	-	19.9
Depreciation and amortisation	24.4	-	24.4	-	-	-	-	24.4
Other operating charges	56.0	-	56.0	-	-	-	-	56.0
Total pre exceptional	1,656.3	-	1,656.3	-	-	-	-	1,656.3
Exceptional costs (note 5):								
Energy costs	9.1	-	9.1	-	-	-	-	9.1
Total	1,665.4	-	1,665.4	-	-	-	-	1,665.4

4. Operating Costs (continued)

2011

	External continuing operations £m	Transactions with discontinued operations £m	Total continuing £m	External discontinued operations £m	Transactions with continuing operations £m	Total discontinued £m	Interbusiness elimination £m	Total £m
Energy costs	1,499.7	107.5	1,607.2	-	-	-	(107.5)	1,499.7
Employee costs (note 6)	18.8	-	18.8	23.1	-	23.1	-	41.9
Depreciation and amortisation	25.4	-	25.4	34.5	-	34.5	-	59.9
Other operating charges	54.3	5.8	60.1	44.8	25.9	70.7	(31.7)	99.1
	1,598.2	113.3	1,711.5	102.4	25.9	128.3	(139.2)	1,700.6
Exceptional costs (note 5):								
Energy costs	10.4	-	10.4	-	-	-	-	10.4
Employee costs	12.2	-	12.2	-	-	-	-	12.2
	22.6	-	22.6	-	-	-	-	22.6
Total	1,620.8	113.3	1,734.1	102.4	25.9	128.3	(139.2)	1,723.2

The directors have adopted the format in this note so that operating costs are disclosed in a manner appropriate to the Group's activities. The directors believe that the nature of the Group's businesses is such that an analysis of operating costs in the format set out in the EU Fourth and Seventh Company Law Directives is inappropriate.

In measuring and presenting the analysis of operating costs and profits between continuing and discontinuing operations in the prior year the directors included within continuing operations those ongoing direct costs charged by the discontinued operations and eliminated these against the discontinued operations as the directors believe this provides a more meaningful and reliable basis for assessing the future income of the continuing operations as required by FRS 3 "Reporting Financial Performance".

Goodwill amortisation/ impairment is allocated between continuing and discontinued operations as follows:

	2012 £m	2011 £m
Continuing operations	**35.8**	33.4
Discontinued operations	**-**	22.2
	35.8	55.6

Operating costs include:

	2012 £m	2011 £m
Depreciation charge on tangible fixed assets	**23.1**	60.7
Associated release of customers' contributions and grants	**-**	(5.9)
	23.1	54.8
Amortisation of software costs	**1.3**	5.1
Operating lease rental:		
- Plant and machinery	**-**	2.5
- Land and buildings	**0.7**	1.0

4. Operating Costs (continued)

	2012 £'000	2011 £'000
Auditors' remuneration:		
- audit of the financial statements	266	269
- other fees to auditors:		
- other audit services related to the appointment as auditors	122	10
- taxation services relating to refinancing and tax compliance	702	366
- taxation and assurance services relating to acquisitions and disposals	30	243
- corporate finance services relating to refinancing and acquisitions and disposals	373	49
	1,227	668

In addition, the auditors received £nil (2011 - £19,000) in respect of the audit of the NIE Pension Scheme.

5. Exceptional items

	2012 £m	2011 £m
Recognised before arriving at operating profit:		
- Carbon revenue levy	(9.1)	(10.4)
- Goodwill impairment	(2.0)	-
- Pension scheme settlements	-	(12.2)
	(11.1)	(22.6)
Recognised after arriving at operating profit:		
- Profit on disposal of continuing operations	11.0	-
- Profit on disposal of discontinued operations	-	25.1
- Exceptional finance costs	(58.4)	(176.7)

On 1 July 2010 the RoI Government introduced a carbon revenue levy on generators. The levy is calculated based on 65% of the volume of CO2 emitted by generators multiplied by the average quarterly price of CO2. The levy was scheduled to run to 31 December 2012 however the RoI Government repealed the legislation enabling the levy and the levy ended on 25 May 2012. The exceptional impact of the carbon revenue levy was £9.1m (2011 - £10.4m) with the cash outflow being £11.1m (2011 - £7.3m).

Goodwill impairment of £2.0m relates to goodwill arising in respect of the acquisition of Eco Wind Power Limited and reflects the assessment of the net realisable value of that income generating unit undertaken as part of the disposal of 50% of the Group's shareholding.

Profit on disposal of continuing operations, £11.0m, relates to the sale of 100% of Viridian Resources Limited and 50% of Eco Wind Power Limited on 14 March 2012.

Profit on disposal of discontinued operations in 2011, £25.1m, relates to the sale of NIE and Powerteam to ESB on 21 December 2010

Exceptional finance costs, £58.4m arise in respect of the refinancing of the Group £21.0m and the close out of fixed interest rate swaps £37.4m.

Exceptional finance costs in 2011, £176.7m, arose in respect of compensation given to NIE in return for the novation of out of the money interest rate swaps as part of the disposal of that business to ESB (£168.1m) and the close out of fixed interest rate swaps (£8.6m).

Following the disposal of NIE and Powerteam in 2010, NIE became the principal employer of the NIE Pension Scheme (formerly Viridian Group Pension Scheme). Under the terms of the sale, all members in deferment and in payment continued to participate in the NIE Pension Scheme. Active members who are employees of the continuing operations were also entitled to continue to participate in the NIE Pension scheme or transfer to a new pension scheme established to provide similar benefits to the NIE Pension Scheme. Settlements in 2011 of £12.2m arose in respect of the obligations of the continuing operations relating to active, deferred and in payment members who remained in the NIE Pension Scheme.

5. Exceptional items (continued)

The tax credit in the profit and loss account relating to exceptional items is:

	2012 £m	2011 £m
- Carbon revenue levy	**1.1**	1.3
- Exceptional finance costs	**11.2**	-
- Pension scheme settlements	**-**	3.3
	12.3	4.6

6. Employees

Employee costs (pre exceptional costs)	**Continuing operations 2012 £m**	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m
Salaries	**17.2**	16.1	35.3	51.5
Social security costs	**1.8**	1.6	3.6	5.2
Pension costs				
- defined contribution plans	**0.9**	0.9	1.2	2.1
- defined benefit plans	**0.5**	0.9	5.8	6.7
	20.5	19.5	45.9	65.5
Less: charged to the balance sheet	**(0.6)**	(0.6)	(23.0)	(23.6)
Charged to the profit and loss account	**19.9**	18.9	22.9	41.9

Employee numbers	**Actual headcount at 31 March**		**Average during the year**	
	Number 2012	Number 2011	**Number 2012**	Number 2011
Continuing:				
Power NI Energy	**161**	152	**156**	182
Energia Group	**197**	192	**192**	171
Other	**24**	15	**20**	4
	382	359	**368**	357
Discontinued:				
NIE	**-**	-	-	198
Powerteam	**-**	-	-	774
Other	**-**	-	-	3
	-	-	-	975
	382	359	**368**	1,332

Directors' emoluments

	2012 £m	2011 £m
Emoluments in respect of qualifying services	-	0.9

No amounts were paid to the directors in respect of long-term incentive plans.

