



Northern Ireland Electricity plc

Interim Accounts

**Six months ended
30 September 2007**

All references in this document to "Group" denote Northern Ireland Electricity plc and its subsidiary undertakings and to "Company" denote Northern Ireland Electricity plc, the parent company.

Northern Ireland Electricity (“NIE”) plc
Unaudited interim accounts
For the six months to 30 September 2007

INTERIM MANAGEMENT REPORT

Principal activities

During the six months ended 30 September 2007, NIE plc and its subsidiaries (the Group) continued to operate through four regulated businesses in Northern Ireland: the transmission and distribution of electricity through Transmission and Distribution (T&D); transmission system operation through System Operator Northern Ireland Limited (SONI); power procurement through the Power Procurement Business (PPB); and supply of electricity through NIE Supply. During the period, the main changes in the regulatory and legislative framework applicable to these businesses were changes to the licensing regime designed to facilitate preparations for both the introduction of the Single Electricity Market (SEM) and full opening of the electricity retail supply market in Northern Ireland on 1 November 2007.

Business separation

On 1 November 2007, the PPB and NIE Supply businesses were transferred to NIE Energy Limited, a separate subsidiary of Viridian Group Limited (Viridian), the parent company of NIE plc. This transfer was consistent with the requirements of the 2003 EU Electricity Directive concerning the independence of the distribution system operation. In addition, to further the independence of the transmission system operator and market operator roles in the SEM, the Group has confirmed to the Northern Ireland Authority for Utility Regulation (NIAUR) and the Department of Enterprise Trade and Investment (DETI) its conditional agreement to divest SONI. A process for divestment of SONI will commence once agreement has been reached with NIAUR on the price control which will apply to SONI with effect from 1 November 2007.

T&D

T&D continues to make substantial investment in its infrastructure assets, in line with its price control. Total capital expenditure during the six months ended 30 September 2007, including expenditure on customer service systems and new systems required to support the SEM, was £59.8m (2006 - £43.4m).

T&D's price control was reset with effect from 1 April 2007 and is scheduled to run for five years. This is the fourth five year regulatory period since the privatisation of NIE and it is referred to as Regulatory Period 4 (RP4). The key aspects of the RP4 price control are as follows:

Rate of return – The allowed rate of return is consistent with that of the distribution network operators in GB in respect of the distribution portion of T&D's Regulatory Asset Base (RAB) (which is taken to represent 82% of the overall RAB) but a lower rate is applied to the 18% representing the transmission portion. This results in a blended rate of return of 4.78% post

tax real. The allowed rate of return on the distribution portion of the RAB will either decrease or stay flat for the last two years of RP4 depending on the outcome of the GB electricity distribution review in 2010 - but there will be no upward adjustment. The allowed rate of return on the transmission portion will remain unchanged.

Operating costs - The allowance for controllable costs in each year of RP4 is set equal to the RPI-indexed level of actual costs incurred during the corresponding year in RP3. This is subject to some specific reductions in 2007/08 and 2008/09 and also a small disallowance in respect of early retirement pension deficiency costs. The allowance for controllable costs will be reduced if the T&D price in any year of RP4 otherwise exceeds a price cap of 1.92p/kWh (in 2006/07 prices). Uncontrollable costs such as rates, wayleaves and licence fees are passed through.

Capital expenditure - The capital expenditure budget for RP4 is £332m (in 2006/07 prices) compared to £273m in RP3 (in 2006/07 prices). This investment is driven by the need to replace worn assets and to meet continued growth in customer demand.

SONI

SONI's licensing regime has been modified to reflect its responsibilities under the SEM; it has been granted two licences authorising it as both transmission system operator (which role it previously carried on under NIE's licence) and market operator. In its role as transmission system operator, SONI has taken over from T&D responsibility for setting charges for use of the transmission system, connections to the transmission system and associated contractual arrangements. SONI's role as market operator is being carried on through a contractual joint venture with Eirgrid.

PPB

Prior to the SEM, PPB provided wholesale supplies of electricity to suppliers under the terms of the Bulk Supply Tariff (BST) or under bilateral arrangements with suppliers. Under the SEM, PPB's role is to act as an intermediary in respect of its generation capacity under contract which it bids into the SEM pool. PPB has entered into contracts for differences (CfDs) with suppliers for a proportion of its forecast energy sales for the first SEM tariff period which runs from 1 November 2007 to 30 September 2008. To the extent that the revenue PPB receives from the pool and CfDs is insufficient to cover its regulated entitlement, PPB is entitled to receive additional revenues from public service obligation (PSO) charges.

