Northern Ireland Electricity

Report & Accounts

9 months ended 31 December 2012

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CONTENTS

DIRECTORS' REPORT

The directors of Northern Ireland Electricity Limited (NIE or the Company) present their report and the Group accounts for the nine month period ended 31 December 2012. The accounts consolidate the results of NIE and its subsidiary undertakings (the Group). The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applied in accordance with the provisions of the Companies Act 2006.

The ultimate parent undertaking of the Company is Electricity Supply Board (ESB), a statutory corporation established under the Electricity (Supply) Act 1927 domiciled in the Republic of Ireland.

The Company has changed its accounting reference date from 31 March to 31 December. The accounts presented are for the nine month period to 31 December 2012 with the comparative period reported being the year to 31 March 2012.

Results and Dividends

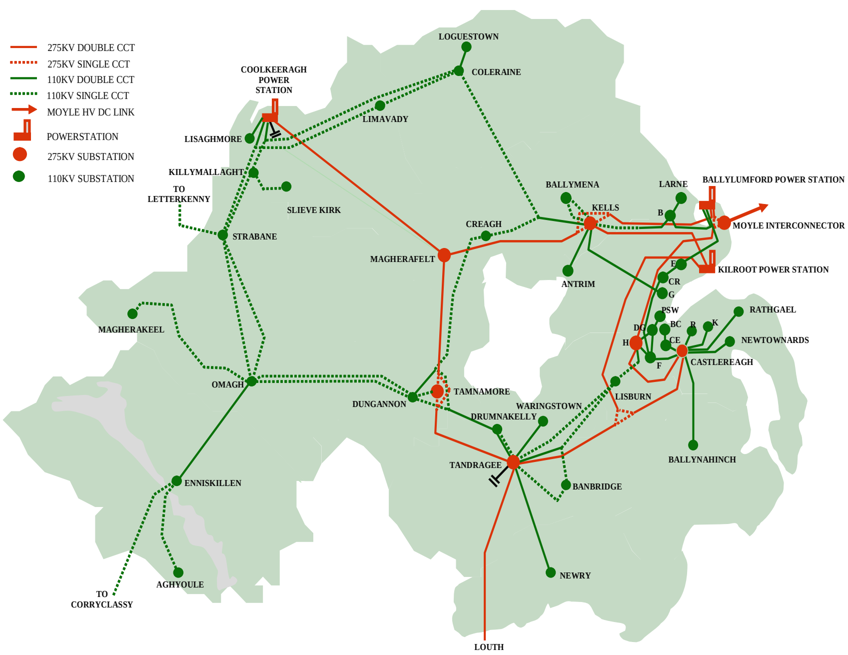
The results for the nine month period ended 31 December 2012 show a profit after tax of £44.6m (year ended 31 March 2012 - £58.8m). The Company did not pay any dividends during the period (31 March 2012 - £nil). A financial review is set out below.

Background Information

The Group's principal activity is the transmission and distribution of electricity in Northern Ireland through NIE Transmission and Distribution (T&D). NIE holds a transmission licence covering its roles as owner of the transmission and distribution assets and distribution system operator in Northern Ireland. It is responsible for the planning, development, construction and maintenance of the transmission and distribution network and for the operation of the distribution network.

The T&D network comprises a number of interconnected networks of overhead lines and underground cables which are used for the transfer of electricity to c846,000 consumers via a number of substations. There are 2,200km (circuit length) of the transmission system, 43,500km of the distribution system and approximately 250 major substations. NIE's transmission system is connected to that of the Republic of Ireland (RoI) through 275kV and 110kV interconnectors and to that in Scotland via the Moyle Interconnector.

The Group derives its revenue principally through charges for use of the distribution system and Public Service Obligation (PSO) charges levied on electricity suppliers and charges for transmission services (mainly for use of the transmission system) levied on the electricity transmission system operator in Northern Ireland (SONI).



Northern Ireland Transmission Network 2012

The Company is regulated by the Northern Ireland Authority for Utility Regulation (the Utility Regulator) and the Department of Enterprise Trade and Investment (DETI). Each is given specific powers, duties and functions under relevant legislation. As a transmission licensee and electricity distributor, the Company is required to develop and maintain an efficient, co-ordinated and economical system of:

- electricity transmission - the bulk transfer of electricity across its high voltage network of overhead lines, underground cables and associated equipment mainly operating at 275kV and 110kV; and

- electricity distribution - the transfer of electricity from the high voltage transmission system and its delivery to consumers across a network of overhead lines and underground cables operating at 33kV, 11kV and lower voltages.

T&D is subject to a price control, defined in a formula set out in the Company's licence, which limits the revenue it may earn and the prices it may charge. The principles of price regulation employed in the licence conditions reflect the general duties of the Utility Regulator and DETI under relevant legislation. These include having regard for the need to ensure that NIE is able to finance its authorised activities.

Business Overview

Key achievements during the period included:

- Continued strong focus on managing health and safety;

- Continued investment in Northern Ireland's electricity infrastructure to: replace worn assets; service increased customer demand; facilitate connection of renewable generation and maintain safety and security of supply;

- Successful implementation of new billing and market IT systems that have facilitated full retail competition in the Northern Ireland electricity market for consumers wishing to change electricity supplier and have allowed harmonisation of market processes with the Republic of Ireland, thereby creating the first harmonised retail market scheme between two jurisdictions in Europe. The project was awarded 'IT Initiative of the Year' at the UK Annual Utility Industry Achievement Awards in December 2012;

- Introduction of 100% chargeability for customer connections to the distribution network, following a decision by the Utility Regulator to remove subsidies in place since before privatisation;

- Financial results in line with expectations under the framework of the RP4 price control extension;

- Significant effort made by NIE to progress its fifth five-year price control (RP5) review; and

- Significant contributions of approximately £140m per annum into the Northern Ireland economy through employment and payments to local businesses and authorities.

Financial Review

Financial KPIs
The directors have determined that the Group's financial key performance indicators (KPIs) are Group pro-forma operating profit and pro-forma Funds From Operations (FFO) interest cover.

As explained above, T&D is subject to a price control which limits the revenue it may earn and the prices it may charge. If the amount of revenue recovered in any one year exceeds or falls short of the amount allowed by the price control formula, a correction factor operates in the following year to give back any surplus with interest, or to recover any deficit with interest, as appropriate. A surplus is referred to as an over-recovery and a deficit as an under-recovery.

The results reported in the accounts for the nine month period ended 31 December 2012 include an over-recovery of £20.4m, compared to an over-recovery of £14.4m during the year ended 31 March 2012. The over-recovery during the period ended 31 December 2012 is largely attributed to timing differences between the period for which the accounts are prepared and the period for which revenues are recovered in accordance with tariffs set by the Utility Regulator.

The directors consider that pro-forma revenue and operating profits (based on regulated entitlement as allowed by T&D's price control) as shown in note 3 to the accounts, give a more meaningful measure of performance than revenue and operating profits reported in the Group Income Statement.

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

	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Group operating profit	**85.1**	107.0
(Deduct) / Add back regulatory correction factor	**(20.4)**	(14.4)
Group pro-forma operating profit	**64.7**	92.6

The Group's pro-forma operating profit was £64.7m compared to £92.6m for the year to 31 March 2012 mainly reflecting a nine month period compared to a twelve month period. On an annualised basis, pro-forma operating profit has reduced largely due to higher depreciation charges. Pro-forma operating profit excludes £3.6m in respect of revenue allowances that are currently awaiting regulatory approval. It is expected that these allowances will be recovered during 2013.

Pro-forma FFO interest cover is calculated as pro-forma funds from operations divided by net interest charged to the income statement. Pro-forma FFO interest cover decreased from 3.8 times to 3.5 times primarily due to higher interest payable on borrowings.

A summary of the financial results for the period on a statutory basis is shown below.

	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Revenue	**201.9**	253.3
Operating profit	**85.1**	107.0
Net debt	**551.5**	547.9
Net assets	**202.8**	192.5

Income Statement

- Revenue of £201.9m (31 March 2012 - £253.3m) largely comprises revenue in respect of use of the transmission and distribution systems and PSO levies. On an annualised basis, revenue has increased compared to the prior year largely due to an increase in tariffs.

- Operating costs for the nine month period were £116.8m compared to prior year operating costs of £146.3m. Operating costs are higher on an annualised basis compared to the prior year due to higher depreciation and amortisation reflecting the ongoing capital expenditure programme.

- Operating profit for the nine month period was £85.1m compared to £107.0m in the prior year. On an annualised basis operating profit was higher than the prior year due to higher regulatory over-recovery in the period to 31 December 2012.

- Net finance costs of £31.0m for the nine month period largely comprised £28.2m (year ended 31 March 2012 - £33.2m) in respect of bond interest charges and pension scheme interest of £3.3m (year ended 31 March 2012 - £1.3m). On an annualised basis finance costs are higher than the prior year as a result of the effect of a full year of interest charges on the £400m bond issued in June 2011 and higher net pension scheme interest.

- Tax charge for the period was £9.5m (year ended 31 March 2012 – £13.8m) and is net of a deferred tax credit in the period of £2.4m reflecting a reduction in the deferred tax rate.

- Profit after tax for the period was £44.6m (year ended 31 March 2012 - £58.8m) and broadly in line with the prior year on an annualised basis.

Balance Sheet

- Non-current assets at 31 December 2012 were £1,664.3m (31 March 2012 - £1,611.9m). The increase reflects capital expenditure during the period and an increase of £20.1m in the mark-to-market value of RPI interest rate swaps.

- Current assets have increased by £12.6m to £107.6m largely reflecting higher trade and other receivables offset by lower cash balances.

- Current liabilities of £137.3m (31 March 2012 - £137.1m) mainly reflect higher tax payable offset by lower interest payable on borrowings and lower trade and other payables due to timing of payments.

- Non-current liabilities at 31 December 2012 were £1,431.8m (31 March 2012 - £1,377.3m). The increase largely reflects an increase of £20.1m in the mark-to-market value of RPI interest rate swap liabilities and an increase of £34.4m in the IAS 19 pension liability. The pension liability in the Group's defined benefit scheme increased to £140.2m (31 March 2012 - £105.8m) primarily reflecting a decrease in the discount rate (resulting from lower bond yields) used to discount scheme liabilities and experience losses on liabilities offset by a decrease in the inflation assumption applicable to future pension payments.

Cash flow

- Net cash flows from operating activities of £74.3m (31 March 2012 - £144.2m) offset by cash out flows in respect of investing activities of £87.1m (31 March 2012 - £130.1m) resulted in a net decrease in cash and cash equivalents during the period of £12.8m. Cash flows from operating activities decreased mainly as a result of higher interest paid and higher working capital at the period end. On an annualised basis, cash flows from investing activities reduced from the prior period due to the implementation of the new billing system in May 2012.

- There were no cash flows from financing activities during the period (year ended 31 March 2012 - £36.7m).

Financial Risk Management

The main financial risks faced by the Group relate to liquidity, funding, investment and financial risk, including interest rate and counterparty credit risk. The Group's objective is to manage financial risks at optimum cost. The Group employs a continuous forecasting and monitoring process to manage risk.

Capital management and liquidity risk

The Group is financed through a combination of equity and debt finance. Details in respect of the Group's equity are shown in the Statement of Changes in Equity and in note 22 to the accounts. The Group's debt finance at 31 December 2012 comprised bonds of £173.9m and £397.9m (net of issue costs) which are due to mature in September 2018 and June 2026 respectively.

The Group issued a 15 year £400m bond in June 2011 which is repayable in 2026 and carries a fixed rate of interest of 6.375%. The bond issue enabled NIE to replace its short term variable rate intercompany debt with long term fixed rate debt, better aligned to the investment profile of its asset base whilst also providing NIE with adequate funding facilities to meet its projected requirements until 2014. The Company has maintained an investment grade credit rating from Standard & Poor's and Fitch during the period.

The Group's liquidity risk is managed through the preparation of cash flow forecasts. The Group's policy is to have sufficient funds and intercompany loan facilities in place to meet capital expenditure funding requirements for the next 12 - 18 months. The Group has committed undrawn intercompany loan facilities in place of £60m.

The Company's policy in relation to equity is to finance equity dividends from accumulated profits. In relation to debt finance, the Company's policy is to maintain a prudent level of gearing. As noted above FFO interest cover is a KPI.

The Company's licence contains various financial conditions which relate principally to the availability of financial resources, borrowings on an arm's length basis, restrictions on granting security over the Company's assets and the payment of dividends. The Company is in compliance with these conditions.