6. Employees (continued)

	2012 Number	2011 Number
Members of the defined benefit pension scheme	-	-

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

	2012 £m	2011 £m
Emoluments	-	0.7
Total accrued pension at date of resignation (per annum)	-	0.1

During the year the Group was charged £3.0m (£3.0m – 2011) by Arcapita Ltd in respect of management fees which include amounts relating to the remuneration of Arcapita appointed directors, but which it is not possible to identify separately. Arcapita Ltd, a company incorporated in Great Britain, is a fellow subsidiary of the Company. The immediate parent undertaking of Arcapita Ltd is Arcapita (Europe) Limited, a company incorporated in the Cayman Islands and its ultimate parent undertaking and controlling party is Arcapita Bank B.S.C.(c), a company incorporated in the Kingdom of Bahrain and the controlling party of the Group (as defined by Financial Reporting Standard Number 8, "Related Party Disclosures" ("FRS 8").

7. Net Interest Payable

	2012 £m	2011 £m
Interest receivable		
Bank interest	1.1	0.9
Loan to fellow subsidiary	6.4	1.5
	7.5	2.4
Interest payable		
Bank loans and borrowings	(16.6)	(14.3)
Interest payable to parent undertaking	(29.9)	(27.2)
Senior secured notes interest	(3.2)	
Eurobond	-	(8.7)
	(49.7)	(50.2)
Less: charged to balance sheet	3.4	1.8
Interest payable charged to the profit and loss account	(46.3)	(48.4)
Swap accretion	-	(20.1)
Interest rate swaps	(6.9)	(25.9)
Exchange (loss)/gain on net foreign currency borrowings		
Net exchange (loss)/gain on net foreign currency borrowings	(21.2)	5.3
Less: charged/(credited) to the statement of total recognised gains and losses	14.2	(4.2)
Net exchange (loss)/gain (charged)/credited to the profit and loss account	(6.9)	1.1
Other finance costs		
Amortisation of financing charges	(1.4)	(5.2)
Unwinding of discount on decommissioning provision	(0.2)	(0.3)
Other finance income/ (charges)	0.2	(0.9)
Total other finance costs	(1.4)	(6.4)
Net interest payable	(54.0)	(97.3)

Interest charged to the balance sheet during the year was capitalised using a weighted average interest rate of 4.7% (2011 - 4.6%).

8. Tax Credit/(Charge)

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

	2012 £m	2011 £m
Tax on profit on ordinary activities		
Current tax credit/(charge)		
Corporation tax	-	(8.4)
Corporation tax over provided in previous years	0.4	2.0
	0.4	(6.4)
Deferred tax credit/(charge)		
Origination and reversal of timing differences in current year	1.5	(8.8)
Origination and reversal of timing differences relating to prior years	2.4	-
Effect of decreased rate on opening liability	(0.3)	4.9
	3.6	(3.9)
Tax credit/(charge) on profit on ordinary activities	4.0	(10.3)
Relating to continuing operations	4.0	(5.3)
Relating to discontinued operations	-	(5.0)
	4.0	(10.3)

Tax relating to items credited/(charged) to the statement of total recognised gains and losses

	2012 £m	2011 £m
Deferred tax		
Arising on net actuarial (losses)/ gains on pension scheme assets and liabilities	0.1	(35.3)
Effect of decreased rate on opening liability	-	(2.3)

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

The current tax charge in the profit and loss account for the year varies from the prevalent rate of corporation tax in the Group of 26% (2011 - 28%), being the standard rate of UK tax. The differences are reconciled below:

	2012 £m	2011 £m
Loss on ordinary activities before tax charge	(71.6)	(185.1)
Accounting loss multiplied by the Group's prevalent rate of corporation tax of 26% (2011 - 28%)	18.6	51.8
Lower taxes on overseas earnings	5.2	10.6
Goodwill amortisation/ impairment	(9.3)	(15.6)
Timing differences in respect of pensions	0.9	(1.3)
Timing differences in respect of provisions	-	(0.2)
Accelerated capital allowances	-	3.4
Profit on disposal of subsidiary undertaking	2.9	7.0
Tax losses not utilised in year	(8.9)	(58.8)
Thin capitalisation restriction on interest expense	(7.9)	-
Corporation tax over provided in previous years	0.4	2.0
Depreciation arising on consolidation	-	(1.5)
Interest expense not paid in the period	(4.4)	-
Finance costs amortised on consolidation	(0.1)	(1.3)
Other	3.0	(2.5)
Current tax credit/(charge) for the year	0.4	(6.4)

8. Tax Charge (continued)

(iii) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2012 £m	2011 £m
Deferred tax assets		
Provisions	**0.1**	0.7
Tax losses carried forward	**-**	0.5
Other	**3.2**	2.0
Deferred tax assets	**3.3**	3.2
Deferred tax liabilities		
Accelerated capital allowances	**(16.7)**	(19.4)
Held-over gains on property disposals	**-**	(3.2)
Other	**-**	(0.1)
Deferred tax liabilities	**(16.7)**	(22.7)
Deferred tax on defined benefit pension liability	**0.1**	0.3
Net deferred tax liability	**(13.3)**	(19.2)

	2012 £m	2011 £m
Included in deferred taxation	**(13.4)**	(19.5)
Included in defined benefit pension liability	**0.1**	0.3
	(13.3)	(19.2)

	2012 £m	2011 £m
At beginning of the year	**(19.2)**	(96.0)
Exchange adjustments	**1.0**	0.1
Disposal of subsidiary undertaking	**0.3**	118.2
Deferred tax credit/(charge) in the profit and loss account	**3.6**	(3.9)
Deferred tax transferred to corporation tax	**0.9**	
Deferred tax relating to items credited/(charged) to the statement of total recognised gains and losses	**0.1**	(37.6)
At 31 March including deferred tax on defined benefit pension liability	**(13.3)**	(19.2)

As at 31 March 2012 £74.5m of deferred tax assets (2011 - £77.2m) in respect of tax losses carried forward were unrecognised in the figures stated above largely due to uncertainty in respect of future earnings in the group entities in which they have arisen.

Deferred tax has been calculated at 24% as at 31 March 2012 reflecting HMRC enactment, in March 2012, of a reduction in the corporation tax rate effective from 6 April 2012.

HM Treasury have announced their intention for the main rate of corporation tax to decrease to 22% by 2015, through reductions of 1% per annum over the next two years. This decrease in rates is not enacted at the balance sheet date. Of the overall deferred tax balance an asset of £2.6m relates to the UK companies in the group and therefore the proposed rate reduction would reduce this asset to £2.4m bringing the overall group deferred tax to a liability of £13.5m.