NIE Supply

Prior to the SEM, NIE Supply acquired bulk supplies of electricity from PPB at the BST in order to supply its customers. Under the SEM, NIE Supply purchases all of its wholesale requirements from the pool. NIE Supply has hedged a proportion of its forecast demand for the first SEM tariff period. This hedging has been implemented principally through CfDs with PPB and ESB Power Generation, in accordance with a hedging policy approved by NIAUR.

Risks and uncertainties

The principal risks and uncertainties affecting the Group for the second half of the financial year relate to regulation, business performance, business continuity, health and safety, management development, financial and business control, pensions, and social, ethical and environmental risks. These risks are described on pages 9 and 10 of the Group's statutory accounts for the year ended 31 March 2007, a copy of which is available on the Group's website at www.nie.co.uk/Accounts/NIESTats2007.doc.

Financial review

As a result of their transfer to NIE Energy Limited on 1 November 2007, PPB and NIE Supply are treated as discontinued in these interim accounts. International Financial Reporting Standards (IFRS) require that, in the circumstances of discontinued operations, the profits earned by the continuing operations on sales to the discontinued operations be eliminated on consolidation and attributed to the discontinued operations and vice versa. This presentation has a significant effect on the split between continuing and discontinued operations shown below because of the substantial proportion of SONI's and T&D's sales derived from NIE Supply. This representation does not reflect the profits earned by continuing or discontinued operations, as if they were stand alone entities, for past periods or likely to be earned in future periods.

Revenue from continuing and discontinued operations increased from £291.3m to £300.0m due to increased tariffs arising from higher fuel costs and higher T&D price control revenues reflecting the transition to RP4, offset by lower PPB traded sales and a lower over-recovery in respect of regulated entitlement.

The Group's pro-forma operating profit from continuing and discontinued operations increased from £51.1m to £57.4m mainly due to higher profits from T&D. The calculation of pro-forma operating profit is shown below:

	Six months ended 30 September		Year ended 31 March
	2007	2006	2007
	£m	£m	£m
Group statutory operating (loss)/profit - continuing operations	(21.8)	(20.9)	(26.9)
- discontinued operations	84.7	95.2	180.1
	62.9	74.3	153.2
Deduct: over-recovery of regulated entitlement	(5.5)	(23.2)	(43.8)
Group pro-forma operating profit	57.4	51.1	109.4

Net finance costs (continuing and discontinued operations) increased from £7.4m to £10.2m due to higher net debt and the payment of preference dividends of £1.1m (2006 - £nil).

The tax charge (continuing and discontinued operations) decreased from £19.5m to £15.7m reflecting the lower over-recovery. The effective tax rate increased from 29.1% to 29.8%.

The pension liability, under IAS 19 Employee Benefits, decreased to £61.7m at 30 September 2007 from £87.0m at 31 March 2007 reflecting an increase in the discount rate used to discount scheme liabilities as a result of higher bond yields.

Net debt increased to £404.7m at 30 September 2007 from £320.3m at 31 March 2007.

GROUP INCOME STATEMENT

	Note	Six months ended 30 September		Year ended 31 March
		Unaudited 2007 £m	Unaudited 2006 £m	Audited 2007 £m
Continuing operations				
Revenue	2	27.7	21.3	61.2
Operating costs		(49.5)	(42.2)	(88.1)
OPERATING LOSS	2	(21.8)	(20.9)	(26.9)
Exceptional costs		-	-	(2.3)
LOSS FROM CONTINUING OPERATIONS BEFORE FINANCE COSTS		(21.8)	(20.9)	(29.2)
Interest receivable		0.7	1.6	3.2
Finance costs		(10.5)	(8.9)	(21.0)
Net pension scheme interest		0.3	0.9	1.9
Net finance costs	3	(9.5)	(6.4)	(15.9)
LOSS FROM CONTINUING OPERATIONS BEFORE TAX CREDIT		(31.3)	(27.3)	(45.1)
Tax credit	4	9.5	9.8	16.1
LOSS FROM CONTINUING OPERATIONS AFTER TAX CREDIT		(21.8)	(17.5)	(29.0)
Discontinued operations				
Profit for the period from discontinued operations	5	58.8	64.9	122.9
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		37.0	47.4	93.9