Interest rate risk

The £175m and £400m bonds are denominated in sterling and carry fixed interest rates of 6.875% and 6.375% respectively and therefore the Group is not exposed to changes in interest rates.

As previously reported, at the time of the acquisition of the Company by ESB from Viridian Group Limited (Viridian) in December 2010, a £550m portfolio of RPI interest rate swaps, previously held by a Viridian group company, were novated to the Company. Under the terms of the swaps the Company pays an average fixed rate of interest of 2.38% indexed by RPI and receives a variable rate of interest based on LIBOR. The swaps have maturity dates between 2026 and 2036 (average maturity 2031) and have a mandatory break date on 22 December 2015. On 1 April 2011, the Company entered into RPI interest rate swap arrangements which have identical matching terms to the swaps novated to the Company in December 2010 and therefore hedge the Company's exposure in respect of these swaps.

The estimated fair values of the Group's derivative financial instruments are disclosed in note 16 to the accounts.

Credit risk
The Group's principal financial assets are cash and cash equivalents, trade and other receivables (excluding prepayments and accrued income) and other financial assets as outlined in the table below:

	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Cash and cash equivalents	**38.6**	51.4
Trade and other receivables (excluding prepayments and accrued income)	**46.0**	30.2
Other financial assets – current and non-current	**408.9**	384.0
	493.5	465.6

The Group's credit risk in respect of trade receivables from licensed electricity suppliers is mitigated by appropriate policies with security received in the form of cash deposits, letters of credit or parent company guarantees. With the exception of public bodies, payments in relation to new connections or alterations are received in advance of the work being carried out. Payments received on account are disclosed in note 14 to the accounts.

Other financial assets comprise RPI interest rate swap arrangements entered into with ESBNI Limited (ESBNI), an ESB group company. The counterparty risk from ESBNI is not considered significant given ESB's investment in the Company and ESB's strong investment grade credit rating.

The Group may be exposed to credit-related loss in the event of non-performance by bank counterparties. This risk is managed through conducting business only with approved counterparties which meet the criteria outlined in the Group's treasury policy.

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

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

On the basis of their assessment of the Group's financial position, which included a review of the Group's projected funding requirements for a period of 12 months from the date of approval of the accounts, the directors have a reasonable expectation that the Group will have adequate financial resources for the 12 month period and accordingly continue to adopt the going concern basis in preparing the report and accounts.

Operational Review

Operational KPIs

The directors have determined that the following KPIs are the most effective measures of progress towards achieving the Group's operational objectives:

- performance against the overall and guaranteed standards set by the Utility Regulator, the majority of which apply to services provided by the Company (e.g. the timely restoration of consumers' supplies following an interruption and prescribed times for responding to consumers' voltage complaints);

- the number of complaints which the Consumer Council for Northern Ireland (Consumer Council) takes up on behalf of consumers (Stage 2 Complaints); and

- the average number of minutes lost per consumer for the period through distribution fault interruptions, excluding the effect of major storms (CML).

KPIs	**9 months to 31 December 2012 Number**	Year to 31 March 2012 Number
CML	**36**	53
Overall standards – defaults	**None**	None
Guaranteed standards – defaults	**None**	None
Stage 2 complaints to the Consumer Council	**1**	2

The number of CML for the nine month period to 31 December 2012 was 36 minutes (year ended 31 March 2012 – 53 minutes). CML for the period reflects seasonal factors and abnormally favourable weather conditions.

A key priority for NIE is to consistently provide the highest standards in customer service and network performance. During the period all the overall standards were achieved and there were no defaults against the guaranteed standards (year ended 31 March 2012 - none).

The Company's continued strong focus on service failure analysis limits the number of instances when consumers are dissatisfied to the extent that they refer a complaint to the Consumer Council. There was one Stage 2 Complaint in the period (year ended 31 March 2012 – two complaints).

NIE continues to improve incrementally its emergency response capabilities during severe weather events in order to effectively restore supply to all consumers. The significant commitment of its frontline staff helps to ensure that NIE effectively manages this very important aspect of its business.

RP5 Price Control

NIE's fifth five-year price control period (RP5) was due to commence on 1 April 2012. The Utility Regulator initially announced during 2011 that the implementation of RP5 would be deferred to 1 October 2012. In August 2012, the Utility Regulator notified NIE that the commencement date of RP5 would be further deferred to 1 January 2013.

In April 2012, the Utility Regulator published its draft determination for RP5 for consultation. The Utility Regulator's final determination was published in October 2012 and NIE responded on 20 November 2012, advising the Utility Regulator that regrettably it was unable to accept the Utility Regulator's proposed terms for the RP5 price control. Copies of NIE's responses to the draft and final determinations are available on the NIE website.

The overall effect of the final determination proposals would be:

- insufficient revenue to enable NIE to provide T&D services during RP5 and beyond to the standard required by its statutory and licence obligations and to satisfy the reasonable demands of customers in terms of safety, security and quality of service;

- a materially lower level of funding relative to the GB Distribution Network Operators which would render NIE unattractive to investors and would not allow the Company to finance its business efficiently; and

- a departure from the well-established UK system of incentive-based regulation for network utilities towards a system of regulation by micro-management and ex-post adjustments that will be detrimental to customers' interests.

The Utility Regulator has decided that the matter will be referred to the Competition Commission and has indicated that it intends making the formal reference in late April at the earliest. NIE is anxious to have this important matter resolved as soon as possible and has expressed its concern to the Utility Regulator that late April would be some four months after the expiry of the second extension to the RP4 price control and more than five months after NIE formally rejected the final determination.

Investment

During the period ended 31 December 2012 NIE has continued to invest in its infrastructure to replace worn network assets, to accommodate increasing load and new consumer connections and to meet requirements in respect of the connection of renewable generation. In addition, a new billing and market IT system, to facilitate full retail competition in the Northern Ireland electricity market, was successfully implemented in May 2012.

In its business plan submission to the Utility Regulator for RP5, NIE proposed that the level of investment would need to increase significantly, with the focus of investment driven by: the need to replace worn network assets installed as part of significant network development during the 1950s and 1960s; an increasing need for large transmission related projects; and meeting the requirements of new legislation. As outlined above, the allowances proposed by the Utility Regulator fall substantially short of the amounts required to enable NIE to meet its statutory and licence obligations and to carry out the necessary programme of work for RP5 to deliver the level of service customers expect.

NIE's strategy is to continue to grow and maintain a secure and sustainable electricity network to meet the demands of Northern Ireland's electricity market, including the connection of renewable generation to support the Northern Ireland Assembly in reaching its targets in respect of electricity consumption from renewable sources.

In order to further strengthen the interconnection of the electricity networks of Northern Ireland and the Republic of Ireland, NIE continued to work jointly with EirGrid on the development of the 400 kV Tyrone-Cavan interconnector. A public inquiry by the Planning Appeals Commission in respect of NIE's planning application commenced in March 2012. The public inquiry has been adjourned following a request from the Planning Appeals Commission for the planning application to be re-advertised and for relevant environmental statements to be modified. No date has been set for re-commencement of the public inquiry.

EU Legislation

NIE's application for certification of transmission arrangements between NIE and SONI under Article 9(9) of Directive 2009/72/EC (the IME3 Directive) is subject to approval by the Single Electricity Market Committee and verification by the European Commission. NIE expects the certification process to be completed over the next few months.

Corporate Social Responsibility (CSR)

The Company is committed to operating in a socially, environmentally and ethically responsible manner. It aims to be recognised as transparent and ethical in its dealings and to contribute to the general economic and social well-being and development of the communities in which it operates.

A number of initiatives were undertaken during the period to support the Company's principal CSR themes and priorities, as described below.

People

Health and safety
Ensuring the safety of employees, contractors and the general public is a key priority for the Company. This is achieved by the promotion of a positive health and safety culture and adherence to legislation and recognised safety standards. The Company health and safety management system is based on best practice guidance from the Health and Safety Executive for Northern Ireland (HSENI). Formal processes for incident investigation and analysis are in place.

Sign visible on NIE property across Northern Ireland

The Company engages with the Energy Networks Association, other utilities and relevant statutory organisations to review and improve its safety performance and learning.

The benefit of staff reporting near miss incidents is key to improving safety performance. Employees are encouraged to report near miss incidents and there has been a steady increase in reporting during the nine month period. This information enables weaknesses in operational procedures to be identified and addressed.

The target for lost time and reportable incidents continues to be set at zero. Including NIE Powerteam, a fellow subsidiary undertaking of ESB providing electrical infrastructure construction and refurbishment and other managed services exclusively to the Company, there were two lost time incidents during the period (year ended 31 March 2012 – two) and four incidents reported under HSENI's reporting regulations (year ended 31 March 2012 – nine).

The ongoing programme of safety training continued throughout the period with appropriate staff attending a wide range of courses including NIE Safety Rules, Construction Design and Management Regulations workshops, Managing Safely course by the Institution of Occupational Safety and Health and tree cutting safety workshops.

The focus on managing occupational road risk and reducing road traffic collisions continued through education and the promotion of safe road use and driving techniques.

The site safety inspection programme continued to be strengthened with over 200 trained staff, comprising members of the Executive Committee, managers, and engineers at all levels, in addition to the three full time safety assurance engineers, conducting over 2,000 audits throughout the period.

Instructions and guidance to support NIE's Safety Rules Handbook were revised and communicated to operational staff regularly. There are comprehensive contractor management arrangements in place to ensure that contractors adhere to the same safety rules and requirements as employees.

Employment
Including NIE Powerteam, the number of employees remained stable during the period. As at 31 December 2012 the Company had 296 employees (31 March 2012 – 281) and NIE Powerteam had 978 employees (31 March 2012 – 1,000).


NIE apprentices and instructor on a site visit to Kells substation

Employees are the most important asset in the business. NIE aims to attract, develop and retain highly skilled people through graduate schemes, apprenticeships and other trainee and sponsorship programmes. A number of outreach initiatives, including attending careers fairs in schools, colleges and universities, were undertaken throughout the period to attract high calibre engineering graduates. Ten apprentices and three electrical engineering graduates were recruited during the period.

NIE apprentice at NIE's overhead lines training centre at Campsie.

The Company is committed to a working environment which enables employees to realise their maximum potential and to be appropriately challenged and fully engaged in the business, with opportunities for skills enhancement and personal development. Human Resources policies are aligned with key business drivers including: performance and productivity improvement; clearly defined values and behaviours; a robust performance management process; and a strong commitment to employee development.

The focus on succession management and leadership development continued with over 200 management and technical leadership roles involved from senior executive to first line managers. The development programme during the period included role changes, role enhancement, skills development, formal qualifications, team development initiatives, external coaching and internal mentoring.

To ensure a highly skilled, multi-disciplined workforce, a multi-skilled approach has been taken to vocational training schemes. The Education and Training Inspectorate has assessed as "Outstanding" the quality of training provided by NIE's apprenticeship training programme.

NIE employees completing their first line managers training

Joe O'Mahony congratulates Drew Wilson, NIE engineer on 40 years service without a day off sick.

The Company believes that the pro-active management of absenteeism is to the mutual benefit of NIE and its employees. An employee health and well-being policy covering stress management is in place with specific policies on mental health, alcohol and drug-related problems and non-smoking. External occupational health and counselling services are available for employees. During the period flu vaccinations were offered to all employees with 30% availing of the service. Including NIE Powerteam, sickness absence during the period was 2.80% (year ended 31 March 2012 - 2.22%). This remains below the UK national average of 3.0%.

New procedures and training for safeguarding children, young persons and vulnerable adults were implemented during the period.

Significant emphasis is placed on employee participation and communications. There is a formal induction programme for all new starts including meeting with senior management. There are monthly employee briefings and interaction, consultation and negotiation with trade unions. Including NIE Powerteam, approximately 68% of employees are union members. Employee relations are positive and constructive.

In late 2012 an employee engagement survey was conducted in partnership with People Insight, with the aim of gauging how engaged employees are with the Company. Participation in the survey was encouraging with 78% of employees (999) responding and the overall engagement score, also at 78%, was positive. The results of the survey have been presented to employees and a programme developed for 2013 for each business unit to consider its specific results and develop plans to address the areas for improvement highlighted in the survey. As over 70% of employees participated in the survey the Company donated £2 per participant to Brainwaves NI, an employee nominated charity providing support and information to brain tumour sufferers, their families and carers.

The Company is accredited by the UK Commission for Employment and Skills with the new Investors in People (IIP) Standard, which tests ongoing investment in people to improve business performance.