In view of this planned reduction in UK corporation tax rates the Group expects that the prevalent rate of corporation tax in the Group will reduce in the future.

8. Tax Charge (continued)

(iii) Deferred tax (continued)

The deferred tax included in the profit and loss account is as follows:

	2012 £m	2011 £m
Accelerated capital allowances	0.8	1.2
Timing differences in respect of provisions	-	0.1
Timing differences in respect of pensions	(1.0)	0.1
Tax losses carried forward	(0.2)	(8.7)
Effect of decreased rate	(0.2)	4.9
Held over gain on property disposals	2.4	
Other	1.8	(1.5)
Deferred tax credit/ (charge)	3.6	(3.9)

9. Dividends

No dividends have been paid or proposed for the year ended 31 March 2012 (£nil - 2011).

10. Intangible Assets

	Software costs £m	Goodwill £m	Emissions allowances and renewable obligation certificates £m	Total £m
Cost:				
At 1 April 2011	13.4	672.3	27.7	713.4
Exchange adjustment	-	(1.6)	(1.0)	(2.6)
Additions	9.7		23.0	32.7
Disposal of subsidiaries	-	(24.4)	-	(24.4)
Surrenders in settlement of obligations	-	-	(24.1)	(24.1)
At 31 March 2012	23.1	646.3	25.6	695.0
Amortisation/impairment:				
At 1 April 2011	6.9	143.4	-	150.3
Exchange adjustment	-	(0.3)	-	(0.3)
Amortisation charge for the year	1.3	33.6	-	34.9
Impairment charge for the year		2.0		2.0
Disposal of subsidiaries	-	(6.8)	-	(6.8)
At 31 March 2012	8.2	171.9	-	180.1
Net book value:				
At 1 April 2011	6.5	528.9	27.7	563.1
At 31 March 2012	14.9	474.4	25.5	514.9

At 31 March 2012 software costs include no amounts in respect of capitalised interest (2011 - £nil).

Goodwill arising on acquisitions has been capitalised and is being amortised over the directors' estimate of its useful life from the date of acquisition. In each case the useful economic life is 20 years.

11. Tangible Assets

	Generation assets £m	Freehold operational land £m	Fixtures and equipment £m	Total £m
Cost:				
At 1 April 2011	**481.5**	**13.7**	**6.0**	**501.2**
Exchange adjustment	(28.8)	(0.8)	-	(29.6)
Additions	43.7	-	0.5	44.2
Disposal of subsidiaries	(111.7)	-	-	(111.7)
At 31 March 2012	**384.7**	**12.9**	**6.5**	**404.1**
Depreciation:				
At 1 April 2011	**95.8**	**-**	**2.9**	**98.7**
Exchange adjustment	(8.5)	-	-	(8.5)
Charge for the year	22.8	-	0.3	23.1
Disposal of subsidiaries	(10.8)	-	-	(10.8)
At 31 March 2012	**99.3**	**-**	**3.2**	**102.5**
Net book value:				
At 1 April 2011	**385.7**	**13.7**	**3.1**	**402.5**
At 31 March 2012	**285.4**	**12.9**	**3.3**	**301.6**

Included in generation assets are amounts in respect of assets under construction amounting to £5.6m (2011 - £24.7m) and capitalised interest of £0.6m (2011 - £15.4m).

Included in fixtures and equipment are amounts in respect of assets under construction amounting to £2.1m (2011 - £2.0m).

12. Investments

(i) Group

	2012 £m	2011 £m
Investment in parent undertaking's Junior bank facility (note 12 (iii))	**336.9**	-
Investment in associate undertaking (note 12 (iv))	**-**	-
Other investment (note 12 (v))	**0.7**	0.9
	337.6	0.9

12. Investments (continued)

(ii) Subsidiary undertakings

Principal investments in which the Group held 100% of ordinary shares at 31 March 2012 are listed below:

Subsidiary undertakings	Place of incorporation		Nature of business
Regulated businesses			
Power NI Energy Ltd	Northern Ireland	*	Power procurement and supply of electricity
Energia Group			
Huntstown Power Company Ltd	Republic of Ireland	*	Electricity generation
Viridian Power Ltd	Republic of Ireland	*	Electricity generation
Viridian Energy Supply Ltd (trading as Energia)	Northern Ireland	*	Energy supply
Viridian Energy Ltd (trading as Energia)	Republic of Ireland	*	Energy supply
GenSys Power Ltd (trading as GenSys)	Republic of Ireland	*	Operating and maintenance services
Viridian Power and Energy Holdings Ltd	Republic of Ireland	*	Holding company
Viridian Power and Energy Ltd	Northern Ireland	*	Holding company
Power and Energy Holdings (RoI) Ltd	Republic of Ireland	*	Holding company
Other			
Viridian Properties Ltd	Northern Ireland	*	Property
Viridian Insurance Ltd	Isle of Man	*	Insurance
EI Ventures Ltd	Great Britain	*	Holding company
ElectricInvest Acquisitions Ltd	Great Britain	*	Holding company
ElectricInvest Holding Company Ltd	Great Britain	*	Holding company
ElectricInvest Cayman Limited	Cayman Islands	*	Holding Company
ElectricInvest (Lux) RoI S.à.r.l.	Grand Duchy of Luxembourg	*	Holding company
Viridian Capital Ltd	Northern Ireland	*	Holding company
Viridian Enterprises Ltd	Northern Ireland	*	Holding company
Viridian Group Limited	Northern Ireland	*	Holding company
Viridian Group Fundco I Limited	Cayman Islands		Holding Company
Viridian Group Fundco II Limited	Cayman Islands	*	Holding Company
Viridian Group Fundco III Limited	Cayman Islands	*	Holding Company

* *held by a subsidiary undertaking*

12. Investments (continued)

On 14 March 2012, the Group completed the sale of 100% of Viridian Resources Limited and 50% of Eco Wind Power Limited and certain of their subsidiaries to an affiliated entity (Windco). The sale is analysed as follows:

	Viridian Resources Limited 100%	Eco Wind Power Limited 100%	As at 14 March 2012 Total 100%
	£m	£m	£m
Net assets disposed of:			
Tangible fixed assets	49.0	51.9	100.9
Intangible assets - goodwill	-	17.6	17.6
Debtors (amounts falling due within one year)	3.9	0.9	4.8
Cash at bank and in hand	6.9	11.1	18.0
Creditors (amounts falling due within one year)	(6.2)	(3.4)	(9.6)
Creditors (amounts falling due after more than one year)	(41.9)	(32.6)	(74.5)
Provisions	-	(2.3)	(2.3)
Current tax liability	(0.1)	-	(0.1)
Deferred tax liability	-	(0.3)	(0.3)
Deferred income	-	(0.2)	(0.2)
	11.6	42.7	54.3
Share of associate retained (50%)*			-
Costs of disposal			1.9
Profit on disposal			11.0
			67.2
Satisfied by:			
Loan receivables			67.2
Net outflow of funds to Group:			
Costs of disposal			(0.2)
Cash disposed of			(18.0)
			(18.2)

* the above analysis of Eco Wind Power Limited's net assets disposed of excludes amounts owed to companies within the Group of £42.7m the benefits of which were novated to the acquirer of Eco Wind Power Limited as part of the disposal.