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Six months ended 30 September		Year ended 31 March
	Unaudited 2007 £m	Unaudited 2006 £m	Audited 2007 £m
Actuarial gain/(loss) on pension scheme assets and liabilities	19.6	(27.2)	13.0
Gains on cash flow hedges	1.1	-	-
Deferred tax (charge)/credit on items taken directly to equity	(6.2)	8.2	(3.9)
Net income/(expense) recognised directly in equity	14.5	(19.0)	9.1
Profit for the financial period	37.0	47.4	93.9
Total recognised income and expense for the period attributable to the equity holders of the parent company	51.5	28.4	103.0

GROUP BALANCE SHEET

	Note	As at 30 September		As at 31
		Unaudited 2007 £m	Unaudited 2006 £m	March Audited 2007 £m
Non-current assets				
Property, plant and equipment	7	921.1	858.8	890.2
Intangible assets	8	41.9	18.2	30.1
Financial assets		0.5	0.6	0.5
		<u>963.5</u>	<u>877.6</u>	<u>920.8</u>
Current assets				
Inventories		6.8	7.7	6.0
Trade and other receivables		10.9	70.8	103.1
Financial assets		0.7	0.2	0.2
Cash and cash equivalents		-	50.0	23.1
		<u>18.4</u>	<u>128.7</u>	<u>132.4</u>
Assets held for sale and included in disposal groups	5	<u>70.9</u>	-	-
		<u>89.3</u>	<u>128.7</u>	<u>132.4</u>
TOTAL ASSETS		<u>1,052.8</u>	<u>1,006.3</u>	<u>1,053.2</u>
Current liabilities				
Trade and other payables		54.4	120.0	134.6
Current tax payable		9.8	18.3	32.7
Deferred income		6.0	5.7	6.0
Financial liabilities		95.9	27.0	33.9
Provisions		9.0	7.8	9.1
		<u>175.1</u>	<u>178.8</u>	<u>216.3</u>
Liabilities included in disposal groups	5	<u>102.4</u>	-	-
		<u>277.5</u>	<u>178.8</u>	<u>216.3</u>
Non-current liabilities				
Deferred tax liabilities		109.3	84.9	99.7
Deferred income		188.2	171.5	179.9
Financial liabilities		309.6	309.5	309.5
Provisions		12.7	17.4	13.8
Pension liability		51.4	135.3	87.0
		<u>671.2</u>	<u>718.6</u>	<u>689.9</u>
TOTAL LIABILITIES		<u>948.7</u>	<u>897.4</u>	<u>906.2</u>
NET ASSETS		<u>104.1</u>	<u>108.9</u>	<u>147.0</u>
Equity				
Share capital	9	-	-	-
Share premium	9	24.4	24.4	24.4
Capital redemption reserve	9	6.1	6.1	6.1
Hedge reserve	9	0.8	-	-
Accumulated profits	9	72.8	78.4	116.5
		<u>104.1</u>	<u>108.9</u>	<u>147.0</u>
TOTAL EQUITY		<u>104.1</u>	<u>108.9</u>	<u>147.0</u>

The accounts were approved by the Board of directors and authorised for issue on 12 November 2007.