Equal opportunities

The Company is pro-active in implementing human resource policies and procedures to ensure compliance with fair employment, sex discrimination, equal pay, disability discrimination, race discrimination, sexual orientation and age discrimination legislation. As set out in the Company's Equal Opportunities Policy, NIE is committed to providing equality of opportunity for all employees and job applicants. There is ongoing monitoring of actions taken to promote compliance with legislation and to ensure that NIE provides equality of opportunity in all its employment practices.

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

Sustainability

Policy and Objectives

The Company's environmental policy commits to protecting the environment and is designed to ensure compliance with all relevant legislative and regulatory requirements. Where practical and economically viable, the Company seeks to develop standards in excess of such requirements. Areas of particular focus include the responsible management of waste and recycling, measures to protect against oil pollution and the promotion of energy efficiency. The Company has a full-time environmental compliance officer and designated auditors in its relevant operations.

During the period the Company's environmental management system retained its certificate to ISO 14001:2004 standard. In the 2012 environmental management survey conducted by ARENA Network in Northern Ireland, the Company achieved a first quintile position significantly out-performing both the Northern Ireland average and the utilities sector average.

Waste Management

There has been continued focus on waste management targets. The recycling rate for all hazardous and non-hazardous waste (excluding excavation waste from road carriageways and footpaths) increased to 95% for the nine month period (year ended 31 March 2012 - 89%).

Future Networks

In addition to the 45 electric vehicle charge posts installed to date as part of the Office for Low Emission Vehicles "Plugged in Places Infrastructure Framework", NIE will be installing up to a further 130 charge posts throughout Northern Ireland providing total coverage for electric vehicle travel across Northern Ireland.

One of the electric charge posts installed in Northern Ireland

Research & Development

The "Shift & Save" Smart grid trial was launched in January 2012. The trial, involving 200 homes, investigates how Smart meters and Smart grid technology could change homeowners' energy usage patterns, particularly at times of peak demand in the early evening, to reduce and flatten demands on the network. Smart meters have been installed in participants' homes and Smart monitoring equipment installed at the substations supplying these homes. The trial will continue until June 2014.

Sponsorship

During the period financial sponsorship was provided to:

- Royal Society for the Protection of Birds to support its programme to reintroduce to Northern Ireland the Red Kite Raptor, an indigenous bird of prey, by providing tagging and electronic tracking equipment for each new fledgling; and
- Conservation Volunteers Northern Ireland, to deliver a range of projects in conjunction with primary schools to establish wooded and other natural habitats to improve local biodiversity.


Red Kite Raptor

Community

NIE's operations across Northern Ireland affect every business and household. Through its mainstream business activities and various specific initiatives the Company seeks to make a positive impact on the communities in which it operates, as outlined below.

Policies

A CSR priority is to maintain a highly ethical approach to regulatory responsibilities, licence obligations and public positioning. The Company aims to be transparent and ethical in all its dealings with third parties and has a number of policies including ethical dealing, 'whistleblowing' and anti bribery and corruption procedures as well as the Company's corporate governance arrangements.

The Company recognises that it has an opportunity to encourage suppliers of materials and services to deliver good environmental and safety performance and to maintain responsible practices towards their employees and the communities in which they operate. The Company subscribes to the Achilles utilities vendor database which acts as an aid to pre-qualify potential suppliers for major contracts on a fair and equal basis; this assessment includes environmental and health and safety practices. In addition the Company assesses suppliers' ethical practices through pre-tender questionnaires.

Customer care
The Company provides a critical care information service to c4,000 consumers who are dependent on life-supporting electrical equipment. In the event of consumers being without electricity for an extended period of time due to severe weather there are arrangements in place with local councils to open community reception centres providing warmth, food and access to voluntary services.

From January 2013, consumers can report a power cut and receive up to date fault information online as well as over the phone. Consumers can also contact NIE via Twitter @NIElectricity.

During the period NIE, Northern Ireland Water, BT and Phoenix Natural Gas have worked together to identify ways to provide mutual support during periods of severe weather or other unforeseen situations. The group also published a Winter Preparation Contact List for consumers.

With employees, such as meter readers, working daily in the community, NIE supported the Police Service of Northern Ireland's (PSNI) Quick Check scheme to encourage homeowners to check the identification of callers.

DETI & Regional Development Ministers join the heads of NI's utilities to launch the winter preparation contact list adverts.

Safety advice
NIE aims to continually heighten the awareness of the general public to the dangers of electricity and the risks of coming into contact with the electricity network. All operational employees have been trained on the best approach to providing safety advice.

Encouraging safe working practices with contractors across NI

Over 4,000 farmers and contractors received safety advice during the period. The focus on farm safety continued during the period with NIE involvement in farm safety events and the issue of 'Farm Risk Assessment' and other safety material to farmers through the Ulster Farmers Union. NIE assisted HSENI in issuing safety advice for contractors working near the low voltage network. Together with other organisations, NIE assisted the PSNI to develop a Risk Avoidance and Danger Awareness Resource (RADAR), a dedicated safety training facility for children and young people to become operational in 2013.

Over 8,500 children attended NIE's ongoing 'Kidzsafe' programme, to raise safety awareness among primary school children in an effort to reduce incidences of vandalism and electricity-related injuries.

In conjunction with other utilities and Crimestoppers NIE has developed and launched a campaign to raise awareness of the safety risks associated with metal theft crime.

The Company's website www.nie.co.uk/Safety offers key safety advice on a wide range of activities.

Work Experience
NIE provides valuable work experience opportunities to GCSE and A-Level pupils. During the summer, NIE provided four weeks of work experience for two A-Level students via the Nuffield Bursary scholarship. During the period NIE agreed to participate in a pilot Youth Employment Scheme launched by the Department of Employment and Learning. Under the scheme NIE will provide voluntary work placements of between two and eight weeks to four young unemployed people.

Educational outreach
NIE continues to focus on establishing close links with schools, colleges and universities to promote careers in the electricity industry in the light of skills shortages via a number of educational outreach initiatives.

During the period NIE has:

Pupils of Dalriada School Ballymoney, mentored by NIE employees as part of the First Lego League challenge

- co-ordinated careers and activity days with 10 schools across Northern Ireland encouraging children to continue with science, technology, engineering and maths (STEM) subjects at GCSE level;
- sponsored the First Lego League, a global robotics programme for children providing a cross-curricular approach to teaching STEM subjects;
- continued to provide mentoring services to school children participating in the Institute of Engineering and Technology (IET) SMART Energy project and Team R&D, a research and development project in conjunction with Sentinus, a government charity working with schools and colleges throughout Northern Ireland to deliver programmes promoting STEM learning;
- provided two further NIE Electrical Engineering scholarships in conjunction with Queen's University Belfast;
- sponsored a further three Electrical and Electronic Engineering students through their studies as part of the IET Power Academy Council that works alongside seven UK universities to encourage students into power engineering; and
- supported Queen's University, Belfast to acquire a DeLorean car for students to convert to electric-powered and for use by both NIE and Queen's University in educational outreach work.

Corporate Governance

The Company's licence requires it to establish, and at all times maintain, full managerial and operational independence of the T&D business. The Company's Compliance Plan, which is under review following the acquisition of the Company by ESB, sets out the practices, procedures, systems and rules of conduct to ensure compliance with this licence condition.

NIE Board and Committees

The Board comprises two executive directors and three independent non-executive directors in line with the Company's licence requirement that the Board comprises a majority of independent non-executive directors. Stephen Kingon, CBE, chairs the Board. Rotha Johnston, CBE, and Ronnie Mercer are the Board's other independent non-executive directors. Joe O'Mahony, Managing Director NIE and Peter Ewing, Deputy Managing Director and Director of Regulation are the executive directors. There were no changes to the composition of the Board during the period. The Board meets quarterly and also meets on other occasions as necessary: it met five times during the nine month period to 31 December 2012 with all members attending each meeting.

The Board has overall responsibility for the long term success and management of the Company. The Board has delegated authority to the Executive Committee of the Board, within pre-defined authority limits, to undertake much of the day-to-day business and management and operation of NIE. It meets monthly and on other occasions as necessary and reports on its activities to each Board meeting.

There is a formal schedule of matters specifically reserved to the Board including:

- approval of the annual financial plan;
- approval of annual statutory, interim and regulatory accounts;
- approval of major capital expenditure;
- approval of major regulatory submissions and certain annual regulatory reports;
- approval of key corporate policies;
- approval of the annual Health & Safety Plan;
- review of financial and operational performance; and
- review of internal control and risk management.

The Audit Committee of the Board oversees the financial reporting process and internal control and risk management systems. Further details are provided on page 16.

Membership of the Board, the Audit Committee and the Executive Committee is outlined below:

Board of Directors

Stephen Kingon, CBE (Chairperson)
Rotha Johnston, CBE (Independent Non-Executive Director)
Ronnie Mercer (Independent Non-Executive Director)
Joe O'Mahony (Managing Director)
Peter Ewing (Deputy MD and Director of Regulation)

Audit Committee

Rotha Johnston. CBE (Chairperson)
Stephen Kingon, CBE
Ronnie Mercer

Executive Committee

Joe O'Mahony, Managing Director (Chairperson)
Peter Ewing, Deputy MD and Director of Regulation
Robert Wasson, Asset Management Director
Con Feeney, Construction Director
Roger Henderson, Operations Director
Mary Collins, Finance Director
Gordon Parkes, HR Director

Board Members

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1. STEPHEN KINGON CBE was appointed independent non-executive Chairman of the Board in March 2011. He is Chairman of the NI Centre for Competitiveness, Balcas Group and Lagan Group (Holdings) Limited. He is Honorary Treasurer at Queen's University Belfast, a member of Belfast Harbour Commissioners and a non-executive director of a number of companies. He was formerly Chairman of Invest Northern Ireland and Managing Partner of PricewaterhouseCoopers in NI.

2. ROTHA JOHNSTON CBE was appointed as an independent non-executive director in March 2011. She is Pro-Chancellor of Queen's University Belfast and National Trustee for Northern Ireland for the BBC Trust. She is a non-executive director of Allied Irish Bank (UK) Limited, a member of Belfast Harbour Commissioners and an independent board member at the Department of Justice for Northern Ireland. Ms Johnston chairs the Audit Committee.

3. RONNIE MERCER was appointed as an independent non-executive director in March 2011. He has been Chairman of Scottish Water since 2006 and is also Chairman of Business Stream. He has extensive relevant experience and knowledge of the energy sector as he formerly held senior executive positions at Scottish Power including Group Director, Infrastructure and Executive Vice President, Operations of the PacifiCorp subsidiary.

4. JOE O'MAHONY joined the Board in March 2011. He was appointed Managing Director in July 2011. He has held a number of senior executive positions in ESB including Head of Wind Development and Head of Network Projects. Prior to this he held senior roles in ESB Human Resources, Commercial Management and with ESB International. He is a non-executive director of the National Roads Authority of Ireland.

5. PETER EWING was appointed NIE's Deputy Managing Director and Director of Regulation in December 2010 on ESB's acquisition of the Company and joined the Board in July 2011. He joined NIE in 1998 as Director of Finance and was appointed General Manager Viridian Group Finance in 2003. In 2007 he was appointed to the Viridian Group Board as Group Finance Director. He was formerly Finance Director of Moy Park Limited and Associate Director of IBI Corporate Finance.

Executive Committee Members

The Executive Committee is chaired by the Managing Director. Its other members are the Deputy Managing Director and Director of Regulation, Asset Management Director, Construction Director, Operations Director, Finance Director, and HR Director.

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1. ROBERT WASSON was appointed as Asset Management Director in January 2012 following joining NIE in January 2011. Previously he has led KPMG's organisational restructuring and performance improvement practice and Watershed, a consulting and interim management company, both based in the RoI. Prior to that he held various technical and managerial roles in ESB's Transmission and Distribution function and with ESB International.

2. CON FEENEY was appointed as Construction Director in January 2012. Prior to that he was Director of Operations. He joined NIE in 1996 as a graduate engineer and has progressed through various management roles in Lines and Cables, Customer Operations and Plant and Technical.

3. ROGER HENDERSON was appointed Operations Director in January 2012. He joined NIE as a graduate engineer in 1991 and has progressed through various management roles in Power Networks, Major Projects and Plant and Technical.

4. MARY COLLINS was appointed Finance Director of NIE and a member of the Executive Committee in January 2011. She has held a number of senior commercial and financial positions throughout the ESB Group including Group Financial Controller from 2004 – 2009. Prior to joining NIE she managed ESB's Corporate Performance Improvement Project. A fellow of the Institute of Chartered Accountants, Mary qualified with KPMG and worked in their Irish, US and UK practices.

