

# Viridian Group Investments Limited

## Unaudited Interim Report and Accounts

Second Quarter  
2014



## GROUP FINANCIAL HIGHLIGHTS

### Underlying Business Results<sup>1</sup>

#### Second Quarter 2014

- Group pro-forma Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for Second Quarter 2014 decreased to £23.3m (2013 - £23.9m)<sup>2</sup>
- Group pro-forma operating profit for Second Quarter 2014 decreased to £18.0m (2013 - £19.0m)

#### First Half 2014

- Group pro-forma EBITDA for First Half 2014 decreased to £45.7m (2013 - £48.2m)<sup>2</sup>
- Group pro-forma operating profit for First Half 2014 decreased to £35.1m (2013 - £38.8m)

### UK GAAP Results<sup>3</sup>

#### Second Quarter 2014

- Turnover for Second Quarter 2014 increased to £374.2m (2013 - £359.9m)
- Group operating profit before goodwill amortisation for Second Quarter 2014 increased to £24.6m (2013 - £24.5m)

#### First Half 2014

- Turnover for First Half 2014 increased to £736.9m (2013 - £731.0m)
- Group operating profit before goodwill amortisation for First Half 2014 decreased to £38.2m (2013 - £54.1m)

<sup>1</sup> Based on regulated entitlement and before goodwill amortisation and exceptional items.

<sup>2</sup> Pro-forma operating profit (pre exceptional items) for Second Quarter 2014 of £18.0m (2013 - £19.0m); First Half 2014 £35.1m (2013 - £38.8m) with an add-back for depreciation/amortisation in Second Quarter 2014 of £5.3m (2013 - £4.9m); First Half 2014 £10.6m (2013 - £9.4m)

<sup>3</sup> Before exceptional items.

## MANAGEMENT REPORT

The directors of Viridian Group Investments Limited present their interim report and accounts for the 3 months ended 30 September 2013 (Second Quarter 2014) and the 6 months ended 30 September 2013 (First Half 2014) including comparatives for the 3 months ended 30 September 2012 (Second Quarter 2013) and the 6 months ended 30 September 2012 (First Half 2013). 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

There were no changes to the principal activities of the Group's businesses during Second Quarter 2014. These comprise:

- **Energia Group** - 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 in which the Group has an associate equity interest). The Energia Group also supplies natural gas to business customers, principally in the ROI; and
- **Power NI Energy** - supply of electricity primarily to residential customers in Northern Ireland through Power NI and power procurement through PPB.

### Strategy

The Group's strategy continues to focus on the following five strategic objectives:

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

## Group pro-forma EBITDA

The Group's pro-forma EBITDA by business was as follows:

	<b>Second Quarter 2014 £m</b>	Second Quarter 2013 £m	<b>First Half 2014 £m</b>	First Half 2013 £m	Year end 31 March 2013 £m
Energia Group (pre exceptional items) <sup>1</sup>	<b>18.0</b>	19.3	<b>33.7</b>	37.6	76.6
Power NI Energy <sup>2</sup>	<b>6.8</b>	6.1	<b>13.5</b>	12.1	25.8
Other	<b>(1.5)</b>	(1.5)	<b>(1.5)</b>	(1.5)	(3.1)
	<b>23.3</b>	23.9	<b>45.7</b>	48.2	99.3

<sup>1</sup> As shown in note 2 to the interim accounts. Includes EBITDA from renewable windfarm assets for Second Quarter 2014 £nil (2013 - £nil); First Half 2014 £nil (2013 - £nil); year ended 31 March 2013 £0.3m loss.

<sup>2</sup> As shown in note 2 to the interim accounts

### Second Quarter 2014

Energia Group EBITDA for Second Quarter 2014 decreased to £18.0m (2013 - £19.3m) as a result of lower utilisation of the Huntstown plant partly offset by a favourable foreign exchange impact reflecting the strengthening of Euro to Sterling during the period compared to the same period last year.

Power NI Energy pro-forma EBITDA (based on regulated entitlement) for Second Quarter 2014 increased to £6.8m (2013 - £6.1m) reflecting:

- Power NI EBITDA (based on regulated entitlement) for Second Quarter 2014 increasing to £5.6m (2013 - £4.7m) reflecting higher unregulated customer margins including higher unregulated sales volumes together with lower operating costs.
- PPB EBITDA (based on regulated entitlement) for Second Quarter 2014 decreasing to £1.2m (2013 - £1.4m) primarily reflecting the impact of the new price control effective from 1 April 2012 (which has reduced entitlement following the cancellation of a number of contracts in financial year 2012/13).

## *First Half 2014*

Energia Group EBITDA (pre exceptional carbon revenue levy) for First Half 2014 decreased to £33.7m (2013 - £37.6m) primarily due to the same reasons noted above for Second Quarter 2014.

Power NI Energy pro-forma EBITDA (based on regulated entitlement) for First Half 2014 increased to £13.5m (2013 - £12.1m) reflecting:

- Power NI EBITDA (based on regulated entitlement) for First Half 2014 increasing to £11.1m (2013 - £9.4m) reflecting higher margin contributions from small scale renewable PPAs together with higher unregulated customer margins including higher unregulated sales volumes.
- PPB EBITDA (based on regulated entitlement) for First Half 2014 decreasing to £2.4m (2013 - £2.7m) primarily due to the same reasons noted above for Second Quarter 2014.

## Business Reviews

### Energia Group

	<b>Second Quarter 2014</b>	Second Quarter 2013	<b>First Half 2014</b>	First Half 2013	Year end 31 March 2013
Availability %					
- Huntstown 1	<b>100.0</b>	97.4	<b>100.0</b>	98.7	98.3
- Huntstown 2	<b>99.2</b>	99.8	<b>97.7</b>	96.0	90.8
Utilisation %					
- Huntstown 1	<b>3.9</b>	37.0	<b>1.9</b>	29.4	15.3
- Huntstown 2	<b>42.9</b>	71.0	<b>37.9</b>	63.7	60.4
Energia electricity sales (TWh)	<b>1.2</b>	1.3	<b>2.5</b>	2.6	5.2
Energia gas sales (million therms)	<b>13</b>	14	<b>29</b>	29	71
Contracted renewable generation capacity in operation in NI & RoI (MW)					
- average during the period	<b>602</b>	546	<b>600</b>	514	541
- at period end	<b>608</b>	547	<b>608</b>	547	582

Huntstown 1 availability for Second Quarter 2014 was 100.0% (2013 – 97.4%) with Second Quarter 2013 availability primarily reflecting a 6 day planned outage on which commenced on 29 September 2012. Availability for First Half 2014 was 100.0% (2013 – 98.7%).

Huntstown 2 availability for Second Quarter 2014 was 99.2% (2013 – 99.8%). Availability for First Half 2014 was 97.7% (2013 – 96.0%) reflecting a 35 day planned outage which commenced on 2 March 2013 in line with its long term service agreement with Mitsubishi. Availability for First Half 2013 reflects a 12 day planned outage which commenced on 23 March 2012.

Huntstown 1 utilisation for Second Quarter 2014 reduced to 3.9% (2013 – 37.0%) and for First Half 2014 reduced to 1.9% (2013 – 29.4%) reflecting the ongoing impact of the coal/gas price switch which has resulted in increased utilisation of coal plant in the SEM together with the commissioning of new wind capacity and the commercial operation of the East/West Interconnector at full capacity from 1 May 2013.

In light of the reduced utilisation of the Huntstown 1 plant, Huntstown 1 commenced bidding in gas capacity costs to the SEM from 1 October 2012 to ensure recovery of such costs if the plant is scheduled to run.

Huntstown 2 utilisation for Second Quarter 2014 reduced to 42.9% (2013 – 71.0%) and for First Half 2014 reduced to 37.9% (2013 – 63.7%) for the same reasons as noted above for Huntstown 1.

Energia electricity sales were 1.2TWh for Second Quarter 2014 (2013 – 1.3TWh) and were 2.5TWh for First Half 2014 (2013 – 2.6TWh). Customer sites supplied were 60,700 at 30 September 2013 (30 June 2013 – 61,000; 31 March 2013 – 60,200).

Energia gas sales were 13m therms for Second Quarter 2014 (2013 – 14m therms) and were 29m therms for First Half 2014 (2013 – 29m therms). Customer sites supplied were 4,000 at 30 September 2013 (30 June 2013 – 4,100; 31 March 2013 - 4,300).

Energia is preparing to enter the market for residential electricity and gas supply in the RoI in early 2014.

