

Registered number: 05879138

El Ventures Limited
31 March 2013

Annual Report and Accounts

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EI VENTURES LIMITED

GENERAL INFORMATION

Directors

Henry Thompson
Thor Johnsen
Asim Zafar (resigned 27 July 2012)

Company Secretary

Alwyn Whitford

Company Number

05879138

Registered Office

15 Sloane Square
London
SW1W 8ER

Auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

EI VENTURES LIMITED

DIRECTORS' REPORT

The directors of EI Ventures Limited (the Company) present their report and accounts for the year ended 31 March 2013

The parent undertaking of the smallest and largest group of which the Company is a member and for which group accounts are prepared is Viridian Group Investments Limited and Viridian Group Holdings Limited respectively. A copy of the group accounts of Viridian Group Holdings Limited is available from the Company Secretary, c/o Greenwood House, 64 Newforge Lane, Belfast, BT9 5NF. A copy of the group accounts of Viridian Group Investments Limited is available from the Viridian Group website www.viridiangroup.co.uk under the 'Investor Relations' tab.

Directors

The directors of the Company are listed on page 2. Asim Zafar resigned from office on 27 July 2012. Henry Thompson and Thor Johnsen held office throughout the year.

Principal Activities, Results and Review of the Business

The Company is the holding company for the UK businesses of the Viridian Group Holdings Limited group of companies (Viridian). The results show a loss after tax of £55.7m (2012 – loss of £67.8m) primarily reflecting a dividend received from subsidiary undertakings of £8.2m (2012 – £nil).

Following the refinancing of the wider Viridian Group on 14 March 2012, the Company's borrowings were restructured with effect from 1 April 2012 to reflect the new financing structure in place. This restructuring was such that the £250.0m PIK Notes 2026 and £123.8m of the £250.0m Loan notes 2060 were waived in full by Viridian Group Fundco III Limited, the Company's immediate parent. The balance of the Loan notes 2060 £126.2m was settled in exchange for novation to Viridian Group Fundco III Limited of an intercompany loan receivable owed to the Company by a fellow subsidiary undertaking. The interest rate on the £320.0m loan notes was amended to a fixed rate of 12%.

Interest receivable on loans to group undertakings decreased from £28.8m to £26.3m primarily reflecting changes in the Company's borrowing structure.

The directors do not presently expect the activities of the Company to change significantly within the foreseeable future.

Risk Management and Principal Risks and Uncertainties

The Company's liquidity, funding, investment and financial risk, including interest rate risk, is managed by the Viridian group treasury function. The objective of Viridian group treasury is to manage risk at optimum cost. A continuous forecasting and monitoring process is in place to manage risk.

Capital management and liquidity risk

The Company is financed through a combination of equity and debt finance. The Company's equity is detailed in note 12 to the accounts. Debt finance at 31 March 2013 comprised loans from group undertakings which are repayable on demand and loan notes held by the Company's immediate parent undertaking which mature in 2037.

EI VENTURES LIMITED

DIRECTORS' REPORT (continued)

Capital management and liquidity risk (continued)

The Company's net debt is outlined in the table below

At 31 March	2013 £m	2012 £m
Loan amounts owed by group undertakings	550.1	576.6
Loan amounts owed to group undertakings falling due within one year	(1,583.9)	(1,436.4)
2037 loan notes held by parent undertaking	(320.0)	(320.0)
2026 PIK notes held by parent undertaking	-	(250.0)
2060 loan notes held by parent undertaking	-	(250.0)
Net debt	(1,353.8)	(1,679.8)

The maturity profile of the Company's financial liabilities is detailed within note 10 to the accounts

The main sources of liquidity for the Company are loans from group undertakings, interest receivable on loans to group undertakings and dividend income. The Company's liquidity risk in respect of loans from group undertakings is managed through the preparation of cash flow forecasts and discussions with Viridian's treasury function regarding the level of intercompany funding required. Loans with group undertakings are adjusted on a daily basis to meet the Company's cash requirement.

In relation to equity, the Company's policy is to finance equity dividends from accumulated profits.

Interest rate risk

The borrowings of the Company are denominated in Sterling. Loan amounts owed to group undertakings falling due within one year carry a variable interest rate based on LIBOR. Details of interest payable on the PIK and loan notes held by a parent undertaking are disclosed in note 10 to the accounts.

The Company has no derivative financial instruments in respect of interest. Interest rate exposure is managed by Viridian at the group level.

At 31 March	2013 £m	2012 £m
Net debt fixed/floating analysis:		
Fixed rate debt	(320.0)	(500.0)
Variable rate net debt	(1,033.8)	(1,179.8)
	(1,353.8)	(1,679.8)

Credit risk

Given that the Company's current assets relate to amounts owed by group undertakings, the directors do not consider that the Company is exposed to significant credit risk in respect of its current assets. The maximum credit risk exposure relating to current assets is represented by the carrying values as at the balance sheet date. Credit risks arising from the Company acting as guarantor are disclosed in note 13 to the accounts.

Foreign currency risk

None of the Company's financial instruments are denominated in a foreign currency and therefore the Company has no exposure to foreign currency risk.

EI VENTURES LIMITED

DIRECTORS' REPORT (continued)

Going concern

The Company's business activities, together with principal risk and uncertainties likely to affect its future performance are described above. The Company is financed by intercompany loans and interest on intercompany loans funded from financing facilities within the Viridian Group group of companies. In accordance with Viridian Group treasury policy these intercompany loans are payable on demand. The Company's forecast and projections, taking into account possible changes in performance, show that the Company is reliant on adequate financial resources being made available by the Viridian Group to enable the Company to continue for the foreseeable future.

As noted in last year's annual report, Arcapita Bank B S C (c)¹ ("Arcapita") together with five affiliated companies ("the Filing Debtors") filed petitions under Chapter 11 of the US Bankruptcy Code on 19 March 2012. No member of the Viridian Group or its immediate shareholder is a Filing Debtor. Following completion of its refinancing in March 2012, the Group is not financially dependent on Arcapita or any other Filing Debtor. On 16 April 2013 Arcapita filed a Plan of Reorganisation ("the Plan") which has the support of the Official Committee of Unsecured Creditors and an ad-hoc group of significant creditors. Creditors voted on whether or not to accept the Plan on 30 May 2013 with the results of that vote expected to be confirmed on 11 June 2013. On the basis of their enquiries and input from the Group's advisors, the director do not expect that the on-going Chapter 11 process will adversely impact the Group's borrowing facilities.

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

Charitable and Political Donations

There were no contributions for charitable or political purposes during the year (2012 - £nil).

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 Company's auditors, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Appointment of Auditors

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

¹ As referred to in note 15 to the accounts

EI VENTURES LIMITED

DIRECTORS' REPORT (continued)

Statement of Directors' Responsibilities in Respect of the Accounts

The directors are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Alwyn Whitford
Company Secretary

Registered office
15 Sloane Square
London SW1W 8ER

Registered Number 05879138

Date 6 June 2013

INDEPENDENT AUDITORS' REPORT

To the members of EI Ventures Limited

We have audited the accounts of EI Ventures Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 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 Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify any material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the accounts

In our opinion the accounts

- give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

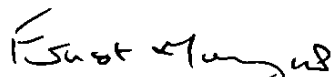
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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.



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

Date 11 Jan 2013

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2013

	Note	2013 £m	2012 £m
Administrative expenses		(3 0)	(3 0)
Other operating income		1 2	1 4
OPERATING LOSS	3	(1 8)	(1 6)
Dividend income received		8 2	-
Impairment of investments in subsidiary undertakings	7	-	(2 9)
PROFIT/(LOSS) BEFORE INTEREST AND TAX		6 4	(4 5)
Interest receivable	4	26 3	28 8
Interest payable and similar charges	4	(102 8)	(102 9)
Net interest payable		(76 5)	(74 1)
LOSS BEFORE TAX		(70 1)	(78 6)
Tax credit	6	14 4	10 8
LOSS FOR THE FINANCIAL YEAR		(55 7)	(67 8)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2013

	Note	2013 £m	2012 £m
LOSS FOR THE FINANCIAL YEAR		(55 7)	(67 8)
Prior year adjustment in 2012 – additional impairment of investment in subsidiary undertaking	7	-	(9 0)
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		(55 7)	(76 8)

BALANCE SHEET

as at 31 March 2013

	Note	2013 £m	2012 £m
Fixed assets			
Investment in subsidiaries	7	<u>1,171 1</u>	<u>1,171 1</u>
Current assets			
Debtors - due within one year	8	569.4	588 8
Creditors (amounts falling due within one year)	9&10	<u>(1,585 4)</u>	<u>(1,437 9)</u>
Net current liabilities		<u>(1,016 0)</u>	<u>(849 1)</u>
Total assets less current liabilities		155 1	322 0
Creditors (amounts falling due after more one year)	9&10	<u>(320 0)</u>	<u>(820 0)</u>
NET LIABILITIES		<u>(164 9)</u>	<u>(498 0)</u>
Capital and reserves			
Called up share capital	11	10 0	10 0
Capital contribution reserve	12	388 8	-
Profit and loss account	12	<u>(563 7)</u>	<u>(508 0)</u>
TOTAL EQUITY		<u>(164 9)</u>	<u>(498 0)</u>

The accounts were approved by the Board of directors and authorised for issue on 6 June 2013
They were signed on its behalf by

Thor Johnsen
Director

Date 6 June 2013

NOTES TO THE ACCOUNTS

1. General Information

El Ventures Limited is a limited company incorporated and domiciled in Great Britain

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

The Company is not required to prepare group accounts under Section 401(1)(a) of the Companies Act 2006 as it is a wholly owned subsidiary of Viridian Group Holdings Limited, a company incorporated in the Cayman Islands. The Company and its subsidiary undertakings are included in that company's consolidated accounts which are deemed to meet the equivalence requirements of Section 401(2)(b). The accounts therefore present information in respect of the Company as an individual undertaking and not its group.

2. Accounting Policies

Applicability of going concern basis

The Company is financed by intercompany loans and interest on intercompany loans funded from financing facilities within the Viridian Group group of companies. In accordance with Viridian Group treasury policy these intercompany loans are payable on demand. The Company's forecast and projections, taking into account possible changes in performance, show that the Company is reliant on adequate financial resources being made available by the Viridian Group to enable the Company to continue for the foreseeable future.

As noted in last year's annual report, Arcapita together with five Filing Debtors filed petitions under Chapter 11 of the US Bankruptcy Code on 19 March 2012. No member of the Viridian Group or its immediate shareholder is a Filing Debtor. Following completion of its refinancing in March 2012, the Group is not financially dependent on Arcapita or any other Filing Debtor. On 16 April 2013 Arcapita filed a Plan of Reorganisation ("the Plan") which has the support of the Official Committee of Unsecured Creditors and an ad-hoc group of significant creditors. Creditors voted on whether or not to accept the Plan on 30 May 2013 with the results of that vote expected to be confirmed on 11 June 2013. On the basis of their enquiries and input from the Group's advisors, the directors do not expect that the on-going Chapter 11 process will adversely impact the Group's borrowing facilities.

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

The principal accounting policies are set out below.

Investments in subsidiaries

The Company recognises its investments in subsidiaries at cost. The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Financial instruments

Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recorded at cost, being the proceeds received net of direct issue costs. Finance charges and direct issue costs are accounted for on an accruals basis to the profit and loss account using the effective interest rate method and to the extent that they are not settled in the period in which they arise are included in loan amounts owed to group undertakings.

NOTES TO THE ACCOUNTS

2. Accounting Policies (continued)

Loan receivables

Loan receivables are initially recorded at cost. After initial recognition, loan receivables are measured at amortised cost using the effective interest method.

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.

Tax

The tax charge represents the sum of tax currently payable and is charged or credited in the profit and loss account. Tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Income from shares in group undertakings

Income from shares in group undertakings is recognised when the Company's right to receive payment is established.

Dividends

Final dividends are recorded in the Company's accounts in the period in which shareholder approval is obtained. Interim dividends are recorded in the period in which they are paid.

Cash flow statement

The Company has taken advantage of the exemption of the requirement to prepare a cash flow statement under Financial Reporting Standard 1 'Cash Flow Statements' as it is a wholly owned subsidiary of Viridian Group Holdings Limited and is included in that company's consolidated accounts.

3. Operating Loss

	2013 £m	2012 £m
Operating losses are analysed as follows		
Administration costs	3.0	3.0
Less recharged to group undertakings	(1.2)	(1.4)
	<u>1.8</u>	<u>1.6</u>

4. Net Interest Payable

	2013 £m	2012 £m
Interest receivable		
Loan amounts owed by group undertakings	<u>26.3</u>	<u>28.8</u>
Interest payable and similar charges		
Loan amounts owed to group undertakings falling due within one year	(64.4)	(55.0)
2026 PIK notes held by parent undertaking	-	(30.0)
2037 loan notes held by parent undertaking	<u>(38.4)</u>	<u>(17.9)</u>
	<u>(102.8)</u>	<u>(102.9)</u>
Net interest payable	<u>(76.5)</u>	<u>(74.1)</u>

NOTES TO THE ACCOUNTS

5. Directors' Remuneration, Employees and Auditors' Remuneration

No remuneration was paid to the directors of the Company during the year in respect of qualifying services (2012 - £nil). The average number of employees, excluding directors, employed by the Company during the year was nil (2012 - nil).

The following remuneration was paid to the Company's auditors in respect of services to the Company and its UK subsidiary undertakings as follows

	2013 £'000	2012 £'000
Fees payable to the Company's auditor for the audit of the Company's accounts	10	10
The audit of the Company's subsidiaries pursuant to legislation	110	110
Fees payable to the Company's auditor and its associates for other services (all in respect of subsidiaries)		
- audit related assurance services	2	129
- tax compliance services	12	22
- tax advisory services	5	-
	19	151

6. Tax Credit

(i) Analysis of credit in the year

	2013 £m	2012 £m
Tax on loss on ordinary activities		
<i>Current tax credit</i>		
Group relief receivable - current year	14.7	7.3
Group relief receivable - prior year	(0.3)	3.5
Tax credit on ordinary activities	14.4	10.8

(ii) Reconciliation of current tax credit

	2013 £m	2012 £m
Loss before tax credit	(70.1)	(78.6)
Accounting loss multiplied by the UK standard rate of corporation tax of 24% (2012 - 26%)	16.8	20.4
Non taxable dividend income from subsidiary undertaking	2.0	-
Non taxable impairment of investments in subsidiary undertakings	-	(0.7)
Tax losses not utilised	0.1	(4.5)
Interest expense not deductible	(4.2)	(7.9)
Corporation tax (under)/overprovided in previous years	(0.3)	3.5
Current tax credit for the year	14.4	10.8

NOTES TO THE ACCOUNTS

6. Tax Credit

(ii) Reconciliation of current tax credit

The deferred tax asset not recognised in the Balance Sheet largely due to uncertainty in respect of future earnings of the Company is comprised as follows

	2013 £m	2012 £m
Tax losses carried forward	<u>14 8</u>	<u>10 8</u>

Unrecognised deferred tax has been calculated at 23% as at 31 March 2013 reflecting HMRC enactment, in March 2013, of a reduction in the corporation tax rate effective from 6 April 2013

HM Treasury have announced their intention for the main rate of corporation tax to decrease to 20% by 2015, through reductions of 1% per annum over the next two years. This decrease in rates is not enacted at the balance sheet date. A decrease in the rate to 20% would reduce the unrecognised deferred tax asset at 31 March 2013 to £12.9m

7. Investments

	Subsidiary undertakings £m
Cost	
At 1 April 2012 and 31 March 2013	<u>1,785 3</u>
Provision for impairment	
At 1 April 2012 and 31 March 2013	<u>614 2</u>
Net book value at 1 April 2012 and 31 March 2013	<u>1,171 1</u>

Details of the principal investments in which the Company or its subsidiaries held 100% of the ordinary shares at 31 March 2013 were as follows

Subsidiary undertakings	Place of incorporation	Nature of business
ElectricInvest Acquisitions Ltd	Great Britain *	Holding company
ElectricInvest Holding Company Ltd	Great Britain	Holding company
Power NI Ltd	Northern Ireland *	Power procurement and supply of electricity
Viridian Capital Ltd	Northern Ireland *	Holding company
Viridian Energy Supply Ltd (trading as Energia)	Northern Ireland *	Energy supply
Viridian Enterprises Ltd	Northern Ireland *	Holding company
Viridian Group Ltd	Northern Ireland	Holding company
Viridian Insurance Ltd	Isle of Man *	Insurance
Viridian Power and Energy Ltd	Northern Ireland *	Holding company
Viridian Power Resources Ltd	Northern Ireland *	Holding company
Viridian Properties Ltd	Northern Ireland *	Property

* held by a subsidiary undertaking

In preparing the 2011 accounts the directors considered the carrying value of the Company's investment in ElectricInvest Holding Company Limited and an impairment was made reflecting the non recognition of deferred tax assets by ElectricInvest Holding Company Limited's only subsidiary undertaking, which had previously been assumed in the 2010 impairment review. When making this assessment the directors did not recognise the impact of interest rate swap close out costs associated with the refinancing of the wider Viridian Group and in particular the subsidiary undertaking of ElectricInvest Holding Company Limited. Whilst these costs were incurred in 2011/12, the circumstances giving rise to them occurred prior to the authorisation of the 2011 accounts. Consequently, the comparative financial information in the 2012 accounts in respect of 2011 was restated to correct for the effects of this error.