5. GORDON PARKES was appointed as NIE's HR Director and member of the Executive Committee in January 2011. He joined NIE Powerteam as HR Director in 2000 and was also appointed HR Director of NIE in 2002. From 2004 to 2010 he was General Manager Group HR for the Viridian Group. Previously he held HR director roles in the textiles, pharmaceutical and manufacturing sectors.

Audit Committee

The Audit Committee is a formally constituted committee of the Board with responsibility for overseeing the financial reporting process and internal control and risk management systems of NIE.

The Audit Committee comprises the three independent non-executive directors and is chaired by Rotha Johnston. The Board is satisfied that at least one member of the Committee has recent and relevant financial experience. The Committee had three meetings during the period with all members attending each meeting.

During the period the Committee reviewed:
- NIE's risk management framework, key risks facing NIE, key risks facing each business unit and mitigating actions being taken;
- NIE's process-driven approach to business continuity arrangements
- the annual internal audit plan, with updates on audit reports and issues arising being considered at each meeting;
- the effectiveness of internal controls and the risk management system;
- terms of engagement of internal auditors;
- NIE's interim, annual and regulatory accounts and NIE Finance PLC's annual accounts, considering the appropriateness of accounting policies, whether the accounts give a true and fair view and the appropriateness of the going concern assumption and reviewing the significant issues and judgements;
- reports from the external auditor on its audit of the annual and regulatory accounts, recommendations made by the auditor and management's response and its review of NIE's interim report and accounts;
- a report on the effectiveness and independence of the external auditors;
- various regulatory submissions; and
- an assessment of the adequacy of Anti Bribery and Corruption procedures.

The Committee makes recommendations to the Board on the appointment of the external auditors and their remuneration and determines their terms of engagement.

There is a policy in place regarding the provision of non-audit services by the external auditor, whereby, other than as specifically approved by the Committee, such services should be limited to advice in relation to accounting, taxation and compliance issues.

The internal and external auditors have full access to the Audit Committee. During the period the Committee met separately with each of the internal and external auditors without management present.

Internal Control Framework

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. Strong financial and business controls are necessary to ensure the integrity and reliability of financial information on which the Group relies for day-to-day operations, external reporting and for longer term planning.

The Group has in place a strong internal control framework which includes:
- a clearly defined organisational structure with defined authority limits and reporting mechanisms;
- a risk management framework including the maintenance of risk registers;
- a comprehensive set of policies and procedures relating to financial and operational controls;
- appropriately qualified and experienced personnel;
- comprehensive budgeting and business planning processes with an annual budget approved by the Board; and
- an integrated accounting system with a comprehensive system of management and financial reporting. Cumulative monthly actual results are reported against budget and considered by the Executive Committee and the Board on a monthly basis. Any significant changes and adverse variances are questioned and remedial action taken where appropriate.

Key managers formally evaluate, and the internal auditors test, the satisfactory and effective operation of financial and operational controls. The external auditors provide advice on specific accounting and tax issues. The Audit Committee's role in respect of internal controls and financial reporting is described in the Audit Committee section above.

Risk Management Framework and Principal Risks and Uncertainties

Risk is an active element of the environment within which NIE operates. NIE is committed to successfully managing exposure to risk and to minimising the impact of risk on the achievement of business objectives. The risk management framework is maintained and updated by NIE's Risk Management Committee, overseen by the Executive Committee and Audit Committee and implemented by management.

NIE's Risk Management Committee, comprising a number of senior managers and chaired by the Finance Director, oversees and directs risk policy and practice and considers risk assessments carried out by each business unit. Risks are ranked by probability and potential consequences. The nature of each risk determines how the exposure is managed. Details of key risks are maintained and updated in the NIE Risk Register. The Committee's findings are reported on a regular basis to the Executive Committee, Audit Committee and Board.

The internal audit function is independent of the risk management process and, following a specific assignment during the period, has provided independent assurance on the adequacy and effectiveness of NIE's risk management arrangements.

NIE's risk management framework comprises:
- appropriate structures in place to support risk management;
- formal assignment of risk responsibilities to facilitate managing and reporting on individual risks and to ensure specific risks are understood;
- procedures and systems for risk identification, assessment and reporting; and
- ongoing monitoring of the effectiveness of risk mitigation actions and controls.

The principal risks and uncertainties that affect the Group, as identified by the Risk Management Committee, along with the main mitigating strategies deployed are outlined below.

Risk Category	Risk Description	Mitigating Strategies
HEALTH AND SAFETY RISKS		
Failure to manage Health and Safety obligations	Exposure of employees, contractors and the general public to risk of injury and the associated potential liability and/or loss of reputation for NIE.	A comprehensive annual Health, Safety and Risk Plan approved by the NIE Board setting out detailed targets for the management of health and safety. Comprehensive safety rules, policies, procedures and guidance which are reviewed and communicated regularly. A strong focus on the inspection of work sites and the reporting, reviewing and communication of near miss incidents. Ongoing programmes to increase public awareness of the risks and dangers.
REGULATORY RISKS		
Price Controls	Unsatisfactory outcome from price control reviews.	NIE manages regulatory risks through the Director of Regulation, the Regulatory Affairs team and relevant senior managers across the organisation. Regulatory submissions are evidence based to support NIE's position and ensure adequate returns.
Licence compliance	Fail to comply with regulatory licence obligations.	The Compliance Manager within the Regulatory affairs team co-ordinates and monitors compliance with all regulatory licence obligations and reporting to the Utility Regulator on financial and other regulatory matters.

Risk Category	Risk Description	Mitigating Strategies
FINANCIAL RISKS		
Funding and Liquidity	Exposure to financial counterparty risk.	NIE's credit risk in respect of receivables from licensed electricity suppliers is mitigated by appropriate policies with security received in the form of cash deposits, letters of credit or parent company guarantees.
	Inadequate funding	NIE employs a continuous forecasting and monitoring process to manage risk of inadequate funding. NIE's detailed Treasury Policy and procedures are regularly reviewed, revised and approved by the Board as appropriate.
Pensions	Increase in the deficit in the defined benefit section of the Northern Ireland Electricity Pension Scheme (NIEPS) ("Focus").	"Focus" has been closed to new entrants since 1998. Since then new members have joined the money purchase section of the NIEPS ("Options"). The NIEPS trustees seek the advice of professional investment managers regarding the scheme's investments. A deficit repair plan has been implemented following the actuarial review as at 31 March 2011.
MARKET RISKS		
Consumer Service	Fail to meet standards for consumer service resulting in damage to reputation.	Stretching consumer service standards are approved by the NIE Board. Performance against these standards is monitored and reported on a monthly basis.
OPERATIONAL RISKS		
Network Reliability	Widespread and prolonged failure of the transmission or distribution network.	The risk is minimised through ongoing assessment of the network condition and development of asset management techniques to inform maintenance and replacement strategies and priorities. The network is strengthened through appropriate investment, a reliability-centred approach to maintenance and a systematic overhead line refurbishment and tree cutting programme.
Response to Emergency Situations	Failing to respond adequately following damage to the electricity network from adverse weather conditions.	System risk assessments are completed regularly and weather forecasts actively monitored daily. There is a comprehensive Emergency Plan and Storm Action plan in place, each reviewed and tested regularly with emergency simulations carried out at least annually. Duty incident teams provide cover 365 days a year with arrangements in place for access to external utility resources if required.

Risk Category	Risk Description	Mitigating Strategies
OPERATIONAL RISKS (continued)		
Business Continuity	NIE could sustain a greater than necessary financial impact though inability to carry on its operations, either for a short or prolonged period.	NIE maintains business continuity plans incorporating an IT disaster recovery and relocation plans which are reviewed and tested annually. Comprehensive business continuity and disaster recovery plans are maintained for important outsourced ICT, business process and telecommunications services.
IT Security and Data Protection	Loss of data through malicious attack on IT systems or employee negligence impacting on operational performance or reputation.	NIE's IT Security Forum ensures the maintenance of adequate IT security policies. Robust ICT standards, policies and procedures for system access are in place and communicated across the organisation. NIE's Data Protection Forum implements and monitors compliance with data protection policy and procedures.
PEOPLE RISKS		
Knowledge and skills and succession management	Inadequate resources with the necessary knowledge and skills. Failure to develop and retain staff.	A strategy is in place to attract, recruit and develop highly skilled people through graduate, apprenticeship, trainee and sponsorship programmes to ensure that appropriate resources are in place to meet NIE's regulatory obligations. People development is a key priority for the Company with continued investment in staff training, skills development and ongoing performance improvement. Focused management development programmes are in place to maximise the potential of staff and ensure adequate succession planning.

Charitable and Political Donations

The Company donated £7,500 to charity during the period (year ended 31 March 2012 – £10,000). There were no contributions for political purposes.

Payment of Suppliers

The Company's procurement policy is to source equipment, goods and services from a wide range of suppliers throughout the EU and beyond in accordance with commercial practices based on fairness and transparency. The Company recognises the important role that suppliers play in its business, and works to ensure that payments are made to them in accordance with agreed contractual terms. At 31 December 2012 the Company had 45 days payments outstanding to trade creditors.

Re-appointment of Auditors

In accordance with Section 487 of the Companies Act 2006, Ernst & Young LLP is deemed to be reappointed as external auditors of the Company.

Disclosure of Information to the Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors and the Group's auditors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors' Insurance

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

Statement of Directors' Responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable United Kingdom law and those IFRS as adopted by the EU.

Company law requires the directors to prepare accounts for each financial period. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and the Company for that period.

In preparing those accounts the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group and the Company;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and the Company's financial position and financial performance, and disclose and explain any departure from IFRS where, in their view, compliance would be so misleading as to conflict with a fair presentation; and
- state that (except for any such departure) the accounts have been prepared in accordance with IFRS as adopted by the EU.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Group and Company accounts comply with the Companies Act 2006 and, in the case of the Group accounts, Article 4 of the International Accounting Standards (IAS) Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As required under the UK Listing Authority's Disclosure and Transparency Rules, each of the directors as detailed on page 13 confirms that to the best of his/her knowledge:

- the accounts, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Ruth Conacher
Company Secretary

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

Date: 20 March 2013

INDEPENDENT AUDITOR'S REPORT
To the members of Northern Ireland Electricity Limited

We have audited the accounts of Northern Ireland Electricity Limited for the nine month period ended 31 December 2012 which comprise the Group Income Statement, the Group and Company Statements of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and, as regards the Company accounts, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 21, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (ISA) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts
An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Report and Accounts to identify any material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the accounts
In our opinion:

- the accounts give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2012 and of the Group's profit for the nine month period then ended;
- the Group accounts have been properly prepared in accordance with IFRS as adopted by the EU;
- the Company accounts have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006 and as regards the Group accounts, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial period for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Keith Jess (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
Date: 20 March 2013

- The maintenance and integrity of the Northern Ireland Electricity Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GROUP INCOME STATEMENT
for the period ended 31 December 2012

	Note	**9 months to 31 December 2012 £m**	Year to 31 March 2012 £m
Revenue	3	**201.9**	253.3
Operating costs	4	**(116.8)**	(146.3)
OPERATING PROFIT		**85.1**	107.0
Finance revenue	6	**0.2**	0.3
Finance costs	6	**(27.9)**	(33.4)
Net pension scheme interest	6	**(3.3)**	(1.3)
Net finance costs	6	**(31.0)**	(34.4)
PROFIT BEFORE TAX		**54.1**	72.6
Tax charge	7	**(9.5)**	(13.8)
PROFIT FOR THE PERIOD / YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		**44.6**	58.8

STATEMENTS OF COMPREHENSIVE INCOME
for the period ended 31 December 2012

		Group		**Company**	
	Note	**9 months to 31 December 2012 £m**	Year to 31 March 2012 £m	**9 months to 31 December 2012 £m**	Year to 31 March 2012 £m
Profit for the financial period / year		**44.6**	58.8	**44.6**	58.8
Other comprehensive (expense) / income:					
Actuarial loss on pension scheme assets and liabilities	21	**(43.1)**	(78.0)	**(43.1)**	(78.0)
Deferred tax credit relating to components of other comprehensive income	7	**9.6**	19.6	**9.6**	19.6
Net other comprehensive expense for the period / year		**(33.5)**	(58.4)	**(33.5)**	(58.4)
Total comprehensive income for the period / year attributable to the equity holders of the parent company		**11.1**	0.4	**11.1**	0.4