During the period 1 April 2011 to 14 March 2012 Viridian Resources Limited and Eco Wind Power Limited made a loss after tax of £3.3m, generated £9.3m of the Group's net operating cash flows, paid £3.5m in respect of investments and servicing of finance, paid £0.1m in respect of taxation and utilised £38.0m for capital expenditure and financial investment.

On 21 December 2010, the Group completed the sale of Northern Ireland Electricity Limited, NIE Powerteam Limited, Powerteam Electrical Services (UK) Limited and Powerteam Electrical Services Limited. The sale is analysed as follows:

Post Balance Sheet Event
On 15 June 2012 the sale of 80% of VRL and 75% of EWP (comprising Windco's 50% holding together with 25% owned by the Group) to companies controlled by AMP Capital Investors (UK) Limited was completed. On 15 June 2012 a further restructuring of the windfarm assets was effected to transfer the remaining 20% of VRL back to the Group from Windco.

12. Investments (continued)

	As at 21 December 2010 £m
Net assets disposed of:	
Tangible fixed assets	1,210.9
Intangible assets - goodwill	490.7
Intangible assets - other	40.5
Stocks	7.9
Debtors (amounts falling due within one year)	69.3
Cash at bank and in hand	9.0
Creditors (amounts falling due within one year)	(491.4)
Creditors (amounts falling due after more than one year)	(192.4)
Provisions	(10.0)
Deferred tax liability	(118.2)
Deferred income	(236.8)
Pension surplus	4.3
	783.8
Costs of disposal	25.0
Profit on disposal	25.1
	833.9
Satisfied by:	
Cash consideration	833.9

	2012 £m	2011 £m
Net (outflow)/inflow of funds to Group:		
Cash	-	833.9
Costs of disposal	(3.9)	(17.8)
Inter-group loans repaid	-	215.7
Cash disposed of	-	(9.0)
	(3.9)	1,022.8

During the period 1 April 2010 to 21 December 2010 Northern Ireland Electricity Limited, NIE Powerteam Limited, Powerteam Electrical Services (UK) Limited and Powerteam Electrical Services Limited made a profit after tax of £3.7m, generated £67.0m of the Group's net operating cash flows, paid £12.1m in respect of investments and servicing of finance, paid £11.5m in respect of taxation and utilised £59.1m for capital expenditure and financial investment.

(iii) Investment in parent undertaking's Junior bank facility

As part of the refinancing of the Group on 14 March 2012, the Group purchased £366.8m (sterling equivalent) of debt issued by the Group's immediate parent undertaking under its Junior bank facility which at 31 March 2012 was £366.0m (sterling equivalent). This purchase was effected through the transfer of the entire share capital of ElectricInvest (Cayman) Limited to the Group from ElectricInvest Investments Limited, the Group's ultimate parent undertaking. Prior to the transfer ElectricInvest (Cayman) Limited had cumulatively acquired £366.8m (sterling equivalent) of the Junior bank facility. The consideration given by the Group for the transfer comprised cash of £118.5m left outstanding by way of a loan, the assumption of loans totalling £102.8m owed by ElectricInvest (Cayman) Limited to ElectricInvest Investments Limited and the extinguishment of loans totalling £116.2m (including accrued interest of £2.8m) owed by ElectricInvest (Cayman) Limited to the Group.

Immediately following this transfer and as part of the refinancing of the Group in March 2012, that element of the Junior bank facility representing amounts now held by the Group were restructured to be interest free with repayment deferred from December 2012 to March 2021. The resultant discount on repayment of £29.3m is being credited to the profit and loss account over the remaining term of the junior bank facility on an accruals basis using the effective interest rate method.

12. Investments (continued)

(iv) Associate undertakings

The Group holds 50% of the issued ordinary share capital of Eco Wind Power Limited a company incorporated in the Republic of Ireland and which carries on the business of windfarn development and generation.

At 31 March	Share of net liabilities £m	Goodwill £m	Total £m
At 1 April 2011	-	-	-
Share of associate retained on the disposal of Eco Wind Power Limited	(8.8)	8.8	-
At 31 March 2012	(8.8)	8.8	-

(v) Other investments

The other investment relates to the Viridian Growth Fund, in respect of which an impairment of £0.2m (2011 - £nil) was recognised in the year.

13. Stocks

	2012 £m	2011 £m
Materials and consumables	9.8	10.5
	9.8	10.5

14. Debtors

	2012 £m	2011 £m
Amounts falling due within one year:		
Trade debtors (including unbilled consumption)	154.5	173.8
Amounts owed by fellow group undertaking	0.2	1.8
Prepayments and accrued income	15.2	26.5
Security Deposit	38.2	3.9
Other debtors	3.6	10.0
	211.7	216.0
Amounts falling due after more than one year:		
Loan receivable from fellow group undertaking	-	116.6
	-	116.6

15. Current Asset Investments

	2012 £m	2011 £m
Short-term bank deposits	25.3	41.9
Short-term managed funds	1.3	1.3
	26.6	43.2

Short-term bank deposits and short-term managed funds are invested for periods of between one day and three months depending on the cash requirements of the Group, and earn interest at short-term deposit rates.

16. Creditors

	2012 £m	2011 £m
Amounts falling due within one year:		
Trade creditors	53.6	53.6
Other creditors	35.4	38.2
Payments received on account	18.9	25.0
Interest payable on loans	3.4	4.0
Loan from parent undertaking	-	543.2
Corporation tax	6.3	7.1
Tax and social security	3.4	2.9
Accruals	135.8	149.8
Senior revolving credit facility	55.0	-
Loan notes	-	13.9
Senior bank facility	-	340.9
Project financed bank facility (RoI)	-	2.1
	311.8	1,180.7

	2012 £m	2011 £m
Amounts falling due after more than one year:		
External borrowings		
Senior secured notes	380.9	-
Project financed bank facility (RoI)	-	19.7
Project financed bank facility (NI)	-	13.8
	380.9	33.5
Subordinated shareholder loan		
Loan from parent undertaking	634.7	-
	634.7	-
	1,015.6	33.5

Senior secured notes and senior revolving credit facility

The Senior secured notes and Senior revolving credit facility are secured by way of fixed and floating charges over the assets of the Group's material non-regulated and intermediary holding company subsidiaries, together with first ranking share pledges over the shareholdings in the Group's material and intermediary holding company subsidiaries including the regulated subsidiary Power NI Energy Limited. On enforcement the Senior revolving credit facility will be repaid in advance of the Senior secured notes.