### *Renewable portfolio*

Energia Group’s renewable portfolio primarily consists of offtake contracts with third party-owned windfarms (including wind generation assets previously wholly owned by the Group) and a development pipeline of windfarm projects in which the Energia Group continue to have a direct investment.

### **Offtake contracts<sup>1</sup>**

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 from other renewable sources as shown below:

#### **Renewable offtake contracts: 30 September 2013**

<b>MW</b>	<b>Operating</b>	<b>Under construction</b>	<b>In development</b>	<b>Total</b>
NI	172	-	122	<b>294</b>
RoI	436	9	119	<b>564</b>
	<b>608</b>	<b>9</b>	<b>241</b>	<b>858</b>

The average contracted renewable generation capacity in operation during Second Quarter 2014 was 602MW (2013 – 546MW) and during First Half 2014 was 600MW (2013 – 514MW) with 30 September 2013 capacity at 608MW (30 June 2013 - 599MW; 31 March 2013 – 582MW) reflecting the commissioning of new capacity.

During the period the operating capacity under contract in Northern Ireland remained at 172MW at 30 September 2013 (30 June 2013 – 172 MW; 31 March 2013 – 172MW) and the RoI operating capacity increased to 436MW (30 June 2013 – 427MW; 31 March 2013 – 410MW).

At 30 September 2013 there were 9MW of contracted windfarm capacity in the RoI under construction and 241MW of windfarm capacity in development.

<sup>1</sup> Numbers include offtake contracts between Energia and direct investment windfarms

## **Direct investment**

The Energia Group has a direct investment in 100MW of in-development windfarm capacity which comprises 32MW 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.

In April 2013 the Energia Group completed the acquisition of a 20MW windfarm development project in Northern Ireland.

In June 2013 the Energia Group put in place non-recourse project finance facilities of up to €14.4m in respect of a 9MW wind farm currently under construction in the RoI.

In October 2013 the Energia Group completed the acquisition of a 27MW windfarm development project in Northern Ireland

The Energia Group also has a minority share of 25% in the RoI windfarm projects and 20% in the Northern Ireland windfarm projects, the majority interests in which were sold to AMP on 15 June 2012, as described in the Group's annual report and accounts for the year ended 31 March 2013.



## Power NI

	<b>Second Quarter 2014</b>	Second Quarter 2013	<b>First Half 2014</b>	First Half 2013	Year end 31 March 2013
Stage 2 complaints to the Consumer Council (number)	<b>1</b>	2	<b>1</b>	3	7
Customers (number)					
- Residential	<b>570,000</b>	621,000	<b>570,000</b>	621,000	584,000
- Non-residential	<b>37,000</b>	36,000	<b>37,000</b>	36,000	36,000
	<b>607,000</b>	657,000	<b>607,000</b>	657,000	620,000
Electricity sales (TWh)	<b>0.7</b>	0.7	<b>1.4</b>	1.5	3.4

During Second Quarter 2014 Power NI received 1 (2013 - 2) Stage 2 complaints and during First Half 2014 received 1 (2013 - 3) Stage 2 complaints.

During Second Quarter 2014 residential customer numbers reduced to 570,000 (574,000 at 30 June 2013; 584,000 at 31 March 2013) reflecting continued competition in the market.

During Second Quarter 2014 non-residential customer numbers increased to 37,000 (36,000 at 30 June 2013; 36,000 at 31 March 2013).

Electricity sales volumes for Second Quarter 2014 remained at 0.7TWh (2013 – 0.7TWh) and for First Half 2014 were 1.4TWh (2013 – 1.5TWh).

## PPB

As at 30 September 2013 the generation capacity under contract to PPB comprised 600MW CCGT with Ballylumford (600 MW at 31 March 2013).

## Regulation update

### Energia Group

#### *Gas capacity bidding in the SEM*

The SEM Committee consultations on gas capacity bidding in the SEM closed on 26 September 2013. Whilst the consultations confirmed the possibility of including certain gas capacity costs in SEM bidding, the CER decided to make changes to the availability of certain gas capacity products with effect from 2 December 2013. On the 19 November 2013 Viridian filed judicial review proceedings against the CER's decision which included a request that a stay be placed on one of the decisions. We expect this application to be heard shortly. In light of these proceedings, the CER announced on 22 November that it would defer the intended implementation of the decision until 6 January 2014.

### Power NI

#### *April 2014 Price Control proposals*

The Utility Regulator published "initial proposals" relating to Power NI's 2014 price control on 23 July 2013. The Utility Regulator is proposing a 3 year price control (i.e. 1 April 2014 to 31 March 2017) which features a lower non-domestic deregulated threshold of 50 MWh (currently 150 MWh). This threshold will remain under review during the proposed price control period.

Power NI responded to the proposals and the consultation closed on 1 October 2013. Final proposals are expected by the end of December 2013.

## Summary of Financial Performance

### Group turnover

	<b>Second Quarter 2014 £m</b>	Second Quarter 2013 £m	<b>First Half 2014 £m</b>	First Half 2013 £m	Year end 31 March 2013 £m
Energia Group <sup>1</sup>	<b>242.4</b>	231.7	<b>481.9</b>	457.8	997.2
Power NI Energy (based on regulated entitlement)	<b>125.2</b>	122.8	<b>252.0</b>	258.1	610.6
Adjustment for over/(under) - recovery	<b>6.6</b>	5.5	<b>3.1</b>	15.3	(3.6)
Inter business elimination	-	(0.1)	<b>(0.1)</b>	(0.2)	(0.5)
Total turnover	<b>374.2</b>	359.9	<b>736.9</b>	731.0	1,603.7

<sup>1</sup> includes turnover from renewable windfarm assets for Second Quarter 2014 £nil (2013 - £nil); First Half 2014 £nil (2013 - £nil); year ended 31 March 2013 £0.6m.

### Second Quarter 2014

Turnover for Second Quarter 2014 increased to £374.2m (2013 - £359.9m). The breakdown by business is as follows:

Energia Group turnover for Second Quarter 2014 increased to £242.4m (2013 - £231.7m) primarily reflecting increased turnover generated by trading over the East/West Interconnector together with higher electricity retail tariffs associated with higher Use of System pass through costs, higher renewable PPA revenues associated with higher renewable capacity and higher ROC sales and the favourable impact of foreign exchange translation (with the strengthening of Euro to Sterling compared to the same period last year), partly offset by lower Huntstown plant utilisations, lower Energia electricity and gas sales volumes and lower wind factors.

Power NI Energy turnover for Second Quarter 2014 increased to £125.2m (2013 - £122.8m). Power NI turnover (based on regulated entitlement) for Second Quarter 2014 decreased to £92.6m (2013 - £97.5m) primarily due to a reduction in residential customer numbers partly offset by higher average consumption per customer, higher average tariff prices and higher unregulated sales volume. PPB turnover (based on regulated entitlement) for Second Quarter 2014 increased to £32.6m (2013 - £25.4m) primarily reflecting higher constrained utilisation of the Ballylumford plant partly offset by the expiry, on 1 November 2012, of 116MW of contracted capacity at Ballylumford and 58MW of contracted capacity at Kilroot together with 58MW at Coolkeeragh from 1 February 2013.

During Second Quarter 2014 the Power NI Energy businesses over-recovered against their regulated entitlement by £6.6m (2013 - £5.5m) and at 30 September 2013 the cumulative under-recovery against regulated entitlement was £13.5m having decreased from a £20.1m under-recovery position at 30 June 2013. The over/(under)-recovery of regulated entitlement reflects the phasing of tariffs.

### *First Half 2014*

Turnover for First Half 2014 decreased to £736.9m (2013 - £731.0m). The breakdown by business is as follows:

Energia Group turnover for First Half 2014 increased to £481.9m (2013 - £457.8m) primarily due to the same reasons noted above for Second Quarter 2014.

Power NI Energy turnover for First Half 2014 decreased to £252.0m (2013 - £258.1m). Power NI turnover (based on regulated entitlement) for First Half 2014 decreased to £193.3m (2013 - £208.6m) primarily due to a reduction in residential customer numbers and average consumption per customer together with lower average tariffs partly offset by higher unregulated sales volumes. PPB turnover (based on regulated entitlement) for First Half 2014 increased to £58.7m (2013 - £49.7m) primarily due to the same increase noted above for Second Quarter 2014.

During First Half 2014 the Power NI Energy businesses over-recovered against their regulated entitlement by £3.1m (2013 - £15.3m) and at 30 September 2013 the cumulative under-recovery against regulated entitlement was £13.5m (31 March 2013 - £16.6m cumulative under-recovery). The over/(under)-recovery of regulated entitlement reflects the phasing of tariffs.