GROUP CASH FLOW STATEMENT

	Note	Six months ended 30 September		Year ended 31 March
		Unaudited 2007 £m	Unaudited 2006 £m	Audited 2007 £m
Cash flows from operating activities				
Operating (loss)/profit:				
Continuing operations		(21.8)	(20.9)	(26.9)
Discontinued operations		84.7	95.2	180.1
Adjustments for:				
Depreciation of property, plant and equipment		18.2	17.2	35.0
Amortisation of intangible assets		1.1	0.5	1.7
Amortisation of customers' contributions and grants		(3.2)	(3.0)	(6.0)
Profit on disposal of property, plant and equipment		-	(0.6)	(4.7)
Share-based payments		-	0.3	0.2
Defined benefit pension charge less contributions paid		(5.5)	(5.2)	(12.2)
Net movement in provisions		(1.5)	(7.3)	(9.9)
Exceptional costs		-	-	(1.9)
Operating cash flows before movement in working capital		72.0	76.2	155.4
Decrease/(increase) in working capital		36.9	8.0	(11.4)
Cash generated from operations		108.9	84.2	144.0
Interest received		0.7	2.7	3.5
Interest paid		(16.4)	(16.2)	(17.9)
Preference dividend paid		(1.1)	-	(3.2)
Current taxes paid		(37.9)	(14.8)	(17.6)
Net cash flows from operating activities		54.2	55.9	108.8
Cash flows from investing activities				
Purchase of property, plant and equipment		(48.9)	(38.7)	(85.7)
Purchase of intangible assets		(12.8)	(7.8)	(20.9)
Proceeds from disposal of property, plant and equipment		-	0.6	5.1
Contributions in respect of property, plant and equipment		11.6	10.2	22.1
Net cash flows used in investing activities		(50.1)	(35.7)	(79.4)
Cash flows from financing activities				
Net proceeds from/(repayment) of borrowings		67.6	(12.9)	(12.2)
Equity dividends paid		(94.4)	-	(36.8)
Net cash flows used in financing activities		(26.8)	(12.9)	(49.0)
Net (decrease)/increase in cash and cash equivalents		(22.7)	7.3	(19.6)
Cash and cash equivalents at beginning of period		23.1	42.7	42.7
Cash and cash equivalents at end of period		0.4	50.0	23.1
Cash and cash equivalents relating to continuing activities		(0.4)	50.0	23.1
Cash and cash equivalents relating to discontinued activities	5	0.8	-	-
		0.4	50.0	23.1

NOTES TO THE INTERIM ACCOUNTS

1. Basis of preparation

The interim accounts for the six months ended 30 September 2007 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The accounts have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on "Review of Interim Financial Information performed by the Independent Auditor of the Entity" and do not constitute statutory accounts within the meaning of the Companies (Northern Ireland) Order 1986.

The accounts have been prepared on the basis of the accounting policies set out in the accounts for the year ended 31 March 2007 which have been filed with the Registrar of Companies and contain an unqualified audit report.

During the six months ended 30 September 2007, PPB and NIE Supply entered into contracts for differences (CfDs) to hedge the risk of changes in wholesale electricity prices. These CfDs have been designated as effective hedges of future cash flows and are stated at fair value in the Group's balance sheet as derivative financial assets (£4.1m) and liabilities (£3.0m), with the cumulative changes in their fair value net of deferred tax (£0.8m) recognised within equity.

NOTES TO THE INTERIM ACCOUNTS (continued)

2. Segmental Information

(i) Revenue and profit – continuing operations

As a result of their transfer to NIE Energy Limited on 1 November 2007, PPB and NIE Supply are treated as discontinued operations in these accounts. International Financial Reporting Standards (IFRS) require that, in the circumstances of discontinued operations, the profits earned by the continuing operations on sales to the discontinued operations be eliminated on consolidation and attributed to the discontinued operations and vice versa. This representation does not reflect the profits earned by continuing or discontinued operations, as if they were stand alone entities, for past periods or likely to be earned in future periods. PPB and SONI are reported as separate segments. In the statutory accounts for the year ended 31 March 2007, PPB and SONI were combined and reported as one segment.

	Six months ended 30 September						Year ended 31 March		
	2007 External £m	2007 Internal £m	2007 Total £m	2006 External £m	2006 Internal £m	2006 Total £m	2007 External £m	2007 Internal £m	2007 Total £m
Continuing operations									
Revenue									
SONI	4.0	14.6	18.6	4.2	15.6	19.8	8.8	36.5	45.3
Transmission and Distribution	23.7	56.3	80.0	17.1	47.5	64.6	51.4	113.7	165.1
Other	-	0.1	0.1	-	0.2	0.2	1.0	1.0	2.0
	<u>27.7</u>	<u>71.0</u>	<u>98.7</u>	21.3	63.3	84.6	<u>61.2</u>	<u>151.2</u>	<u>212.4</u>
Inter-group elimination			<u>(71.0)</u>			<u>(63.3)</u>			<u>(151.2)</u>
			<u>27.7</u>			<u>21.3</u>			<u>61.2</u>
Operating loss									
SONI			(2.1)			(0.4)			(1.0)
Transmission and Distribution			(17.7)			(20.0)			(24.1)
Other			(2.0)			(0.5)			(1.8)
			<u>(21.8)</u>			<u>(20.9)</u>			<u>(26.9)</u>
Exceptional costs									
SONI			-			-			(0.1)
Transmission and Distribution			-			-			(0.6)
Other			-			-			(1.6)
			<u>-</u>			<u>-</u>			<u>(2.3)</u>
Loss from continuing operations before finance costs			<u>(21.8)</u>			<u>(20.9)</u>			<u>(29.2)</u>
Interest receivable			0.7			1.6			3.2
Finance costs			(10.5)			(8.9)			(21.0)
Net pension scheme interest			0.3			0.9			1.9
Net finance costs			<u>(9.5)</u>			<u>(6.4)</u>			<u>(15.9)</u>
Loss from continuing operations before tax credit			<u>(31.3)</u>			<u>(27.3)</u>			<u>(45.1)</u>
Tax credit			9.5			9.8			16.1
Loss from continuing operations after tax credit			<u>(21.8)</u>			<u>(17.5)</u>			<u>(29.0)</u>
Discontinued operations									
Profit for the period from discontinued operations (note 5)			58.8			64.9			122.9
Profit for the period			<u>37.0</u>			<u>47.4</u>			<u>93.9</u>