NOTES TO THE ACCOUNTS

7. Investments (continued)

The effects of the restatement on those financial statements is summarised below	2012 £m
Increase in provision for impairment of investment in subsidiary undertaking	(9 0)
Increase in loss for the financial year	(9 0)

In preparing the 2012 accounts the directors further considered the recoverable value of the Company's investment in ElectricInvest Holding Company Limited and assessed that the investment was impaired by a further £2 9m reflecting losses made by the subsidiary in that financial year

8. Debtors

	2013 £m	2012 £m
Amounts falling due within one year:		
Loan amounts owed by group undertakings	550 1	576 6
Group relief receivable	14 8	3 6
Other amounts owed by group undertakings	4 5	8 6
	<u>569 4</u>	<u>588 8</u>

9. Creditors

	2013 £m	2012 £m
Amounts falling due within one year		
Accruals	1 5	1 5
Loan amounts owed to group undertakings	<u>1,583 9</u>	<u>1,436 4</u>
	<u>1,585 4</u>	<u>1,437 9</u>
Amounts falling due after more than one year		
Loan notes held by parent undertaking (see note 10)	<u>320 0</u>	<u>820 0</u>

10. Loans

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

	2013 £m	2012 £m
In one year or less or on demand	1,583 9	1,436 4
In more than five years	<u>320 0</u>	<u>820 0</u>
	<u>1,903 9</u>	<u>2,256 4</u>

Details of amounts not wholly repayable within five years are as follows

	2013 £m	2012 £m
Loan notes 2037	320 0	320 0
£250m PIK notes 2026	-	250 0
£250m loan notes 2060	-	250 0
	<u>320 0</u>	<u>820 0</u>

NOTES TO THE ACCOUNTS

10. Loans (continued)

The principal features of amounts not wholly repayable within five years are as follows

- £320 0m loan notes repayable are held by Viridian Group Fundco III Limited, the Company's immediate parent undertaking. These were issued at nominal value on 19 December 2007 for cash consideration and are repayable in 2037. With effect from 1 April 2012 the interest rate on the loan notes was amended to a fixed rate of 12%. Prior to this the loan notes attracted interest at a floating rate based on LIBOR plus margin of 4.5%.
- £250 0m PIK notes were issued at nominal value on 7 December 2006 for cash consideration and were repayable in 2026 with a fixed interest rate of 12%. With effect from 1 April 2012 the PIK notes were waived by Viridian Group Fundco III together with £15 0m PIK interest payable.
- £250m loan notes were issued at nominal value on 7 December 2006 for cash consideration. With effect from 1 April 2012 £123.8m of the loan notes were waived by Viridian Group Fundco III Limited. On 31 March 2013 the remaining £126.2m of the loan notes were settled in exchange for novation to Viridian Group Fundco III Limited of an intercompany loan receivable owed to the Company by a fellow subsidiary undertaking. The loan notes were originally repayable in 2060 with a fixed interest rate of 40%. The Company was obliged to pay interest on the loan note only to the extent that it had sufficient cash available on each six monthly interest payment date after taking into account any obligation of the Company to pay interest on the PIK notes. Any interest unpaid on an interest payment date ceased to be an obligation of the Company.

11. Share Capital

Allotted and fully paid

	Ordinary shares Number	Ordinary shares £
At 31 March 2012 and 31 March 2013	<u>10,000,000</u>	<u>10,000,000</u>

12. Reconciliation of Shareholders' Funds and Movements in Reserves

	Share capital £m	Capital contribution reserve £m	Profit and loss account £m	Total £m
At 1 April 2012	10.0	-	(508.0)	(498.0)
Capital contribution received	-	388.8	-	388.8
Total recognised gains and losses relating to the year	-	-	(55.7)	(55.7)
At 31 March 2013	<u>10.0</u>	<u>388.8</u>	<u>(563.7)</u>	<u>(164.9)</u>

The Company received a capital contribution of £388.8m during the year as a result of Viridian Group Fundco III Limited, the Company's immediate parent, waiving their right to £250 0m PIK Notes 2026, £15 0m PIK note interest accrued and £123.8m Loan notes 2060 payable to them from the Company (see note 10).

NOTES TO THE ACCOUNTS

13. Guarantees and Other Financial Commitments

The Company has granted a first ranking fixed and floating charge over its assets and acts as a guarantor in respect of its intermediate parent company, Viridian Group Investments Limited and its subsidiaries, under its senior secured notes and senior revolving credit facility. At 31 March 2013 £392.5m (2012 - £380.9m) was outstanding under the senior secured notes and £nil (2012 - £55.0m) was outstanding under the senior revolving credit facility.

The security and guarantees granted by the Company also extend to interest rate and cross currency swaps entered into by Viridian Group Investments Limited and its subsidiaries in respect of borrowings under the senior secured notes. At 31 March 2013 these swaps had a fair value of £0.9m in the money (2012 - £8.5m out of the money).

14. Financial Instruments

An explanation of the Company's objectives, policies and strategies in respect of financial instruments can be found in the risk management and principal risks and uncertainties section of the Directors' Report.

Financial assets

All financial assets are Sterling floating rate assets and comprise loans to group undertakings earning interest based on LIBOR.

Financial liabilities

Interest rate and currency profile

	Total financial liabilities £m	Total floating rate £m	Total fixed rate £m	Weighted average interest rate %	Weighted average period for which rate is fixed Years
As at 31 March 2013	1,903.9	1,583.9	320.0	12.0%	24.0
As at 31 March 2012	2,256.4	1,756.4	500.0	12.0%	14.0

All financial liabilities are denominated in Sterling. Floating rate financial liabilities include loans from group undertakings bearing interest based on LIBOR.

Fair value

The estimated fair values of the Company's financial assets and liabilities are as follows:

	Note	Carrying amount		Fair value	
		2013 £m	2012 £m	2013 £m	2012 £m
Assets					
Loans to group undertakings	1	550.1	576.6	550.1	576.6
Liabilities					
Loans from group undertakings	1	(1,583.9)	(1,436.4)	(1,583.9)	(1,436.4)
Long-term debt with group undertaking	2	(320.0)	(820.0)	(320.0)	(570.9)
		<u>(1,903.9)</u>	<u>(2,256.4)</u>	<u>(1,903.9)</u>	<u>(2,007.3)</u>

- The fair value of loans has been calculated by discounting the expected future cash flows at prevailing interest rates.
- The fair value of long-term debt has been valued by calculating the present value of future cash flows, estimated using forward rates from third party market price quotations. The present value of future cash flows on fixed rate debt have been discounted using a rate of 12.0% (2012 - 12.0%).

NOTES TO THE ACCOUNTS

15. Related Party Transactions

The immediate parent undertaking of the Company is Viridian Group Fundco III Limited. The parents of the smallest and largest groups of which the Company is a member and for which group accounts are prepared are Viridian Group Investments Limited and Viridian Group Holdings Limited respectively, both of which are incorporated in the Cayman Islands. A copy of the group accounts of Viridian Group Holdings Limited is available from the Company Secretary, c/o Greenwood House, 64 Newforge Lane, Belfast BT9 5NF. A copy of the group accounts of Viridian Group Investments Limited is available on the Viridian Group website www.viridiangroup.co.uk under the 'Investor Relations' tab.

The ultimate parent undertaking of the Company is ElectricInvest Investments Limited, a company incorporated in the Cayman Islands.

The controlling party of the Company, as defined Financial Reporting Standard 8, Related Party Disclosures (FRS 8), is Arcapita Bank B S C (c), a company incorporated in the Kingdom of Bahrain.

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

During the year the Company was charged £3.0m (2012 - £3.0m) by Arcapita Ltd (a company incorporated in Great Britain) in respect of strategic advisory services provided by Arcapita Ltd. Arcapita Ltd's ultimate parent undertaking and controlling party, as defined by FRS 8 is Arcapita Bank B S C (c), a company incorporated in the Kingdom of Bahrain.

Viridian Group Holdings Limited

Annual Report and Accounts
For the year ended 31 March 2013



THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 5879138.....



COMPANIES HOUSE

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GROUP FINANCIAL HIGHLIGHTS

Underlying Business Results¹

- Group pro-forma Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) decreased to £99.3m³ (2012 - £113.7m)³
- Group pro-forma operating profit decreased to £80.9m (2012 - £89.3m)

UK GAAP Results²

- Turnover decreased to £1,603.7m (2012 - £1,731.0m)
- Operating profit before goodwill amortisation increased to £77.3m (2012 - £74.7m)

¹ Based on regulated entitlement and before goodwill amortisation and exceptional items

² Before exceptional items

³ Pro-forma operating profit (pre exceptional items) £80.9m (2012 - £89.3m) with an add-back for depreciation/amortisation £18.4m (2012 - £24.4m)

DIRECTORS' REPORT

OPERATING REVIEW

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

Principal Activities

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

- **Energia Group** - a vertically integrated energy business consisting of competitive electricity supply to business customers in both Northern Ireland and the Republic of Ireland (RoI) through Energia, its retail supply business, backed by electricity generation from its two Huntstown CCGT plants, and long-term Power Purchase Agreements (PPAs) with third-party renewable generators (including wind generation assets in which the Group has an equity interest). The Energia Group also supplies natural gas to business customers, principally in the RoI, and
- **Power NI Energy** - supply of electricity primarily to residential customers in Northern Ireland through Power NI and power procurement through PPB

Strategy

The Group's strategy is focused on leveraging its integrated business model to maintain and enhance its position as a leading independent all-island energy utility and to capture available margin arising in all parts of the value chain in all its businesses, both regulated and unregulated. The Group continually seeks opportunities for margin improvement and will look for growth through complementary acquisition opportunities. Management continues to focus on five strategic objectives which underpin Viridian's strategy

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

Key Performance Indicators

The Group has determined that the following key performance indicators (KPIs), covering both financial and operational performance, are the most effective measures of progress towards achieving the Group's objectives

Financial KPIs

The financial KPIs are

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

The Group's financial KPIs are shown below

	2013 £m	2012 £m
Energia Group EBITDA excluding wind farm assets (pre exceptional items) ¹	76.9	85.9
Energia Group operating profit excluding wind farm assets (pre exceptional items) ²	60.7	64.0
Power NI Energy pro-forma EBITDA ³	25.8	25.3
Power NI Energy pro-forma operating profit ⁴	23.6	25.3

¹ As shown in note 3 to the accounts excluding EBITDA from renewable windfarm assets £0.3m loss (2012 – £5.4m profit)

² Energia Group EBITDA (pre exceptional items) £76.6m (2012 - £91.3m) less depreciation/amortisation £16.2m (2012 - £24.4m) excluding operating losses from renewable windfarm assets £0.3m (2012 – operating profit £2.9m)

³ As shown in note 3 to the accounts

⁴ Power NI Energy pro-forma EBITDA (pre exceptional items) £25.8m (2012 - £25.3m) less depreciation/amortisation £2.2m (2012 - £nil)

Energia Group EBITDA excluding wind farm assets (pre exceptional items) decreased to £76.9m (2012 - £85.9m) primarily reflecting lower Huntstown plant utilisations as a result of the coal/gas price switch (as explained in the Energia Group business review) and the commencement of commercial operation of the East/West Interconnector together with the adverse impact of foreign exchange due to the strengthening of Sterling to Euro during the year. These adverse variances have been partly offset by increased profitability from renewable PPAs resulting from higher contracted capacity together with higher retail margins.

Energia Group operating profit excluding wind farm assets (pre exceptional items) decreased to £60.7m (2012 - £64.0m) for the reasons outlined above for EBITDA partly offset by lower depreciation charged in the year primarily due to the timing of Huntstown plant outages and the accelerated depreciation on replaced fixed assets at Huntstown 1 in 2012.

Power NI Energy pro-forma EBITDA increased to £25.8m (2012 - £25.3m) reflecting higher regulated entitlement associated with the allowed regulated return on its new billing system assets after the system went live in May 2012 and higher small scale renewable PPA margins partly offset by higher operating costs primarily arising from additional resources required for the operation of the new billing system together with lower regulated entitlement.

associated with lower regulated customer numbers and lower average customer consumption

Power NI Energy pro-forma operating profit decreased to £23.6m (2012 - £25.3m) reflecting the increase in EBITDA discussed above offset by the depreciation of assets relating to the new billing system

Operational KPIs

The operational KPIs are

Energia Group

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

Power NI

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

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

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

Regulation and Legislation

Northern Ireland

The electricity industry in Northern Ireland is governed principally by the Electricity (Northern Ireland) Order 1992 (the 1992 Order) and by the conditions of the licences which have been granted under the 1992 Order. The 1992 Order has been amended by subsequent legislation including the Energy (Northern Ireland) Order 2003 (the 2003 Order) and most recently, the Electricity Regulations (Northern Ireland) 2007, the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 (the SEM Order) and the Gas and Electricity (Internal Markets) Regulations (Northern Ireland) 2011

Regulators

Northern Ireland Authority for Utility Regulation (Utility Regulator) and the Department of Enterprise, Trade and Investment (DETI) are the principal regulators. Each is given specific powers, duties and functions under the relevant legislation. The functions of the Utility

Regulator include licensing (pursuant to a general authority given by DETI) and the general supervision and enforcement of the licensing regime. DETI's functions include licensing, the giving of consents for new power stations and overhead lines, fuel stocking, the encouragement of renewable generation and the regulation of matters relating to the quality and safety of electricity supply.

Regulators' objectives and duties

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

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

Competition in electricity generation and supply

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

In its March 2013 budget statement the UK Government confirmed that it has exempted electricity generators in Northern Ireland from the Carbon Floor Price from 1 April 2013.

The retail market in Northern Ireland is fully open to competition. Approximately 82% (2012 – 84%) of non-residential consumption is supplied by suppliers other than Power NI. Approximately 25% (2012 – 11%) of residential consumption is supplied by competitors of Power NI.

Licences

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

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

Energia

Energia's supply licence requires it to

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

Power NI Energy

Power NI Energy's licence requires it to

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

Licence conditions applicable to PPB require it to

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

Power NI Energy's licence requires it to establish, and at all times maintain, the full managerial and operational independence of PPB from other businesses within the

Group PPB's compliance plan sets out the practices, procedures, systems and rules of conduct to ensure compliance with this licence condition

Licence compliance, modification, termination and revocation

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

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

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

Price controls

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

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

Utility Regulator final determination on Northern Ireland Electricity price control

On 23 October 2012, the Utility Regulator published its final determination on the price control of Northern Ireland Electricity Transmission & Distribution (NIE T&D) which was sold by the Group to ESBNI in December 2010. The final determination concluded that while there had not been a change in NIE T&D's accounting policy in relation to the capitalisation of costs, changes in accounting estimates had impacted the allocation of costs between capex and opex and the Utility Regulator has proposed an adjustment to NIE T&D's RAB.

On 20 November 2012 NIE T&D confirmed that it was unable to accept the final determination and on 30 April 2013 the Utility Regulator referred the price control determination to the Competition Commission. The Competition Commission has invited

interested third parties to provide comments on the price control determination by 31 May 2013

Competition in gas supply

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

Renewable energy

The UK Renewable Obligation (RO) scheme applies in Northern Ireland. The RO scheme is designed to incentivise the generation of electricity from renewable sources. The scheme places an obligation on suppliers to source a portion of their electricity from renewable sources (8.1% in Northern Ireland for 2012/13 increasing to 9.7% by 2013/14).

Under the RO scheme, eligible renewable generators receive Renewable Obligation Certificates (ROCs) for each MWh of electricity generated. ROCs are freely tradeable and can be sold to suppliers in order to fulfil their obligation. Suppliers can either present ROCs to cover their obligation or pay a buy-out fee of £40.71/MWh (2012/13) for any shortfall. All proceeds from buy-out fees are recycled to the holders of ROCs.

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

In November 2012, the UK government introduced an Energy Bill which includes measures to reform the renewable support mechanism. The Energy Bill, which is expected to achieve Royal Assent in 2013, will introduce a Feed-In Tariff with Contracts for Difference (FIT CfD) for large scale (above 5MW) renewable electricity generation in England and Wales in 2014 and close the RO to new generation in 2017. ROC benefit rights will be grandfathered to projects that qualify prior to April 2017 and there will be grace periods for delayed projects. Similar measures will apply to Northern Ireland, subject to the Legislative Consent of the Northern Ireland Assembly. It is proposed that a FIT CfD will not be available for Northern Ireland generation until 2016 at the earliest. The Northern Ireland RO will remain open until 31 March 2017 and will be extended until 2037 to ensure that generation accrediting up until 2017 receives the full 20 years of support.

ROC banding for renewables came into effect in April 2013. Onshore windfarms connecting after 1 April 2013, subject to a 6 month grace period where grid delays have been encountered, will receive 0.9 ROCs/MWh. The Department of Energy and Climate Change (DECC) is currently consulting on further potential reductions to the level of ROCs paid for onshore windfarms and other renewable generation sources connecting after 1 April 2014, subject to a 6 month grace period. The outcome of DECC's Onshore Wind Review is due to be published shortly and is expected to include recommendations on community engagement and proposed banding support levels to apply from 1 April 2014.

Republic of Ireland

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

Regulators

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

Regulators' objectives and duties

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

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

Competition in electricity generation and supply

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

The retail market in the RoI is fully open to competition and all customers may choose their supplier. On 4 April 2011, ESB's previously regulated supply business was fully deregulated and rebranded as Electric Ireland. Approximately 65% of non-residential consumption and 42% of residential consumption is supplied by suppliers who compete with Electric Ireland. Viridian has substantially progressed the development of systems and processes to enable potential entry into the RoI residential market in the 2013/14 financial year.

East/West Interconnector

The East/West Interconnector, which connects the Irish and GB electricity markets, commenced commercial operation on 21 December 2012 however operations were initially

restricted to 250MW due to telecommunication interference issues. An outage to implement changes on the East/West interconnector to remove the telecommunication interference issues commenced on 3 March 2013. Following completion of this outage on 1 May 2013 the interconnector has been available at its full capability of c530MW.

Licences

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

Huntstown

The generation licences require Huntstown 1 and 2 to

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

Energia

Energia's supply licence requires it to

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

Competition in gas supply

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

Renewable energy

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

generation is set at €69 235/MWh for 2013, and is indexed annually to the Consumer Price Index (CPI) in the RoI

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

The RoI Government has a target for 40% of electricity consumption to come from renewable sources by 2020. Overall the RoI Government is targeting approximately 4GW of renewable generation. Electricity consumption from renewable sources was 18% in 2011.