### **Operating costs**

Operating costs (pre exceptional items) 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 natural gas capacity costs for the Huntstown plants, emissions costs, use of system charges and costs for third party renewable PPAs. Employee costs include salaries, social security costs and pension costs. Other operating charges include costs such as operating and maintenance costs, insurance, local business taxes, consultancy, marketing, licence fees and IT services.

### *Second Quarter 2014*

Operating costs (pre exceptional items) for Second Quarter 2014 increased to £349.6m (2013 - £335.4m).

Energy costs for Second Quarter 2014 increased to £327.6m (2013 - £310.9m) primarily reflecting the impact of foreign exchange translation (with the strengthening of Euro to Sterling compared to the same period last year) together with the impact of higher interconnector trading at Energia, higher Use of System costs for Energia, higher renewable PPA costs and higher plant output at Ballylumford as discussed above, partly offset by lower Huntstown plant utilisations together with the expiry of PPB contracts with generators outlined previously and lower electricity sales volumes at Power NI and Energia.

Employee costs for Second Quarter 2014 increased to £5.4m (2013 – £5.2m) primarily reflecting the impact of foreign exchange translation.

Depreciation and amortisation for Second Quarter 2014 increased to £5.3m (2013 – £4.9m) primarily due to the impact of foreign exchange translation.

Other operating charges for Second Quarter 2014 decreased to £11.3m (2013 - £14.4m) primarily due to lower plant maintenance costs reflecting reduced utilisations partly offset by the impact of foreign exchange translation (with the strengthening of Euro to Sterling compared to the same period last year) together with lower Power NI operating costs associated with the timing of expenditure on its new billing system.

### *First Half 2014*

Operating costs (pre exceptional items) for First Half 2014 increased to £698.7m (2013 - £676.9m).

Energy costs for First Half 2014 increased to £654.4m (2013 - £630.4m) primarily for the same reasons noted above for Second Quarter 2014.

Employee costs for First Half 2014 decreased to £10.3m (2013 - £10.4m).

Depreciation and amortisation for First Half 2014 increased to £10.6m (2013 - £9.4m) primarily due to the depreciation for Power NI assets relating to the billing IT project which was implemented in May 2012 and the impact of foreign exchange translation.

Other operating charges for First Half 2014 decreased to £23.4m (2013 - £26.7m) primarily for the same reasons noted above for Second Quarter 2014.

## Group operating profit (pre exceptional items and goodwill amortisation)

	<b>Second Quarter 2014 £m</b>	Second Quarter 2013 £m	<b>First Half 2014 £m</b>	First Half 2013 £m	Year end 31 March 2013 £m
Energia Group operating profit (pre exceptional items) <sup>1</sup>	<b>13.4</b>	15.1	<b>24.5</b>	29.1	60.4
Power NI Energy pro-forma operating profit (pre exceptional items) <sup>2</sup>	<b>6.1</b>	5.4	<b>12.1</b>	11.2	23.6
Other	<b>(1.5)</b>	(1.5)	<b>(1.5)</b>	(1.5)	(3.1)
Group pro-forma operating profit (pre exceptional items)	<b>18.0</b>	19.0	<b>35.1</b>	38.8	80.9
Over/ (under)-recovery of regulated entitlement <sup>2</sup>	<b>6.6</b>	5.5	<b>3.1</b>	15.3	(3.6)
Operating profit (pre exceptional items)	<b>24.6</b>	24.5	<b>38.2</b>	54.1	77.3

<sup>1</sup> Includes operating profit from renewable windfarm assets Second Quarter 2014 £nil (Second Quarter 2013 £nil) and First Half 2014 £nil (First Half 2013 £nil); year ended 31 March 2013 £0.3m loss.

<sup>2</sup> As shown in note 2 to the interim accounts

### Second Quarter 2014

Operating profit (pre goodwill amortisation and exceptional items) for Second Quarter 2014 increased to £24.6m (2013 - £24.5m) reflecting an increase in over-recovery of regulated entitlement to £6.6m (2013 - £5.5m) partly offset by a decrease in Group pro-forma operating profit (pre-exceptional items and goodwill amortisation) to £18.0m (2013 - £19.0m)

Group pro-forma operating profit (pre-exceptional items and goodwill amortisation) for Second Quarter 2014 decreased to £18.0m (2013 - £19.0m) reflecting a decrease in Energia Group operating profit from £15.1m to £13.4m partly offset by an increase in Power NI Energy pro-forma operating profit from £5.4m to £6.1m.

Energia Group operating profit (pre exceptional items) for Second Quarter 2014 decreased to £13.4m (2013 - £15.1m) reflecting the decrease in EBITDA outlined previously.

Power NI Energy pro-forma operating profit for Second Quarter 2014 increased to £6.1m (2013 - £5.4m). Power NI pro-forma operating profit increased to £4.9m (2013 - £4.0m) reflecting the increase in EBITDA outlined previously. PPB pro-forma operating profit decreased to £1.2m (2013 - £1.4m) reflecting the reduction in EBITDA outlined previously.

### First Half 2014

Operating profit (pre goodwill amortisation and exceptional items) for First Half 2014 decreased to £38.2m (2013 - £54.1m) reflecting a decrease in over-recovery of regulated entitlement to £3.1m (2013 - £15.3m) together with a decrease in Group pro-forma operating profit (pre-exceptional items and goodwill amortisation) to £35.1m (2013 - £38.8m).

Group pro-forma operating profit (pre-exceptional items and goodwill amortisation) for First Half 2014 decreased to £35.1m (2013 - £38.8m) reflecting a decrease in Energia Group operating profit from £29.1m to £24.5m partly offset by an increase in Power NI Energy pro-forma operating profit from £11.2m to £12.1m.

Energia Group operating profit (pre exceptional items) for First Half 2014 decreased to £24.5m (2013 - £29.1m) reflecting the reduction in EBITDA outlined previously.

Power NI Energy pro-forma operating profit for First Half 2014 increased to £12.1m (2013 - £11.2m) primarily as a result of an increase in Power NI pro-forma operating profit to £9.7m (2013 - £8.5m) reflecting the reasons noted previously for the increase in EBITDA partly offset by an increase in depreciation and amortisation. PPB pro-forma operating profit decreased to £2.4m (2013 - £2.7m) reflecting the reasons noted previously for the reduction in EBITDA.

### **Exceptional operating costs**

Exceptional costs for Second Quarter 2014 were £nil (2013 - £nil) and for First Half 2014 were £nil (2013 - £0.6m). Exceptional costs in First Half 2013 comprised the costs relating to the carbon revenue levy which ended on 25 May 2012.

### **Net finance costs**

Net finance costs for Second Quarter 2014 increased to £24.6m (2013 - £23.4m) and net finance costs for First Half 2014 decreased to £44.5m (2013 - £49.3m) primarily reflecting the lower interest cost resulting from the early redemption of an element of the senior secured notes issued in June 2013.

### **Tax credit**

The total tax credit for Second Quarter 2014 was £0.6m (2013 – £0.3m) and for First Half 2014 was £2.5m (2013 – tax charge £0.8m).

## Cash flow

### Cash flow before interest and tax

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

	<b>Second Quarter 2014 £m</b>	Second Quarter 2013 £m	<b>First Half 2014 £m</b>	First Half 2013 £m	Year end 31 March 2013 £m
<b>Group pro-forma EBITDA <sup>(1)</sup></b>	<b>23.3</b>	23.9	<b>45.7</b>	48.2	99.3
Defined benefit pension charge less contributions paid	-	-	<b>(0.1)</b>	-	(1.3)
Net movement in security deposits	<b>0.8</b>	1.4	<b>0.6</b>	37.4	35.6
Changes in working capital <sup>(2)</sup>	<b>(9.6)</b>	20.7	<b>(10.8)</b>	5.1	5.2
Over/(under)-recovery of regulated entitlement	<b>6.6</b>	5.5	<b>3.1</b>	15.3	(3.6)
Foreign exchange translation benefit/(loss)	<b>0.1</b>	0.3	<b>(0.2)</b>	1.0	0.6
Revaluation of emissions assets	-	-	-	-	8.5
Exceptional cash outflows	-	(0.6)	-	(1.8)	(1.8)
<b>Cash flow from operating activities</b>	<b>21.2</b>	51.2	<b>38.3</b>	105.2	142.5
Net capital expenditure <sup>(3)</sup>	<b>(4.9)</b>	(2.7)	<b>(9.3)</b>	(4.9)	(10.0)
(Investment in)/proceeds from sale and purchases of other intangibles	<b>4.9</b>	2.0	<b>8.0</b>	14.2	0.3
<b>Cash flow before interest, acquisitions and disposals and tax</b>	<b>21.2</b>	50.5	<b>37.0</b>	114.5	132.8

(1) Includes EBITDA of renewable wind farm assets for Second Quarter 2014 £nil (2013 - £nil); First Half 2014 £nil (2013 - £nil); year ended 31 March 2013 £0.3m loss

(2) Includes working capital of renewable wind farm assets for Second Quarter 2014 £0.2m increase (2013 - £0.5m increase); First Half 2014 £0.6m increase (2013 - £0.5m increase); year ended 31 March 2013 £0.2m increase

(3) Includes capital expenditure on renewable wind farm assets for Second Quarter 2014 £3.8m (2013 - £0.5m); First Half 2014 £6.2m (2013 - £0.8m); year ended 31 March 2013 £4.1m.