BALANCE SHEETS
as at 31 December 2012

		Group		Company	
	Note	**31 December 2012 £m**	31 March 2012 £m	**31 December 2012 £m**	31 March 2012 £m
Non-current assets					
Property, plant and equipment	9	**1,226.5**	1,186.4	**1,226.5**	1,186.4
Intangible assets	10	**40.0**	47.8	**40.0**	47.8
Derivative financial assets	16	**397.8**	377.7	**397.8**	377.7
Investments	17	**-**	-	**0.1**	-
		1,664.3	1,611.9	**1,664.4**	1,611.9
Current assets					
Inventories	11	**6.3**	5.2	**6.3**	5.2
Trade and other receivables	12	**51.6**	32.1	**51.6**	32.1
Derivative financial assets	16	**11.1**	6.3	**11.1**	6.3
Cash and cash equivalents	13	**38.6**	51.4	**38.5**	51.4
		107.6	95.0	**107.5**	95.0
TOTAL ASSETS		**1,771.9**	1,706.9	**1,771.9**	1,706.9
Current liabilities					
Trade and other payables	14	**74.4**	82.1	**74.4**	82.1
Current tax payable		**22.6**	11.3	**22.6**	11.3
Deferred income	15	**9.1**	8.8	**9.1**	8.8
Financial liabilities:					
Derivative financial liabilities	16	**11.1**	6.3	**11.1**	6.3
Other financial liabilities	18	**18.3**	27.6	**18.3**	27.6
Provisions	20	**1.8**	1.0	**1.8**	1.0
		137.3	137.1	**137.3**	137.1
Non-current liabilities					
Deferred tax liabilities	7	**57.2**	68.4	**57.2**	68.4
Deferred income	15	**257.3**	245.4	**257.3**	245.4
Financial liabilities:					
Derivative financial liabilities	16	**397.8**	377.7	**397.8**	377.7
Other financial liabilities	18	**571.8**	571.7	**571.8**	571.7
Provisions	20	**7.5**	8.3	**7.5**	8.3
Pension liability	21	**140.2**	105.8	**140.2**	105.8
		1,431.8	1,377.3	**1,431.8**	1,377.3
TOTAL LIABILITIES		**1,569.1**	1,514.4	**1,569.1**	1,514.4
NET ASSETS		**202.8**	192.5	**202.8**	192.5
Equity					
Share capital	22	**36.4**	36.4	**36.4**	36.4
Share premium	22	**24.4**	24.4	**24.4**	24.4
Capital redemption reserve	22	**6.1**	6.1	**6.1**	6.1
Accumulated profits	22	**135.9**	125.6	**135.9**	125.6
TOTAL EQUITY		**202.8**	192.5	**202.8**	192.5

The accounts were approved by the Board of directors and authorised for issue on 20 March 2013. They were signed on its behalf by:

Joe O'Mahony
Director

Date: 20 March 2013

STATEMENTS OF CHANGES IN EQUITY
for the period ended 31 December 2012

Group

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 April 2011		**36.4**	**24.4**	**6.1**	**126.5**	**193.4**
Profit for the year		-	-	-	58.8	58.8
Net other comprehensive income for the year		-	-	-	(58.4)	(58.4)
Total comprehensive income for the year		-	-	-	0.4	0.4
Deferred tax relating to items charged in changes in equity	7	-	-	-	(1.3)	(1.3)
At 1 April 2012		**36.4**	**24.4**	**6.1**	**125.6**	**192.5**
Profit for the period		-	-	-	44.6	44.6
Net other comprehensive income for the period		-	-	-	(33.5)	(33.5)
Total comprehensive income for the period		-	-	-	11.1	11.1
Deferred tax relating to items charged in changes in equity	7	-	-	-	(0.8)	(0.8)
At 31 December 2012		**36.4**	**24.4**	**6.1**	**135.9**	**202.8**

Company

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 April 2011		**36.4**	**24.4**	**6.1**	**126.5**	**193.4**
Profit for the year		-	-	-	58.8	58.8
Net other comprehensive income for the year		-	-	-	(58.4)	(58.4)
Total comprehensive income for the year		-	-	-	0.4	0.4
Deferred tax relating to items charged in changes in equity	7	-	-	-	(1.3)	(1.3)
At 1 April 2012		**36.4**	**24.4**	**6.1**	**125.6**	**192.5**
Profit for the period		-	-	-	44.6	44.6
Net other comprehensive income for the period		-	-	-	(33.5)	(33.5)
Total comprehensive income for the period		-	-	-	11.1	11.1
Deferred tax relating to items charged in changes in equity	7	-	-	-	(0.8)	(0.8)
At 31 December 2012		**36.4**	**24.4**	**6.1**	**135.9**	**202.8**

CASH FLOW STATEMENTS
for the period ended 31 December 2012

	Note	Group 9 months to 31 December 2012 £m	Group Year to 31 March 2012 £m	Company 9 months to 31 December 2012 £m	Company Year to 31 March 2012 £m
Cash flows from operating activities					
Profit for the period / year		**44.6**	58.8	**44.6**	58.8
Adjustments for:					
Tax charge		**9.5**	13.8	**9.5**	13.8
Net finance costs	6	**31.0**	34.4	**31.0**	34.4
Depreciation of property, plant and equipment	9	**35.8**	45.2	**35.8**	45.2
Release of customers' contributions and grants	15	**(6.9)**	(8.8)	**(6.9)**	(8.8)
Amortisation of intangible assets	10	**15.7**	13.7	**15.7**	13.7
Contributions in respect of property, plant and equipment	15	**19.1**	23.7	**19.1**	23.7
Defined benefit pension charge less contributions paid	21	**(11.9)**	(13.4)	**(11.9)**	(13.4)
Net gain on transfer of pension assets and liabilities to former employees	21	**-**	(0.7)	**-**	(0.7)
Net movement in provisions		**-**	(0.2)	**-**	(0.2)
Operating cash flows before movement in working capital		**136.9**	166.5	**136.9**	166.5
Increase in working capital		**(24.7)**	(6.1)	**(24.7)**	(6.1)
Cash generated from operations		**112.2**	160.4	**112.1**	160.4
Interest received		**0.2**	0.3	**0.2**	0.3
Interest paid		**(37.5)**	(13.6)	**(37.5)**	(13.6)
Current taxes paid		**(0.6)**	(2.9)	**(0.5)**	(2.9)
Net cash flows from operating activities		**74.3**	144.2	**74.3**	144.2
Cash flows from investing activities					
Purchase of property, plant and equipment		**(77.7)**	(110.7)	**(77.7)**	(110.7)
Purchase of intangible assets		**(9.4)**	(19.4)	**(9.4)**	(19.4)
Purchase of investment in subsidiary	17	**-**	-	**(0.1)**	-
Net cash flows used in investing activities		**(87.1)**	(130.1)	**(87.2)**	(130.1)
Cash flows from financing activities					
Proceeds from borrowings		**-**	399.6	**-**	399.6
Bond issue costs		**-**	(1.7)	**-**	(1.7)
Repayment of borrowings		**-**	(361.2)	**-**	(361.2)
Net cash flows from financing activities		**-**	36.7	**-**	36.7
Net (decrease) / increase in cash and cash equivalents		**(12.8)**	50.8	**(12.9)**	50.8
Cash and cash equivalents at beginning of period / year		**51.4**	0.6	**51.4**	0.6
Cash and cash equivalents at end of period / year	13	**38.6**	51.4	**38.5**	51.4

For the purposes of the cash flow statements, cash and cash equivalents comprise cash at bank and in hand, short-term bank deposits and bank overdrafts.

NOTES TO THE ACCOUNTS

1. General Information

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

The accounts have been prepared in accordance with IFRS as adopted by the EU and applied in accordance with the provisions of the Companies Act 2006. The accounts are presented in Sterling (£) with all values rounded to the nearest £100,000 except where otherwise indicated.

The Company has changed its accounting reference date from 31 March to 31 December.

2. Accounting Policies

Adoption of new and revised accounting standards and interpretations

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

IFRS 7 (revised)	Disclosures - Transfers of financial assets (effective for accounting periods beginning on or after 1 July 2011)
IAS 12	Income Taxes: Limited scope amendment (recovery of underlying assets) (effective for accounting periods beginning on or after 1 January 2012)

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

IFRS 1	First time adoption for government loans (effective for accounting periods beginning on or after 1 January 2013)
IFRS 7 (revised)	Offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2013)
IFRS 9	Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2015)
IFRS 10	Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013)
IFRS 11	Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2013)
IFRS 13	Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013)
IAS 1	Amendments to revise the way other comprehensive income is presented (effective for accounting periods beginning on or after 1 July 2012)
IAS 19 (revised)	Employee Benefits: Post-Employment Benefits and Termination Benefits (effective for accounting periods beginning on or after 1 January 2013)
IAS 27 (revised)	Reissued as *Separate Financial Statements* (as amended 2011) (effective for accounting periods beginning on or after 1 January 2013)

2. Accounting Policies (continued)

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

IAS 28	Reissued as *Investments in Associates and Joint Ventures* (as amended 2011) (effective for accounting periods beginning on or after 1 January 2013)
IAS 32	Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2014)
IFRIC 20	Production phase stripping costs of a surface mine (effective for accounting periods beginning on or after 1 January 2013)
Improvements to IFRSs 2009-2011	(effective for accounting periods beginning on or after 1 January 2013)

None of the standards listed are expected to have a material impact on the accounts except for the following:

IAS 19 (revised): 'Employee benefits'
This standard will be effective for the Group's 2013 accounts and as a result the accounts as presented at 31 December 2012 will be restated in line with the revised accounting standard.

The impact on the accounts will be to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net pension liability at the opening balance sheet date taking account of any changes in the net pension liability during the period as a result of contributions and benefit payments.

This will have the effect of increasing the net pension scheme interest charge in the Group Income Statement from £3.3m as reported to £4.0m as restated. Total net finance costs will increase from £31.0m as reported to £31.7m as restated. The tax charge will reduce from £9.5m as reported to £9.3m as restated. The profit for the period will reduce from £44.6m as reported to £44.1m as restated.

The actuarial loss reported as a component of Other Comprehensive Income in both the Statement of Comprehensive Income and the Statement of Changes in Equity will decrease from £43.1m as reported to £42.4m as restated and the deferred tax credit thereon will reduce from £9.6m as reported to £9.4m as restated. Total Comprehensive Income will remain at £11.1m as reported.

Whilst the directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's accounts in the period of initial application, the adoption of the standards and interpretations may result in certain changes in the presentation of the Group's accounts from 2013 onwards.

The principal accounting policies are set out below.

Basis of Preparation – Going Concern
The Group's business activities including financial risk management along with the factors likely to affect its future development are set out within the Financial Review and Operational Review sections of the Directors' Report.

As described in the Directors' Report, on the basis of their assessment of the Group's financial position, which included a review of the Group's projected funding requirements for a period of 12 months from the date of approval of the accounts, the directors have a reasonable expectation that the Group will have adequate financial resources for the 12 month period and accordingly continue to adopt the going concern basis in preparing the report and accounts.

Basis of consolidation
The Group accounts consolidate the accounts of Northern Ireland Electricity Limited (the Company) and entities controlled by the Company (its subsidiaries). Subsidiaries are consolidated from the day 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.

2. Accounting Policies (continued)

Company's investments in subsidiaries
The Company recognises its investments in subsidiaries at cost less any recognised impairment loss. Dividends received from subsidiaries are recognised in the income statement. The carrying values of investments in subsidiaries are reviewed annually for any indications of impairment, including whether the carrying value is impaired as a result of the receipt of dividends.

Foreign currency translation
The functional and presentational currency of the Group and its subsidiaries is sterling (£).

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

Property, plant and equipment
Property, plant and equipment are included in the balance sheet at cost, less accumulated depreciation and any recognised impairment loss. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of overheads. Interest on funding attributable to significant capital projects is capitalised during the period of construction provided it meets the recognition criteria in IAS 23 and is written off as part of the total cost of the asset.

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

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

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

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

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

Computer software
The cost of acquiring computer software is capitalised and amortised on a straight-line basis over its estimated useful economic life which is between five and ten years. Costs include direct labour relating to software development and an appropriate portion of directly attributable overheads. Interest on funding attributable to significant capital projects is capitalised during the period of construction provided it meets the recognition criteria in IAS 23 and is written off as part of the total cost of the asset.

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

Gains or losses arising from derecognition of computer software are measured as the difference between the net selling price and the carrying amount of the asset.

2. Accounting Policies (continued)

Inventories
Inventories are stated at the lower of average purchase price and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimate costs of completion and the estimated costs necessary to make the sale.

Financial instruments

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with maturities of three months or less.

Loans and receivables
Loans and receivables are initially recorded at fair value. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Interest bearing loans and overdrafts
Interest bearing loans and overdrafts are initially recorded at fair value, being the proceeds received net of direct issue costs. After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest method.