Single Electricity Market

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

Decisions in relation to SEM matters are taken by the SEM Committee which was established in accordance with the SEM Order (in Northern Ireland) and the 2007 Act (in the RoI). DETI and the Minister for Communications, Energy and Natural Resources have appointed members to the SEM Committee from the RAs together with an independent member and a deputy independent member. The voting rights and quorum rules for the SEM Committee are set out in the SEM legislation.

Oversight arrangements discharged by senior management from the RAs include a committee to receive delegations of authority from the SEM Committee to carry out certain functions including management of resources across both RAs, coordinating and developing proposals for consideration by the SEM Committee, and the management of key regulatory functions. The four key regulatory functions for which a designated manager has been assigned are management of the trading rules, monitoring the market, modelling the market, and regulation of SEMO.

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

The EU Commission has committed EU member states to delivering an integrated European Electricity Market by 2014. In line with this, a Target Model has been established for electricity markets which stipulate common rules for electricity trading across borders. Unlike the SEM, most electricity markets in Europe are bilateral trading markets and similar to the Target Model design. The EU Commission has recognised the complexity of aligning the SEM with the Target Model and has allowed an extension to 2016 for implementation of the Target Model market solution. In February 2013 the RAs published high level principles and a project timeline and governance structure. The high level principles provide that the core market structure of the SEM will be retained to the extent practically possible while retaining certain features such as central dispatch, capacity payments, priority dispatch for renewables, and market power mitigation mechanisms. The project timeline provides for high level design of the market to be completed by April 2016 with full implementation of the new market design to be completed by December 2016.

Business Reviews

Energia Group

Background information

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

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

As part of the refinancing completed in March 2012, the Group effected a restructuring of the operating and in-construction windfarms which involved the sale of 100% of its shares in Viridian Resources Limited (now known as IIF Cyclone NI Holdco Limited (IIF Cyclone)) and 50% of its shares in Eco Wind Power (EWP) to an affiliated entity (Windco) under the control of the Group's immediate parent undertaking, ElectricInvest I Limited.

On 15 June 2012 the sale of 80% of IIF Cyclone and 75% of EWP (comprising Windco's 50% holding together with 25% owned by the Group) to AMP Capital Investors (UK) Limited was completed. The immediately available proceeds were used to repay a bridge loan owing by Windco and to make a c£24m (based on prevailing Sterling/Euro exchange rates) prepayment on the Junior bank facility A. Also on 15 June, the remaining 20% of IIF Cyclone was transferred back to Viridian Power & Energy Holdings (VPEHL).

Financial performance

Revenues decreased to £997.2m (2012 - £1,021.6m) primarily reflecting the adverse impact of foreign exchange due to the strengthening of Sterling to Euro during the year together with lower Huntstown plant utilisations and lower retail electricity sales volumes, partly offset by higher wholesale gas and electricity prices and increased revenues from the renewables portfolio reflecting commissioning of new capacity.

Excluding external revenues from renewable windfarm assets of £0.6m (2012 - £0.7m) revenues decreased to £996.6m (2012 - £1,020.9m).

EBITDA (pre exceptional carbon revenue levy) decreased to £76.6m (2012 - £91.3m). Excluding EBITDA from renewable windfarm assets of £0.3m loss (2012 - £5.4m profit) EBITDA decreased to £76.9m (2012 - £85.9m) reflecting the adverse impact of foreign exchange due to the strengthening of Sterling to Euro during the year together with lower Huntstown plant utilisations as a result of the coal/gas price switch and the commencement of commercial operation of the East/West Interconnector. These adverse variances have been partly offset by increased profitability from renewable PPAs resulting from higher contracted capacity together with higher retail margins.

Exceptional operating costs

Exceptional operating costs comprised carbon revenue levy costs. The carbon revenue levy was scheduled to run to 31 December 2012 however, following repeal of the relevant enabling legislation by the RoI Government, the levy ended on 25 May 2012. The exceptional impact of the carbon revenue levy was £0.6m (2012 - £9.1m).

Operational performance

KPIs	2013	2012
Availability (%)		
- Huntstown 1	98.3	93.3
- Huntstown 2	90.8	94.1
Utilisation (%)		
- Huntstown 1	15.3	54.2
- Huntstown 2	60.4	74.5
Energia electricity sales (TWh)	5.2	5.7
Energia gas sales (million therms)	71	74
Contracted renewable generation capacity in operation in Northern Ireland and the RoI (MW)		
- average during the year	541	407
- at 31 March	582	446

Huntstown 1 availability (including planned and unplanned outages) was 98.3% (2012 – 93.3%) reflecting a 6 day planned outage from 29 September 2012 to 4 October 2012. During this planned outage a defect was identified in the gas turbine generator which will require to be repaired in due course. The plant was returned to service and remains available. Due to the lead times for delivery of key parts the repair is expected to be undertaken in the 2014/15 financial year with an estimated outage duration of c20 days. The 2012 availability reflected a 6 day planned outage in May 2011 which was extended by a further 18 days in order to remedy damage caused by the failure of a combustion chamber heat shield fixing.

Huntstown 2 achieved availability of 90.8% (2012 – 94.1%) reflecting the completion of a 12 day planned outage which commenced on 23 March 2012 and the commencement of a major planned outage on 2 March 2013 in line with its long term service agreement with Mitsubishi. The major planned outage was successfully completed in 35 days and the plant returned to normal operation on 6 April 2013. The 2012 availability reflected the completion of a 20 day planned outage which commenced on 26 March 2011 and the commencement of the 12 day outage discussed above.

Huntstown 1 utilisation reduced to 15.3% (2012 – 54.2%) reflecting the full year impact of the coal/gas price switch (the switch in the generation merit order in the SEM resulting from the relative cost of generating a MWh of electricity from coal being less than that of generating a MWh of electricity from gas principally due to the significant reduction in the cost of carbon credits from November 2011) together with the impact of the commissioning of new wind capacity and the operational commencement of the East/West Interconnector.

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

On 27 September 2012, the SEM Committee published a consultation paper on the treatment of gas capacity costs in the SEM. The paper considers whether gas capacity costs should be included in generators' short run marginal cost bidding and if so, how it should be valued. Responses were provided on 16 November 2012 and we await a determination by the SEM Committee.

Huntstown 2 utilisation reduced to 60.4% (2012 – 74.5%) for the same reasons as noted above for Huntstown 1. Notwithstanding the reduction in utilisations of both Huntstown 1 and Huntstown 2 both plants continued to earn capacity payments based on their availabilities.

Energia supplies c32% (2012 – c28%) of the business electricity market on an all-island basis. Sales decreased from 5.7TWh to 5.2TWh reflecting lower customer consumption with customer sites supplied decreasing to 60,200 (2012 – 61,400).

Energia supplies c16% (2012 – c12%) of the natural gas market on an all-island basis. The number of customer sites to which Energia supplies gas decreased to 4,300 (2012 – 4,600) and sales volumes decreased to 71m therms (2012 – 74m therms).

Renewable portfolio

Energia Group's renewable portfolio primarily consists of offtake contracts with third party-owned windfarms (including wind generation assets in which the Group has an associate equity interest) and a development pipeline of windfarm projects in which the Energia Group continue to have a direct investment.

Offtake contracts¹ - Energia has entered into contracts with developers under which it has agreed to purchase the long-term output of a number of windfarm projects and with generators from other renewable sources as shown below.

MW	Operating	Under construction	In development	Total
NI	172	-	101	273
Rol	410	33	119	562
	582	33	220	835

The average contracted renewable generation capacity in operation during the year was 541MW (2012 - 407MW) with 31 March 2013 capacity increasing to 582MW (2012 - 446MW).

During the year the operating capacity under contract in Northern Ireland increased to 172MW (2012 – 119MW) and the Rol operating capacity increased to 410MW (2012 – 327MW) as new windfarms were commissioned. 33MW of contracted capacity in the Rol relates to windfarms which are currently under construction. The majority of the windfarms being developed (220MW) are expected to become operational in the next three years.

¹ Numbers include offtake contracts between Energia and direct investment windfarms.

Energia is aiming to negotiate further contracts with windfarm developers and generators from other renewable sources in both Northern Ireland and the RoI

Direct investment – at 31 March 2013 the Energia Group had a direct investment in 80MW of in-development windfarm capacity which comprises 12MW in Northern Ireland and 68MW in the RoI. In April 2013 the Energia Group completed the acquisition of a 20MW windfarm development project in Northern Ireland

These assets are expected to become operational in the next three years. The Energia Group also has a further pipeline of projects which are in various stages of obtaining planning permission

The Energia Group also retains a minority share of 25% in the RoI windfarm projects and 20% in the Northern Ireland windfarm projects sold to AMP on 15 June 2012 as described above

Power NI

Background information

Power NI is the regulated electricity supplier in Northern Ireland. The number of customers supplied at 31 March 2013 reduced to 620,000 (2012 - 703,000) primarily reflecting continued competition in the market

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

Price control

The current 2 year price control period runs from 1 April 2012 to 31 March 2014. In addition to an allowance in respect of its operating costs plus a margin, the price control allows Power NI to pass through to customers its wholesale energy costs subject to compliance with its economic purchasing obligation, together with the cost of market levies and payments for use of the transmission system and the distribution system

On 8 February 2013 the Utility Regulator published, for consultation, its approach paper on the Power NI 2014 Price Control Review. The paper indicates that the form of the control is unlikely to change, however further assessment will be carried out in respect of scope, duration, operating costs and margin allowances. In March 2013 Power NI responded to the consultation paper and submitted its Business Efficiency Questionnaire together with supporting reports produced by third parties. The Utility Regulator's draft determination on the price control is expected shortly

In May 2012 the Utility Regulator published a decision paper entitled "Regulatory Approach to Energy Supply Competition in Northern Ireland" which indicates that it is not anticipating significant deregulation of the Northern Ireland retail market during the next few years. For the moment, price controls remain in all customer categories, except for large customers consuming more than 150MWh per year and, from 1 April 2013, multi-site customer groups with a combined consumption of more than 150MWh per year. As part of its response to the Utility Regulator's approach paper on the Power NI 2014 Price Control Review, Power

NI has promoted the development by the Utility Regulator of a roadmap for further deregulation

Tariffs

On 23 August 2012 Power NI announced a 14.1% reduction in residential tariffs with effect from 1 October 2012. Following a period of increases in the cost of procuring wholesale electricity, Power NI announced, on 22 May 2013, a 17.8% increase in residential tariffs with effect from 1 July 2013. The October 2012 tariff reduction and July 2013 tariff increase were both agreed with the Utility Regulator.

Financial performance

Revenues (based on regulated entitlement) reduced to £491.7m (2012 - £520.8m) primarily due to the reduction in residential customer numbers together with lower consumption per customer partly offset by a net increase in tariffs (with the full year impact of the c18% tariff increase in October 2011 offset by the 14% tariff decrease in October 2012).

EBITDA (based on regulated entitlement) increased to £20.4m (2012 - £19.6m) reflecting the allowed regulated return on the new billing system assets and higher small scale renewable PPA margins partly offset by higher operating costs, primarily arising from additional resources required for the operation of the new billing system together with lower entitlement associated with lower regulated customer numbers and lower average customer consumption.

Operational performance

<i>KPI</i>	2013	2012
Stage 2 complaints to the Consumer Council (number)	7	1
Market share of Northern Ireland electricity sales (%)		
- Residential	75	89
- Non-residential	18	16
Customers (number)		
- Residential	584,000	666,000
- Non-residential	36,000	37,000
	620,000	703,000
Electricity sales (TWh)	3.4	3.6

During the year Power NI received seven (2012 - one) Stage 2 complaints. The number of complaints compares favourably with best practice in GB and represents best practice in the Northern Ireland residential electricity supply market.

Airtricity and Budget Energy continued to be active in the Northern Ireland residential market. To date approximately 175,000 residential customers have switched from Power NI and at 31 March 2013 Power NI had c584,000 residential customers with a market share of 75% by volume (2012 - 89%). Non-residential customer numbers decreased to 36,000 (2012 - 37,000) with market share by volume increasing to 18% (2012 - 16%).

Electricity sales reduced to 3.4TWh (2012 - 3.6TWh) reflecting the reduction in residential customer numbers and lower average consumption per customer.

During the year Power NI completed the billing system project required to support the full decoupling of NIE T&D and Power NI customer records and the system went live in May 2012

PPB

Background information

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

Following a direction by the Utility Regulator, contracts were cancelled for 116MW of capacity with Ballylumford and 58MW with Kilroot with effect from 1 November 2012, and 58MW with Coolkeeragh with effect from 1 February 2013. As at 31 March 2013 the generation capacity remaining under contract to PPB comprised 600MW with Ballylumford.

Price control

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

Financial performance

Revenues (based on regulated entitlement) reduced to £119.8m (2012 - £203.6m) reflecting the expiry of a contract relating to 180MW of generating capacity at Ballylumford on 31 March 2012, the cancellation of contracts at the direction of the Utility Regulator (as noted above) and a contractual reduction in payments under the remaining contracts. EBITDA (based on regulated entitlement) decreased to £5.4m (2012 - £5.7m) primarily reflecting the impact of the new price control effective from 1 April 2012.

SUMMARY OF FINANCIAL PERFORMANCE

Turnover

Turnover from continuing operations decreased to £1,603.7m (2012 - £1,731.0m). The breakdown by business is as follows:

Year to 31 March	2013 £m	2012 £m
Energia Group *	997.2	1,021.6
Power NI Energy (based on regulated entitlement)	610.6	725.5
Adjustment for under-recovery	(3.6)	(14.6)
Inter business elimination	(0.5)	(1.5)
Total turnover from continuing operations	<u>1,603.7</u>	<u>1,731.0</u>

* includes £0.6m (2012 - £0.7m) of turnover from renewable windfarm assets

Energia Group turnover decreased to £997.2m (2012 - £1,021.6m). Excluding external turnover from renewable windfarm assets of £0.6m (2012 - £0.7m), Energia Group revenues decreased to £996.6m (2012 - £1,020.9m), reflecting the adverse impact of foreign exchange due to the strengthening of Sterling to Euro during the year together with lower Huntstown plant utilisations and lower retail electricity sales volumes, partly offset by higher wholesale gas and electricity prices and increased revenues from the renewables portfolio reflecting commissioning of new capacity.

Power NI Energy turnover decreased to £610.6m (2012 - £725.5m), reflecting lower Power NI and PPB turnover. Power NI turnover (based on regulated entitlement) decreased to £491.7m (2012 - £520.8m) primarily due to the reduction in residential customer numbers together with lower consumption per customer partly offset by a net increase in tariffs (with the full year impact of the c18% tariff increase in October 2011 offset by the 14% tariff decrease in October 2012). PPB turnover (based on regulated entitlement) decreased to £119.8m (2012 - £203.6m) primarily reflecting the expiry of contracts relating to 180MW of generating capacity at Ballylumford on 31 March 2012 and further cancellation of 116MW of capacity at Ballylumford and 58MW of capacity at Kilroot on 1 November 2012 together with the expiry of 58MW of generating capacity at Coolkeragh on 1 February 2013.

During the year, the Power NI Energy businesses under-recovered against their regulated entitlement by £3.6m (2012 - under-recovered by £14.6m) and at 31 March 2013, the cumulative under-recovery against regulated entitlement was £16.6m. The over/(under)-recovery of regulated entitlement reflects the phasing of tariffs.

Operating costs

Operating costs (pre exceptional items) decreased to £1,526.4m (2012 - £1,656.3m) and include energy costs, employee costs, depreciation and amortisation and other operating charges.

Energy costs include the cost of wholesale energy purchases from the SEM pool, capacity payments made to the SEM, the cost of natural gas and fixed natural gas capacity costs for the Huntstown plants, emissions costs, use of system charges and costs for third party renewable PPAs. Energy costs decreased to £1,432.7m (2012 - £1,556.0m) as a result of

the impact of foreign exchange due to the strengthening of Sterling to Euro during the year together with lower utilisation of the Huntstown plants, lower unit sales in Energia and Power NI and the impact of contract cancellations within PPB. These decreases were partially offset by higher wholesale electricity and gas prices in the market and higher renewable PPA costs associated with the commissioning of new capacity.

Employee costs include salaries, social security costs and pension costs. Employee costs increased to £21.4m (2012 – £19.9m) reflecting an increase in staff numbers to 437 at 31 March 2013 (31 March 2012 – 382) primarily as a result of in-sourcing of staff to Power NI.

Depreciation and amortisation decreased to £18.4m (2012 – £24.4m) primarily due to the timing of Huntstown plant outages and the accelerated depreciation on replaced fixed assets at Huntstown in 2012 together with reduced depreciation in respect of operational renewable windfarm assets following their disposal on 14 March 2012 partly offset by the commencement of depreciation for Power NI assets relating to the billing system which was implemented in May 2012.

Other operating charges include costs such as operating and maintenance costs, insurance, local business taxes, consultancy, marketing, licence fees and IT services. Other operating charges decreased to £53.9m (2012 – £56.0m) primarily due to lower agency and outsourcing costs due to the in-sourcing of staff into Power NI together with lower marketing and advertising costs associated with Power NI's rebranding in 2011/12 and the positive foreign exchange impact of the strengthening of Sterling against the Euro during the year.

Group operating profit (pre exceptional items and goodwill amortisation)

Operating profit (pre goodwill amortisation and exceptional items) increased to £77.3m (2012 – £74.7m) reflecting an under-recovery of regulated entitlement of £3.6m (2012 – under-recovery of £14.6m), partly offset by a reduction in Energia Group and Power NI operating profit.