The Senior secured notes are denominated in Euro (€313.0m) and USD ($250.0m) and interest, which is payable semi-annually, is charged at a fixed rate coupon of 11.125%. The Senior secured notes are repayable in one instalment on 1 April 2017.

Interest is charged under the Senior revolving credit facility at floating interest rates based on LIBOR and EURIBOR.

Subordinated shareholder loan

The loan payable to the parent undertaking is subordinated to the repayment of the Senior secured notes and Senior revolving credit facility and becomes repayable on demand once all facilities to which it is subordinated are repaid. Of this loan £463.2m is non interest bearing and £171.5m accrues interest at 14% on a payment in kind basis.

17. Loans

Loans and other borrowings outstanding, included within creditors, are repayable as follows:

	2012 £m	2011 £m
In one year or less or on demand:	58.4	360.9
In more than one year but less than two years	-	566.9
In more than two years but not more than five years	-	23.9
In more than five years	1,015.6	5.9
	1,074.0	957.6

Details of borrowings not wholly repayable within five years are as follows:

	2012 £m	2011 £m
Senior secured notes	420.2	-
Less issue costs and original issue discount	(39.3)	-
	380.9	-
Loan payable to parent undertaking	634.7	-
Project financed bank facility (NI)	-	13.8
	1,015.6	13.8

Details of borrowings wholly repayable within five years are as follows:

	2012 £m	2011 £m
Senior revolving credit facility	55.0	340.9
Loan from fellow group undertaking	-	543.2
Project financed bank facility (RoI)	-	21.8
Loan notes	-	13.9
Interest accruals	3.4	4.0
	58.4	923.8

18. Provisions

	At 1 April 2011 £m	Exchange adjustment £m	Increase in provisions £m	Unwinding of discount £m	Disposal of subsidiaries £m	At 31 March 2012 £m
Liability and damage claims	0.1	-	-	-	-	0.1
Decommissioning	10.2	(0.6)	3.1	0.2	(2.3)	10.6
	10.3	(0.6)	3.1	0.2	(2.3)	10.7

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.

Decommissioning
Provision has been made for decommissioning generation assets. The provision represents the present value of the current estimated costs of closure of the plants at the end of their useful economic lives. The provisions have been discounted using rates of between 2.52% and 2.63% (2011 - between 3.86% and 3.92%) and are expected to be utilised within a period not exceeding twenty five years.

19. Deferred Income

	Grants £m
At 1 April 2011	**0.2**
Disposal of subsidiary	(0.2)
At 31 March 2012	**-**

Total contributions receivable during the year ended 31 March 2012 of £nil (2011 - £15.5m).

20. Pension Commitments

Following the disposal of NIE and Powerteam in December 2010, NIE became the principal employer of the NIE Pension Scheme (formerly Viridian Group Pension Scheme). Under the terms of the sale, all members in deferment and in payment continued to participate in the NIE Pension Scheme and the Group was entitled to continue to participate in the NIE Pension Scheme until 31 March 2011 when a new pension scheme was established to provide similar benefits to the remaining active members of the Group.

A new scheme, the Viridian Group Pension Scheme (2011) ("VGPS"), was established with effect from 1 April 2011 following the disposal of NIE and Powerteam. VGPS has two sections: a money purchase section (known as 'Options') and a defined benefit section (known as 'Focus'). The defined benefit section is closed to new entrants. There is also a money purchase arrangement for employees in the RoI known as 'Choices'. Most employees of the Group are members of VGPS or Choices. There is a risk that the cost of funding the defined benefit section could increase if investment returns are lower than expected, mortality rates improve or salary or benefit increases are higher than expected. The VGPS trustees seek the advice of professional investment managers regarding the scheme's investments

A bulk transfer amount was paid across by the NIE Pension Scheme on 30 March 2012 of £18.6m in relation to members transferring past benefits from the NIE Pension Scheme into the VGPS.

In addition the Complementary Pension Plan (CPP) provides benefits for salary above HM Revenue & Customs' earnings cap to certain Group directors. The assets of the schemes are held under trust and invested by the trustees on the advice of professional investment managers.

The actuaries to VGPS, have provided a valuation of Focus and the CPP under FRS 17 at 31 March 2012 based on the following assumptions (in nominal terms) and using the projected unit method.

	2012	2011
Rate of increase in pensionable salaries	**3.60% per annum**	4.40% per annum
Rate of increase in pensions in payment	**2.10% per annum**	2.70% per annum
Discount rate	**4.95% per annum**	5.70% per annum
Inflation assumption	**2.10% per annum**	2.70% per annum
Life expectancy:		
Current pensioners (at age 60) - males	**25.3 years**	25.2 years
Current pensioners (at age 60) - females	**28.0 years**	27.9 years
Future pensioners (at age 60) - males	***27.0 years**	*26.9 years
Future pensioners (at age 60) - females	***29.7 years**	*29.6 years

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

The life expectancy assumptions are based on standard actuarial mortality tables and include an allowance for future improvements in life expectancy.

During the prior year the scheme moved from an RPI inflation assumption to one based on CPI and the resultant gain on scheme liabilities during the year ended 31 March 2011 was £88.9m.

20. Pension Commitments (continued)

The valuation under FRS 17 at 31 March 2012 shows a net pension liability (before deferred tax) of £0.5m (2011 - £1.1m). A 0.1% increase/decrease in the assumed discount rate would decrease/increase the net pension liability by £0.6m (2011 - £0.8m). A 0.1% increase/decrease in the assumed inflation rate would increase/decrease the net pension liability by £0.6m (2011 - £0.8m).

Assets and Liabilities

The assets and liabilities of Focus and the CPP and the expected rates of return are:

	Value at 31 March 2012 £m	**Expected rate of return %**	Value at 31 March 2011 £m	Expected rate of return %
Equities	**2.3**	**6.4**	7.8	7.5
Bonds	**5.6**	**3.9**	10.5	4.9
Other	**14.4**	**3.1**	2.3	4.3
Total market value of assets	**22.3**		20.6	
Actuarial value of liabilities	**(22.8)**		(21.7)	
Net pension liability before deferred tax	**(0.5)**		(1.1)	
Related deferred tax asset	**0.1**		0.3	
Net pension liability	**(0.4)**		(0.8)	

The analysis of scheme assets at 31 March 2012 above reflects the proceeds of the bulk transfer amount on 30 March 2012 together with existing assets held by the scheme the majority of which comprised cash. In April 2012 and in line with the planned investment strategy, approximately 45% of the assets were invested in equities and approximately 55% in bonds.

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.