Group cash flow from operating activities for Second Quarter 2014 decreased to £21.2m (2013 - £51.2m) primarily reflecting an increase in working capital of £9.6m (2013 – a decrease of £20.7m).

Group cash flow from operating activities for First Half 2014 decreased to £38.3m (2013 - £105.2m) primarily reflecting a reduced cash inflow from the return of security deposits to £0.6m (2013 - £37.4m) and a reduction in the over-recovery of regulated entitlement to £3.1m (2013 - £15.3m) together with an increase in working capital of £10.8m (2013 – a decrease of £5.1m).

### Net movement in security deposits

The net movement in security deposits for Second Quarter 2014 was an inflow of £0.8m (2013 – £1.4m) and for First Half 2014 was an inflow of £0.6m (2013 –



£37.4m). The First Half 2013 cash flow reflects the replacement of cash security deposits with letters of credit following the refinancing of the Group in March 2012. As at 30 September 2013 there were £2.9m of security deposits in place.

### *Changes in working capital*

Working capital consists of stocks plus trade and other debtors (primarily retail energy sales (including unbilled consumption), wholesale energy sales, 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.

### *Second Quarter 2014*

Working capital increased by £9.6m in Second Quarter 2014 due to increases in the working capital requirements of the Energia Group and Power NI Energy, partly offset by an decrease in the working capital requirements of other Viridian holding companies.

Energia Group working capital increased by £9.6m in Second Quarter 2014. Excluding changes in the working capital of renewable wind farm assets, Energia working capital increased by £9.4m primarily due to a decrease in trade creditors and accruals (reflecting lower interconnector trading in September 2013 compared to June 2013 as a result of forced outages on both the East/West Interconnector and the Moyle Interconnector partly offset by the seasonal increase in electricity and gas purchase volumes), an increase in trade debtors and accrued income (reflecting the increased constrained utilisation of Huntstown 1 and 2 together with higher renewable PPA volumes and the seasonal increase in electricity and gas sales volumes partly offset by reduced interconnector trading as discussed above and lower debtor days) and the annual settlement of the 2013 renewable obligation.

Working capital at Power NI Energy increased by £1.6m in Second Quarter 2014 primarily due to the annual settlement of the 2013 renewable obligation together with lower energy creditors in PPB (associated with lower plant output). This was partly offset by a reduction in trade debtors in Power NI (associated with lower customer numbers and lower average consumption in the preceding three months) together with an increase in payments on account.

Working capital at other Viridian holding companies decreased by £1.6m in Second Quarter 2014 primarily due to the bi-annual increase in accrued management fees payable to Arcapita.

## *First Half 2014*

Working capital increased by £10.8m in First Half 2014 due to increases in the working capital requirements of the Energia Group and Power NI Energy partly offset by a decrease in working capital requirements of other Viridian holding companies.

Energia Group working capital increased by £10.6m in First Half 2014. Excluding changes in the working capital of renewable wind farm assets, Energia working capital increased by £10.0m primarily due to a decrease in trade creditors and accruals (reflecting lower retail volumes and lower energy prices compared to March 2013 together with lower PPA creditors as a result of lower wind output relative to March 2013, partly offset by increased constrained utilisation of Huntstown 1 and 2), a reduction in the emissions liability reflecting settlement of the 2012 annual compliance in April 2013, the annual settlement of the renewable obligation in September 2013 and the settlement of year end internal group relief corporation tax balances partly offset by a decrease in trade debtors and accrued income (associated with lower sales volumes and lower energy prices as discussed above).

Working capital at Power NI Energy increased by £4.8m in First Half 2014 primarily due to lower trade creditors and accruals in PPB reflecting lower power purchase costs (associated with the contract cancellation at Ballylumford together with the annual settlement of certain PPA charges), lower energy and use of system creditors in Power NI (associated with the seasonal reduction in sales volumes and lower customer numbers) and the settlement of year end internal group relief and pension recharge balances together with the annual settlement of the 2013 renewable obligation. This was partly offset by lower trade debtors and accrued income in Power NI (associated with lower customer numbers and the seasonal reduction in sales volumes).

Working capital at other Viridian holding companies decreased by £4.6m in First Half 2014 primarily due to the settlement of year end internal group relief corporation tax and pension recharge balances outlined above.

## *(Under)/over-recovery of regulated entitlement*

As noted previously during Second Quarter 2014 the Power NI Energy businesses over-recovered against their regulated entitlement by £6.6m (2013 – £5.5m) and during First Half 2014 over-recovered by £3.1m (2013 – £15.3m). At 30 September 2013 the cumulative under-recovery against regulated entitlement was £13.5m. The over/(under)-recovery of regulated entitlement reflects the phasing of tariffs.

## *Exceptional cash outflows*

There were no exceptional cash outflows during Second Quarter 2014 (2013 - £0.6m) and during First Half 2014 (2013 - £1.8m). Exceptional cash outflows during Second Quarter 2013 and First Half 2013 consisted of payments made in respect of the RoI carbon revenue levy.

### *Net capital expenditure*

Net capital expenditure in respect of tangible fixed assets and intangible software assets for Second Quarter 2014 increased to £4.9m (2013 - £2.7m) and for First Half 2014 increased to £9.3m (2013 - £4.9m). Excluding capital expenditure on renewable wind farm assets, net capital expenditure for Second Quarter 2014 decreased to £1.1m (2013 –£2.2m) and for First Half 2014 decreased to £3.1m (2013 - £4.1m).

Net capital expenditure at Energia Group (excluding capital expenditure on renewable wind farm assets) for Second Quarter 2014 increased to £0.8m (2013 - £0.5m) and for First Half 2014 increased to £2.4m (2013 - £1.4m) reflecting capital expenditure in respect of the Domestic Market Entry project.

Net capital expenditure at Power NI for Second Quarter 2014 decreased to £nil (2013 –£1.7m) and for First Half 2014 decreased to £0.2m (2013 - £2.7m) reflecting the reduced expenditure in respect of the Enduring Solution project as the system go-live was achieved in May 2012.

Net capital expenditure at other Viridian holding companies for Second Quarter 2014 increased to £0.3m (2013 – £nil) and for First Half 2014 increased to £0.5m (2013 - £nil) reflecting the expenditure on the upgrade of the SAP accounting system.

## Other cash flows

### *Net interest paid*

Net interest paid (excluding issue costs on new long-term loans and exceptional finance costs) for Second Quarter 2014 decreased to £23.4m (2013 - £27.9m) primarily reflecting Second Quarter 2013 interest paid including interest accrued from the date of bond issuance 6 March 2012 together with the reduced interest payable arising from the redemption of 9.3% of the senior secured notes on 4 June 2013.

Net interest paid (excluding issue costs on new long-term loans and exceptional finance costs) for First Half 2014 decreased to £25.2m (2012 - £28.5m) reflecting First Half 2013 interest paid including interest accrued from the date of bond issuance 6 March 2012 together with the reduction in interest payable as a result of the redemption of 9.3% of the senior secured notes partly offset by a 3% premium payable on the redemption.

### *Acquisition of subsidiary undertaking*

During Second Quarter and First Half 2014 £1.2m and £4.0m respectively was paid in relation to the acquisition of a 20MW windfarm development project in Northern Ireland. Deferred consideration of £0.5m is also estimated to be payable in relation to this transaction.

### *Dividends*

No equity interim dividends were paid during Second Quarter 2014 (2013 - £nil) or First Half 2014 (2013 - £nil).

## Net debt

The Group Cash Flow Statement shows a reduction in net debt during Second Quarter 2014 of £2.6m from £555.7m at 30 June 2013 to £553.1m at 30 September 2013 and an increase during First Half 2014 of £7.7m from £545.4m at 31 March 2013 to £553.1m at 30 September 2013 primarily reflecting the cash flows noted above.