Year to 31 March	2013 £m	2012 £m
Energia Group operating profit (pre exceptional items) ¹	60.4	66.9
Power NI Energy pro-forma operating profit (pre exceptional items) ²	23.6	25.3
Other ³	(3.1)	(2.9)
Group pro-forma operating profit (pre exceptional items)	80.9	89.3
Under recovery of regulated entitlement ⁴	(3.6)	(14.6)
Operating profit (pre exceptional items)	77.3	74.7

¹ Profit before depreciation, amortisation, exceptional items, interest and tax £76.6m (2012 – £91.3m) less depreciation/amortisation £16.2m (2012 – £24.4m)

² Profit before depreciation, amortisation, exceptional items, interest and tax £25.8m (2012 – £25.3m) less depreciation/amortisation £2.2m (2012 – £nil)

³ Loss before depreciation, amortisation, exceptional items, interest and tax £3.1m (2012 – loss of £2.9m) less depreciation/amortisation £nil (2012 – £nil)

⁴ As shown in note 3 to the accounts

Group pro-forma operating profit (pre-exceptional items and goodwill amortisation) decreased to £80.9m (2012 – £89.3m) reflecting a decrease in Energia Group operating profit from £66.9m to £60.4m and a decrease in Power NI Energy pro-forma operating profit from £25.3m to £23.6m.

Energia Group operating profit (pre exceptional items) decreased to £60.4m (2012 - £66.9m). Excluding operating losses from renewable wind farm assets of £0.3m (2012 - profit of £2.9m) Energia Group operating profit (pre exceptional items) decreased to £60.7m (2012 - £64.0m) primarily as a result of the adverse impact of foreign exchange due to the strengthening of Sterling to Euro during the year together with lower Huntstown plant utilisations associated with the full year impact of the coal/gas price switch resulting in increased utilisation of coal plant in the SEM, the operational commencement of the East/West Interconnector and the impact of the commissioning of new wind capacity. These reductions were partly offset by increased profitability from renewable PPAs due to the commissioning of additional capacity, higher retail margins and a reduction in depreciation as discussed previously.

Power NI Energy pro-forma operating profit decreased to £23.6m (2012 - £25.3m). Power NI pro-forma operating profit decreased to £18.2m (2012 - £19.6m) reflecting the depreciation and amortisation in respect of billing IT assets after the system went live in May 2012, together with higher operating costs primarily arising from additional resources required for the operation of the system, partly offset by an increase in Power NI EBITDA as a result of the allowed regulated return on the new billing system assets and higher small scale renewable PPA margins. PPB pro-forma operating profit decreased to £5.4m (2012 - £5.7m) primarily reflecting the impact of the new price control effective from 1 April 2012 (which has reduced entitlement following the cancellation of a number of contracts).

Group pro-forma EBITDA

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

Year to 31 March	2013 £m	2012 £m
Energia Group	76.6	91.3
Power NI Energy (based on regulated entitlement)	25.8	25.3
Other	(3.1)	(2.9)
	<u>99.3</u>	<u>113.7</u>

Group pro-forma EBITDA decreased to £99.3m (2012 - £113.7m) due to a decrease in pro-forma EBITDA at Energia Group partly offset by an increase in pro-forma EBITDA at Power NI Energy.

Energia Group EBITDA (pre exceptional items) decreased to £76.6m (2012 - £91.3m). Excluding EBITDA from renewable wind farm assets of a £0.3m loss (2012 - £5.4m profit) Energia Group EBITDA (pre exceptional items) decreased to £76.9m (2012 - £85.9m) for the same reasons as described above for operating profit.

Power NI Energy pro-forma EBITDA increased to £25.8m (2012 - £25.3m) reflecting an increase in Power NI pro-forma EBITDA to £20.4m (2012 - £19.6m) offset by a decrease in PPB pro-forma EBITDA to £5.4m (2012 - £5.7m) for the same reasons as described above for the increase in pro-forma operating profit.

Exceptional operating costs

Exceptional costs of £0.6m (2012 - £9.1m) comprise carbon revenue levy costs.

As noted previously, following repeal of the relevant enabling legislation by the RoI Government, the levy ended on 25 May 2012

Profit on disposal of continuing operations of £0.4m relates to the sale of a further 25% of Eco Wind Power Limited and certain of their subsidiaries to AMP Capital Investors (UK) Limited on 15 June 2012 as noted above

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

Net finance costs

Net finance costs (excluding exceptional finance costs of £nil (2012 - £43.5m)) increased from £57.3m to £85.6m primarily reflecting the higher interest cost of the senior secured notes issued in March 2012

Exceptional finance costs of £43.5m in 2011/12 reflect amounts in respect of the overall refinancing of the Group £35.4m (including costs associated with the short term extension of the Senior bank facility in December 2011, the extension of the Junior bank facility and the new Senior Revolving Credit Facility (SRCF)) together with the close out of fixed rate interest rate swaps £37.4m, partly offset by a gain arising on the purchase of part of the Junior bank facility £29.3m

Tax charge

The total tax credit was £9.3m (2012 - £4.2m) primarily reflecting the recognition of a deferred tax asset associated with tax losses carried forward. A detailed analysis of the tax charge is outlined in note 8 to the accounts

Cash flow before interest and tax

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

Year to 31 March	2013 £m	2012 £m
Group pro-forma EBITDA ⁽¹⁾	99.3	113.7
Defined benefit pension charge less contributions paid	(1.3)	(1.0)
Net movement in security deposits	35.6	(34.3)
Changes in working capital ⁽²⁾	5.2	22.7
Under recovery of regulated entitlement	(3.6)	(14.6)
Revaluation of emissions assets	8.5	-
Foreign exchange translation benefit	0.5	2.1
Exceptional cash outflows	(1.8)	(11.1)
Cash flow from operating activities	142.4	77.5
Net capital expenditure ⁽³⁾	(10.0)	(50.8)
Proceeds from sale and purchases of other intangibles	0.3	1.1
Cash flow before interest and tax	132.7	27.8

(1) Includes EBITDA of renewable wind farm assets of a £0.3m loss (2012 - £5.4m profit)

(2) Includes changes in working capital of renewable wind farm assets of £0.2m increase (2012 - £4.4m decrease)

(3) Includes capital expenditure on renewable wind farm assets of £4.1m (2012 - £40.4m)

The 2012 cash flows include the cash flows of the Energia Group's windfarm assets up to the date of disposal on 14 March 2012. Group cash flow from operating activities increased to £142.4m (2012 - £77.5m) primarily reflecting the under-recovery of regulated entitlement £3.6m (2012 - under-recovery of £14.6m), a cash inflow from security deposits £35.6m (2012 - cash outflow of £34.3m) and a reduction in exceptional cash outflows £1.8m (2012 - £11.1m) partly offset by the decrease in pro-forma EBITDA to £99.3m (2012 - £113.7m) and a decrease in cash flows from working capital £5.2m (2012 - £22.7m).

Net movement in security deposits

The net movement in security deposits was an inflow of £35.6m (2012 - outflow of £34.3m). Following the successful refinancing of the Group in March 2012, security deposits were replaced with LOCs drawn under the SRCF.

Changes in working capital

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

Working capital decreased by £5.2m (2012 - £22.7m) due to reductions in the working capital requirements of Power NI Energy, partly offset by an increase in the working capital requirements of the Energia Group and other Viridian holding companies.

Energia Group working capital increased by £10.3m (2012 - decrease of £4.8m). Excluding changes in the working capital of renewable wind farm assets, Energia Group working capital increased by £10.1m (2012 - decrease of £0.4m) primarily due to an increase in trade debtors and accrued income (reflecting higher sales tariffs partly offset by lower volumes and lower debtor days together with an increase in renewable PPA debtors with higher market prices and wind volumes in March 2013 compared to March 2012), a lower emissions liability (reflecting the higher availability of free allowances due to lower plant utilisations and the repeal of the Carbon levy together with lower carbon prices), partly offset by an increase in trade creditors and accruals (primarily due to higher market prices and higher renewable PPA creditors reflecting higher wind volumes, partly offset by lower retail sales volumes).

Working capital at Power NI Energy decreased by £16.4m (2012 - £13.8m) primarily due to an increase in trade creditors and accruals in PPB (reflecting timing differences in the payment of PPA costs over the Easter period, partly offset by the impact of the contract cancellations), and Power NI (reflecting higher consumption in March 2013 relative to March 2012, higher energy prices and higher use of system charges) and an increase in the ROC obligation liability reflecting a higher obligation, lower PPB trade debtors (reflecting lower PSO debtors) and lower Power NI trade debtors (net of payments on account) (primarily reflecting the impact of the 14% tariff decrease partly offset by higher consumption in March 2013 relative to March 2012), partly offset by higher accrued income as a result of an increase in energy prices in March 2013 relative to March 2012.

Working capital at other Viridian holding companies increased by £0.9m (2012 - decrease of £4.1m) primarily due to an increase in inter-group balances from Energia and Power NI.

(Under)/over-recovery of regulated entitlement

As noted previously the Power NI Energy businesses under-recovered against their regulated entitlement by £3 6m (2012 – under-recovered by £14 6m) and at 31 March 2013 the cumulative under-recovery against regulated entitlement was £16 6m. The over/(under)-recovery of regulated entitlement reflects the phasing of tariffs.

Exceptional cash outflows

Exceptional cash outflows of £1 8m (2012 - £11.1m) consisted of payments made in respect of the ROI carbon revenue levy.

Capital expenditure

Net capital expenditure in respect of tangible fixed assets and intangible software assets decreased to £10 0m (2012 - £50 8m). Excluding capital expenditure on renewable wind farm assets, net capital expenditure decreased to £5 9m (2012 - £10 4m) and includes a capital contribution received in respect of the Power NI billing system £0 8m.

Net capital expenditure at Energia Group (excluding capital expenditure on renewable wind farm assets) decreased to £3 4m (2012 - £4 5m) primarily reflecting the phasing of capital expenditure under the Huntstown plant long term maintenance agreement.

Net capital expenditure at Power NI decreased to £2 2m (2012 - £5 9m) due to lower expenditure on the Enduring Solution project as the system go-live was achieved in May 2012, together with the capital contribution received in respect of these assets.

Net capital expenditure at other Group companies increased to £0 3m (2012 - £nil).

Other cash flows

Net interest paid

Net interest paid (excluding issue costs on new long-term loans and exceptional finance costs) increased to £56 5m (2012 - £53 9m) primarily reflecting the higher interest costs of the senior secured notes issued in March 2012 partly offset by the cash flow impact of the Junior facility becoming a PIK facility in March 2012.

Dividends

Equity dividends paid were £nil (2012 - £nil). No final dividend for 2012/13 is proposed.

Net debt

The Group Cash Flow Statement shows a reduction in net debt of £149 1m from £676 7m at 31 March 2012 to £527 6m at 31 March 2013 primarily reflecting the cash flows noted above and the equitisation of the subordinated shareholder loan during the year £125 5m.

Defined benefit pension liability

The pension liability in the Group's defined benefit scheme under FRS 17 Retirement Benefits remained at a deficit of £0 4m net of deferred tax at 31 March 2013.

The trustees of the Viridian Group Pension Scheme (VGPS) completed an actuarial valuation of the scheme as at 31 March 2012, the outcome of which was agreed with the participating employers in March 2013. The funding shortfall of the VGPS (updated to reflect the in-sourcing of 13 employees from the Northgate Managed Services Pension Scheme) was £9.9m. Under the terms of the recovery plan agreed with the trustees, the Group will make annual deficit repair contributions of £1.25m for eight years. The first deficit repair contribution was made on 29 March 2013.

RISK MANAGEMENT AND PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

The directors acknowledge that they have responsibility for the Group's systems of internal control and risk management and monitoring their effectiveness. The purpose of these systems is to manage, rather than eliminate, the risk of failure to achieve business objectives, to provide reasonable assurance as to the quality of management information and to maintain proper control over the income, expenditure, assets and liabilities of the Group. No system of control can, however, provide absolute assurance against material misstatement or loss. Accordingly, the directors have regard to those specific controls, which in their judgement, are appropriate to the Group's business given the relative costs and benefits of implementing them.

The principal risks and uncertainties that affect the Group are described below but are not intended to be an exhaustive analysis of all the risks that may arise in the ordinary course of business or otherwise.

Competition in generation and supply of electricity

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

capacity may reduce the SMP and lead to lower capacity payments, subject to the impact of plant retirements and overall levels of demand

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

Wholesale electricity price

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

- The gas costs of Huntstown 1 and 2 are hedged in line with Energia's retail electricity sales contracts. Gas price exposure is hedged when fixed price customer contracts are signed. Energia also has the ability to hedge against the electricity demand of fixed price contract customers through its contracted wind capacity and a range of market sources of capacity such as CfDs with other market participants and purchases of power over the interconnectors. In some of Energia's customer contracts, the electricity price payable by the customer varies according to the price of gas,
- Power NI's price control allows it to pass through the costs of wholesale electricity subject to compliance with its economic purchasing obligation, which it discharges by hedging wholesale electricity prices in line with policies agreed with the Utility Regulator, and
- PPB is entitled to receive additional revenues from PSO charges to the extent that the revenue it receives from the pool, CfDs and ancillary services is insufficient to cover its regulated entitlement.

Huntstown plant and owned windfarm availability

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

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

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

Health and safety

The Group is committed to ensuring a safe working environment. The risks arising from inadequate management of health and safety matters are the exposure of employees, contractors and third parties to the risk of injury, potential liability and/or loss of reputation. These risks are closely managed by the Group through the use of the services of an external health and safety consultant, the promotion of a strong health and safety culture and well defined health and safety policies. There is a strong focus on the audit of work sites and the reporting and reviewing of near miss incidents. The Group's approach to health and safety issues is described more fully in the CSR Report.

Regulation and Legislation

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

Power NI and PPB are exposed to regulatory risk in respect of their price controls. The Group's approach to price control reviews is to be pro-active in promoting arrangements that will lead to an agreed outcome. This includes adherence to relevant precedent and best practice. There is regular reporting to the Utility Regulator and DETI on a wide range of financial and other regulatory matters including capital expenditure and licence compliance. Regulatory relationships are managed by senior management through frequent meetings, informed dialogue and formal correspondence.

Development of renewable windfarm assets

Through the development of renewable windfarm assets, Energia Group is exposed to various risks including technical, commercial, contractor, planning consents and relevant approvals, financing and economic risks. Such risks could delay renewable windfarm asset construction or the commencement of commercial operations. Experienced senior staff operate appropriate project management controls to manage the project risks with appropriate management reporting up to the Viridian Group Board.

Business continuity

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

Outsourcing

The Group outsources a range of important ICT and business process services from Capita Managed IT Solutions Limited (Capita). Voice and data telecoms services are provided by Eircom through a contract managed by Capita. There is a risk of disruption to the Group if there are service delivery failures. Comprehensive business continuity and disaster recovery plans are maintained to manage this risk.

Social, environmental and ethical factors

The Group has in place measures to protect against financial and reputational risk from any failure to manage social, environmental and ethical (SEE) factors. In general, SEE factors are managed through embedding CSR into the Group's management processes and core business activities. Environmental risk, in particular, is managed through business risk registers, environmental action plans, certified environmental management systems, and identification of potential environmental exposures.

Pensions

The Viridian Group Pension Scheme (2011) ("VGPS") has two sections: a money purchase section and a defined benefit section. The defined benefit section is closed to new entrants.

During the year 13 active members were transferred from the Northgate Managed Services Pension Scheme as part of the in-sourcing of services by Power NI and at 31 March 2013 the defined benefit section comprised 72 members of whom 66 were active members and 6 were pensioners. There is also a money purchase arrangement for employees in the RoI known as 'Choices'. Most employees of the Group are members of VGPS or Choices. There is a risk that the cost of funding the defined benefit section could increase if investment returns are lower than expected, mortality rates improve or salary or benefit increases are higher than expected. The VGPS trustees seek the advice of professional investment managers regarding the scheme's investments.

IT security and data protection

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

Financial control

Strong financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the Group relies for day-to-day operations, external reporting and for longer term planning. The Group exercises financial and business control through a combination of appropriately qualified and experienced personnel, rigorous business planning processes, detailed performance analysis, an integrated accounting system, and clearly defined approval limits. The internal auditors test the effectiveness of financial and business controls. The external auditors provide advice on specific accounting and tax issues. Investment decisions are accompanied by detailed analysis, both short and long-term, of the markets in which the Group operates.

Treasury risks

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

The maturity profile of the Group's loans and borrowings at 31 March 2013 is as follows

Facility	2013 £m	2012 £m	Maturity
Senior secured notes	(392.5)	(380.9)	April 2017
Junior bank facility A	(183.0)	(182.2)	March 2020
Senior revolving credit facility	-	(55.0)	September 2016
Interest accruals	(2.4)	(3.4)	
Subordinated shareholder loan*	-	(89.3)	
	(577.9)**	(712.1)**	

* During the year the subordinated shareholder loan was waived by ElectrolInvest I Limited, the Company's immediate parent.

** Presented net of £368.4m (2012 - £366.0m) of Junior bank facility B owed to a subsidiary of the Group.

At 31 March	2013 £m	2012 £m
Investments	25.6	26.6
Cash	24.7	8.8
Loans and other borrowings*	(577.9)	(712.1)
Net debt	(527.6)	(676.7)
Loans and other borrowings maturity analysis:		
In one year or less or on demand	(1.1)	(58.4)
In more than one year but less than two years	-	-
In more than two years but less than five years	(392.5)	-
In more than five years*	(184.3)	(653.7)
	(577.9)	(712.1)

* Presented net of £368.4m of Junior bank facility B owed to a subsidiary of the Group (2012 £366.0m)

On 3 May 2013 the Group announced that it is electing to redeem 9.3% (c£40m at current exchange rates) of its Senior Secured Notes at a redemption price of 103%, as permitted under the terms of the Notes. The Notes will be redeemed on 4 June 2013.

Liquidity and Capital Resources

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

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

At 31 March 2013 the Group had cash drawings under the SRCF of £nil (2012 - £55.0m) and letters of credit issued out of the SRCF of £123.9m (2012 - £87.6m) resulting in undrawn committed facilities of £101.1m (2012 - £82.4m).