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

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

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

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

Operating lease contracts
Leases are classified as operating lease contracts whenever the terms of the lease do not transfer substantially all the risks and benefits of ownership to the lessee.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, exclusive of value added tax and other sales related taxes.

The following specific recognition criteria must also be met before revenue is recognised:

Interest receivable
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Use of System and PSO revenue
Revenue is recognised on the basis of units distributed during the period. Revenue includes an assessment of the volume of electricity distributed, estimated using historical consumption patterns.

2. Accounting Policies (continued)

***Revenue** (continued)*

Transmission service revenue
Revenue is recognised in accordance with the schedule of entitlement set by the Utility Regulator for each tariff period.

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

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

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

Tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes both items of income or expense that are taxable or deductible in other years as well as items that are never taxable or deductible. The Company and Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

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

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

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

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

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

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

2. Accounting Policies (continued)

Pensions and other post-retirement benefits

Employees of the Group are entitled to membership of the Northern Ireland Electricity Pension Scheme (NIEPS) which has both defined benefit and defined contribution pension arrangements. The amount recognised in the balance sheet in respect of liabilities represents the present value of the obligations offset by the fair value of assets.

Pension scheme assets are measured at fair value and liabilities are measured using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the liabilities. Full actuarial valuations are obtained at least triennially and updated at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur and are recognised outside the income statement and presented in the statement of comprehensive income.

The cost of providing benefits under the defined benefit scheme is charged to the income statement over the periods benefiting from employees' service. Past service cost is recognised immediately to the extent that the benefits are already vested. Curtailment losses are recognised in the income statement in the period they occur. The expected return on pension scheme assets and the interest on pension scheme liabilities are included within net finance costs.

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

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

Exceptional items

The Group presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Critical accounting judgements and key sources of estimation uncertainty

Pensions and other post employment benefits

Employees of the Group are entitled to membership of NIEPS which has both defined benefit and defined contribution arrangements. The cost of providing benefits under the defined benefit scheme is determined using the projected unit method. The key assumptions used for the actuarial valuation are based on the Group's best estimate of the variables that will determine the ultimate cost of providing post-employment benefits, on which further detail is provided in note 21.

3. Revenue and Operating Profit

The Group's operating activities, which comprise one operating segment, are described in the Directors' Report. Financial information is reported to the Executive Committee on a consolidated basis and is not segmented. The regulatory correction factor represents the amount by which the amount of revenue recovered in the period exceeds or falls short of the amount allowed by the Company's price control formula.

	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Revenue:		
Based on regulatory entitlement	**175.0**	230.6
Release of customer contributions from deferred income	**6.5**	8.3
Total revenue (based on regulated entitlement)	**181.5**	238.9
Adjustment for regulatory correction factor	**20.4**	14.4
	201.9	253.3
Interest receivable	**0.2**	0.3
	202.1	253.6
Operating Profit:		
Based on regulated entitlement	**64.7**	92.6
Adjustment for regulatory correction factor	**20.4**	14.4
	85.1	107.0

Major customers

The Group received revenue from one major customer during the period of £84.4m (year ended 31 March 2012 - £115.5m).

Geographical information

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

9 months to 31 December 2012			Year to 31 March 2012		
UK £m	**RoI £m**	**Total £m**	UK £m	RoI £m	Total £m
187.3	**14.6**	**201.9**	226.7	26.6	253.3

The majority of Republic of Ireland (RoI) revenue relates to use of system charges to suppliers based in the RoI which supply energy to customers based in Northern Ireland.

The Group's assets are all located within the United Kingdom.

4. Operating Costs

Operating costs are analysed as follows:

	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Employee costs (note 5)	**9.5**	12.7
Depreciation and amortisation	**51.5**	58.9
Other operating charges	**55.8**	74.7
	116.8	146.3

4. Operating Costs (continued)

Operating costs include:

	9 months to 31 December 2012	Year to 31 March 2012
Depreciation charge on property, plant and equipment	**35.8**	45.2
Amortisation of intangible assets	**15.7**	13.7
Minimum payments due under operating leases	**0.5**	0.4
Cost of inventories recognised as an expense	**0.9**	1.5

Auditors' remuneration	**£'000**	£'000
Fees payable to the Group and Company auditors' for the audit of the accounts	**26**	28
Fees payable to the Group and Company auditors for other services:		
The audit of the company's subsidiaries pursuant to legislation	**3**	3
Audit related assurance services	**14**	11
Tax advisory services	**1**	1
Corporate finance services*	**-**	25

*Remuneration of £25,000 was paid to the Company's auditors' during the year ended 31 March 2012 in relation to the £400m bond issue. These costs were capitalised as part of the bond issue costs in that year.

5. Employees

Employee costs

	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Salaries	**10.5**	13.1
Social security costs	**1.0**	1.2
Pension costs / (credit)		
- defined contribution plans	**0.4**	0.4
- defined benefit plans	**1.8**	2.2
- other	**-**	(0.7)
	13.7	16.2
Less: charged to the balance sheet	**(4.2)**	(3.5)
Charged to the income statement	**9.5**	12.7

Other pension credit of £0.7m in the year ended 31 March 2012 related to a net gain arising on the transfer of pension scheme assets and liabilities in respect of former employees. Further details are provided in note 21.

	Average during the period / year		**Actual headcount**	
	9 months to 31 December 2012 Number	Year to 31 March 2012 Number	**31 December 2012 Number**	31 March 2012 Number
Employee numbers	**301**	267	**296**	281

5. Employees (continued)

Directors' emoluments

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

	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Emoluments in respect of qualifying services	**0.4**	0.8

No amounts were paid to directors in respect of long term incentive plans. No directors exercised share options during the period or received shares under long-term incentive schemes.

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

	9 months to 31 December 2012 £'000	Year to 31 March 2012 £'000
Emoluments	**215**	276
Total accrued pension at 31 December / 31 March (per annum)	**-**	150

	31 December 2012 Number	31 March 2012 Number
Members of a defined benefit pension scheme	**1**	2
Members of a defined contribution scheme	**1**	1

Aggregate contributions by the Company to defined contribution pension schemes in respect of the directors during the period was £41,000 (year ended 31 March 2012 - £41,000).

6. Net Finance Costs

	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Interest receivable:		
Bank interest receivable	**0.2**	0.3
Interest payable:		
£175m bond	**(9.1)**	(12.0)
£400m bond	**(19.1)**	(21.2)
Amounts owed to group undertakings	**-**	(1.6)
Interest rate swaps	**-**	-
	(28.2)	(34.8)
Less: capitalised interest	**0.4**	1.6
Total interest charged to the income statement	**(27.8)**	(33.2)
Other finance costs:		
Amortisation of financing charges	**(0.1)**	(0.2)
Net loss on financial assets and liabilities at fair value charged to the income statement	**-**	-
Total finance costs	**(27.9)**	(33.4)
Net pension scheme interest:		
Expected return on pension scheme assets	**25.7**	39.7
Interest on pension scheme liabilities	**(29.0)**	(41.0)
	(3.3)	(1.3)
Net finance costs	**(31.0)**	(34.4)

6. Net Finance Costs (continued)

Interest charged to the balance sheet during the period was capitalised using a weighted average interest rate of 6.63% (year ended 31 March 2012 - 6.37%).

7. Tax Charge

(i) Analysis of charge during the period / year

Group Income Statement	**9 months to 31 December 2012 £m**	Year to 31 March 2012 £m
Current tax charge		
UK corporation tax at 24% (year ended 31 March 2012 - 26%)	**11.9**	11.8
Corporation tax underprovided in previous years	**-**	1.1
Total current income tax	**11.9**	12.9
Deferred tax (credit) / charge		
Origination and reversal of temporary differences in current period / year	**1.4**	7.1
Origination and reversal of temporary differences relating to prior years	**-**	0.8
Effect of decreased tax rate on opening liability	**(3.8)**	(7.0)
Total deferred tax (credit) / charge	**(2.4)**	0.9
Total tax charge	**9.5**	13.8
Tax relating to items charged in other comprehensive income		
Deferred tax		
Deferred tax credit relating to components of other comprehensive income	**(9.9)**	(18.7)
Effect of decreased tax rate on opening liability / (asset)	**0.3**	(0.9)
	(9.6)	(19.6)
Tax relating to items charged in changes in equity		
Deferred tax		
Effect of decreased tax rate on opening asset	**0.8**	1.3

(ii) Reconciliation of total tax charge

The tax charge in the Group Income Statement for the period is lower than the standard rate of corporation tax in the UK of 24% (year ended 31 March 2012 - 26%). The differences are reconciled below:

	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Accounting profit before tax charge	**54.1**	72.6
Accounting profit multiplied by the UK standard rate of corporation tax of 24% (year ended 31 March 2012 - 26%)	**13.0**	18.9
Tax effect of:		
Impact of deferred tax at 23% (year ended 31 March 2012 – 24%)	**(3.9)**	(7.6)
Other permanent differences	**0.4**	0.6
Tax underprovided in previous years	**-**	1.9
Tax charge for the period / year	**9.5**	13.8

7. Tax Charge (continued)

(iii) Deferred tax

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

	31 December 2012 £m	31 March 2012 £m
Deferred tax assets		
Pension liability	**32.2**	25.4
Interest rate swaps	**47.0**	51.2
Other temporary differences	**1.3**	1.4
	80.5	78.0
Deferred tax liabilities		
Accelerated capital allowances	**(106.3)**	(112.2)
Interest rate swaps	**(30.3)**	(33.1)
Held-over gains on property disposals	**(1.1)**	(1.1)
	(137.7)	(146.4)
Net deferred tax liability	**(57.2)**	(68.4)

Deferred tax has been calculated at 23% as at 31 December 2012 reflecting HMRC enactment, in March 2012, of a reduction in the corporation tax rate effective from 6 April 2012.

HM Treasury has announced its intention for the main rate of corporation tax to decrease to 21% by 2014, through a 1% reduction per annum over the next two years, although this decrease in rates is not enacted at the balance sheet date. A decrease in rate to 21% would reduce the deferred tax asset at 31 December 2012 to £73.5m and the deferred tax liability to £125.7m.

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

	31 December 2012 £m	31 March 2012 £m
Accelerated capital allowances	**(5.9)**	(3.6)
Interest rate swaps	**1.4**	(1.3)
Temporary differences in respect of pensions	**2.0**	4.8
Other temporary differences	**0.1**	1.0
Deferred tax (credit) / charge	**(2.4)**	0.9

8. Profit for the Financial Period

The profit dealt with in the accounts of the Company is £44.6m (year ended 31 March 2012 - £58.8m). No separate income statement is presented for the Company as permitted by Section 408 of the Companies Act 2006.

9. Property, Plant and Equipment

Group and Company	Infrastructure assets £m	Non-operational land and buildings £m	Fixtures and equipment £m	Total £m
Cost:				
At 1 April 2011	1,714.9	5.1	50.1	1,770.1
Additions	109.2	-	1.9	111.1
At 31 March 2012	1,824.1	5.1	52.0	1,881.2
Additions	74.1	-	1.8	75.9
At 31 December 2012	**1,898.2**	**5.1**	**53.8**	**1,957.1**
Depreciation:				
At 1 April 2011	609.7	1.2	38.7	649.6
Charge for the year	42.6	0.1	2.5	45.2
At 31 March 2012	652.3	1.3	41.2	694.8
Charge for the period	33.6	0.1	2.1	35.8
At 31 December 2012	**685.9**	**1.4**	**43.3**	**730.6**
Net book value:				
At 31 March 2011	1,105.2	3.9	11.4	1,120.5
At 31 March 2012	1,171.8	3.8	10.8	1,186.4
At 31 December 2012	**1,212.3**	**3.7**	**10.5**	**1,226.5**

Infrastructure assets include amounts in respect of assets under construction of £30.5m (31 March 2012 - £45.1m) and capitalised interest of £4.8m (31 March 2012 - £4.7m). Fixtures and equipment include amounts in respect of assets under construction of £nil (31 March 2012 - £3.3m).

10. Intangible Assets

Group and Company - Computer software	31 December 2012 £m	31 March 2012 £m
Cost:		
At the beginning of the period / year	**90.8**	71.6
Additions acquired externally	**7.9**	19.2
At the end of the period / year	**98.7**	90.8
Amortisation / impairment:		
At the beginning of the period / year	**43.0**	29.3
Amortisation charge for the period / year	**15.7**	13.7
At the end of the period / year	**58.7**	43.0
Net book value:		
At the beginning of the period / year	**47.8**	42.3
At the end of the period / year	**40.0**	47.8

Software assets include amounts in respect of assets under construction amounting to £Nil (31 March 2012 - £27.0m) and capitalised interest of £2.2m (31 March 2012 - £2.0m).