Net debt as at 30 September 2013 includes project financed net debt of £4.4m (30 June 2013 £nil and 31 March 2013 £nil). Excluding project finance net debt, net debt was £548.7m at 30 September 2013 (30 June 2013 £555.7m and 31 March 2013 £545.4m).

## Defined benefit pension liability

During First Half 2014 the valuation of the Group's defined benefit scheme under FRS 17 Retirement Benefits moved from a deficit of £0.4m net of deferred tax at 31 March 2013 to position whereby the assets of the scheme equalled the liabilities of the scheme at 30 September 2013.

## Treasury

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.

An analysis of the Group's net debt is as follows:

	As at 30 September 2013 £m	As at 30 September 2012 £m	As at 31 March 2013 £m
Investments	14.3	53.5	25.6
Cash	7.1	6.8	24.7
Junior bank facility asset	342.9	332.3	342.8
Senior secured notes	(353.8)	(372.0)	(392.5)
Interest accruals	(2.2)	(2.0)	(2.4)
Subordinated shareholder loan	(557.0)	(658.6)	(543.6)
<b>Net Debt excluding project finance facilities</b>	<b>(548.7)</b>	<b>(640.0)</b>	<b>(545.4)</b>
Project financed cash	3.6	-	-
Project financed bank facility (RoI)	(8.0)	-	-
<b>Net Debt</b>	<b>(553.1)</b>	<b>(640.0)</b>	<b>(545.4)</b>

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 Senior Revolving Credit Facility (SRCF), to ensure sufficient headroom is maintained.

At 30 September 2013 the Group had cash drawings under the SRCF of £nil (30 June 2013 - £18.6m; 31 March 2013 - £nil) and letters of credit issued out of the SRCF of £102.2m (30 June 2013 - £117.6m; 31 March 2013 - £123.9m) resulting in undrawn committed facilities of £122.8m (30 June 2013 - £88.8m; 31 March 2013 - £101.1m).

There have been no significant changes in the Group's exposure to interest rate, foreign currency, commodity and credit risks. A discussion of these risks can be found on pages 30 – 33 of the Group's annual report and accounts for the year ended 31 March 2013.

## GROUP PROFIT AND LOSS ACCOUNT

	<b>Second Quarter 2014 Unaudited £m</b>	Second Quarter 2013 Unaudited £m	<b>First Half 2014 Unaudited £m</b>	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m
GROUP TURNOVER	374.2	359.9	736.9	731.0	1,603.7
Operating costs	(349.6)	(335.4)	(698.7)	(676.9)	(1,526.4)
Exceptional operating costs	-	-	-	(0.6)	(0.6)
Operating profit before goodwill amortisation	24.6	24.5	38.2	53.5	76.7
Goodwill amortisation/impairment	(8.1)	(8.1)	(16.2)	(16.2)	(32.3)
<b>GROUP OPERATING PROFIT</b>	<b>16.5</b>	16.4	<b>22.0</b>	37.3	44.4
Share of operating profit in associates	0.1	0.3	0.5	0.4	1.5
Amortisation of goodwill in associates	(0.1)	(0.1)	(0.2)	(0.2)	(0.4)
<b>TOTAL OPERATING PROFIT: GROUP &amp; SHARE OF ASSOCIATES</b>	<b>16.5</b>	16.6	<b>22.3</b>	37.5	45.5
Profit on disposal of continuing operations	-	-	-	0.4	0.4
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST &amp; TAX</b>	<b>16.5</b>	16.6	<b>22.3</b>	37.9	45.9
Net interest payable	(24.6)	(23.4)	(44.5)	(49.3)	(79.4)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAX</b>	<b>(8.1)</b>	(6.8)	<b>(22.2)</b>	(11.4)	(33.5)
Tax credit/(charge) on loss on ordinary activities	0.6	0.3	2.5	(0.8)	9.3
<b>LOSS FOR THE FINANCIAL PERIOD</b>	<b>(7.5)</b>	(6.5)	<b>(19.7)</b>	(12.2)	(24.2)

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<b>Second Quarter 2014 Unaudited £m</b>	Second Quarter 2013 Unaudited £m	<b>First Half 2014 Unaudited £m</b>	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m
Loss for the financial period:					
Group	<b>(7.0)</b>	(6.2)	<b>(19.0)</b>	(11.3)	(23.3)
Associates	<b>(0.5)</b>	(0.3)	<b>(0.7)</b>	(0.9)	(0.9)
	<b>(7.5)</b>	(6.5)	<b>(19.7)</b>	(12.2)	(24.2)
Exchange difference on retranslation of foreign subsidiaries	<b>7.8</b>	4.3	<b>3.7</b>	12.8	(4.6)
Exchange difference on loan hedged against foreign subsidiary	<b>(7.7)</b>	(3.6)	<b>(4.4)</b>	(11.1)	3.4
Actuarial (loss)/gain on pension scheme assets and liabilities	-	(0.2)	<b>0.5</b>	(1.5)	(1.2)
Deferred tax credit/(charge) on actuarial (loss)/gain on pension scheme assets and liabilities	-	0.1	<b>(0.1)</b>	0.4	0.3
<b>Total recognised losses relating to the period</b>	<b>(7.4)</b>	(5.9)	<b>(20.0)</b>	(11.6)	(26.3)

## GROUP BALANCE SHEET

	Note	As at 30 September 2013 Unaudited £m	As at 30 September 2012 Unaudited £m	As at 31 March 2013 Audited £m
<b>Fixed assets</b>				
Intangible assets		452.7	483.6	474.2
Tangible assets		300.5	282.5	301.5
Investment in associates	9	8.5	9.5	9.8
Investments	9	343.6	333.0	343.5
		<u>1,105.3</u>	<u>1,108.6</u>	<u>1,129.0</u>
<b>Current assets</b>				
Stocks		5.0	9.6	5.1
Debtors - due within one year	10	162.2	152.5	202.6
Investments		14.3	53.5	25.6
Cash at bank and in hand		10.7	6.8	24.7
		<u>192.2</u>	<u>222.4</u>	<u>258.0</u>
<b>Creditors (amounts falling due within one year)</b>	11	<u>(222.4)</u>	<u>(230.9)</u>	<u>(272.3)</u>
<b>Net current liabilities</b>		<u>(30.2)</u>	<u>(8.5)</u>	<u>(14.3)</u>
<b>Total assets less current liabilities</b>		<b>1,075.1</b>	<b>1,100.1</b>	<b>1,114.7</b>
<b>Creditors (amounts falling due after more than one year):</b>				
External borrowings		(361.8)	(372.0)	(392.5)
Subordinated shareholder loan		(558.1)	(658.6)	(544.9)
		<u>(919.9)</u>	<u>(1,030.6)</u>	<u>(937.4)</u>
<b>Provisions for liabilities and charges</b>		<b>(11.5)</b>	<b>(10.3)</b>	<b>(11.5)</b>
<b>Deferred taxation</b>		<b>(4.2)</b>	<b>(10.1)</b>	<b>(5.8)</b>
<b>Deferred income</b>		<b>(1.1)</b>	<b>-</b>	<b>(1.2)</b>
		<u>138.4</u>	<u>49.1</u>	<u>158.8</u>
<b>Net assets excluding pension liability</b>		<b>138.4</b>	<b>49.1</b>	<b>158.8</b>
<b>Defined benefit pension liability</b>		<b>-</b>	<b>(1.5)</b>	<b>(0.4)</b>
		<u>138.4</u>	<u>47.6</u>	<u>158.4</u>
<b>NET ASSETS</b>		<b>138.4</b>	<b>47.6</b>	<b>158.4</b>
<b>Equity</b>				
Called up share capital		-	-	-
Share premium		510.0	510.0	510.0
Capital contribution reserve		125.5	-	125.5
Profit and loss account		(497.1)	(462.4)	(477.1)
		<u>138.4</u>	<u>47.6</u>	<u>158.4</u>
<b>TOTAL EQUITY</b>		<b>138.4</b>	<b>47.6</b>	<b>158.4</b>

The interim accounts were approved by the Board of directors and authorised for issue on 27 November 2013. They were signed on its behalf by:

Essa Zainal

Director

Date: 27 November 2013



# GROUP CASH FLOW STATEMENT

	Note	Second Quarter 2014 Unaudited £m	Second Quarter 2013 Unaudited £m	First Half 2014 Unaudited £m	First Half 2013 Unaudited £m	Year Ended 31 March 2013 Audited £m
<b>Cash flow from operating activities</b>	14	<b>21.2</b>	51.2	<b>38.3</b>	105.2	142.5
<b>Returns on investments and servicing of finance</b>						
Interest received		-	0.1	<b>0.3</b>	0.2	0.4
Interest paid		<b>(23.4)</b>	(28.0)	<b>(25.5)</b>	(28.7)	(57.0)
Premium on redemption of senior secured notes		-	-	<b>(1.2)</b>	-	-
Issue costs on new long-term loans		<b>(0.2)</b>	(1.4)	<b>(0.6)</b>	(4.1)	(4.0)
Dividends from associates		-	-	<b>0.6</b>	-	-
Exceptional finance costs		-	-	<b>(0.2)</b>	(0.2)	(0.7)
		<b>(23.6)</b>	(29.3)	<b>(26.6)</b>	(32.8)	(61.3)
<b>Taxation</b>		-	0.1	-	0.1	(0.3)
<b>Capital expenditure and financial investment</b>						
Purchase of tangible fixed assets		<b>(4.2)</b>	(1.0)	<b>(7.4)</b>	(2.2)	(6.6)
Capital contributions in respect of intangible assets		-	-	-	-	0.8
Purchase of intangible assets		<b>(5.9)</b>	(8.4)	<b>(10.0)</b>	(10.4)	(28.4)
Proceeds from disposal of intangible assets		<b>10.1</b>	8.7	<b>16.1</b>	21.9	24.5
		-	(0.7)	<b>(1.3)</b>	9.3	(9.7)
<b>Acquisitions and disposals</b>						
Sale of subsidiary undertaking		<b>(0.1)</b>	(0.2)	<b>(0.1)</b>	(1.0)	(1.7)
Acquisition of subsidiary undertaking		<b>(1.2)</b>	-	<b>(4.0)</b>	-	-
		<b>(1.3)</b>	(0.2)	<b>(4.1)</b>	(1.0)	(1.7)
<b>Cash (outflow)/inflow before use of liquid resources and financing</b>		<b>(3.7)</b>	21.1	<b>6.3</b>	80.8	69.5
<b>Management of liquid resources</b>						
Decrease/(Increase) in bank deposits		<b>14.8</b>	(12.9)	<b>11.0</b>	(27.6)	1.4
Increase in short term managed funds		-	-	-	-	(0.1)
		<b>14.8</b>	(12.9)	<b>11.0</b>	(27.6)	1.3
<b>Financing</b>						
Receipts from loans		<b>8.8</b>	-	<b>27.1</b>	-	-
Repayment of loans		<b>(18.4)</b>	(8.0)	<b>(58.2)</b>	(55.0)	(55.0)
		<b>(9.6)</b>	(8.0)	<b>(31.1)</b>	(55.0)	(55.0)
<b>Increase/(decrease) in cash in the period</b>		<b>1.5</b>	0.2	<b>(13.8)</b>	(1.8)	15.8
<b>Reconciliation of net cash flow to movement in net debt</b>						
Increase/(decrease) in cash in the period		<b>1.5</b>	0.2	<b>(13.8)</b>	(1.8)	15.8
Cash outflow from movement in net loans		<b>9.6</b>	8.0	<b>31.1</b>	55.0	55.0
Cash (inflow)/outflow from movement in liquid resources		<b>(14.8)</b>	12.9	<b>(11.0)</b>	27.6	(1.3)
Change in net debt resulting from cash flows		<b>(3.7)</b>	21.1	<b>6.3</b>	80.8	69.5
Capitalisation of interest on junior facility		<b>(6.8)</b>	(5.8)	<b>(13.4)</b>	(11.7)	(22.3)
Decrease in interest accruals		<b>11.4</b>	14.5	<b>0.6</b>	1.4	1.4
Amortisation of financing charges		<b>(1.0)</b>	(1.2)	<b>(2.1)</b>	(2.0)	(3.8)
Issue costs on new loans included in net debt		<b>0.8</b>	-	<b>0.8</b>	-	-
Restructuring of renewable assets		-	-	-	(12.3)	(12.3)
Equitisation of shareholder loan		-	-	-	-	125.5
Translation difference		<b>1.9</b>	1.7	<b>0.1</b>	5.5	(1.7)
<b>Movement in net debt in the period</b>		<b>2.6</b>	30.3	<b>(7.7)</b>	61.7	156.3
<b>Net debt at beginning of period</b>		<b>(555.7)</b>	(670.3)	<b>(545.4)</b>	(701.7)	(701.7)
<b>Net debt at end of period</b>		<b>(553.1)</b>	(640.0)	<b>(553.1)</b>	(640.0)	(545.4)

## NOTES TO THE ACCOUNTS

### 1. Basis of Preparation

The interim accounts for the six months ended 30 September 2013 have been prepared in accordance with the Accounting Standards Board (ASB) Statement “Half-Yearly” Financial Reports.

The interim accounts consolidate the results of the Company and its subsidiary undertakings (the Group).

The interim accounts have been prepared on the basis of the accounting policies set out in the accounts for the year ended 31 March 2013.

The interim accounts have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on “Review of Interim Financial Information performed by the Independent Auditor of the Entity”.

The information shown for the year ended 31 March 2013 has been extracted from the Group’s annual report for the year ended 31 March 2013. The report of the auditors on the accounts contained within the Group’s annual report for the year ended 31 March 2013 was unqualified.

## 2. 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 the Business Reviews on pages 5 to 7.

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 Second Quarter 2014 Unaudited £m	Internal Second Quarter 2014 Unaudited £m	Total Second Quarter 2014 Unaudited £m	External Second Quarter 2013 Unaudited £m	Internal Second Quarter 2013 Unaudited £m	Total Second Quarter 2013 Unaudited £m
<b>Turnover</b>						
- Energia Group	242.4	-	242.4	231.6	0.1	231.7
- Power NI Energy	131.8	-	131.8	128.3	-	128.3
- Inter-group elimination	-	-	-	-	(0.1)	(0.1)
Group turnover	<b>374.2</b>	-	<b>374.2</b>	359.9	-	359.9

	External First Half 2014 Unaudited £m	Internal First Half 2014 Unaudited £m	Total First Half 2014 Unaudited £m	External First Half 2013 Unaudited £m	Internal First Half 2013 Unaudited £m	Total First Half 2013 Unaudited £m	External Year ended 31 March 2013 Audited £m	Internal Year ended 31 March 2013 Audited £m	Total Year ended 31 March 2013 Audited £m
<b>Turnover</b>									
- Energia Group	481.9	-	481.9	457.6	0.2	457.8	997.0	0.2	997.2
- Power NI Energy	255.0	0.1	255.1	273.4	-	273.4	606.7	0.3	607.0
- Inter-group elimination	-	(0.1)	(0.1)	-	(0.2)	(0.2)	-	(0.5)	(0.5)
Group turnover	<b>736.9</b>	-	<b>736.9</b>	731.0	-	731.0	1,603.7	-	1,603.7

## 2. Segmental Information (continued)

	<b>Second Quarter 2014 Unaudited £m</b>	Second Quarter 2013 Unaudited £m	<b>First Half 2014 Unaudited £m</b>	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m
<b>Group profit/(loss) before depreciation, amortisation, exceptional items, interest and tax</b>					
Energia Group	18.0	19.3	33.7	37.6	76.6
Power NI Energy	13.4	11.6	16.6	27.4	22.2
Other	(1.5)	(1.5)	(1.5)	(1.5)	(3.1)
Group profit before depreciation, amortisation, exceptional items, interest and tax	<b>29.9</b>	29.4	<b>48.8</b>	63.5	95.7
<b>Exceptional operating costs</b>					
Energia Group	-	-	-	(0.6)	(0.6)
Group exceptional operating costs	-	-	-	(0.6)	(0.6)
<b>Depreciation/amortisation</b>					
Energia Group	(4.6)	(4.2)	(9.2)	(8.5)	(16.2)
Power NI Energy	(0.7)	(0.7)	(1.4)	(0.9)	(2.2)
Group depreciation/amortisation	<b>(5.3)</b>	(4.9)	<b>(10.6)</b>	(9.4)	(18.4)
<b>Operating profit/(loss) post exceptional operating costs</b>					
Energia Group	13.4	15.1	24.5	28.5	59.8
Power NI Energy	12.7	10.9	15.2	26.5	20.0
Other	(1.5)	(1.5)	(1.5)	(1.5)	(3.1)
Group operating profit post exceptional operating costs	<b>24.6</b>	24.5	<b>38.2</b>	53.5	76.7
Goodwill amortisation	(8.1)	(8.1)	(16.2)	(16.2)	(32.3)
<b>Group operating profit</b>	<b>16.5</b>	16.4	<b>22.0</b>	37.3	44.4
Share of operating profit in associates	0.1	0.3	0.5	0.4	1.5
Amortisation of goodwill in associates	(0.1)	(0.1)	(0.2)	(0.2)	(0.4)
<b>Total operating profit: Group and share of associates</b>	<b>16.5</b>	16.6	<b>22.3</b>	37.5	45.5
Profit on disposal of continuing operations	-	-	-	0.4	0.4
<b>Profit on ordinary activities before interest and tax</b>	<b>16.5</b>	16.6	<b>22.3</b>	37.9	45.9
Net interest payable	(24.6)	(23.4)	(44.5)	(49.3)	(79.4)
<b>Loss on ordinary activities before tax</b>	<b>(8.1)</b>	(6.8)	<b>(22.2)</b>	(11.4)	(33.5)