Interest rate risk

Historically the Group has been exposed to interest rate risk principally in relation to its Junior and Senior bank facilities and has sought to mitigate this risk with interest rate hedges on a proportion of these debt facilities. The majority of the Group's borrowings bear interest at fixed rates or do not bear interest at all with its issued Senior Secured Notes bearing interest at a fixed rate coupon of 11.125%, its Junior bank facility A bearing interest at a fixed rate margin of 13.5% and a non interest bearing Junior bank facility B. The Group had retained a small amount of Euro denominated interest rate swaps which were no longer required and hence the early termination options in the contracts were executed in March 2013 (the estimated fair value of these as at 31 March 2012 is disclosed in note 27 to the accounts).

The Group's only exposure to interest rate risk is in respect of drawings on the Senior revolving credit facility, which were £nil at 31 March 2013 (£55.0m at 31 March 2012). As a result, at 31 March 2013, 100% of the Group's total borrowings were on a fixed rate basis and therefore not subject to any interest rate risk.

At 31 March	2013 £m	2012 £m
Loans and other borrowings fixed/floating analysis:		
Fixed rate debt*	(577.9)	(567.8)
Variable rate debt	-	(55.0)
	(577.9)	(712.1)

* Presented net of £368.4m (2012 - £366.0m) of Junior bank facility B owed to a subsidiary of the Group

Foreign currency risk

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

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

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

The estimated fair value of the Group's derivative financial instruments is disclosed in note 28 to the accounts.

Commodity risk

Energia Group employs commodity swaps to hedge gas price exposures and forward purchase contracts and swaps to hedge its shortfall of CO₂ emission allowances. Energia Group's policy is to hedge its exposure to changes in the price of gas and CO₂ emission allowances in line with retail electricity sales contracts. Energia Group was entitled to a 68% allocation of CO₂ emission allowances in respect of Huntstown 1 and 2 under phase 2 of the EU Emissions Trading Scheme (EU ETS) which applied to 31 December 2012. Under phase 3 of the EU ETS, which applies to 31 December 2020, there are no free allowances and therefore Huntstown 1 and 2 are liable for 100% of their CO₂ emissions from 1 January 2013.

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

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

The estimated fair value of the Group's derivative financial instruments is disclosed in note 28 to the accounts.

Credit risk

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

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

Going concern

The Group's business activities, together with principal risk and uncertainties likely to affect its future performance are described above.

As noted in last year's annual report, Arcapita Bank B S C (c)[†] ("Arcapita") together with five affiliated companies ("the Filing Debtors") filed petitions under Chapter 11 of the US Bankruptcy Code on 19 March 2012. No member of the Group consisting of Viridian Group Holdings Limited or the immediate shareholder of Viridian Group Holdings Limited is a Filing Debtor. Following completion of its refinancing in March 2012, the Group is not financially dependent on Arcapita or any other Filing Debtor. On 16 April 2013 Arcapita filed a Plan of Reorganisation ("the Plan") which has the support of the Official Committee of Unsecured Creditors and an ad-hoc group of significant creditors. Creditors are expected to vote on whether or not to accept the Plan on 30 May 2013. On the basis of their enquiries and input from the Group's advisors, the Directors do not expect that the on-going Chapter 11 process will adversely impact the Group's borrowing facilities.

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

[†] As referred to in note 29 to the accounts

CORPORATE SOCIAL RESPONSIBILITY REPORT

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

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

The Group has defined a number of principal CSR themes and priorities relevant to the management of SEE-related risks that may impact upon the short and long-term value of the Group. These are classified below under the headings of Workplace, Environment, Marketplace and Community.

Workplace

The Group had 437 employees at 31 March 2013 (2012 – 382) with 345 employees employed in Northern Ireland (2012 – 292) and 92 in the RoI (2012 – 90).

Health and safety

A CSR priority for the Group is to ensure the safety of employees, contractors and the general public through the promotion of a positive health and safety culture and adherence to legislation and recognised safety standards. The Group's health and safety policy aims to promote high standards and is supported by specific safety principles, rules, policies and procedures. Contractors must adhere to the same safety rules and requirements as employees.

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

During the year there were no reportable incidents or lost time incidents (2012 – none). Formal processes for incident investigation and analysis are in place.

<i>KPI</i>	2013 Number	2012 Number
LTIR (per 100 employees)	0	0

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

Employment

The Group is committed to a working environment in which personal and employment rights are upheld, which ensures equality of opportunity for all employees and job applicants, and which enables employees to realise their maximum potential and to be appropriately challenged and fully engaged in the business, with opportunities for personal development

Equal opportunities

The Group is pro-active in implementing human resource policies and procedures to ensure compliance with fair employment, sex discrimination, equal pay, disability discrimination, race discrimination, sexual orientation and age discrimination legislation. The Group's equal opportunities policy commits it to providing equality of opportunity for all employees and job applicants and it regularly monitors its actions to promote compliance with legislation and to ensure that it provides equality of opportunity in all its employment practices. Equal opportunity measures and statistics in respect of the relevant businesses are reported formally to the Equality Commission for Northern Ireland

Disability

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

Remuneration

The Group operates fair and visible remuneration policies which are externally benchmarked to ensure that employees are paid an appropriate salary for the work they undertake. The Group seeks to align employee interests with those of other key stakeholders through an effective approach to recognition and reward, based on business and individual performance. Various reward schemes are in place including bonus schemes, excellence awards, reward and recognition bonuses and skills progression arrangements

Learning and development

The Group aims to align its human resources policies with key business drivers, which include performance improvement, cost reduction, business growth and innovation, and excellence in customer service. These policies are supported by clearly defined values and behaviours, a robust performance management process, a strong commitment to employee and management development and organisational competence built upon appropriate capabilities and skills. Learning and development needs are identified through the Performance Development Review process. During the year the Performance Development Review process was re-launched in a new online format and refresher training was provided to all managers

Policies

There are formal employee complaint and grievance procedures and the Group also has a wide range of family-friendly working arrangements including enhanced maternity and

paternity provisions, adoption, parental and dependant leave, a child care scheme, career breaks, job sharing and flexible working hours. During the year the Group completed a review of HR policies and procedures and updated these where necessary.

Sickness absence

The Group believes that the pro-active management of illness and absenteeism is to the mutual benefit of the Group and its employees. The sickness absence for the Group was 2.98% in 2012/13. This is a slight increase compared to 2.57% the previous year.

The Group's Wellbeing Programme, introduced during 2011/12, was developed further during the year. The programme includes an employee wellbeing committee, flu vaccines, employee health checks and smoking cessation clinics. During the year a series of money advice workshops was added to the programme. Updated training in first aid and Display Screen Equipment assessments was provided during the year. External occupational health and counselling services are available for employees if required.

Employee participation and external engagement

The Group places significant emphasis on engagement and communication. In order to assess employee engagement levels, an employee survey was conducted in December 2012 with very positive results. The survey was conducted in partnership with the Great Place to Work Institute and the outcomes will enable the organisation to implement action plans for improvement at Group and business levels. In addition, Great Place to Work measure organisations on a Trust Index by use of the survey and a detailed Culture Audit, which considers the organisation's approaches against best practice comparators in areas like hiring, communication, employee involvement, reward and recognition, learning and development, health and wellbeing, worklife balance and CSR. The Group scored 76 on the Trust Index and was awarded the status of a Great Place to Work, ranking in the top 20 Best Large Employers in Ireland.

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

The Group engages with relevant external organisations including the CBI Employment Affairs Committee, the Equality Commission for Northern Ireland, the Labour Relations Agency and the Irish Business and Employers' Confederation. The Group also maintains links with the education sector and in particular with the two Universities in Northern Ireland. A total of 9 student placements were offered for the current academic year across a range of functions and departments.

Environment

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

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

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

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

Energia Group

Huntstown 1 and 2 operate in compliance with their Integrated Pollution Prevention and Control (IPPC) licences. Emissions of NO_x, SO₂ and CO are measured by onsite Continuous Emissions Monitoring Systems, CO₂ is calculated as per GHG permit requirements. Emissions for calendar year 2012 are as set out below

Tonnes	NO _x	SO ₂	CO	CO ₂
Huntstown 1	178	2.2	151	341,900*
Huntstown 2	502	5.2	529	879,458*

* Calculated value

Through the operation of their respective IPPC licences, Huntstown 1 and 2 comply with the emission limits for NO_x, SO₂ and dust under the EU's Large Combustion Plant Directive. The emissions from these highly efficient gas-fired plants displace greater emissions from coal and/or oil fired generating stations.

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

Energia is a significant contributor to the sustainable energy agenda in both Northern Ireland and the RoI. Its renewable portfolio currently generates 1,405GWh (RoI 1,017GWh, NI 388GWh) offsetting the emission of over 655,000 tonnes (2011/12 – 620,000 tonnes) of CO₂ per annum

Energia continues to provide energy efficiency products and services to its business energy customers in Ireland. Energia is active on CER's Smart Metering Steering Group and are taking a leading role in the Better Energy Workplaces and Pay As You Save (PAYS) project teams

In Northern Ireland, through the NISEP Scheme (Northern Ireland Sustainable Energy Programme) approved by the Utility Regulator, Energia managed a £311k (2012 - £274k) energy efficiency programme implementing a total of 70 projects (2012 – 56 projects) with estimated lifetime reductions of 156GWh (2012 – 200GWh) in energy demand. This represents an estimated 112,000 tonnes (2012 – 104,000 tonnes) of CO₂ savings and customer benefits of over £27m (2012 - £20m) over the lifetime of these measures.

During the year Energia launched three new innovative services aimed at increasing awareness and offering customers energy efficiency solutions. Energia Extra and Energia Ezines, offering services and products aimed at reducing energy consumption, are sent to customers monthly. Customers can also log on to Energia's new Online Shop and purchase energy efficient products for their homes and businesses.

Energia continues to run customer information programmes particularly aimed at energy efficiency for all industrial and commercial customers. These programmes include, customer energy conferences, energy efficiency training programmes, energy awareness days, energy audits and energy efficiency literature/brochures. Energia also provides online billing, online energy management bureau, energy efficiency and pricing information to its customers via its website www.energia.ie

Power NI

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

During the year Power NI managed a £5.2m (2012 - £5.8m) energy efficiency programme aimed at reducing CO₂ emissions and alleviating fuel poverty in Northern Ireland. Funded by the NISEP, a total of 11 energy efficiency schemes (2012 – 14 schemes) were implemented with estimated lifetime reductions of 405GWh (2012 – 566GWh) in energy demand. This represents an estimated 276,000 tonnes of CO₂ savings (2012 – 350,000 tonnes) and customer benefits in excess of £47m (2012 - £48m) over the lifetime of these measures.

In addition, through commitments in Power NI's price control, 43.3GWh (2012 – 46.4GWh) of lifetime savings to customers were delivered during the year via investment in energy efficiency measures which equates to over £5.4m (2012 – £5.7m) of customer benefits. Over 10,000 customers (2012 – 15,000 customers) continue to use 'EcoEnergy', Power NI's 'green' electricity tariff.

Power NI continues to encourage the installation of renewable energy and combined heat and power (CHP) systems through its generation tariff which offers customer rewards for the value of ROCs and electricity generated and exported to the network. Over 1,600 customers use this service and Power NI acts as an Ofgem Agent on behalf of more than 1,400 customers.

The 'Saving Energy' section of Power NI's website www.powerni.co.uk provides a wide range of information and advice on energy efficiency and renewable energy. Over 7,300 customers have availed themselves of an online Home Energy Check which provides an indicative home energy rating and recommendations for energy saving measures.

An online billing service is also available from the Power NI website. The service, called Energy Online has over 20,000 customers registered to view their bills, submit their meter readings and view their electricity consumption online. In May 2012 the Energy Online

service was updated and enhanced following the successful implementation of the new Power NI customer billing system

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

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

Marketplace

A CSR priority is to maintain a highly ethical approach to regulatory responsibilities, obligations under licences, public positioning and marketing of products and services. The Group aims to be transparent and ethical in all its dealings with third parties and has a number of policies in place to underpin this objective. Policies include anti-corruption and bribery, internal ethical dealing and 'whistleblowing' procedures as well as the Group's corporate governance arrangements.

The Group's procurement policy is to source equipment, goods and services from a wide range of suppliers throughout the EU and beyond in accordance with commercial practices based on fairness and transparency. Where applicable the Group adheres to the required tender procedures of the EU Procurement Directive as it relates to Utilities. The Group recognises the important role that suppliers play in its business, and works to ensure that payments are made to them in accordance with agreed contractual terms.

As a major purchaser, the Group recognises that it has an opportunity to encourage suppliers of materials and services to deliver good environmental and safety performance and to maintain responsible practices towards their employees and the communities in which they operate.

Community

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

Power NI offers vulnerable customers a 'one-stop-shop' Benefit Entitlement Check (BEC) package which includes a home visit to carry out a BEC and to identify referrals for energy efficiency schemes. Since September 2011 there have been 1,308 customers referred to the programme. Power NI also offers an online benefit calculator in partnership with Access2Benefits and during the year there were over 181 benefit checks completed via the website.

Power NI offers a number of services to its customers that are promoted through its codes of practice (produced in several different languages) and through various advice providers, including Citizens Advice Bureaux, Advice NI and Energy Saving Trust advice centres. Power NI aims to assist its customers with special needs through a number of these services. Over 1,600 customers with special requirements benefit from a range of services through Power NI's customer care register.

The Group recognises the social dimension of debt prevention and management and Power NI continues to offer a wide range of payment options and debt prevention measures. Approximately 209,000 residential customers (2012 – 256,000) use 'Keypad' meters. These pay-as-you-go meters enable customers to budget for their electricity payments, while Power NI offer a 2.5% discount off the standard price of electricity, and provide user-friendly credit and consumption information.

The Power NI BIG Energy Saving Challenge commenced in June 2011 with 6 communities being awarded £15,000 to spend on energy saving measures by working together in their local area. At the end of June 2012 the winning community group received a further £20,000 to invest in community energy saving measures and the challenge closed in December 2012 with all funding allocated.

A new community initiative called 'Quest' was launched in January 2013 and closed for applications at the end of March 2013. Over 20 applications were received and following a selection process work is underway with six community groups.

Power NI engages with a wide range of organisations in the voluntary, public and private sectors focusing on social action and CO₂ reduction. During the year this included playing an active role in the Department of Social Development's Fuel Poverty Advisory Group.

Charitable and political donations

In addition to sponsorship of charities and organisations of £55,000 (2012 - £90,000), the Group's donations to charities in the year were £18,000 (2012 - £13,000). There were no contributions for political purposes.

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

Directors

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

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

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

Essa Zainal

Director

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

Registered Number 192374
26 May 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

INDEPENDENT AUDITORS' REPORT

To the members of Viridian Group Holdings Limited

We have audited the Group accounts of Viridian Group Holdings Limited for the year ended 31 March 2013 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Group Cash Flow Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is United Kingdom accounting standards.

This report is made solely to the Company's members as a body in accordance with our engagement letter dated 8 February 2013. Our audit work has been undertaken so that we might state to the Company's members those matters we are required under International Standards on Auditing (UK and Ireland) to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 42 the Company's directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

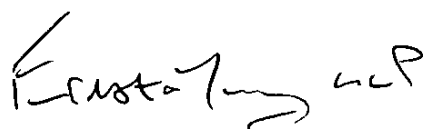
Scope of the audit of the financial statements

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

Opinion

In our opinion the accounts

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its loss for the year then ended, and
- have been properly prepared in accordance with United Kingdom accounting standards



Ernst & Young LLP
Belfast
29 May 2013

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2013

	Note	Year ended 31 March 2013 Audited £m	Year ended 31 March 2012 Audited £m
GROUP TURNOVER	3	1,603 7	1,731 0
Operating costs	4	(1,526 4)	(1,656 3)
Exceptional operating costs	5	(0 6)	(9 1)
Operating profit before goodwill amortisation		76 7	65 6
Goodwill amortisation/impairment	10	(32 3)	(35 8)
GROUP OPERATING PROFIT		44 4	29 8
Share of operating profit in associates		1 5	-
Amortisation of goodwill in associates		(0.4)	-
TOTAL OPERATING PROFIT GROUP & SHARE OF ASSOCIATES		45.5	29 8
Profit on disposal of continuing operations	5	0.4	11 0
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST & TAX		45 9	40 8
Net interest payable	7	(85 6)	(57 3)
Exceptional finance costs	5	-	(43 5)
		(85 6)	(100 8)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX		(39 7)	(60 0)
Tax credit on loss on ordinary activities	8	9 3	4 2
LOSS FOR THE FINANCIAL PERIOD		(30 4)	(55 8)

All amounts above relate to continuing operations

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2013

	Note	2013 £m	2012 £m
Loss for the financial year			
- Group		(29 5)	(55 8)
- Associates		(0 9)	-
		<u>(30 4)</u>	<u>(55 8)</u>
Exchange difference on retranslation of foreign subsidiaries		(4 6)	17 0
Exchange difference on loan hedged against foreign subsidiary	7	2 4	1 5
Actuarial loss on pension scheme assets and liabilities	20	(1 2)	(0 4)
Deferred tax credit on actuarial loss on pension scheme assets and liabilities	8	0 3	0 1
		<u>(33 5)</u>	<u>(37 6)</u>
Total recognised losses relating to the year			