Changes in the market value of assets

	2012 £m	2011 £m
Market value of assets at 1 April	**20.6**	868.9
Expected return	**1.2**	36.5
Contributions from employer	**1.4**	25.3
Contributions from scheme members	**0.1**	0.5
Curtailments	**-**	(1.5)
Benefits paid	**-**	(36.7)
Discontinued operations share of assets at date of disposal	**-**	(744.1)
Actuarial (loss)/gain	**(1.0)**	15.3
Settlements	**-**	(143.6)
Market value of assets at 31 March	**22.3**	20.6

During the year ended 31 March 2012, the Group made contributions of £0.4m in respect of current service contributions and £0.8m in respect of past service contributions. The Group expects to make contributions of £0.6m to Focus and the CPP in 2012/13 in respect of current service pension costs which reflects increased contributions in respect of 13 employees transferring into the scheme from Northgate from 1 April 2012. It is expected that contributions in respect of past service in 2012/13 will remain in line with 2011/12 at £0.8m.

20. Pension Commitments (continued)

Changes in the actuarial value of liabilities

	2012 £m	2011 £m
Actuarial value of liabilities at 1 April	**21.7**	999.5
Interest cost	**1.2**	40.2
Current service cost	**0.4**	6.7
Curtailments	**-**	(1.5)
Contributions from scheme members	**0.1**	0.5
Benefits paid	**-**	(36.7)
Discontinued operations share of liabilities at date of disposal	**-**	(739.8)
Settlements	**-**	(131.4)
Actuarial (gain)/loss	**(0.6)**	(115.8)
Actuarial value of liabilities at 31 March	**22.8**	21.7

Analysis of the amount charged to operating costs	2012 £m	2011 £m
Current service cost	**0.4**	6.7
Settlements	**-**	12.2
Total operating charge	**0.4**	18.9

The Focus section is closed to new members and therefore under the projected unit method the current service cost for members of this section as a percentage of salary will increase as they approach retirement age.

Analysis of the amount charged to net pension scheme interest	2012 £m	2011 £m
Expected return on assets	**1.2**	36.5
Interest on liabilities	**(1.2)**	(40.2)
Net pension scheme interest	**-**	(3.7)

Analysis of amount recognised in the Statement of Recognised Gains and Losses	2012 £m	2011 £m
Actual return on scheme assets	**0.2**	51.8
Less: expected return on scheme assets	**(1.2)**	(36.5)
Actuarial (loss)/gain on assets	**(1.0)**	15.3
Actuarial gain on liabilities	**0.6**	115.8
Net actuarial (loss)/gain	**(0.4)**	131.1

The cumulative actuarial gain recognised in the statement of total recognised gains and losses since 18 July 2006 is £62.2m (2011 - £62.6m)

History of experience gains and losses	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Market value of assets	**22.3**	20.6	868.9	716.5	857.1
Actuarial value of liabilities	**(22.8)**	(21.7)	(999.5)	(772.1)	(865.4)
Net pension liability before deferred tax	**(0.5)**	(1.1)	(130.6)	(55.6)	(8.3)
Experience (losses)/gains on assets	**(1.0)**	15.3	141.5	(146.1)	(45.7)
Experience gains/(losses) on liabilities	**1.3**	0.3	5.3	(1.0)	(0.4)

21. Share Capital

Allotted and fully paid	Ordinary shares Number	Ordinary shares £
Share capital issued - ordinary shares of £1.00	1,150	1,150
At 31 March 2011 and 2012	**1,150**	**1,150**

22. Reconciliation of Shareholders' Funds and Movements in Reserves

	Share capital £m	Share premium £m	Accumulated losses £m	Total £m
At 1 April 2010	-	510.0	(291.0)	219.0
Total recognised gains and losses relating to the year	-	-	(94.7)	(94.7)
At 1 April 2011	-	510.0	(385.7)	124.3
Total recognised gains and losses relating to the year	-	-	(65.1)	(65.1)
At 31 March 2012	**-**	**510.0**	**(450.8)**	**59.2**

23. Notes to the Group Cash Flow Statement

(i) Reconciliation of Operating Profit to Cash Flow from Operating Activities:

	Continuing 2012 £m	Continuing 2011 £m	Discontinued 2011 £m	Group 2011 £m
Operating profit	**29.8**	40.7	26.8	67.5
Adjustments for:				
Amortisation/impairment of goodwill	**35.8**	33.4	22.2	55.6
Depreciation of fixed assets	**23.1**	24.2	36.5	60.7
Amortisation of software costs	**1.3**	1.2	3.9	5.1
Amortisation of customers' contributions and grants	**-**	-	(5.9)	(5.9)
Defined benefit pension charge less contributions paid	**(1.0)**	(1.2)	(5.2)	(6.4)
Net movement in provisions	**-**	(0.7)	-	(0.7)
Operating cash flows before movement in working capital	**89.0**	97.6	78.3	175.9
Decrease/(Increase) in stock	**0.7**	(1.1)	(0.8)	(1.9)
(Increase)/decrease in debtors	**32.8**	4.8	(40.1)	(35.3)
Increase in security deposits	**(34.3)**	(3.4)	-	(3.4)
(Decrease)/ increase in creditors	**(10.9)**	22.2	29.6	51.8
Effects of foreign exchange	**1.7**	0.9	-	0.9
Net cash inflow from operating activities	**79.0**	121.0	67.0	188.0

Net cash inflow from operating activities includes exceptional cash outflows of £11.1m in respect of the payment of carbon revenue levy costs (2011 - £7.3m) and £nil in respect of pension settlements (2011 - £12.2m).

23. Notes to the Group Cash Flow Statement

(ii) Returns on investments and servicing of finance:

	Continuing 2012 £m	Continuing 2011 £m	Discontinued 2011 £m	Group 2011 £m
Returns on investments and servicing of finance				
Interest received	**4.1**	2.3	-	2.3
Interest paid	**(55.6)**	(71.5)	(12.1)	(83.6)
Issue costs on new long-term loans	**(22.0)**	(2.0)	-	(2.0)
Exceptional settlement of swap accretion[1]	**-**	(69.3)	-	(69.3)
Exceptional finance costs[2]	**(57.2)**	(8.6)	-	(8.6)
	(130.7)	(149.1)	(12.1)	(161.2)

[1]Reflects the settlement of RPI swap accretion as a result of the novation of the interest rate swaps as part of the disposal of NIE to ESB.
[2]See note 5 to the accounts.

(iii) Taxation: - Continuing operations/Discontinued operations analysis:

	Continuing 2012 £m	Continuing 2011 £m	Discontinued 2011 £m	Group 2011 £m
Taxation				
Taxation (payment)/receipt	**(0.8)**	6.4	(11.5)	(5.1)
	(0.8)	6.4	(11.5)	(5.1)

(iv) Capital expenditure and financial investment: - Continuing operations/Discontinued operations analysis:

	Continuing 2012 £m	Continuing 2011 £m	Discontinued 2011 £m	Group 2011 £m
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(43.7)**	(45.3)	(68.9)	(114.2)
Purchase of intangible assets[1]	**(30.1)**	(24.7)	(5.7)	(30.4)
Proceeds from disposal of intangible assets	**24.1**	18.1	-	18.1
Contributions in respect of tangible fixed assets	**-**	-	15.5	15.5
Loan receivable from fellow group undertakings	**-**	(116.6)	-	(116.6)
	(49.7)	(168.5)	(59.1)	(227.6)

[1] Includes purchase of software for continuing operations and discontinued operations of £7.1m (2011 - £3.5m) and £nil (2011 - £5.7m) respectively.