## 2. Segmental Information (continued)

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:

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

Based on regulated entitlement:	Turnover		Operating profit/(loss) pre exceptional operating costs		Profit/(loss) before depreciation, amortisation, exceptional items, interest and tax	
	Second Quarter 2014 Unaudited £m	Second Quarter 2013 Unaudited £m	Second Quarter 2014 Unaudited £m	Second Quarter 2013 Unaudited £m	Second Quarter 2014 Unaudited £m	Second Quarter 2013 Unaudited £m
Energia Group	242.4	231.7	13.4	15.1	18.0	19.3
Power NI	92.6	97.5	4.9	4.0	5.6	4.7
Power Procurement	32.6	25.4	1.2	1.4	1.2	1.4
Inter-business elimination	-	(0.1)	-	-	-	-
Power NI Energy	125.2	122.8	6.1	5.4	6.8	6.1
Other	-	-	(1.5)	(1.5)	(1.5)	(1.5)
Inter-group elimination	-	(0.1)	-	-	-	-
	367.6	354.4	18.0	19.0	23.3	23.9
Adjustment for over-recovery	6.6	5.5	6.6	5.5	6.6	5.5
Total	374.2	359.9	24.6	24.5	29.9	29.4

## 2. Segmental Information (continued)

Based on regulated entitlement:	Turnover			Operating profit/(loss) pre exceptional operating costs			Profit/(loss) before depreciation, amortisation, exceptional items, interest and tax		
	First Half 2014 Unaudited £m	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m	First Half 2014 Unaudited £m	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m	First Half 2014 Unaudited £m	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m
Energia Group	481.9	457.8	997.2	24.5	29.1	60.4	33.7	37.6	76.6
Power NI	193.3	208.6	491.7	9.7	8.5	18.2	11.1	9.4	20.4
Power Procurement	58.7	49.7	119.8	2.4	2.7	5.4	2.4	2.7	5.4
Inter-business elimination	-	(0.2)	(0.9)	-	-	-	-	-	-
Power NI Energy	252.0	258.1	610.6	12.1	11.2	23.6	13.5	12.1	25.8
Other	-	-	-	(1.5)	(1.5)	(3.1)	(1.5)	(1.5)	(3.1)
Inter-group elimination	(0.1)	(0.2)	(0.5)	-	-	-	-	-	-
	733.8	715.7	1,607.3	35.1	38.8	80.9	45.7	48.2	99.3
Adjustment for over/(under) - recovery	3.1	15.3	(3.6)	3.1	15.3	(3.6)	3.1	15.3	(3.6)
Total	736.9	731.0	1,603.7	38.2	54.1	77.3	48.8	63.5	95.7

### 3. Operating Costs

Operating costs are analysed as follows:

	<b>Second Quarter 2014 Unaudited £m</b>	Second Quarter 2013 Unaudited £m	<b>First Half 2014 Unaudited £m</b>	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m
Energy costs	<b>327.6</b>	310.9	<b>654.4</b>	630.4	1,432.7
Employee costs	<b>5.4</b>	5.2	<b>10.3</b>	10.4	21.4
Depreciation and amortisation	<b>5.3</b>	4.9	<b>10.6</b>	9.4	18.4
Other operating charges	<b>11.3</b>	14.4	<b>23.4</b>	26.7	53.9
<b>Total pre exceptional</b>	<b>349.6</b>	335.4	<b>698.7</b>	676.9	1,526.4
Exceptional costs (note 4):					
Energy costs	-	-	-	0.6	0.6
	-	-	-	0.6	0.6
<b>Total</b>	<b>349.6</b>	335.4	<b>698.7</b>	677.5	1,527.0

### 4. Exceptional items

	<b>Second Quarter 2014 Unaudited £m</b>	Second Quarter 2013 Unaudited £m	<b>First Half 2014 Unaudited £m</b>	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m
Recognised before arriving at operating profit:					
- Carbon revenue levy	-	-	-	(0.6)	(0.6)
Recognised after arriving at operating profit:					
- Profit on disposal of continuing operations	-	-	-	0.4	0.4

On 1 July 2010 the RoI Government introduced a carbon revenue levy on generators. The levy was calculated based on 65% of the volume of CO<sub>2</sub> emitted by generators multiplied by the average price of CO<sub>2</sub>. 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 on operating profit for Second Quarter 2014 was £nil (2013 - £nil), for First Half 2014 £nil (2013 - £0.6m) and for the year ended 31 March 2013 £0.6m.

Profit on disposal of continuing operations for the First Half 2013 of £0.4m relates to the sale of 25% of Eco Wind Power Limited on 15 June 2012 as outlined in note 12 of the Group's annual report and accounts for the year ended 31 March 2013.

## 4. Exceptional items (continued)

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

	<b>Second Quarter 2014 Unaudited £m</b>	Second Quarter 2013 Unaudited £m	<b>First Half 2014 Unaudited £m</b>	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m
- Carbon revenue levy	-	-	-	0.1	0.1
	-	-	-	0.1	0.1

## 5. Net Interest Payable

	<b>Second Quarter 2014 Unaudited £m</b>	Second Quarter 2013 Unaudited £m	<b>First Half 2014 Unaudited £m</b>	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m
<b>Interest receivable</b>					
Bank interest	-	-	-	0.1	0.3
Interest from associate	<b>0.2</b>	0.2	<b>0.4</b>	0.2	0.7
	<b>0.2</b>	0.2	<b>0.4</b>	0.3	1.0
<b>Interest payable</b>					
Bank loans and borrowings	<b>(1.6)</b>	(1.7)	<b>(3.0)</b>	(3.6)	(6.1)
Senior secured notes interest	<b>(11.2)</b>	(11.7)	<b>(22.9)</b>	(23.5)	(47.4)
Interest payable to parent undertaking	<b>(6.7)</b>	(5.8)	<b>(13.2)</b>	(11.8)	(23.4)
	<b>(19.5)</b>	(19.2)	<b>(39.1)</b>	(38.9)	(76.9)
Less: charged to balance sheet	<b>0.2</b>	-	<b>0.2</b>	-	-
Interest payable charged to the profit and loss account	<b>(19.3)</b>	(18.9)	<b>(38.9)</b>	(38.9)	(77.1)
<b>Interest rate swaps</b>	-	-	-	-	(0.6)
<b>Exchange on net foreign currency borrowings</b>					
Net exchange (loss)/gain on net foreign currency borrowings	<b>(11.6)</b>	(6.2)	<b>(5.9)</b>	(18.4)	7.2
Less: charged /(credited) to the statement of total recognised gains and losses	<b>7.7</b>	3.6	<b>4.4</b>	11.1	(3.4)
Net exchange (loss)/gain charged to the profit and loss account	<b>(3.9)</b>	(2.6)	<b>(1.5)</b>	(7.3)	3.8
<b>Other finance costs</b>					
Amortisation of financing charges	<b>(0.9)</b>	(1.1)	<b>(1.9)</b>	(2.0)	(3.7)
Premium on redemption of senior secured notes	-	-	<b>(1.2)</b>	-	-
Unwinding of discount on decommissioning provision	-	-	-	-	(0.1)
Other finance charges	<b>(0.1)</b>	(0.1)	<b>(0.2)</b>	(0.1)	(0.5)
Total other finance costs	<b>(1.0)</b>	(1.2)	<b>(3.3)</b>	(2.1)	(4.3)
<b>Group net interest payable</b>	<b>(24.0)</b>	(22.8)	<b>(43.3)</b>	(48.0)	(77.0)
Share of associates' interest	<b>(0.6)</b>	(0.6)	<b>(1.2)</b>	(1.3)	(2.4)
<b>Total net interest payable</b>	<b>(24.6)</b>	(23.4)	<b>(44.5)</b>	(49.3)	(79.4)