The continued implementation of new IT systems has led to a reduction in the estimated useful lives of existing assets. In the period the amortisation charged on the assets was accelerated to fully write down the assets. This has resulted in accelerated amortisation of £9.8m charged in the period (year ended 31 March 2012 - £8.7m).

11. Inventories

Group and Company	31 December 2012 £m	31 March 2012 £m
Materials and consumables	**5.5**	4.7
Work-in-progress	**0.8**	0.5
	6.3	5.2

12. Trade and Other Receivables

Group and Company	**31 December 2012 £m**	31 March 2012 £m
Trade receivables (including unbilled consumption)	**42.0**	27.6
Other receivables	**0.8**	1.0
Amounts owed by group undertakings	**3.2**	1.6
Prepayments and accrued income	**5.6**	1.9
	51.6	32.1

Trade receivables are stated net of a provision of £0.5m (31 March 2012 - £0.5m) for estimated irrecoverable amounts based on past default experience.

Group and Company	**31 December 2012 £m**	31 March 2012 £m
At the beginning of the period / year	**0.5**	0.6
Bad debts written off	**-**	(0.1)
At the end of the period / year	**0.5**	0.5

The above provision includes £0.2m (31 March 2012 - £0.2m) in respect of individual balances impaired based on the age of debt and past default experience. There are no provisions for estimated irrecoverable amounts included in 'amounts owed by group undertakings' which are all within credit terms. Further details on credit risk are included in the financial risk management section in the Directors' Report.

The following shows an aged analysis of trade receivables:

Group and Company	**31 December 2012 £m**	31 March 2012 £m
Within credit terms:		
Current	**41.0**	26.6
Past due but not impaired:		
Less than 30 days	**1.3**	0.1
30 - 60 days	**0.3**	0.1
60 - 90 days	**0.2**	0.1
+ 90 days	**0.6**	0.7
	43.4	27.6

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used. The directors consider that the carrying amount of trade and other receivables approximates to fair value.

13. Cash and Cash Equivalents

	Group		**Company**	
	31 December 2012 £m	31 March 2012 £m	**31 December 2012 £m**	31 March 2012 £m
Cash at bank and in hand	**7.6**	0.9	**7.5**	0.9
Short-term deposits	**31.0**	50.5	**31.0**	50.5
	38.6	51.4	**38.5**	51.4

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months' depending on the immediate cash requirements of the Group and Company, and earn interest at the respective short-term deposit rates. The directors consider that the carrying amount of cash and cash equivalents equates to fair value.

14. Trade and Other Payables

Group and Company	31 December 2012 £m	31 March 2012 £m
Trade payables	**10.5**	17.1
Payments received on account	**28.5**	30.8
Amounts owed to group undertakings	**9.8**	7.3
Tax and social security	**8.1**	5.4
Accruals	**17.5**	21.5
	74.4	82.1

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

15. Deferred Income

Group and Company	Grants £m	Customers' contributions £m	Total £m
Current	0.5	7.7	8.2
Non-current	8.1	223.0	231.1
Total at 1 April 2011	**8.6**	**230.7**	**239.3**
Receivable	-	23.7	23.7
Released to income statement	(0.5)	(8.3)	(8.8)
Current	**0.5**	**8.3**	**8.8**
Non-current	**7.6**	**237.8**	**245.4**
Total at 31 March 2012	**8.1**	**246.1**	**254.2**
Receivable	0.2	18.9	19.1
Released to income statement	(0.4)	(6.5)	(6.9)
Current	**0.5**	**8.6**	**9.1**
Non-current	**7.4**	**249.9**	**257.3**
Total at 31 December 2012	**7.9**	**258.5**	**266.4**

16. Derivative Financial Instruments

Group and Company - Interest rate swaps	**31 December 2012 £m**	31 March 2012 £m
Current assets	**11.1**	6.3
Non-current assets	**397.8**	377.7
	408.9	384.0
Current liabilities	**(11.1)**	(6.3)
Non-current liabilities	**(397.8)**	(377.7)
	(408.9)	(384.0)

On 21 December 2010 ESBNI Limited (ESBNI), the immediate parent undertaking of the Company, acquired the entire share capital of the Company from Viridian Group Limited (Viridian). A £550m portfolio of RPI linked interest rate swaps, previously held by a Viridian group company, was novated to the Company on acquisition. Under the swap arrangements, the Company pays an average fixed rate of interest of 2.38% indexed by RPI and receives a variable rate of interest based on LIBOR. RPI accretion is accounted for as interest in the Group Income Statement. The swaps have maturity dates between 2026 and 2036 (average maturity 2031) and have mandatory break dates on 22 December 2015.

At 31 December 2012 the fair value of the above interest rate swaps was a liability of £408.9m (31 March 2012 - £384.0m). During the period ended 31 December 2012, losses in respect of movements in the fair value of the swaps of £12.5m are included within finance costs in the income statement (year ended 31 March 2012 - £101.3m).

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

On 1 April 2011, the Company entered into interest rate swap arrangements with ESBNI which have identical matching terms to the swaps novated to the Company in December 2010.

The swap arrangements with ESBNI relate to a £550m portfolio of RPI linked interest rate swaps, under which the Company receives an average fixed rate interest of 2.38% indexed by RPI and pays a variable rate of interest based on LIBOR. RPI accretion is accounted for as interest in the Group Income Statement. The swaps have maturity dates between 2026 and 2036 (average maturity 2031) and have mandatory break dates on 22 December 2015.

At 31 December 2012, the fair value of interest rate swaps was an asset of £408.9m (31 March 2012 - £384.0m). During the period ended 31 December 2012, gains in respect of movements in the fair value of the swaps of £12.5m are included within the income statement (year ended 31 March 2012 - £101.3m).

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

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

The fair value of interest rate swaps as at 31 December 2012 is considered by the Company to fall within the level 2 fair value hierarchy. There have been no transfers between level 1 or 3 of the hierarchy during the period.

16. Derivative Financial Instruments (continued)

An increase / (decrease) of 0.5% in interest rates would decrease / (increase) the fair value of interest rate swap liabilities by £64.0m / (£70.2m) (31 March 2012 - £67.8m / (£74.8m)). However, the swap arrangements entered into with ESBNI on 1 April 2011 hedge the Company's cashflows in respect of these liabilities and therefore, an increase / (decrease) of 0.5% in interest rates would increase / (decrease) the fair value of the interest rate swap assets by £64.0m / (£70.2m) (31 March 2012 - £67.8m / (£74.8m)) and thereby offset the exposure to the swap liabilities. These sensitivities are based on an assessment of market rate movements during the period and each is considered to be a reasonably possible range.

Further details on interest rate risk are included in the financial risk management section in the Directors' Report.

17. Investments

Company – Investment in subsidiaries

	31 December 2012 £m	31 March 2012 £m
Cost:		
At the beginning of the period / year	**-**	-
Ordinary shares fully paid up	**0.1**	-
At the end of the period / year	**0.1**	-

On 28 April 2011, the Company subscribed for the entire share capital of NIE Finance PLC on incorporation. The investment of £12,500 comprised 50,000 £1 ordinary shares partly paid at £0.25. On 17 September 2012, the Company paid the remaining £0.75 per ordinary share for its investment in NIE Finance PLC bringing the total investment value to £50,000 at 31 December 2012. The principal activity of NIE Finance PLC during the period was to continue to act as the issuer of the £400m bond issued on 2 June 2011. Further details of the bond issue are included in note 18.

Dormant subsidiaries
The Company holds 100% of the share capital of NIE Generation Limited, NIE Limited, NIE Power Limited and NIE Enterprises Limited. These companies are dormant and the carrying value of these investments as at 31 December 2012 was £nil (31 March 2012 - £nil).

18. Financial Liabilities

	Group		**Company**	
	31 December 2012 £m	31 March 2012 £m	**31 December 2012 £m**	31 March 2012 £m
Current				
Interest payable on £175m bond	**3.4**	6.4	**3.4**	6.4
Interest payable on £400m bond	**14.9**	21.2	**-**	-
Interest payable to group undertakings	**-**	-	**14.9**	21.2
	18.3	27.6	**18.3**	27.6
Non-current				
£175m bond	**173.9**	173.8	**173.9**	173.8
£400m bond	**397.9**	397.9	**-**	-
Amounts owed to group undertakings	**-**	-	**397.9**	397.9
	571.8	571.7	**571.8**	571.7

18. Financial Liabilities (continued)

Loans and other borrowings outstanding are repayable as follows:

Group and Company	**31 December 2012 £m**	31 March 2012 £m
In one year or less or on demand	**18.3**	27.6
Between two and five years	**-**	-
In more than five years	**571.8**	571.7
	590.1	599.3

The Group and Company's objectives, policies and strategies in respect of financial liabilities and capital management are disclosed on page 4 of the Directors' Report.

The principal features of the Group's borrowings are as follows:

- the £175m bond is repayable in 2018 and carries a fixed rate of interest of 6.875%;
- on 2 June 2011, the Group issued a 15 year £400m bond which is repayable in 2026 and carries a fixed rate of interest of 6.375%. The bond issue incurred £2.1m of costs associated with raising finance.

On 2 June 2011, NIE Finance PLC granted a back-to-back loan of £400m to the Company, which was issued net of £2.1m of costs associated with raising finance. Interest is paid on the loan at a fixed rate of 6.375%.

The £175m and £400m bonds had fair values at 31 December 2012 of £206.9m (31 March 2012 - £193.6m) and £476.6m (31 March 2012 - £414.8m) respectively, based on current market prices. The Company's £400m back-to-back loan had a fair value at 31 December 2012 of £476.6m (31 March 2012 - £414.8m) based on the fair value of the £400m bond. The directors consider that the carrying amount of other financial liabilities equate to fair value.

The £175m bond, £400m bond, and the Company's related back-to-back loan with NIE Finance PLC carry interest at fixed rates. Therefore at 31 December 2012 the Group and Company were not exposed to movements in interest rates.

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

At 31 December 2012 Group	On demand £m	Within 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	**Total £m**
£175m bond (including interest payable)	-	-	12.0	48.1	187.0	**247.1**
£400m bond (including interest payable)	-	-	25.5	102.0	629.5	**757.0**
Trade and other payables	28.5	37.8	-	-	-	**66.3**
Interest rate swap liabilities	-	-	11.1	397.8	-	**408.9**
	28.5	**37.8**	**48.6**	**547.9**	**816.5**	**1,479.3**

At 31 March 2012 Group	On demand £m	Within 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
£175m bond (including interest payable)	-	-	12.0	48.1	199.1	259.2
£400m bond (including interest payable)	-	25.5	-	102.0	655.0	782.5
Trade and other payables	25.4	51.3	-	-	-	76.7
Interest rate swap liabilities	-	3.2	3.1	614.1	-	620.4
	25.4	80.0	15.1	764.2	854.1	1,738.8

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

18. Financial Liabilities (continued)

At 31 December 2012 **Company**	On demand £m	Within 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	**Total £m**
£175m bond (including interest payable)	-	-	12.0	48.1	187.0	**247.1**
Amounts owed to group undertakings	-	-	25.5	102.0	629.5	**757.0**
Trade and other payables	28.5	37.8	-	-	-	**66.3**
Interest rate swap liabilities	-	-	11.1	397.8	-	**408.9**
	28.5	**37.8**	**48.6**	**547.9**	**816.5**	**1,479.3**

At 31 March 2012 Company	On demand £m	Within 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	**Total** £m
£175m bond (including interest payable)	-	-	12.0	48.1	199.1	259.2
Amounts owed to group undertakings	-	25.5	-	102.0	655.0	782.5
Trade and other payables	25.4	51.3	-	-	-	76.7
Interest rate swap liabilities	-	3.2	3.1	614.1	-	620.4
	25.4	80.0	15.1	764.2	854.1	1,738.8

19. Analysis of Net Debt

Group	**At 1 April 2012 £m**	**Cash flow £m**	**Non cash movement £m**	**At 31 December 2012 £m**
Cash and cash equivalents	**51.4**	(12.8)	-	**38.6**
Interest payable on £175m bond	**(6.4)**	(12.0)	15.0	**(3.4)**
Interest payable on £400m bond	**(21.2)**	(25.5)	31.8	**(14.9)**
£175m bond	**(173.8)**	-	(0.1)	**(173.9)**
£400m bond	**(397.9)**	-	-	**(397.9)**
	(547.9)	(50.3)	46.7	**(551.5)**

Company	**At 1 April 2012 £m**	**Cash flow £m**	**Non cash movement £m**	**At 31 December 2012 £m**
Cash and cash equivalents	**51.4**	(12.9)	-	**38.5**
Interest payable on £175m bond	**(6.4)**	(12.0)	15.0	**(3.4)**
Amounts owed to group undertakings	**(397.9)**	-	-	**(397.9)**
Interest payable to group undertakings	**(21.2)**	(25.5)	31.8	**(14.9)**
£175m bond	**(173.8)**	-	(0.1)	**(173.9)**
	(547.9)	(50.4)	46.7	**(551.6)**

20. Provisions

Group and Company	Environment £m	Liability and damage claims £m	Other £m	Total £m
Current	0.2	0.6	0.2	1.0
Non-current	4.8	3.5	-	8.3
Total at 1 April 2012	**5.0**	**4.1**	**0.2**	**9.3**
Applied in the period	-	(0.4)	-	(0.4)
Increase in provisions	-	0.6	-	0.6
Release to income statement	-	(0.2)	-	(0.2)
Current	**0.4**	**1.2**	**0.2**	**1.8**
Non-current	**4.6**	**2.9**	**-**	**7.5**
Total at 31 December 2012	**5.0**	**4.1**	**0.2**	**9.3**

Environment
Provision has been made for expected costs of decontamination and demolition arising from obligations in respect of power station sites formerly owned by the Group. It is anticipated that most expenditure will take place within the next five years.