GROUP BALANCE SHEET

as at 31 March 2013

	Note	2013 £m	2012 £m
Fixed assets			
Intangible assets	10	474 2	514 9
Tangible assets	11	301 5	301 6
Investment in associates	12	9 8	-
Investments	12	0 7	0 7
		<u>786 2</u>	<u>817 2</u>
Current assets			
Stocks	13	5 1	9 8
Debtors - due within one year	14	202 6	211 7
Investments	15	25 6	26 6
Cash at bank and in hand		24 7	8 8
		<u>258 0</u>	<u>256 9</u>
Creditors (amounts falling due within one year)	16	<u>(272 4)</u>	<u>(311 9)</u>
Net current liabilities		<u>(14 4)</u>	<u>(55 0)</u>
Total assets less current liabilities		771 8	762 2
Creditors (amounts falling due after more than one year)			
External borrowings		(576 8)	(564 4)
Non interest bearing subordinated shareholder loan		-	(89 3)
	16	<u>(576 8)</u>	<u>(653 7)</u>
Provisions for liabilities and charges	18	(11 5)	(10 7)
Deferred taxation	8	(5 8)	(13 3)
Deferred income	19	<u>(1 2)</u>	<u>-</u>
Net assets excluding pension liability		176 5	84 5
Defined benefit pension liability	20	<u>(0 4)</u>	<u>(0 4)</u>
NET ASSETS		<u>176 1</u>	<u>84 1</u>
Equity			
Called up share capital	21	-	-
Share premium	22	510 0	510 0
Capital contribution reserve	22	125 5	-
Profit and loss account	22	<u>(459 4)</u>	<u>(425 9)</u>
TOTAL EQUITY		<u>176 1</u>	<u>84 1</u>

The accounts were approved by the Board of directors and authorised for issue on 26 May 2013. They were signed on its behalf by

Director

Date 26 May 2013

GROUP CASH FLOW STATEMENT

for the year ended 31 March 2013

	Note	2013 £m	2012 £m
Cash flow from operating activities	23	142.4	77.5
Returns on investments and servicing of finance			
Interest received		0.4	4.3
Interest paid		(56.9)	(58.2)
Issue costs on new long-term loans		(4.0)	(22.0)
Exceptional finance costs		(0.7)	(71.6)
		(61.2)	(147.5)
Taxation		(0.3)	(0.8)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(6.6)	(43.7)
Contributions in respect of tangible fixed assets		0.8	-
Purchase of intangible assets		(28.4)	(30.1)
Proceeds from disposal of intangible assets		24.5	24.1
		(9.7)	(49.7)
Acquisitions and disposals			
Sale of subsidiary undertaking	12	(1.7)	(4.1)
Net cash disposed of with subsidiary undertaking	12	-	(18.0)
		(1.7)	(22.1)
Cash inflow/ (outflow) before use of liquid resources and financing		69.5	(142.6)
Management of liquid resources			
Decrease in bank deposits		1.4	14.7
Increase in short-term managed funds		(0.1)	-
		1.3	14.7
Financing			
Receipts from loans		-	565.8
Repayment of loans		(55.0)	(465.4)
		(55.0)	100.4
Increase/(decrease) in cash in the year		15.8	(27.5)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		15.8	(27.5)
Cash outflow/(inflow) from movement in net debt		55.0	(100.4)
Cash inflow from movement in liquid resources		(1.3)	(14.7)
		69.5	(142.6)
Change in net debt resulting from cash flows		69.5	(142.6)
Equitisation of shareholder loan	22	125.5	-
Capitalisation of interest on Junior facility		(23.5)	-
Restructuring of renewable assets	24	(12.3)	-
Amortisation of financing charges	7	(7.4)	(2.0)
Decrease/(increase) in interest accruals		2.3	(0.7)
Disposal of subsidiaries		-	141.7
Acquisition of subsidiary	12	-	29.3
Issue costs on new loans included in net debt		-	26.0
Interest accrual extinguished on acquisition of subsidiary	12	-	2.8
Translation difference		(5.0)	29.5
Movement in net debt in the year		149.1	84.0
Net debt at beginning of year		(676.7)	(760.7)
Net debt at end of year	24	(527.6)	(676.7)

NOTES TO THE ACCOUNTS

1. General Information

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

2. Accounting Policies

The principal accounting policies are set out below

Basis of preparation

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

Applicability of going concern basis

As noted in last year's annual report, Arcapita Bank B S C (c)[†] ("Arcapita") together with five affiliated companies ("the Filing Debtors") filed petitions under Chapter 11 of the US Bankruptcy Code on 19 March 2012. No member of the Group consisting of Viridian Group Holdings Limited or the immediate shareholder of Viridian Group Holdings Limited is a Filing Debtor. Following completion of its refinancing in March 2012, the Group is not financially dependent on Arcapita or any other Filing Debtor. On 16 April 2013 Arcapita filed a Plan of Reorganisation ("the Plan") which has the support of the Official Committee of Unsecured Creditors and an ad-hoc group of significant creditors. Creditors are expected to vote on whether or not to accept the Plan on 30 May 2013. On the basis of their enquiries and input from the Group's advisors, the Directors do not expect that the on-going Chapter 11 process will adversely impact the Group's borrowing facilities.

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

Basis of consolidation

The Group accounts consolidate the accounts of Viridian Group Holdings Limited (the Company) and entities controlled by the Company (its subsidiaries) to 31 March each year. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

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

Goodwill

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

[†] As referred to in note 29 to the accounts

recoverable. If a subsidiary is subsequently sold any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale.

Foreign currency translation

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

Foreign currency transactions are translated into the local currency at the rates of exchange prevailing on the dates of the transactions or at the contracted rate if the transaction is covered by a forward foreign currency contract. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the balance sheet date, or where appropriate at the forward contract rate, are recognised in the profit and loss account.

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

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

Emissions allowances and renewable obligations

The Group recognises the allocation of CO₂ emissions allowances from government or a similar body at £nil value. Purchased CO₂ emissions allowances and renewable obligation certificates (ROCs) are initially recognised at cost (purchase price) within intangible assets and subsequently written down to their recoverable amount at the balance sheet date should this be less than the purchase price. No amortisation is recorded during the period as the intangible asset is surrendered at the end of the compliance period reflecting the consumption of economic benefit.

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

Computer software

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

Tangible fixed assets and depreciation

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

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

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

Generation assets - 12 to 30 years
Freehold operational land - nil
Fixtures and equipment - up to 25 years
Vehicles and mobile plant - up to 5 years

2. Accounting Policies (continued)

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

Stocks

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

Financial instruments

Interest bearing loans and borrowings

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

Loans and receivables

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

Trade debtors

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

Trade creditors

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

Derivative financial instruments

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

- **Forward exchange contracts, commodity contracts and contracts for differences**

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

- **Interest rate swaps**

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

Operating lease contracts

Leases are classified as operating lease contracts whenever the terms of the lease do not transfer substantially all the risks and benefits of ownership to the lessee. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

2. Accounting Policies (continued)

Turnover

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

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

- **Energy supply**

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

- **Energy generation**

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

Government grants and contributions in respect of tangible fixed assets

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

Tax

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

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

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

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

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

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

2. Accounting Policies (continued)

Provisions

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

Decommissioning

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

Pensions and other post-retirement benefits

The Group has both defined benefit and defined contribution pension arrangements. The amount recognised in the balance sheet in respect of liabilities represents the present value of the obligations offset by the fair value of assets.

Pension scheme assets are measured at fair value, which in the case of quoted securities is the published bid price, and liabilities are measured using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the liabilities. Full actuarial valuations are obtained at least triennially and updated at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur and are recognised outside the profit and loss account and presented in the statement of total recognised gains and losses.

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

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

Dividends

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

3. Segmental Information

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

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

3. Segmental Information (Continued)

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

	External 2013 £m	Internal 2013 £m	Total 2013 £m	External 2012 £m	Internal 2012 £m	Total 2012 £m
Turnover						
- Energia Group	997 0	0 2	997 2	1,020 1	1 5	1,021 6
- Power NI Energy	606 7	0 3	607 0	710 9	-	710 9
- Inter-group elimination	-	(0 5)	(0 5)	-	(1 5)	(1 5)
Group turnover	1,603 7	-	1,603 7	1,731 0	-	1,731 0
Profit/ (loss) before depreciation, amortisation, exceptional items, interest and tax						
- Energia Group			76 6			91 3
- Power NI Energy			22 2			10 7
- Other			(3 1)			(2 9)
Group profit before depreciation, amortisation, exceptional items, interest and tax			95 7			99 1
Exceptional operating costs						
- Energia Group			(0 6)			(9 1)
- Power NI Energy			-			-
Group exceptional operating costs			(0 6)			(9 1)
Depreciation/amortisation						
- Energia Group			(16 2)			(24 4)
- Power NI Energy			(2 2)			-
Group depreciation/amortisation			(18 4)			(24 4)
Operating profit/(loss) post exceptional operating costs						
- Energia Group			59 8			57 8
- Power NI Energy			20 0			10 7
- Other			(3 1)			(2 9)
Group operating profit post exceptional operating costs			76 7			65 6
Goodwill amortisation/impairment			(32 3)			(35 8)
Group operating profit			44 4			29 8
Share of operating profit in associates			1 5			-
Amortisation of goodwill in associates			(0 4)			-
Total operating profit Group and share of associates			45 5			29 8
Profit on disposal of continuing operations			0 4			11 0
Profit on ordinary activities before interest and tax			45 9			40 8
Net interest payable			(85 6)			(57 3)
Exceptional finance costs			-			(43 5)
			(85 6)			(100 8)
Loss on ordinary activities before tax			(39 7)			(60 0)

3. Segmental Information (Continued)

The Group operates within two principal geographical areas

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

	External 2013 £m	Internal 2013 £m	Inter-group elimination 2013 £m	Total 2013 £m	External 2012 £m	Internal 2012 £m	Inter-group elimination 2012 £m	Total 2012 £m
Turnover by origin and destination								
UK	793.3	0.8	(0.8)	793.3	877.5	-	-	877.5
Rol	810.4	0.6	(0.6)	810.4	853.5	1.5	(1.5)	853.5
Group turnover	1,603.7	1.4	(1.4)	1,603.7	1,731.0	1.5	(1.5)	1,731.0
Profit before depreciation, amortisation, exceptional items, interest and tax								
UK				31.7				20.0
Rol				64.0				79.1
Total Group				95.7				99.1
Exceptional operating costs								
UK				-				-
Rol				(0.6)				(9.1)
				(0.6)				(9.1)
Depreciation/amortisation								
UK				(3.3)				(1.6)
Rol				(15.1)				(22.8)
Group depreciation/amortisation				(18.4)				(24.4)
Operating profit post exceptional operating costs								
UK				28.4				18.4
Rol				48.3				47.2
Operating profit before goodwill				76.7				65.6
Goodwill amortisation/impairment				(32.3)				(35.8)
Group operating profit				44.4				29.8
Share of operating profit in associates				1.5				-
Amortisation of goodwill in associates				(0.4)				-
Total operating profit Group and Share of Associates				45.5				29.8
Profit on disposal of continuing operations – Rol				0.4				11.0
Profit on ordinary activities before interest and tax				45.9				40.8
Net interest payable				(85.6)				(57.3)
Exceptional finance costs				-				(43.5)
				(85.6)				(100.8)
Loss on ordinary activities before tax				(39.7)				(60.0)

3. Segmental Information (Continued)

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

Based on regulated entitlement	Turnover		Operating profit pre exceptional operating costs		Profit before depreciation amortisation, exceptional items, interest & tax	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Energia Group	997.2	1,021.6	60.4	66.9	76.6	91.3
Power NI	491.7	520.8	18.2	19.6	20.4	19.6
Power Procurement	119.8	203.6	5.4	5.7	5.4	5.7
Inter-business elimination	(0.9)	1.1	-	-	-	-
Power NI Energy	610.6	725.5	23.6	25.3	25.8	25.3
Other	-	-	(3.1)	(2.9)	(3.1)	(2.9)
Inter-business elimination	(0.5)	(1.5)	-	-	-	-
	1,607.3	1,745.6	80.9	89.3	99.3	113.7
Adjustment for under-recovery	(3.6)	(14.6)	(3.6)	(14.6)	(3.6)	(14.6)
Total Group	1,603.7	1,731.0	77.3	74.7	95.7	99.1

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

Net operating assets/(liabilities) are analysed as follows

By business	2013 £m	2012 £m
Energia Group	275.9	268.6
Power NI Energy	(2.7)	35.2
Other	(2.1)	2.6
Net operating assets	271.1	306.4
Unallocated net liabilities	(95.0)	(222.3)
Total net assets	176.1	84.1
By geographical area	2013 £m	2012 £m
UK	(0.1)	-41.2
Rol	270.8	264.5
Other	0.4	0.7
Net operating assets	271.1	306.4
Unallocated net liabilities	(95.0)	(222.3)
Total net assets	176.1	84.1

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

4. Operating Costs

Operating costs are analysed as follows

	2013 £m	2012 £m
Energy costs	1,432.7	1,556.0
Employee costs (note 6)	21.4	19.9
Depreciation and amortisation	18.4	24.4
Other operating charges	53.9	56.0
Total pre exceptional	1,526.4	1,656.3
Exceptional costs (note 5)		
Energy costs	0.6	9.1
Total	1,527.0	1,665.4

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

Operating costs include

	2013 £m	2012 £m
Depreciation charge on tangible fixed assets	15.9	23.1
Associated release of contributions in respect of tangible fixed assets	(0.3)	-
	15.6	23.1
Amortisation of software costs	2.8	1.3
Operating lease rental		
- Land and buildings	0.5	0.7

Auditors' remuneration

	2013 £'000	2012 £'000
Fees payable to the Company's auditor for the audit of the Company's accounts	40	40
The audit of the Company's subsidiaries pursuant to legislation	237	237
Fees payable to the Company's auditor and its associates for other services		
- audit related assurance services	26	122
- tax compliance services	38	69
- tax advisory services	361	663
- corporate finance services	28	373
	453	1,227

5. Exceptional items

	2013 £m	2012 £m
Recognised before arriving at operating profit		
- Carbon revenue levy	(0.6)	(9.1)
- Goodwill impairment	-	(2.0)
	<u>(0.6)</u>	<u>(11.1)</u>
Recognised after arriving at operating profit		
- Profit on disposal of continuing operations (see note 12)	0.4	11.0
- Exceptional finance costs	-	(43.5)
	<u>-</u>	<u>(43.5)</u>

On 1 July 2010 the RoI Government introduced a carbon revenue levy on generators. The levy is calculated based on 65% of the volume of CO₂ emitted by generators multiplied by the average quarterly price of CO₂. The levy was scheduled to run to 31 December 2012 however the RoI Government repealed the legislation enabling the levy and the levy ended on 25 May 2012. The exceptional impact of the carbon revenue levy was £0.6m (2012 - £9.1m) with the cash outflow being £1.8m (2012 - £11.1m).

Profit on disposal of continuing operations £0.4m, relates to the sale of 25% of Eco Wind Power Limited as outlined in note 12.

Profit on disposal of continuing operations, £11.0m in 2012, relates to the sale of 100% of IIF Cyclone NI Holdco Limited and 50% of Eco Wind Power Limited on 14 March 2012.

Goodwill impairment of £2.0m in 2012 relates to goodwill arising in respect of the acquisition of Eco Wind Power Limited and reflects the assessment of the net realisable value of that income generating unit undertaken as part of the disposal of 50% of the Group's shareholding.

Exceptional finance costs of £43.5m in 2012, arise in respect of the refinancing of the Group £35.4m and the close out of fixed interest rate swaps £37.4m partly offset by a gain arising on the repurchase of Junior bank facility amounts £29.3m associated with the overall refinancing of the Group – see note 16.

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

	2013 £m	2012 £m
- Carbon revenue levy	0.1	1.1
- Exceptional finance costs	-	11.2
	<u>0.1</u>	<u>12.3</u>

6. Employees

Employee costs (pre exceptional costs)

	2013 £m	2012 £m
Salaries	18.7	17.2
Social security costs	2.1	2.0
Pension costs		
- defined contribution plans	0.9	0.9
- defined benefit plans	0.6	0.4
	<u>22.3</u>	<u>20.5</u>
Less: charged to the balance sheet	(0.9)	(0.6)
Charged to the profit and loss account	<u>21.4</u>	<u>19.9</u>

6. Employees (continued)

Employee numbers

	Actual headcount at 31 March		Average during the year	
	Number 2013	Number 2012	Number 2013	Number 2012
Power NI Energy	194	161	196	156
Energia Group	206	197	204	192
ther	37	24	33	20
	437	382	433	368

Directors' emoluments

No amounts were paid to the directors in respect of qualifying services or long-term incentive plans during the year (2012 - £nil)

7. Net Interest Payable

	2013 £m	2012 £m
Interest receivable		
Bank interest	0.3	1.2
Loan to associate	0.7	-
Loan to fellow subsidiary	-	6.4
	1.0	7.6
Interest payable		
Bank loans and borrowings	(29.7)	(48.9)
Senior secured notes interest	(47.4)	(3.2)
Interest payable to parent undertaking	-	(0.2)
	(77.1)	(52.3)
Less charged to balance sheet	-	3.4
Interest payable charged to the profit and loss account	(77.1)	(48.9)
Interest rate swaps	(0.6)	(6.9)
Exchange gain/(loss) on net foreign currency borrowings		
Net exchange gain/(loss) on net foreign currency borrowings	3.7	(5.5)
Less charged to the statement of total recognised gains and losses	(2.4)	(1.5)
Net exchange gain/(loss) credited/(charged) to the profit and loss account	1.3	(7.0)
Other finance costs		
Amortisation of financing charges	(7.4)	(2.0)
Unwinding of discount on decommissioning provision	(0.1)	(0.2)
Other finance (charges)/income	(0.3)	0.1
Total other finance costs	(7.8)	(2.1)
Net interest payable	(83.2)	(57.3)
Share of associates' net interest payable	(2.4)	-
Total net interest payable	(85.6)	(57.3)

During the year interest of £nil was charged to the balance sheet. In 2012 interest of £3.4m was charged to the balance sheet using a weighted average interest rate of 4.7%.