Given the centralised nature of the Group's Treasury function and policies, the Directors are unable to provide an analysis of other cash flows within the cash flow statement between continued and discontinued operations.

24. Analysis of Net Debt

	At 1 April 2011 £m	**Cash flow £m**	**Non cash movement £m**	**Acquisition of subsidiary* £m**	**Translation difference £m**	**Reclassification £m**	**Disposal of subsidiaries £m**	**At 31 March 2012 £m**
Cash at bank and in hand	16.5	(6.9)	-	-	(0.8)	-	-	**8.8**
Current asset investments	43.2	(14.7)	-	-	(1.9)	-	-	**26.6**
Loan receivable from fellow subsidiary	116.6	-	2.8	(116.2)	(3.2)	-	-	**-**
Debt due within one year	(890.2)	268.8	0.4	-	19.4	543.2	-	**(58.4)**
Debt due after more than one year	(33.5)	(385.3)	24.8	(221.3)	1.2	(543.2)	141.7	**(1,015.6)**
Acquisition of junior bank facility	-	-	-	337.5	(0.6)	-	-	**336.9**
Loan notes	(13.9)	13.9	-	-	-	-	-	**-**
	(761.3)	(124.2)	28.0	-	14.1	-	141.7	**(701.7)**

** see Note 12 to the accounts*

Current asset investments are regarded as liquid resources for the purpose of the cash flow statement.

25. Off Balance Sheet Arrangements and Lease Obligations

The Group had entered into operating lease arrangements for the hire of equipment and buildings as these arrangements are a cost efficient way of obtaining the short term benefits of these assets. The Group rental charges in respect of these arrangements are disclosed in note 4. The Group's annual commitments under these arrangements are disclosed below.

The Group has also entered into generating contracts with generating companies in Northern Ireland to make payments for the availability of generating capacity as well as for the purchase of electricity generated. The principal contracts are with AES Ballylumford Ltd, AES Kilroot Power Ltd (Kilroot) and Coolkeragh ESB Limited (Coolkeeragh). The main Ballylumford contracts expire in September 2018 but the Company has an option to extend them by five years to 2023. The early termination of 520MW of contracted capacity at Kilroot was exercised from 1 November 2010, following direction from NIAUR, with the remaining Kilroot capacity contracted to 2024. The Coolkeeragh contract expires in 2020. NIAUR has early contract cancellation rights, which can be exercised with 180 days notice, and these rights are now currently exercisable for all contracts.

NIAUR have signalled their intention to exercise contract cancellation rights for a combined total of 232MW of OCGT capacity under the Ballylumford, Kilroot, and Coolkeeragh contracts from 1 November 2012.

There are no other material off balance sheet arrangements.

Annual commitments under non-cancellable operating leases are as follows:

	Plant and equipment		**Land and buildings**	
	2012	2011	**2012**	2011
	£m	£m	**£m**	£m
Within one year	**-**	-	**-**	0.1
After one year but not more than five years	**-**	0.1	**0.1**	0.2
More than five years	**-**	-	**0.1**	0.5
	-	0.1	**0.2**	0.8

Estimated availability payments to generators, which are dependent on the availability of the generators and are therefore variable in nature are as follows:

	2012	2011
	£m	£m
Within one year	**30.8**	80.7
After one year but not more than five years	**105.2**	161.3
More than five years	**37.4**	148.7
	173.4	390.7

The figures above reflect NIAUR's intention to cancel a combined total of 232MW of OCGT capacity under the Ballylumford, Kilroot and Coolkeeragh contracts from 1 November 2012

26. Commitments and Contingent Liabilities

(i) Capital commitments

At 31 March 2012 the Group had contracted future capital expenditure in respect of tangible fixed assets of £0.5m (2011 - £11.0m).

(ii) Contingent liabilities

Protected persons

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

26. Commitments and Contingent Liabilities (continued)

Generating contracts
Under the terms of the PPB generating contracts, where modifications to generating equipment are necessary as a result of a change in law and a generator is unable to procure the necessary financing, PPB must either provide such finance or pay the costs incurred by the generator in carrying out such modifications. The costs incurred by PPB in meeting these obligations are recoverable under the applicable provisions of the Power NI Energy licence, but would require to be financed by PPB until such recovery is achieved. The Group does not anticipate any liability for modifications which require financing and no provision has been made.

Liability and damage claims
In the normal course of business the Group has contingent liabilities arising from claims made by third parties and employees. Provision for a liability is made (as disclosed in note 18) 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. Financial Instruments

An explanation of the Group's objectives, policies and strategies in respect of financial instruments can be found in the Risk Management and Principal Risks and Uncertainties section of the Directors' Report.

Details of the Group's undrawn committed facilities can also be found in the Risk Management and Principal Risks and Uncertainties section of the Directors' Report.

Interest rate risk profile of financial assets and liabilities

Financial assets

The disclosures below exclude short-term debtors.

Interest rate and currency profile:

As at 31 March		Floating rate £m	Non interest bearing £m	Total financial assets £m
2012:	**Sterling**	**14.3**	**190.6**	**204.9**
	Euro	**21.1**	**147.0**	**168.1**
		35.4	**337.6**	**373.0**
2011:	Sterling	75.5	0.9	76.4
	Euro	100.8	-	100.8
		176.3	0.9	177.2

Non-interest bearing financial assets comprise the investment in the Group's immediate parent undertaking's Junior bank facility and other investments. The Sterling and Euro floating rate financial assets comprise monies on deposit earning interest based on LIBOR and EURIBOR respectively.

27. Financial Instruments (continued)

Financial liabilities
Interest rate and currency profile taking into account interest rate and cross currency swaps:

As at 31 March		Fixed rate £m	Floating rate £m	Non interest bearing £m	Total financial liabilities £m	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years
2012:	**Sterling**	**267.9**	**55.0**	**463.2**	**786.1**	**13.26**	**5.0**
	Euro	**287.3**	**-**	**-**	**287.3**	**11.16**	**5.0**
	Dollar	**0.6**	**-**	**-**	**0.6**	**11.13**	**5.0**
		555.8	**55.0**	**463.2**	**1,074.0**	**12.17**	**5.9**
2011:	Sterling	264.7	105.2		369.9	4.44	20.5
	Euro	363.8	203.9		567.7	5.41	4.2
		628.5	309.1		937.6	6.74	10.2

The Sterling floating rate financial liabilities comprise Sterling denominated bank borrowings bearing interest based on LIBOR. The Euro floating rate financial liabilities comprise Euro denominated bank borrowings bearing interest based on EURIBOR. Non interest bearing financial liabilities comprise the interest free element of the loan payable to parent undertaking. The fixed rate financial liabilities comprise the Senior secured notes and the interest bearing element of the loan payable to parent undertaking.