NOTES TO THE INTERIM ACCOUNTS (continued)

2. Segmental Information (continued)

(ii) Revenue and profit – discontinued operations

	Six months ended 30 September						Year ended 31 March		
	2007 External £m	2007 Internal £m	2007 Total £m	2006 External £m	2006 Internal £m	2006 Total £m	2007 External £m	2007 Internal £m	2007 Total £m
Discontinued operations									
Revenue									
PPB	64.9	132.2	197.1	72.5	128.4	200.9	143.5	320.7	464.2
NIE Supply	207.4	4.6	212.0	197.5	3.5	201.0	473.1	7.1	480.2
	<u>272.3</u>	<u>136.8</u>	<u>409.1</u>	270.0	131.9	401.9	<u>616.6</u>	<u>327.8</u>	<u>944.4</u>
Inter-group elimination			(136.8)			(131.9)			(327.8)
			<u>272.3</u>			<u>270.0</u>			<u>616.6</u>
Operating profit									
PPB			8.1			24.8			22.6
NIE Supply			<u>76.6</u>			<u>70.4</u>			<u>157.5</u>
			<u>84.7</u>			<u>95.2</u>			<u>180.1</u>

(iii) Revenue and profit – continuing and discontinued operations

In addition to the disclosures given above, the directors believe the following breakdown of the Group's business according to regulated entitlement is relevant to understanding the results:

	Revenue			Operating profit/(loss)		
	Six months ended 30 September 2007 £m	2006 £m	Year ended 31 March 2007 £m	Six months ended 30 September 2007 £m	2006 £m	Year ended 31 March 2007 £m
Based on regulated entitlement:						
PPB	186.8	172.1	431.6	2.7	4.8	9.3
SONI	18.3	17.8	41.3	1.0	1.1	2.1
Transmission and Distribution	93.2	78.5	166.1	48.6	40.5	88.7
NIE Supply	204.9	194.6	471.6	5.7	4.4	8.8
Other	(0.8)	0.3	2.4	(0.6)	0.3	0.5
Inter-group elimination	(207.9)	(195.2)	(479.0)	-	-	-
	<u>294.5</u>	<u>268.1</u>	<u>634.0</u>	<u>57.4</u>	<u>51.1</u>	<u>109.4</u>
Adjustment for over-recovery	5.5	23.2	43.8	5.5	23.2	43.8
	<u>300.0</u>	<u>291.3</u>	<u>677.8</u>	<u>62.9</u>	<u>74.3</u>	<u>153.2</u>
Relating to continuing operations	27.7	21.3	61.2	(21.8)	(20.9)	(26.9)
Relating to discontinued operations	<u>272.3</u>	<u>270.0</u>	<u>616.6</u>	<u>84.7</u>	<u>95.2</u>	<u>180.1</u>
	<u>300.0</u>	<u>291.3</u>	<u>677.8</u>	<u>62.9</u>	<u>74.3</u>	<u>153.2</u>

The adjustment for over-recovery represents the amount by which the Group over-recovered against its regulated entitlement.