8. Tax Credit

(i) Analysis of credit in the year

	2013 £m	2012 £m
Tax on profit on ordinary activities		
<i>Current tax credit/(charge)</i>		
Corporation tax	(0.5)	-
Corporation tax over provided in previous years	2.4	0.4
	<u>1.9</u>	<u>0.4</u>
<i>Deferred tax credit/(charge)</i>		
Origination and reversal of timing differences in current year	8.2	1.6
Origination and reversal of timing differences relating to prior years	(0.8)	2.4
Share of associates' tax	0.1	-
Effect of decreased rate on opening liability	(0.1)	(0.2)
	<u>7.4</u>	<u>3.8</u>
 Tax credit on loss on ordinary activities	 <u>9.3</u>	 <u>4.2</u>
 Tax relating to items credited to the statement of total recognised gains and losses		
<i>Deferred tax</i>		
Arising on net actuarial losses on pension scheme assets and liabilities	<u>0.3</u>	<u>0.1</u>

(ii) Reconciliation of current tax credit

The current tax charge in the profit and loss account for the year varies from the prevalent rate of corporation tax in the Group of 24% (2012 - 26%), being the standard rate of UK tax. The differences are reconciled below.

	2013 £m	2012 £m
Loss on ordinary activities before tax charge	(39.7)	(60.0)
Accounting loss multiplied by the Group's prevalent rate of corporation tax of 24% (2012 - 26%)	9.5	15.6
Lower taxes on overseas earnings	3.7	4.8
Goodwill amortisation/ impairment	(7.8)	(9.3)
Timing differences in respect of pensions	0.9	0.9
Timing differences in respect of provisions	0.2	-
Expenses not deductible for tax purposes	(0.8)	(0.8)
Profit on disposal of subsidiary undertaking	-	2.9
Net tax losses utilised/ (not utilised in year)	1.4	(8.8)
Interest expense not deductible	(1.8)	(7.9)
Corporation tax over provided in previous years	2.4	0.4
Write off of junior facility discount	-	7.6
Interest expense not paid in the period	(5.4)	(4.4)
Finance costs amortised on consolidation	-	(0.2)
Other	(0.4)	(0.4)
 Current tax credit for the year	 <u>1.9</u>	 <u>0.4</u>

8. Tax Credit (continued)

(iii) Deferred tax

The deferred tax included in the balance sheet is as follows

	2013 £m	2012 £m
<i>Deferred tax assets</i>		
Provisions	-	0.1
Tax losses carried forward	6.2	-
Unpaid interest	5.6	1.6
Other	0.9	1.6
Deferred tax assets	<u>12.7</u>	<u>3.3</u>
<i>Deferred tax liabilities</i>		
Accelerated capital allowances	(18.7)	(16.7)
Deferred tax liabilities	<u>(18.7)</u>	<u>(16.7)</u>
Deferred tax on defined benefit pension liability	<u>0.2</u>	<u>0.1</u>
Net deferred tax liability	<u>(5.8)</u>	<u>(13.3)</u>

	2013 £m	2012 £m
Included in deferred taxation	(6.0)	(13.4)
Included in defined benefit pension liability	<u>0.2</u>	<u>0.1</u>
	<u>(5.8)</u>	<u>(13.3)</u>

	2013 £m	2012 £m
At beginning of the year	(13.3)	(19.4)
Exchange adjustments	(0.1)	1.0
Disposal of subsidiary undertaking	-	0.3
Deferred tax credit/(charge) in the profit and loss account	7.4	3.8
Share of associates' tax charge	(0.1)	-
Deferred tax transferred to corporation tax	-	0.9
Deferred tax relating to items charged to the statement of total recognised gains and losses	<u>0.3</u>	<u>0.1</u>
At 31 March including deferred tax on defined benefit pension liability	<u>(5.8)</u>	<u>(13.3)</u>

As at 31 March 2013 £66.3m of deferred tax assets (2012 - £74.5m) in respect of tax losses carried forward and other temporary differences were unrecognised in the figures stated above largely due to uncertainty in respect of future earnings in the group entities in which they have arisen

Deferred tax has been calculated at 23% as at 31 March 2013 reflecting HMRC enactment, in March 2012, of a reduction in the corporation tax rate effective from 6 April 2013

HM Treasury have announced their intention for the main rate of corporation tax to decrease to 20% by 2015, through reductions of 1% per annum over the next two years. This decrease in rates is not enacted at the balance sheet date. Of the overall deferred tax balance an asset of £9.5m relates to the UK companies in the group and therefore the proposed rate reduction would reduce this asset to £8.3m bringing the overall group deferred tax to a liability of £7.0m

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

8. Tax Credit (continued)**(iii) Deferred tax (continued)**

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

	2013 £m	2012 £m
(Accelerated)/ decelerated capital allowances	(2 0)	0 8
Unpaid interest	4 0	1 7
Timing differences in respect of pensions	-	(1 0)
Tax losses carried forward	6 1	(0 2)
Held over gain on property disposals	-	2 3
Other	(0.7)	0 2
Deferred tax credit/(charge)	7 4	3 8

9. Dividends

No dividends have been paid or proposed for the year ended 31 March 2013 (2012- £nil)

10. Intangible Assets

	Software costs £m	Goodwill £m	Emissions allowances and renewable obligation certificates £m	Total £m
Cost				
At 1 April 2012	23 1	646 3	25 6	695 0
Exchange adjustment	-	-	0 1	0 1
Additions	2 3	-	24 2	26 5
Acquisition of subsidiary undertaking	-	0 9	-	0 9
Surrenders in settlement of obligations	-	-	(24 5)	(24 5)
Revaluation of emissions allowances	-	-	(8 5)	(8 5)
At 31 March 2013	25 4	647 2	16 9	689 5
Amortisation/impairment				
At 1 April 2012	8 2	171 9	-	180 1
Exchange adjustment	-	0 1	-	0 1
Amortisation charge for the year	2 8	32 3	-	35 1
At 31 March 2013	11 0	204 3	-	215.3
Net book value				
At 1 April 2012	14.9	474.4	25 6	514.9
At 31 March 2013	14 4	442 9	16 9	474.2

At 31 March 2013 software costs include no amounts in respect of capitalised interest (2012 - £nil)

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

11. Tangible Assets

	Generation assets £m	Freehold operational land £m	Fixtures and equipment £m	Total £m
Cost				
At 1 April 2012	384.7	12.9	6.5	404.1
Exchange adjustment	6.2	0.2	-	6.4
Additions	6.1	-	0.4	6.5
Transfer from stock	5.2	-	-	5.2
Acquisition of subsidiaries	0.3	-	-	0.3
At 31 March 2013	402.5	13.1	6.9	422.5
Depreciation				
At 1 April 2012	99.3	-	3.2	102.5
Exchange adjustment	2.6	-	-	2.6
Charge for the year	15.1	-	0.8	15.9
At 31 March 2013	117.0	-	4.0	121.0
Net book value				
At 1 April 2012	285.4	12.9	3.3	301.6
At 31 March 2013	285.5	13.1	2.9	301.5

Included in generation assets are amounts in respect of assets under construction amounting to £10.9m (2012 - £5.6m) and capitalised interest of £0.8m (2012 - £0.6m)

Included in fixtures and equipment are amounts in respect of assets under construction amounting to £nil (2012 - £2.1m)

In preparing these financial statements the Directors have performed an impairment review to compare the carrying value of the Group's tangible fixed assets and goodwill to their recoverable amount, based on their value in use to the Group. This review indicated that the recoverable amount of the Group's tangible fixed assets and goodwill exceeded their carrying value at the year end.

12. Investments

(i) Group

	2013 £m	2012 £m
Investment in associate undertakings (note 12 (iii))	9 8	-
Other investment (note 12 (iv))	0 7	0 7
	10 5	0 7

(ii) Subsidiary undertakings

Principal investments in which the Group held 100% of ordinary shares at 31 March 2013 are listed below

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

* held by a subsidiary undertaking

12. Investments (continued)

On 14 March 2012, the Group completed the sale of 100% of IIF Cyclone NI Holdco Limited and 50% of Eco Wind Power Limited and certain of their subsidiaries to an affiliated entity (Windco) under the control of the Group's intermediate parent undertaking, ElectricInvest I Limited. The sale is analysed as follows:

As at 14 March 2012

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

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

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

On 15 June 2012 the Group acquired from Eco Wind Power Limited, an associate of the Group, 100% of the issued ordinary share capital of MD South Windfarm Limited (MDS), a company incorporated in the Republic of Ireland and which carries on the business of windfarm development. The consideration for this purchase was a £1.2m loan payable. Details of the book and fair values of the assets and liabilities of MDS, together with the impact of MDS on the profit and loss account and cash flow statement of the Group have not been disclosed on the grounds that these are immaterial to the Group.

During the year the Company paid costs of £1.7m (2012: £4.1m) in relation to the disposal of subsidiaries comprising £1.5m (2012: £3.9m) in relation to the disposal of NIE on 21 December 2010 and £0.2m (2012: £0.2m) in relation to the disposal of EWP on 14 March 2012 as outlined above.

12. Investments (continued)

(iii) Associate undertakings

On 15 June 2012 the Group sold a 25% holding in Eco Wind Power Limited (EWP) to companies controlled by AMP Capital Investors (UK) Limited, reducing its holding to 25% of the issued ordinary share capital in EWP. A profit of £0.4m arose on this sale reflecting the consideration of £2 and the Group's share of the net liabilities exceeding the unamortised goodwill at the date of disposal. EWP is incorporated in the Republic of Ireland and carries on the business of windfarm development and generation.

On 15 June 2012 the Group also acquired 20% of the issued ordinary share capital of IIF Cyclone NI Holdco Limited, from an affiliated entity (Windco) under the control of the Group's intermediate parent undertaking, ElectricInvest I Limited. IIF Cyclone NI Holdco Limited is incorporated in Northern Ireland and carries on the business of windfarm development and generation. The consideration for this purchase was a £3.2m loan payable.

As part of these transactions, loans receivable from these associates with a fair value of £6.6m were novated to the Group from a fellow subsidiary. The consideration was a £6.6m loan payable.

At 31 March	Share of net liabilities £m	Goodwill £m	Total equity investment £m	Loans in associates £m	Total £m
At 1 April 2012	(8.8)	8.8	-	-	-
Exchange movement	0.1	(0.1)	-	0.2	0.2
Disposal of subsidiary undertaking by associate	0.2	-	0.2	-	0.2
Disposal of share of associate	4.6	(4.2)	0.4	-	0.4
Acquisition of share of associate	-	3.2	3.2	-	3.2
Acquisition of loans in associates	-	-	-	6.6	6.6
Capitalised interest on loans in associates	-	-	-	0.6	0.6
Amortisation for the period	-	(0.5)	(0.5)	-	(0.5)
Share of loss of associate	(0.9)	-	(0.9)	-	(0.9)
At 31 March 2013	(4.8)	7.2	2.4	7.4	9.8

(iv) Other investments

The other investment relates to the Viridian Growth Fund, in respect of which an impairment of £nil (2012 - £0.2m) was recognised in the year.

13. Stocks

	2013 £m	2012 £m
Materials and consumables	5.1	9.8
	5.1	9.8

During the year £5.2m of stock was transferred to fixed assets.

14. Debtors

	2013 £m	2012 £m
Amounts falling due within one year:		
Trade debtors (including unbilled consumption)	170.0	154.6
Amounts owed by fellow group undertaking	-	0.1
Prepayments and accrued income	21.0	15.2
Security deposits	3.5	38.2
Other debtors	8.0	3.6
Amounts owed by associate	0.1	-
	202.6	211.7

15. Current Asset Investments

	2013 £m	2012 £m
Short-term bank deposits	24.2	25.3
Short-term managed funds	1.4	1.3
	25.6	26.6

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

16. Creditors

	2013 £m	2012 £m
Amounts falling due within one year		
Trade creditors	64.5	53.6
Other creditors	28.2	35.0
Amounts owed to associate	2.2	0.5
Payments received on account	28.4	18.9
Interest payable on loans	1.1	3.4
Corporation tax	4.1	6.3
Tax and social security	2.7	3.4
Accruals	141.2	135.8
Senior revolving credit facility	-	55.0
	272.4	311.9

	2013 £m	2012 £m
Amounts falling due after more than one year		
External borrowings		
Senior secured notes	392.5	380.9
Junior bank facility A	183.0	182.2
Interest payable on Junior bank facility A	1.3	1.3
	576.8	564.4
Non interest bearing subordinated shareholder loan		
Loan from parent undertaking	-	89.3
	-	89.3
	576.8	653.7

16. Creditors (continued)

Senior secured notes and Senior revolving credit facility

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

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

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

Junior bank facility

	2013 £m	2012 £m
Total (Facility A and Facility B)	551.4	548.2
Amounts held by the Group under Facility B	(368.4)	(366.0)
	<u>183.0</u>	<u>182.2</u>

As part of the refinancing of the Group on 14 March 2012, the Group repurchased £366.8m (sterling equivalent) of the Junior bank facility which at 31 March 2013 was £368.4m (sterling equivalent) (2012 - £366.0m). This repurchase was effected through the transfer of the entire share capital of ElectricInvest (Cayman) Limited to the Group from ElectricInvest Investments Limited, the Group's ultimate parent undertaking. Prior to the transfer ElectricInvest (Cayman) Limited had cumulatively acquired £366.8m of the Junior bank facility. The consideration given by the Group for the transfer comprised cash of £118.5m left outstanding by way of a loan, the assumption of loans totalling £102.8m owed by ElectricInvest (Cayman) Limited to ElectricInvest Investments Limited and the extinguishment of loans £116.2m (including accrued interest of £2.8m) owed by ElectricInvest (Cayman) Limited to the Group. The resultant exceptional gain of £29.3m has been credited to the profit and loss account (see note 5).

Immediately following this transfer and as part of the refinancing of the Group in March 2012, the Junior bank facility which is denominated in Euro and GBP was restructured into Facility A £182.2m (sterling equivalent), representing external holdings and Facility B £366.0m (sterling equivalent), representing amounts now held by the Group. Interest from 14 March 2012 was charged on Facility A on a Payment in Kind basis at a fixed rate of 14%. Facility B is non-interest bearing. Prior to the 14 March 2012, interest was charged at floating interest rates based on LIBOR and EURIBOR. Facility A is repayable in one instalment on 14 March 2020.

On 15 June 2012 75% of EWP (representing Windco's 50% holding and 25% owned by the Group) together with 80% of IIF Cyclone (representing 100% of Windco's holding less 20% transferred back to the Group) was sold to AMP Capital Investors (UK) Limited. Part of the immediately available proceeds were used to make a £24m repayment on the Junior bank facility A and as a result of this transaction, the interest rate on facility A was reduced from 14% to 13.5% effective from 15 June 2012.

The Junior bank facility is secured by way of first ranking charges over the shares in the Company, together with a second ranking charge over the Company's shareholding in Viridian Group Investments Limited, and a second ranking charge over the shareholding and assets of a fellow subsidiary undertaking ElectricInvest Windco 1 Limited together with its subsidiaries.

17. Loans

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

	2013 £m	2012 £m
In one year or less or on demand	1.1	58.4
In more than two years but not more than five years	392.5	-
In more than five years	184.3	653.7
	577.9	712.1

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

	2013 £m	2012 £m
Senior secured notes	-	420.2
Less issue costs and original issue discount	-	(39.3)
	-	380.9
Junior bank facility A	183.0	182.2
Interest payable on junior bank facility A	1.3	1.3
	184.3	653.7

Details of borrowings wholly repayable within five years are as follows

	2013 £m	2012 £m
Senior secured notes	424.8	-
Less issue costs and original issue discount	(32.3)	-
	392.5	-
Senior revolving credit facility	-	55.0
Interest accruals	1.1	3.4
	393.6	58.4

18. Provisions

	At 1 April 2012 £m	Exchange adjustment £m	Increase in provisions £m	Unwinding of discount £m	At 31 March 2013 £m
Liability and damage claims	0.1	-	-	-	0.1
Decommissioning	10.6	0.2	0.5	0.1	11.4
	10.7	0.2	0.5	0.1	11.5

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 four years.

Decommissioning

Provision has been made for decommissioning generation assets. The provision represents the present value of the current estimated costs of closure of the plants at the end of their useful economic lives. The provisions have been discounted using a rate of 2.32% (2012 2.52%) and are expected to be utilised within a period not exceeding twenty four years.

19. Deferred Income

Contributions in respect of
tangible fixed assets
£m

At 1 April 2012

-

Contributions receivable
Amortisation of contributions

1 5

(0 3)

At 31 March 2013

1 2

20. Pension Commitments

The Viridian Group Pension Scheme (2011) ("VGPS"), was established with effect from 1 April 2011 following the disposal of NIE and Powerteam. VGPS has two sections: a money purchase section (known as 'Options') and a defined benefit section (known as 'Focus'). The defined benefit section is closed to new entrants. There is also a money purchase arrangement for employees in the RoI known as 'Choices'. Most employees of the Group are members of VGPS or Choices.

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

The assets of the scheme are held under trust and invested by the trustees on the advice of professional investment managers.

In addition to VGPS the Complementary Pension Plan (CPP) provided benefits for salary above HM Revenue & Customs' earnings cap to certain Group directors. During the financial year, the decision was taken to distribute all benefits payable to beneficiaries under the CPP and legally dissolve the CPP. This resulted in a net surplus of £0.1m being returned to Viridian at the date of dissolution. This is reflected in the settlements figures below.

The actuaries to VGPS, have provided a valuation of Focus under FRS 17 at 31 March 2013 based on the following assumptions (in nominal terms) and using the projected unit method:

	2013	2012
Rate of increase in pensionable salaries	2.80% per annum	3.60% per annum
Rate of increase in pensions in payment	2.30% per annum	2.10% per annum
Discount rate	4.30% per annum	4.95% per annum
Inflation assumption (based on CPI)	2.30% per annum	2.10% per annum
Life expectancy		
Current pensioners (at age 60) - males	25.7 years	25.3 years
Current pensioners (at age 60) - females	28.5 years	28.0 years
Future pensioners (at age 60) - males	27.7 years	27.0 years
Future pensioners (at age 60) - females	30.5 years	29.7 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 FRS 17 at 31 March 2013 shows a net pension liability (before deferred tax) of £0.6m (2012 - £0.5m). A 0.1% increase/decrease in the assumed discount rate would decrease/increase the net pension liability by £0.7m (2012 - £0.6m). A 0.1% increase/decrease in the assumed inflation rate would increase/decrease the net pension liability by £0.7m (2012 - £0.6m).