## 6. Tax credit/(charge)

	<b>Second Quarter 2014 Unaudited £m</b>	Second Quarter 2013 Unaudited £m	<b>First Half 2014 Unaudited £m</b>	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m
<b>Tax on profit on ordinary activities</b>					
<b>Current tax (charge)/credit</b>					
Corporation tax	(1.1)	(0.9)	0.9	(3.3)	(0.5)
Corporation tax over provided in previous years	-	-	-	-	2.4
	<b>(1.1)</b>	<b>(0.9)</b>	<b>0.9</b>	<b>(3.3)</b>	<b>1.9</b>
<b>Deferred tax (charge)/credit</b>					
Origination and reversal of timing differences in current year	1.7	1.2	1.6	2.3	8.2
Origination and reversal of timing differences in prior year	-	-	-	0.2	(0.8)
Share of associates' tax	-	-	-	-	0.1
Effect of decreased rate on opening liability	-	-	-	-	(0.1)
	<b>1.7</b>	<b>1.2</b>	<b>1.6</b>	<b>2.5</b>	<b>7.4</b>
Tax (charge)/credit on profit on ordinary activities	<b>0.6</b>	<b>0.3</b>	<b>2.5</b>	<b>(0.8)</b>	<b>9.3</b>

The effective tax rate in the period is based on an estimate of the likely tax charge for the year in each jurisdiction expressed as a percentage of the results expected to arise in each tax jurisdiction for that year.

## 7. Dividends

No interim dividend has been paid or proposed for Second Quarter 2014 (2013 - £nil) or First Half 2014 (2013 - £nil). No dividends were paid or proposed for the year ended 31 March 2013.

## 8. Gross capital expenditure

	<b>Second Quarter 2014 Unaudited £m</b>	Second Quarter 2013 Unaudited £m	<b>First Half 2014 Unaudited £m</b>	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m
Property, plant & equipment	4.2	1.0	7.4	2.2	6.6
Intangible assets – computer software	0.7	1.7	1.9	2.7	3.4
	<b>4.9</b>	<b>2.7</b>	<b>9.3</b>	<b>4.9</b>	<b>10.0</b>

## 9. Investments

	As at 30 September 2013 Unaudited £m	As at 30 September 2012 Unaudited £m	As at 31 March 2013 Audited £m
Investment in parent undertaking's Junior bank facility	342.9	332.3	342.8
Investment in associate undertakings	8.5	9.5	9.8
Other investment	0.7	0.7	0.7
	<b>352.1</b>	<b>342.5</b>	<b>353.3</b>

## 10. Debtors

	As at 30 September 2013 Unaudited £m	As at 30 September 2012 Unaudited £m	As at 31 March 2013 Audited £m
<b>Amounts falling due within one year:</b>			
Trade debtors (including unbilled consumption)	133.2	135.4	170.0
Prepayments and accrued income	24.2	14.1	21.0
Security deposits	2.9	1.7	3.5
Other debtors	1.9	1.3	8.0
Amounts owed by associate	-	-	0.1
	<b>162.2</b>	<b>152.5</b>	<b>202.6</b>

## 11. Creditors

	As at 30 September 2013 Unaudited £m	As at 30 September 2012 Unaudited £m	As at 31 March 2013 Audited £m
<b>Amounts falling due within one year:</b>			
Trade creditors	42.4	44.1	64.5
Amounts owed to associate undertaking	1.9	1.7	2.2
Other creditors	14.1	19.5	28.2
Payments received on account	29.0	28.3	28.4
Interest payable on loans	1.0	1.8	1.1
Corporation tax	3.1	9.5	4.1
Tax and social security	1.0	3.2	2.7
Accruals	129.4	122.6	141.2
Deferred consideration	0.5	-	-
	<b>222.4</b>	<b>230.7</b>	<b>272.4</b>

## 11. Creditors (continued)

	As at 30 September 2013 Unaudited £m	As at 30 September 2012 Unaudited £m	As at 31 March 2013 Audited £m
<b>Amounts falling due after more than one year:</b>			
<b>External borrowings</b>			
Senior secured notes	353.8	372.0	392.5
Project financed bank facility (RoI)	8.0	-	-
	<u>361.8</u>	<u>372.0</u>	<u>392.5</u>
<b>Subordinate shareholder loan</b>			
Loan from parent undertaking	557.0	658.6	543.6
Interest payable on shareholder loan	1.2	-	1.3
	<u>920.0</u>	<u>1,030.6</u>	<u>937.4</u>

## 12. Net Debt

	As at 30 September 2013 Unaudited £m	As at 30 September 2012 Unaudited £m	As at 31 March 2013 Audited £m
Cash at bank and in hand	10.7	6.8	24.7
Current asset investments	14.3	53.5	25.6
Debt due within one year	(1.0)	(2.0)	(1.1)
Debt due after more than one year	(920.0)	(1,030.6)	(937.4)
Investment in Junior bank facility	342.9	332.3	342.8
	<u>(553.1)</u>	<u>(640.0)</u>	<u>(545.4)</u>

### 13. Reconciliation of Shareholders' Funds and Movements in Reserves

	Share capital £m	Share premium £m	Accumulated losses £m	Capital contribution	Total £m
At 1 April 2012	-	510.0	(450.8)	-	59.2
Total recognised gains and losses relating to the period	-	-	(5.7)	-	(5.7)
At 30 June 2012	-	510.0	(456.5)	-	53.5
Total recognised gains and losses relating to the period	-	-	(5.9)	-	(5.9)
As at 30 September 2012		510.0	(462.4)	-	47.6
Total recognised gains and losses relating to the period	-	-	(14.7)	-	(14.7)
Capital contribution received	-	-	-	125.5	125.5
<b>At 31 March 2013</b>	-	<b>510.0</b>	<b>(477.1)</b>	<b>125.5</b>	<b>158.4</b>
Total recognised gains and losses relating to the period	-	-	(12.6)	-	(12.6)
<b>At 30 June 2013</b>	-	<b>510.0</b>	<b>(489.7)</b>	<b>125.5</b>	<b>145.8</b>
Total recognised gains and losses relating to the period	-	-	(7.4)	-	(7.4)
<b>At 30 September 2013</b>	-	<b>510.0</b>	<b>(497.1)</b>	<b>125.5</b>	<b>138.4</b>

## 14. Notes to the Group Cash Flow Statement

Reconciliation of Operating Profit to Cash Flow from Operating Activities:

	<b>Second Quarter 2014 Unaudited £m</b>	Second Quarter 2013 Unaudited £m	<b>First Half 2014 Unaudited £m</b>	First Half 2013 Unaudited £m	Year ended 31 March 2013 Audited £m
Operating profit	<b>16.5</b>	16.4	<b>22.0</b>	37.3	44.4
Adjustments for:					
Amortisation/impairment of goodwill	<b>8.1</b>	8.1	<b>16.2</b>	16.2	32.3
Depreciation of fixed assets	<b>4.5</b>	4.1	<b>9.1</b>	8.2	15.9
Amortisation of software costs	<b>0.8</b>	0.8	<b>1.6</b>	1.2	2.8
Amortisation of contributions in respect of tangible fixed assets	-	-	<b>(0.1)</b>	-	(0.3)
Revaluation of emissions assets	-	-	-	-	8.5
Defined benefit pension charge less contributions paid	-	-	<b>(0.1)</b>	-	(1.3)
Operating cash flows before movement in working capital	<b>29.9</b>	29.4	<b>48.7</b>	62.9	102.3
Decrease/(increase) in stock	<b>0.1</b>	0.1	<b>0.1</b>	0.3	(0.4)
(Increase)/decrease in debtors	<b>(2.8)</b>	13.2	<b>36.5</b>	22.6	(26.2)
Decrease/(increase) in security deposits	<b>0.8</b>	1.4	<b>0.6</b>	37.4	35.6
Increase/(decrease) in creditors	<b>(6.9)</b>	6.8	<b>(47.4)</b>	(19.0)	30.6
Effects of foreign exchange	<b>0.1</b>	0.3	<b>(0.2)</b>	1.0	0.6
Net cash inflow from operating activities	<b>21.2</b>	51.2	<b>38.3</b>	105.2	142.5

Net cash inflow from operating activities in Second Quarter 2014 includes exceptional cash outflows of £nil in respect of the payment of carbon revenue levy costs (Second Quarter 2013 - £0.6m). Net cash inflow from operating activities in First Half 2014 includes exceptional cash outflows of £nil in respect of the payment of carbon revenue levy costs (First Half 2013 - £1.8m and year ended 31 March 2013 - £1.8m).