NOTES TO THE INTERIM ACCOUNTS (continued)

3. Net Finance Costs

	Six months ended 30 September		Year ended 31 March
	2007 £m	2006 £m	2007 £m
Interest receivable:			
Bank interest	<u>0.7</u>	<u>1.6</u>	<u>3.3</u>
Interest payable:			
Bank loans and overdrafts	(2.9)	(2.6)	(5.0)
Eurobond	(6.1)	(6.1)	(12.1)
Interest payable to fellow Viridian undertakings	(1.5)	(0.6)	(1.6)
	<u>(10.5)</u>	<u>(9.3)</u>	<u>(18.7)</u>
Less: charged to Balance Sheet	<u>0.8</u>	<u>0.1</u>	<u>0.5</u>
Total interest charged to the Group Income Statement	<u>(9.7)</u>	<u>(9.2)</u>	<u>(18.2)</u>
Other finance costs:			
Preference dividends	(1.1)	-	(3.2)
Other finance charges	(0.4)	(0.8)	(1.4)
	<u>(1.5)</u>	<u>(0.8)</u>	<u>(4.6)</u>
Total finance costs	<u>(11.2)</u>	<u>(10.0)</u>	<u>(22.8)</u>
Net pension scheme interest:			
Expected return on pension scheme assets	20.7	20.4	40.9
Interest on pension scheme liabilities	(20.4)	(19.4)	(38.8)
	<u>0.3</u>	<u>1.0</u>	<u>2.1</u>
Net finance costs charged to the Group Income Statement	<u>(10.2)</u>	<u>(7.4)</u>	<u>(17.4)</u>
Net finance costs relating to continuing operations	(9.5)	(6.4)	(15.9)
Net finance costs relating to discontinued operations	(0.7)	(1.0)	(1.5)
Net finance costs charged to the Group Income Statement	<u>(10.2)</u>	<u>(7.4)</u>	<u>(17.4)</u>

NOTES TO THE INTERIM ACCOUNTS (continued)

4. Tax Charge

	Six months ended 30 September		Year ended 31 March
	2007	2006	2007
	£m	£m	£m
Current tax charge			
UK corporation tax at 30% (2006 - 30%)	<u>15.1</u>	<u>15.8</u>	<u>33.1</u>
Deferred tax charge/(credit)			
Origination and reversal of temporary differences in current year	0.6	3.7	6.4
Origination and reversal of temporary differences relating to prior years	<u>-</u>	<u>-</u>	<u>(0.1)</u>
Total deferred tax charge	<u>0.6</u>	<u>3.7</u>	<u>6.3</u>
Tax charge reported in the Group Income Statement	<u>15.7</u>	<u>19.5</u>	<u>39.4</u>
Tax credit relating to continuing operations	(9.5)	(9.8)	(16.1)
Tax charge relating to discontinued operations	<u>25.2</u>	<u>29.3</u>	<u>55.5</u>
Tax charge reported in the Group Income Statement	<u>15.7</u>	<u>19.5</u>	<u>39.4</u>

5. Discontinued operations

Discontinued operations comprise PPB and NIE Supply which were transferred to NIE Energy Limited on 1 November 2007.

(i) Group Income Statement

The results of discontinued operations in the Group Income Statement were as follows:

	Six months ended 30 September		Year ended 31 March
	2007	2006	2007
	£m	£m	£m
Revenue	272.3	270.0	616.6
Operating costs	<u>(187.6)</u>	<u>(174.8)</u>	<u>(436.5)</u>
Operating profit	84.7	95.2	180.1
Exceptional costs	<u>-</u>	<u>-</u>	<u>(0.2)</u>
Profit before finance costs	84.7	95.2	179.9
Finance costs	(0.7)	(1.1)	(1.7)
Net pension scheme interest	-	0.1	0.2
Net finance costs	<u>(0.7)</u>	<u>(1.0)</u>	<u>(1.5)</u>
Profit before tax charge	84.0	94.2	178.4
Current income tax	(24.5)	(28.3)	(53.5)
Deferred income tax	(0.7)	(1.0)	(2.0)
Total income tax	<u>(25.2)</u>	<u>(29.3)</u>	<u>(55.5)</u>
Profit for the period from discontinued operations	<u>58.8</u>	<u>64.9</u>	<u>122.9</u>

NOTES TO THE INTERIM ACCOUNTS (continued)

5. Discontinued operations (continued)

(ii) Group Cash Flow Statement

The cash flows of the discontinued operations which have been included in the Group Cash Flow Statement are as follows:

	Six months ended 30 September		Year ended 31 March
	2007	2006	2007
	£m	£m	£m
Net cash flows from operating cash flows	53.9	43.1	36.6
Net cash flows from/(used in) investing activities	11.4	(0.5)	(1.8)
Net cash flows used in financing activities	(65.6)	(42.6)	(34.6)

(iii) Group Balance Sheet

Discontinued operations have been classified as held for sale and presented separately in the balance sheet as at 30 September 2007. The major classes of assets and liabilities comprising the operations classified as held for sale were as follows:

	As at 30 September 2007 £m
Property, plant and equipment	0.1
Deferred tax asset	2.8
Trade and other receivables	63.1
Derivative financial assets	4.1
Cash and cash equivalents	0.8
Total assets classified as held for sale	70.9
Trade and other payables	89.1
Derivative financial liabilities	3.0
Pension liability	10.3
Total liabilities associated with assets classified as held for sale	102.4

6. Dividends Paid

	Six months ended 30 September		Year ended 31 March
	2007	2006	2007
	£m	£m	£m
Equity dividends on ordinary shares:			
Interim dividend for the year ended 31 March 2007	-	-	36.8
Interim dividend for the year ending 31 March 2008	94.4	-	-

NOTES TO THE INTERIM ACCOUNTS (continued)

7. Property, Plant and Equipment

During the six months ended 30 September 2007, the Group incurred capital expenditure in respect of property, plant and equipment of £49.3m (2006 - £38.1m). No assets were disposed of by the Group during the period. During the six months ended 30 September 2006 assets disposed of, which had a net book value of £nil, resulted in a net gain on disposal of £0.6m. Assets with a net book value of £0.1m were derecognised during the period (2006 – £nil).

8. Intangible Assets

During the six months ended 30 September 2007, the Group incurred expenditure in respect of computer software of £12.8m (2006 - £7.8m).

9. Reconciliation of Movements in Equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Accumulated profits £m	Total £m
At 1 April 2006	-	24.4	6.1	-	49.7	80.2
Total recognised income and expense for the period	-	-	-	-	28.4	28.4
Share-based payments	-	-	-	-	0.3	0.3
At 30 September 2006	-	24.4	6.1	-	78.4	108.9
	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Accumulated profits £m	Total £m
At 1 April 2006	-	24.4	6.1	-	49.7	80.2
Total recognised income and expense for the year	-	-	-	-	103.0	103.0
Share-based payments	-	-	-	-	0.6	0.6
Equity dividends	-	-	-	-	(36.8)	(36.8)
At 31 March 2007	-	24.4	6.1	-	116.5	147.0
Total recognised income and expense for the period	-	-	-	0.8	50.7	51.5
Equity dividends	-	-	-	-	(94.4)	(94.4)
At 30 September 2007	-	24.4	6.1	0.8	72.8	104.1

10. Capital Commitments

At 30 September 2007 the Group had capital commitments of £15.2m (2006 - £9.3m).

NOTES TO THE INTERIM ACCOUNTS (continued)

11. Net Debt

	As at 30 September		As at 31 March
	2007	2006	2007
		£m	£m
Cash and cash equivalents	<u>0.4</u>	<u>50.0</u>	<u>23.1</u>
Debt due before 1 year:			
Interest payable on Eurobond	(0.4)	(0.4)	(6.4)
Interest payable on EIB loan	(0.4)	(0.3)	(0.4)
Amounts owed to fellow Viridian undertakings	<u>(94.7)</u>	<u>(26.3)</u>	<u>(27.1)</u>
	<u>(95.5)</u>	<u>(27.0)</u>	<u>(33.9)</u>
Debt due after 1 year:			
Eurobond	(173.2)	(173.1)	(173.1)
EIB loan	(100.0)	(100.0)	(100.0)
Preference shares	<u>(36.4)</u>	<u>(36.4)</u>	<u>(36.4)</u>
	<u>(309.6)</u>	<u>(309.5)</u>	<u>(309.5)</u>
Total net debt	<u>(404.7)</u>	<u>(286.5)</u>	<u>(320.3)</u>
Net debt relating to continuing operations	(509.7)	(334.1)	(360.0)
Inter-business borrowings	<u>104.2</u>	<u>46.7</u>	<u>47.9</u>
	<u>(405.5)</u>	<u>(287.4)</u>	<u>(312.1)</u>
Net debt relating to discontinued operations	105.0	47.6	39.7
Inter-business borrowings	<u>(104.2)</u>	<u>(46.7)</u>	<u>(47.9)</u>
	<u>0.8</u>	<u>0.9</u>	<u>(8.2)</u>
Total net debt	<u>(404.7)</u>	<u>(286.5)</u>	<u>(320.3)</u>