The weighted average period to maturity of the non interest bearing assets and liabilities is 9 years.

Fair value
Changes in the fair value of instruments used as hedges are not recognised in the accounts until the hedged position matures. Unrecognised gains and losses on instruments used for hedging, and the movements therein, are as follows:

	Losses on hedges £m	Profits on hedges £m	Unrecognised total net losses £m
(Losses)/profits on hedges at 1 April 2010	**(300.4)**	**16.3**	**(284.1)**
Profits/(losses) arising in previous years included in current year profit and loss account	76.6	**(12.5)**	**64.1**
Profits/(losses) arising before 1 April 2010 not included in current year profit and loss account	(223.8)	3.8	(220.0)
Profits/(losses) arising in the year	166.1	46.0	212.0
Net profits/(losses) on hedges at 1 April 2011	**(57.8)**	**49.8**	**(8.0)**
Profits/(losses) arising in previous years included in current year profit and loss account	34.9	(47.3)	(12.4)
Profits/(losses) arising before 1 April 2011 not included in current year profit and loss account	(22.9)	2.5	(20.4)
Profits/(losses) arising in the year	3.6	9.2	12.8
Net profits/(losses) on hedges at 31 March 2012	**(19.3)**	**11.7**	**(7.6)**
Of which:			
Profits/(losses) expected to be recognised in 2012/13	(10.2)	11.6	1.4
Profits/(losses) expected to be recognised in 2013/14 or later	(9.1)	0.1	(9.0)
	(19.3)	**11.7**	**(7.6)**

27. Financial Instruments (continued)

The estimated fair values of the Group's derivative assets and liabilities are as follows:

	2012 £m	2011 £m
Financial instruments		
Commodity swap contracts	**1.6**	32.1
Interest rate swap contracts	**(0.6)**	(36.5)
Cross currency swaps	**(8.5)**	-
Forward currency contracts	**0.4**	(0.9)
CfDs	**(0.5)**	(2.7)

The fair values of commodity contracts and forward currency contracts have been calculated by applying the forward price derived from third party market price quotations.

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

The fair value of CfDs has been calculated by applying to a third party valuation model the forward prices derived from third party market price quotations of the commodities underlying CfDs.

The directors consider that the fair value of the senior secured notes at 31 March 2012 was £392.9m based upon the quoted market price of these notes.

The present value of the non interest bearing portion of the subordinated shareholder loan of £463.2m is considered to be £240.5m based on a discount rate of 14% over 5 years.

The present value of the investment in parent undertaking's Junior bank facility of £336.9m is considered to be £98.7m based on a discount rate of 14% over 9 years.

The directors consider that the carrying amount of investments, loan receivables, cash at bank and in hand, loans and other borrowings equates to fair value.

28. Ultimate Parent Undertaking, Controlling Party and Related Party Transactions

The parent undertaking of the Company is Viridian Group Holdings Limited, a company incorporated in the Cayman Islands. The ultimate parent undertaking of the Company is ElectricInvest Investments Limited a company incorporated in the Cayman Islands. The controlling party of the Group, as defined by Financial Reporting Standard Number 8, "Related Party Disclosures" ("FRS8"), is Arcapita Bank B.S.C.(c), a company incorporated in the Kingdom of Bahrain.

The Group has availed of the exemption provided by FRS8 from disclosing transactions with subsidiary undertakings whose voting rights are wholly controlled within the ElectricInvest Investments Limited group.

GLOSSARY OF TERMS

1992 Order	Electricity (Northern Ireland) Order 1992
1999 Act	Electricity Regulation Act 1999
2002 Act	Gas (Interim) (Regulation) Act 2002
2003 Order	Energy (Northern Ireland) Order 2003
2007 Act	Electricity Regulation (Amendment) (Single Electricity Market) Act 2007
Arcapita	Arcapita Bank B.S.C.(c)
BGE	Bord Gáis Éireann
CBI	Confederation of British Industry
CCGT	combined-cycle gas turbine
CER	Commission for Energy Regulation
CfDs	contracts for differences
Choices	money purchase pension arrangement for employees in the RoI
CO	carbon monoxide
CO_2	carbon dioxide
Company	Viridian Group Investments Limited
CPI	Consumer Price Index in the RoI
CPP	Complementary Pension Plan
CSR	Corporate Social Responsibility
DCENR	Department of Communications, Energy and Natural Resources in the RoI
DETI	Department of Enterprise, Trade and Investment in Northern Ireland
EBITDA	earnings before interest, tax, depreciation and amortisation
EirGrid	EirGrid plc
Energia	VP&E's competitive energy supply business
ESB	Electricity Supply Board
ESBIE	ESB Independent Energy
Focus	defined benefit section of VGPS
FRS	Financial Reporting Standards
Group	Viridian Group Holdings Limited and its subsidiary undertakings
GW	gigawatt
GWh	gigawatt hour
Huntstown 1	Phase one of Huntstown Power Station - 343MW CCGT
Huntstown 2	Phase two of Huntstown Power Station - 404MW CCGT
ICT	information and communication technology
IPPC	Integrated Pollution Prevention and Control
ISO	International Organization for Standardization
KPI	key performance indicator
LTIR	lost time incident rate
LEU	large energy user
Minister	Minister for Communications, Energy and Natural Resources
MW	megawatt
MWh	megawatt hour
NIAUR	Northern Ireland Authority for Utility Regulation
NIE	Northern Ireland Electricity Limited
NIE Energy	NIE Energy Limited
NO_x	oxides of nitrogen
Northgate	Northgate Managed Services Limited
OHSAS	Occupational Health and Safety Management Systems Specification
Options	money purchase section of VGPS
PPA	power purchase agreement
PPB	Power Procurement business
PSO	public service obligation

RAs	Regulatory Authorities
REFIT	Renewable Energy Feed-In Tariff scheme
RMC	Risk Management Committee
RO	UK Renewable Obligation
ROCs	Renewable Obligation Certificates
RoI	Republic of Ireland
RPI	Retail Price Index
SEE	social, environmental and ethical
SEM	Single Electricity Market
SEMO	Single Electricity Market Operator
SEM Order	Electricity (Single Wholesale Market) (Northern Ireland) Order 2007
SME	small to medium-sized enterprise
SMP	system marginal price
SO_2	sulphur dioxide
SONI	SONI Limited
TSO	transmission system operator
TWh	terawatt hour
UK GAAP	United Kingdom Generally Accepted Accounting Principles
VGPS	Viridian Group Pension Scheme (2011)
VP&E	Viridian Power & Energy
VPEHL	Viridian Power & Energy Holdings Limited and its subsidiaries