Liability and damage claims
Notwithstanding the intention of the directors to defend vigorously claims made against the Group, liability and damage claim provisions have been made which represent the directors' best estimate of costs expected to arise from ongoing third party litigation matters and employee claims. These provisions are expected to be utilised within a period not exceeding five years.

21. Pension Commitments

Most employees of the Group are members of Northern Ireland Electricity Pension Scheme (NIEPS). This has two sections: 'Options' which is a money purchase arrangement whereby the Group generally matches the members' contributions up to a maximum of 6% of salary and 'Focus' which provides benefits based on pensionable salary at retirement or earlier exit from service. The assets of the scheme are held under trust and invested by the trustees on the advice of professional investment managers.

Aon Hewitt, the actuaries to NIEPS, have provided a valuation of Focus under IAS 19 as at 31 December 2012 based on the following assumptions (in nominal terms) and using the projected unit method.

	31 December 2012	31 March 2012
Rate of increase in pensionable salaries	**3.05% per annum**	3.60% per annum
Rate of increase in pensions in payment	**1.80% per annum**	2.10% per annum
Discount rate	**4.30% per annum**	4.80% per annum
Inflation assumption (CPI)	**1.80% per annum**	2.10% per annum
Life expectancy:		
Current pensioners (at age 60) - males	**26.4 years**	26.4 years
Current pensioners (at age 60) - females	**28.9 years**	28.9 years
Future pensioners (at age 60) - males	***27.9 years**	*27.9 years
Future pensioners (at age 60) - females	***30.5 years**	*30.5 years

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

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

The valuation under IAS 19 at 31 December 2012 shows a net pension liability relating to continuing operations (before deferred tax) of £142.9m (31 March 2012 - £105.8m). A 0.5% increase / decrease in the assumed discount rate would decrease / increase the net pension liability by £67.7m (31 March 2012 - £54.1m). A 0.5% increase / decrease in the assumed inflation rate would increase / decrease the net pension liability by £61.6m (31 March 2012 - £49.6m). A one year increase / decrease in life expectancy would increase / decrease the net pension liability by £31.9m (31 March 2012 - £24.9m).

Assets and Liabilities

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

	Value at 31 December 2012 £m	**Expected rate of return %**	Value at 31 March 2012 £m	Expected rate of return %
Equities	**229.8**	**7.6**	227.9	7.6
Bonds	**491.0**	**3.7**	488.7	3.7
Other	**2.1**	**2.7**	3.9	3.2
Total market value of assets	**722.9**		720.5	
Actuarial value of liabilities	**(863.1)**		(826.3)	
Net pension liability	**(140.2)**		(105.8)	

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.

21. Pension Commitments (continued)

Changes in the market value of assets

Group and Company	31 December 2012 £m	31 March 2012 £m
Market value of assets at the beginning of the period / year	**720.5**	705.5
Expected return	**25.7**	39.7
Contributions from employer	**13.8**	15.6
Contributions from scheme members	**0.2**	0.2
Benefits paid	**(33.8)**	(44.6)
Actuarial (loss) / gain	**(3.5)**	3.4
Net transfer of assets in respect of former employees	**-**	0.7
Market value of assets at the end of the period / year	**722.9**	720.5

Changes in the actuarial value of liabilities

Group and Company	31 December 2012 £m	31 March 2012 £m
Actuarial value of liabilities at the beginning of the period / year	**826.3**	746.1
Interest cost	**29.0**	41.0
Current service cost	**1.8**	2.0
Curtailment loss	**0.1**	0.2
Contributions from scheme members	**0.1**	0.2
Benefits paid	**(33.8)**	(44.6)
Actuarial loss	**39.6**	81.4
Actuarial value of liabilities at the end of the period / year	**863.1**	826.3

Following completion of the sale of the Company by Viridian in December 2010, Viridian Group Pension Scheme (VGPS) changed its name to NIEPS and most members of the scheme who were employed by subsidiary undertakings of the Viridian Group transferred to a new pension scheme. The net transfers of assets and liabilities in respect of former employees reflect the reallocation to the Group of scheme assets and liabilities which were previously allocated to other Viridian Group undertakings, net of assets and liabilities transferred to the new Viridian pension scheme. A net gain of £0.7m in respect of the finalisation of this transfer was recognised in the income statement in the year to 31 March 2012.

The Group expects to make contributions of c£18.8m to Focus in 2013.

The Group's share of NIEPS service costs is allocated based on the pensionable payroll. Contributions from employer, interest cost, asset returns and experience gains or losses are allocated based on the Group's share of the NIEPS net pension liability.

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

Group and Company	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Current service cost	**(1.8)**	(2.0)
Curtailment loss	**(0.1)**	(0.2)
Net gain arising on transfer of assets and liabilities in respect of former employees	**-**	0.7
Total operating charge	**(1.9)**	(1.5)

Focus has been closed to new members since 1998 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.

21. Pension Commitments (continued)

Analysis of the amount charged to net pension scheme interest

Group and Company	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Expected return on assets	25.7	39.7
Interest on liabilities	(29.0)	(41.0)
Net pension scheme interest	(3.3)	(1.3)

The actual return on Focus assets was £22.2m (year ended 31 March 2012 - £43.1m).

Analysis of amounts recognised in the Statement of Comprehensive Income

Group and Company	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Actuarial (loss) / gain on assets	(3.5)	3.4
Actuarial loss on liabilities	(39.6)	(81.4)
Net actuarial loss	(43.1)	(78.0)

The cumulative actuarial losses recognised in the Group and Company Statements of Comprehensive Income since 1 April 2004 are £70.3m and £76.2m respectively (31 March 2012 – £27.2m and £33.1m respectively). The directors are unable to determine how much of the net pension liability recognised on transition to IFRS and taken directly to equity is attributable to actuarial gains and losses since the inception of Focus. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Statement of Comprehensive Income shown before 1 April 2004.

History of experience gains and losses

	9 months to 31 December 2012 £m	Years ended 31 March 2012 £m	2011 £m	2010 £m	2009 £m
Group					
Experience (losses) / gains on assets	(3.5)	3.4	163.4	88.4	(92.6)
Experience losses on liabilities	(15.6)	(0.4)	-	(3.6)	(0.7)
Company					
Experience (losses) / gains on assets	(3.5)	3.4	163.4	88.4	(90.9)
Experience losses on liabilities	(15.6)	(0.4)	-	(3.6)	(0.7)

	31 December 2012 £m	31 March 2012 £m	2011 £m	2010 £m	2009 £m
Market value of assets	722.9	720.5	705.5	544.4	449.9
Actuarial value of liabilities	(863.1)	(826.3)	(746.1)	(680.6)	(527.8)
Net pension liability	(140.2)	(105.8)	(40.6)	(136.2)	(77.9)

22. Share Capital and Equity

	31 December 2012 £m	31 March 2012 £m
Share capital	**36.4**	36.4
Share premium	**24.4**	24.4
Capital redemption reserve	**6.1**	6.1
Accumulated profits	**135.9**	125.6
	202.8	192.5

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

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

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

Allotted and fully paid share capital:	**31 December 2012 £m**	31 March 2012 £m
145,566,431 ordinary shares of 25p each	**36.4**	36.4

23. Lease Obligations

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

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

	31 December 2012 £m	31 March 2012 £m
Within one year	**0.4**	0.5
After one year but not more than five years	**0.3**	0.9
More than five years	**1.0**	1.3
	1.7	2.7

24. Commitments and Contingent Liabilities

(i) Capital commitments

At 31 December 2012 the Group and Company had contracted future capital expenditure in respect of property, plant and equipment of £6.1m (31 March 2012 - £6.2m) and computer software assets of £1.8m (31 March 2012 - £4.3m).

(ii) Contingent liabilities

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 20) 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.

25. Financial Commitments

In June 2011 NIE Finance PLC, a subsidiary undertaking of the Company, issued a £400m bond on behalf of the Company. The Bond has been admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market. The payments of all amounts in respect of the £400m bond are unconditionally and irrevocably guaranteed by the Company.

26. Related Party Disclosures

Remuneration of key management personnel

The compensation paid to key management personnel is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Key management personnel of the Group comprise the directors of the Company and the executive team. The composition in the prior year's accounts was deemed to be the directors of the Company and the Company Secretary and has been restated below to reflect the revised composition.

	9 months to 31 December 2012 £m	Year to 31 March 2012 £m
Salaries and short-term employee benefits	**1.0**	1.6
Post employment benefits	**0.2**	0.2
Other long-term benefits	**0.1**	-
	1.3	1.8

Group

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

A full list of the subsidiary undertakings of ESB are included in its accounts.

Related parties of the Company also include the subsidiaries listed in note 17.

26. Related Party Disclosures (continued)

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

Group

	Interest (paid)/ received £m	Revenue from related party £m	Charges from related party £m	Other transactions with related party £m	Amounts owed by related party at 31 December / 31 March £m	Amounts owed to related party at 31 December / 31 March £m
Period to 31 December 2012						
ESBNI	**-**	**-**	**-**	**1.4**	**-**	**-**
ESB subsidiaries	**-**	**14.8**	**(46.7)**	**0.8**	**3.2**	**9.8**
	-	**14.8**	**(46.7)**	**2.2**	**3.2**	**9.8**
Year to 31 March 2012						
ESBNI	(1.6)	-	-	(359.7)	-	-
ESB subsidiaries	-	23.5	(59.3)	-	1.6	7.3
	(1.6)	23.5	(59.3)	(359.7)	1.6	7.3

Outstanding balances with subsidiaries are unsecured. Current account balances are settled on a monthly basis. Amounts owed to related parties primarily arise from transactions relating to regulated sales and services purchased from ESB subsidiaries. Transactions with ESB group undertakings are determined on an arm's length basis.

Other transactions with ESBNI primarily reflect the repayment of intercompany loans. The impact of swap arrangements entered into during the prior year, as explained in note 16, was offset by a corresponding increase in intercompany funding.

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

Company

	Interest (paid)/ received £m	Revenue from related party £m	Charges from related party £m	Other transactions with related party £m	Amounts owed by related party at 31 December / 31 March £m	Amounts owed to related party at 31 December / 31 March £m
Period to 31 December 2012						
Company's subsidiaries	**(19.1)**	**-**	**-**	**-**	**-**	**412.8**
ESBNI	**-**	**-**	**-**	**1.4**	**-**	**-**
ESB subsidiaries	**-**	**14.8**	**(46.7)**	**0.8**	**3.2**	**9.8**
	19.1	**14.8**	**(46.7)**	**2.2**	**3.2**	**422.6**
Year to 31 March 2012						
Company's subsidiaries	(21.2)	-	-	-	-	419.1
ESBNI	(1.6)	-	-	(359.7)	-	-
ESB subsidiaries	-	23.5	(59.3)	-	1.6	7.3
	(22.8)	23.5	(59.3)	(359.7)	1.6	426.4

Amounts owed by the Company to related parties at 31 December 2012 include the £400m loan and the associated interest.

Other related parties

During the period the Company contributed £14.2m (year ended 31 March 2012 - £16.0m) to NIEPS.