20. Pension Commitments (continued)

Assets and Liabilities

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

	Value at 31 March 2013 £m	Expected rate of return %	Value at 31 March 2012 £m	Expected rate of return %
Equities	12.3	6.4	2.3	6.4
Bonds	14.9	3.9	5.6	3.9
Other	1.5	3.1	14.4	3.1
Total market value of assets	28.7		22.3	
Actuarial value of liabilities	(29.3)		(22.8)	
Net pension liability before deferred tax	(0.6)		(0.5)	
Related deferred tax asset	0.2		0.1	
Net pension liability	(0.4)		(0.4)	

The expected rate of return on equities is based on the expected median return over the long-term. The expected rate of return on bonds is measured directly from actual market yields for UK gilts and corporate bonds. Other assets include cash balances and other investments. The expected rate of return on these assets is measured directly from short-term market interest rates.

Changes in the market value of assets

	2013 £m	2012 £m
Market value of assets at 1 April	22.3	20.6
Expected return	1.1	1.2
Contributions from employer	1.9	1.4
Contributions from scheme members	0.2	0.1
Benefits paid	(0.5)	-
Transfer of employees	2.9	-
Actuarial gain/(loss)	2.0	(1.0)
Settlements	(1.2)	-
Market value of assets at 31 March	28.7	22.3

Assets valued at £2.9m were acquired from the Northgate Managed Services Pension Scheme following the transfer into the scheme of 13 employees as part of the insourcing of services for Power NI.

During the year ended 31 March 2013, the Group made contributions of £0.6m in respect of current service contributions. The Group also made a past service contribution of £1.3m under the terms of a deficit recovery plan agreed with the trustees in March 2013 following completion of an actuarial valuation of VGPS as at 31 March 2012 which identified a funding shortfall.

During 2013/14 the Group expects to make current service contributions of £0.9m reflecting increased contributions under the terms of the recovery plan together with the agreed annual deficit repair contribution of £1.3m as discussed above.

20. Pension Commitments (continued)**Changes in the actuarial value of liabilities**

	2013 £m	2012 £m
Actuarial value of liabilities at 1 April	22.8	21.7
Interest cost	1.1	1.2
Current service cost	0.6	0.4
Contributions from scheme members	0.2	0.1
Benefits paid	(0.5)	-
Transfer of employees	3.1	-
Settlements	(1.1)	-
Actuarial loss/(gain)	3.1	(0.6)
Actuarial value of liabilities at 31 March	29.3	22.8

Liabilities with an actuarial valuation of £3.1m were assumed following the transfer of 13 active members from the Northgate Managed Services Pension Scheme

Analysis of the amount charged to operating costs

	2013 £m	2012 £m
Current service cost	0.6	0.4
Total operating charge	0.6	0.4

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

Analysis of the amount charged to net pension scheme interest

	2013 £m	2012 £m
Expected return on assets	1.1	1.2
Interest on liabilities	(1.1)	(1.2)
Net pension scheme interest	-	-

Analysis of amount recognised in the Statement of Recognised Gains and Losses

	2013 £m	2012 £m
Actual return on scheme assets	3.1	0.2
Less expected return on scheme assets	(1.1)	(1.2)
Actuarial gain/(loss) on assets	2.0	(1.0)
Actuarial (loss)/gain on liabilities	(3.1)	0.6
Actuarial gain on settlement of CPP	0.1	-
Actuarial loss on transfer of employees	(0.2)	-
Net actuarial loss	(1.2)	(0.4)

The cumulative actuarial gain recognised in the statement of total recognised gains and losses since 18 July 2006 is £61.0m (2012 - £62.2m)

20. Pension Commitments (continued)

History of experience gains and losses	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Market value of assets	28.7	22.3	20.6	868.9	716.5
Actuarial value of liabilities	(29.3)	(22.8)	(21.7)	(999.5)	(772.1)
Net pension liability before deferred tax	(0.6)	(0.5)	(1.1)	(130.6)	(55.6)
Experience gains/(losses) on assets	2.0	(1.0)	15.3	141.5	(146.1)
Experience (losses)/gains on liabilities	(0.8)	1.3	0.3	5.3	(1.0)

21. Share Capital*Allotted and fully paid*

	Ordinary shares Number	Ordinary shares £
Share capital issued - ordinary shares of £1.00	1,510	1,510
At 31 March 2012 and 2013	1,510	1,510

22. Reconciliation of Shareholders' Funds and Movements in Reserves

	Share capital £m	Share premium £m	Accumulated losses £m	Capital contribution £m	Total £m
At 1 April 2011	-	510.0	(388.3)	-	121.7
Total recognised gains and losses relating to the year	-	-	(37.6)	-	(37.6)
At 1 April 2012	-	510.0	(425.9)	-	84.1
Total recognised gains and losses relating to the year	-	-	(33.5)	-	(33.5)
Capital Contribution received	-	-	-	125.5	125.5
At 31 March 2013	-	510.0	(459.4)	125.5	176.1

The Company received a capital contribution of £125.5m as a result of ElectricInvest I Limited, the Company's immediate parent, waiving a non-interest bearing shareholder loan of £125.5m

23. Notes to the Group Cash Flow Statement

Reconciliation of Operating Profit to Cash Flow from Operating Activities

	2013 £m	2012 £m
Operating profit	44.4	29.8
Adjustments for		
Amortisation/impairment of goodwill	32.3	35.8
Depreciation of fixed assets	15.9	23.1
Amortisation of software costs	2.8	1.3
Amortisation of contributions in respect of tangible fixed assets	(0.3)	-
Revaluation of emissions assets	8.5	-
Defined benefit pension charge less contributions paid	(1.3)	(1.0)
Operating cash flows before movement in working capital	102.3	89.0
(Increase)/decrease in stock	(0.4)	0.7
(Increase)/ decrease in debtors	(26.2)	32.8
Decrease/(increase) in security deposits	35.6	(34.3)
Increase/(decrease) in creditors	30.6	(12.8)
Effects of foreign exchange	0.5	2.1
Net cash inflow from operating activities	142.4	77.5

Net cash inflow from operating activities in 2013 includes exceptional cash outflows of £1.8m in respect of the payment of carbon revenue levy costs (2012 - £11.1m)

24. Analysis of Net Debt

	At 1 April 2012 £m	Cash flow £m	Non cash movement £m	Capitalisation of interest on junior facility £m	Translation difference £m	Renewables restructuring £m	Equitisation of shareholder loan £m	At 31 March 2013 £m
Cash at bank and in hand	8.8	15.8	-	-	0.1	-	-	24.7
Current asset investments	26.6	(1.3)	-	-	0.3	-	-	25.6
Debt due within one year	(58.4)	55.0	2.3	-	-	-	-	(1.1)
Debt due after more than one year	(653.7)	-	(7.4)	(23.5)	(5.4)	(12.3)	125.5	(576.8)
	(676.7)	69.5	(5.1)	(23.5)	(5.0)	(12.3)	125.5	(527.6)

Renewables restructuring non cash transactions £12.3m comprises acquisition of subsidiary £1.2m (see note 12), acquisition of associates £3.2m (see note 12), transfer of loans owed by associates £6.6m (see note 12) and other transfers from associates £1.3m (see note 29)

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

25. Off Balance Sheet Arrangements and Lease Obligations

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

The Group has also entered into generating contracts with generating companies in Northern Ireland to make payments for the availability of generating capacity as well as for the purchase of electricity generated. The principal contract is with AES Ballylumford Ltd. The main Ballylumford contracts expire in September 2018 but the Company has an option to extend them by five years to 2023. The early termination of 116MW of contracted capacity at Ballylumford and 58MW of contracted capacity at Kilroot was exercised from 1 November 2012 with a further 58MW of contracted capacity at Coolkeeragh cancelled with effect from 1 February 2013.

There are no other material off balance sheet arrangements.

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

	Land and buildings	
	2013	2012
	£m	£m
Within one year	0.1	-
After one year but not more than five years	0.2	0.1
More than five years	0.2	0.1
	0.5	0.2

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

	2013	2012
	£m	£m
Within one year	25.1	30.8
After one year but not more than five years	105.6	105.2
More than five years	9.2	37.4
	139.9	173.4

26. Commitments and Contingent Liabilities

(i) Capital commitments

At 31 March 2013 the Group had contracted future capital expenditure in respect of tangible fixed assets of £8.1m (2012 - £9.5m).

(ii) Contingent liabilities

Protected persons

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

26. Commitments and Contingent Liabilities (continued)

Generating contracts

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

Liability and damage claims

In the normal course of business the Group has contingent liabilities arising from claims made by third parties and employees. Provision for a liability is made (as disclosed in note 18) when the directors believe that it is probable that an outflow of funds will be required to settle the obligation where it arises from an event prior to the year end. The Group does not anticipate that any material liabilities will arise other than those recognised in the accounts.

27. Post Balance Sheet Events

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

On 3 May 2013 the Group announced that it is electing to redeem 9.3% (c£40m at current exchange rates) of its Senior Secured Notes at a redemption price of 103%, as permitted under the terms of the Notes. The Notes will be redeemed on 4 June 2013.

28. Financial Instruments

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

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

Interest rate risk profile of financial assets and liabilities

Financial assets

The disclosures below exclude short-term debtors.

Interest rate and currency profile

As at 31 March

		Floating rate £m	Non interest bearing £m	Total financial assets £m
2013	Sterling	15.4	0.7	16.1
	Euro	34.9	-	34.9
		50.3	0.7	51.0
2012	Sterling	14.3	0.7	15.0
	Euro	21.1	-	21.1
		35.4	0.7	36.1

Non-interest bearing financial assets comprise other investments. The Sterling and Euro floating rate financial assets comprise monies on deposit earning interest based on LIBOR and EURIBOR respectively.

28. Financial Instruments (continued)**Financial liabilities**

Interest rate and currency profile taking into account cross currency swaps

As at 31 March

		Fixed rate £m	Floating rate £m	Non interest bearing £m	Total financial liabilities £m	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years
2013	Sterling	194.2	1.1	-	195.3	12.94	5.4
	Euro	381.5	-	-	381.5	11.83	4.7
	Dollar	1.1	-	-	1.1	11.13	4.0
		576.8	1.1	-	577.9	12.08	5.0
2012	Sterling	191.1	55.0	89.3	335.4	12.97	6.5
	Euro	376.1	-	-	376.1	11.74	5.7
	Dollar	0.6	-	-	0.6	11.13	5.0
		567.8	55.0	89.3	712.1	12.15	6.0

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

28. Financial Instruments (continued)

Fair value

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

	Losses on hedges £m	Profit on hedges £m	Unrecognised total net losses £m
(Losses)/profits on hedges at 1 April 2011	(57.8)	49.8	(8.0)
Profits/(losses) arising in previous years included in current year profit and loss account	34.9	(47.3)	(12.4)
Profits/(losses) arising before 1 April 2011 not included in current year profit and loss account	(22.9)	2.5	(20.4)
Profits/(losses) arising in the year	3.6	9.2	12.8
Net profits/(losses) on hedges at 1 April 2012	(19.3)	11.7	(7.6)
Profits/(losses) arising in previous years included in current year profit and loss account	(10.2)	11.6	1.4
Profits/(losses) arising before 1 April 2012 not included in current year profit and loss account	(29.5)	23.3	(6.2)
Profits/(losses) arising in the year	15.0	(10.8)	4.2
Net profits/(losses) on hedges at 31 March 2013	(14.5)	12.5	(2.0)
Of which			
Profits/(losses) expected to be recognised in 2013/14	(12.1)	11.2	(0.9)
Profits/(losses) expected to be recognised in 2014/15 or later	(2.4)	1.3	(1.1)
	(14.5)	12.5	(2.0)

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

	2013 £m	2012 £m
Financial instruments		
Commodity swap contracts	2.9	1.6
Cross currency swaps	(4.6)	(8.5)
CfDs	(1.2)	(0.5)
Interest rate swap contracts	-	(0.6)
Forward currency contracts	0.9	0.4

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

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

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

The directors consider that the fair value of the Senior secured notes at 31 March 2013 was £459.2m based upon the quoted market price of these notes.

The present value of the non interest bearing subordinated shareholder loan of £89.3m at 31 March 2012 was considered to be £31.3m based on a discount rate of 14% over 8 years.

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

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

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

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

During the year the Group was charged £3.0m (2012 - £3.0m) by Arcapita Ltd in respect of strategic advisory services provided by Arcapita Limited.

The Group has two associate undertakings, Eco Wind Power Limited and IIF Cyclone NI Holdco Limited.

During the period the Group acquired its 20% holding in IIF Cyclone NI Holdco Limited and reduced its holding in Eco Wind Power Limited from 50% to 25%. As part of these transactions the Group acquired loans owing by these associates amounting to £2.5m and £4.3m to IIF Cyclone and EWP, respectively. These loans remain outstanding at 31 March 2013 and are included as part of the Group's overall investment in associates as disclosed in note 12 to the accounts. During the year the Group earned interest amounting to £0.2m and £0.6m to IIF Cyclone and EWP, respectively, on these loans. The contractual amount of the loan owed by EWP is £9.8m, however the carrying value reflected in the Group's balance sheet at 31 March 2013 reflects the Directors' expectations regarding the level of recovery of this amount.

Tangible fixed assets and cash amounting to £0.5m and £0.8m, respectively, were also transferred to the Group from Eco Wind Power Limited. Further as disclosed in note 12, during the year the Group acquired the entire issued share capital of MD South Windfarm Limited from Eco Wind Power Limited. The consideration for these transfers of £1.2m was left outstanding as a loan payable to Eco Wind Power Limited and was subsequently novated to a fellow subsidiary of the Group.

During the year the Group purchased electricity totalling £3.8m and £7.0m from IIF Cyclone and EWP, respectively. The Group also charged cost of sales amounts totalling £0.5m and £nil to IIF Cyclone and EWP, respectively, in respect of the electricity purchases noted above. The Group further provided management services amounting to £0.2m and £0.4m to IIF Cyclone and EWP, respectively. Amounts owing to IIF Cyclone and EWP at 31 March 2013 in respect of these transactions total £1.4m and £0.8m, respectively, and are disclosed in note 15 to the accounts.

GLOSSARY OF TERMS

1992 Order	Electricity (Northern Ireland) Order 1992
1999 Act	Electricity Regulation Act 1999
2002 Act	Gas (Interim) (Regulation) Act 2002
2003 Order	Energy (Northern Ireland) Order 2003
2007 Act	Electricity Regulation (Amendment) (Single Electricity Market) Act 2007
Arcapita	Arcapita Bank B S C (c)
BGE	Bord Gáis Éireann
CBI	Confederation of British Industry
CCGT	combined-cycle gas turbine
CER	Commission for Energy Regulation
CfDs	contracts for differences
Choices	money purchase pension arrangement for employees in the Rol
CO	carbon monoxide
CO ₂	carbon dioxide
Company	Viridian Group Holdings Limited
CPI	Consumer Price Index in the Rol
CPM	Capacity Payment Mechanism
CPP	Complementary Pension Plan
CSR	Corporate Social Responsibility
DCENR	Department of Communications, Energy and Natural Resources in the Rol
DETI	Department of Enterprise, Trade and Investment in Northern Ireland
EBITDA	earnings before interest, tax, depreciation and amortisation
EirGrid	EirGrid plc
Energia	Energia Group's competitive energy supply business
ESB	Electricity Supply Board
EU	European Union
FIT CfD	Feed-In Tariff with Contract for Difference
EWP	Eco Wind Power and its subsidiaries
Focus	defined benefit section of VGPS
FRS	Financial Reporting Standards
GB	Great Britain
Group	Viridian Group Holdings Limited and its subsidiary undertakings
GW	gigawatt
GWh	gigawatt hour
Huntstown 1	Phase one of Huntstown Power Station - 343MW CCGT
Huntstown 2	Phase two of Huntstown Power Station - 404MW CCGT
ICT	information and communication technology
IPPC	Integrated Pollution Prevention and Control
ISO	International Organization for Standardization
IT	Information Technology
KPI	key performance indicator
LTIR	lost time incident rate
LEU	large energy user
LOCs	Letters of Credit
Minister	Minister for Communications, Energy and Natural Resources
MW	megawatt
MWh	megawatt hour
NIE	Northern Ireland Electricity Limited
NISEP	Northern Ireland Sustainable Energy Programme
NO _x	oxides of nitrogen
Northgate	Northgate Managed Services Limited

OCGT	Open Cycle Gas Turbine
OHSAS	Occupational Health and Safety Management Systems Specification
Options	money purchase section of VGPS
Power NI	Power NI Energy Supply
Power NI Energy	Power NI Energy Limited
PPA	power purchase agreement
PPB	Power Procurement business
PSO	public service obligation
RAs	Regulatory Authorities
REFIT	Renewable Energy Feed-In Tariff scheme
RMC	Risk Management Committee
RO	UK Renewable Obligation
ROCs	Renewable Obligation Certificates
RoI	Republic of Ireland
RPI	Retail Price Index
SEE	social, environmental and ethical
SEM	Single Electricity Market
SEMO	Single Electricity Market Operator
SEM Order	Electricity (Single Wholesale Market) (Northern Ireland) Order 2007
SME	small to medium-sized enterprise
SMP	system marginal price
SO₂	sulphur dioxide
SONI	SONI Limited
SRCF	Senior Revolving Credit Facility
TSO	transmission system operator
TWh	terawatt hour
UK	United Kingdom
UK GAAP	United Kingdom Generally Accepted Accounting Principles
Utility Regulator	Northern Ireland Authority for Utility Regulation
VGPS	Viridian Group Pension Scheme (2011)
VP&E	Viridian Power & Energy
VPEHL	Viridian Power & Energy Holdings Limited and its subsidiaries
IIF Cyclone	IIF Cyclone NI Holdco Limited and its subsidiaries
Windco	An affiliated entity under the control of the Group's immediate parent undertaking ElectricInvest 1 Limited