Reconciliation of net cash flow to movement in net debt

	As at 30 September		As at 31 March
	2007	2006	2007
	£m	£m	£m
(Decrease)/increase in cash and cash equivalents	(22.7)	7.3	(19.6)
Net (proceeds) from/repayment of borrowings	<u>(67.6)</u>	<u>12.9</u>	<u>12.2</u>
Change in net debt resulting from cash flows	<u>(90.3)</u>	<u>20.2</u>	<u>(7.4)</u>
Amortisation of financing costs	(0.1)	-	(0.1)
Decrease/(increase) in interest accruals	<u>6.0</u>	<u>6.0</u>	<u>(0.1)</u>
Movement in net debt in period	<u>(84.4)</u>	<u>26.2</u>	<u>(7.6)</u>
Net debt at beginning of period	<u>(320.3)</u>	<u>(312.7)</u>	<u>(312.7)</u>
Net debt at end of period	<u>(404.7)</u>	<u>(286.5)</u>	<u>(320.3)</u>

NOTES TO THE INTERIM ACCOUNTS (continued)

12. Related Party Transactions

Remuneration of key management personnel

Key management personnel of the Group comprise the directors and the Company Secretary. The compensation paid to those personnel is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	Six months ended 30 September		Year ended 31 March
	2007	2006	2007
	£m	£m	£m
Salaries and short-term employee benefits	0.7	0.8	2.2
Post employment benefits			
- defined benefit scheme	0.1	0.2	0.2
- defined contribution scheme	0.2	0.3	0.4
Other long-term benefits	0.2	-	0.1
Share-based payments	-	0.2	0.5
	<u>1.2</u>	<u>1.5</u>	<u>3.4</u>

Other related parties

During the six months ended 30 September 2007, the Group contributed £7.1m (2006 - £8.4m) to the Viridian Group Pension Scheme and the Complementary Pension Plan.

The immediate parent undertaking of the Company is Viridian Group Limited (Viridian). Transactions and balances outstanding between the Group and Viridian and its subsidiaries are disclosed below:

	Ordinary dividends paid £m	Preference dividend paid £m	Interest paid £m	Revenue from related party £m	Charges from related party £m	Amounts owed by related party at period end £m	Amounts owed to related party at period end £m
6 months to 30 September 2007							
Viridian	94.4	1.1	1.1	-	-	0.1	79.5
Viridian subsidiaries	-	-	0.4	56.6	24.2	10.3	23.2
	<u>94.4</u>	<u>1.1</u>	<u>1.5</u>	<u>56.6</u>	<u>24.2</u>	<u>10.4</u>	<u>102.7</u>
6 months to 30 September 2006							
Viridian	-	-	0.6	-	-	-	12.4
Viridian subsidiaries	-	-	0.3	60.3	22.5	12.8	21.3
	<u>-</u>	<u>-</u>	<u>0.9</u>	<u>60.3</u>	<u>22.5</u>	<u>12.8</u>	<u>33.7</u>
Year to 31 March 2007							
Viridian	36.8	3.2	0.9	-	-	0.2	11.9
Viridian subsidiaries	-	-	0.7	129.4	46.9	14.7	23.9
	<u>36.8</u>	<u>3.2</u>	<u>1.6</u>	<u>129.4</u>	<u>46.9</u>	<u>14.9</u>	<u>35.8</u>

13. Events After the Balance Sheet Date

On 1 October 2007, the Company's redeemable preference shares were converted to ordinary shares ranking pari passu with the existing ordinary shares.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm, that to the best of their knowledge, the interim accounts have been prepared in accordance with IAS 34 as adopted by the European Union and the interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules.

All of the directors listed in the annual report for the year ended 31 March 2007 held office throughout the period with the exception of Peter Ewing who was appointed as a director on 23 July 2007. Harry McCracken resigned from the Board on 24 October 2007.

By order of the Board

Patrick Bourke
Director

Peter Ewing
Director

12 November 2007