



## **Northern Ireland Electricity plc**

### **Interim Report**

**Six months ended  
30 September 2008**

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 plc (NIE)**  
**Unaudited interim report**  
**For the six months to 30 September 2008**

## **INTERIM MANAGEMENT REPORT**

### **Review of principal activities**

The Group's principal activity is the transmission and distribution of electricity in Northern Ireland through NIE Transmission and Distribution (T&D).

On 1 November 2007, the Group's Power Procurement business (PPB) and NIE Supply business were transferred to NIE Energy Limited, a subsidiary undertaking of Viridian Group Limited, the immediate parent company of NIE.

On 21 August 2008, NIE entered into a conditional agreement to sell its wholly owned subsidiary SONI Limited (SONI) to EirGrid plc (EirGrid). The sale of SONI is conditional, inter alia, upon certain modifications to its licences being made by the Northern Ireland Authority for Utility Regulation (the Utility Regulator).

### **T&D**

During the period there were no defaults against the overall and guaranteed standards set by the Utility Regulator (2007 - none).

T&D continues to make substantial investment in its infrastructure assets. During the six month period, total gross capital expenditure was £51.6m (2007 - £59.8m). This expenditure was in line with the T&D price control which is scheduled to run to 31 March 2012. This is the fourth five year regulatory period since NIE was privatised and it is referred to as Regulatory Period 4 (RP4). The total projected capital expenditure (net of customer contributions) during RP4 is £345m (in 2007/08 prices). This represents an increase of c21% compared to RP3, the increase being driven by the need to replace worn assets and to meet continued growth in customer demand.

T&D, working jointly with EirGrid, is also progressing the development of a new 400kV interconnector to connect further the electricity networks of Northern Ireland and the Republic of Ireland. Consultation is continuing with landowners likely to be affected and other interested parties. It is expected that an application for planning permission, to include an environmental impact assessment, will be submitted to the planning authorities in early 2009.

### **SONI**

As noted above, NIE has entered into a conditional agreement to sell SONI. SONI is the electricity transmission system operator (TSO) in Northern Ireland and, since 1 November 2007, has also undertaken the role of market operator for the Single Electricity Market (SEM) through a jointly controlled operation with EirGrid. SONI's TSO price control was reset with effect from 1 November 2007 and is scheduled to run to 31 March 2010. The market operator price control, which was initially set for the 11 month period to 30 September 2008, has been extended to 30 September 2009.

# INTERIM MANAGEMENT REPORT

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## Risks and uncertainties

The principal risks and uncertainties affecting the Group relate to health and safety, business performance, financial and business control, regulation, pensions, business continuity, management development, and social, environmental and ethical factors. These risks are described on pages 10 and 11 of the Group's statutory accounts for the year ended 31 March 2008, a copy of which is available on the Group's website at [http://www.nie.co.uk/accounts/NIE\\_Accounts\\_2007-2008.pdf](http://www.nie.co.uk/accounts/NIE_Accounts_2007-2008.pdf).

## Financial review

In accordance with International Financial Reporting Standard (IFRS) 5 Non-Current Assets Held For Sale and Discontinued Operations, SONI is classified as a discontinued operation in the balance sheets as at 30 September 2008 and 31 March 2008 and in the income statements for the current and comparative periods. Similarly, PPB and NIE Supply have been classified as discontinued operations in the balance sheet as at 30 September 2007 and in the income statements for the six months ended 30 September 2007 and the year ended 31 March 2008.

IFRS 5 requires 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 does not reflect the revenues and profits earned by continuing or discontinued operations, as if they were stand alone entities, for current or past periods or likely to be earned in future periods. The combination of this treatment and sales by T&D to PPB and NIE Supply since 1 November 2007 being classified as continuing is the main reason behind the significant increase in revenues from continuing operations to £84.8m in the six months ended 30 September 2008 from £23.7m in the comparative period.

The directors consider that the Group's pro-forma operating profit from continuing and discontinued operations (as shown in note 2(iii) to the accounts) gives a more meaningful measure of performance. This comprises T&D and SONI in the current and comparative periods, and PPB and NIE Supply up to their date of transfer to NIE Energy Limited on 1 November 2007. The calculation of pro-forma operating profit is shown below:

	Six months ended 30 September		Year ended 31 March
	2008	2007	2008
	£m	£m	£m
Group operating profit /(loss) per accounts:			
Operating profit/(loss) from continuing operations	23.2	(19.7)	16.8
Operating profit from discontinued operations	12.0	82.6	114.0
	<b>35.2</b>	62.9	<b>130.8</b>
Adjustment for under/(over)-recovery of regulated entitlement	20.7	(5.5)	(17.3)
Group pro-forma operating profit	<b>55.9</b>	57.4	<b>113.5</b>

## INTERIM MANAGEMENT REPORT

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The reduction in Group pro-forma operating profit from £57.4m to £55.9m reflects the loss of profits from PPB and NIE Supply offset by an increase in T&D operating profit (based on regulated entitlement) reflecting growth in its regulatory asset base (which includes investments in a range of IT systems to support the SEM) and lower operating costs.

SONI's operating profit (based on regulated entitlement) increased from £1.0m to £1.6m also reflecting growth in its regulatory asset base due to investments in systems to support the SEM.

The analysis of Group pro-forma revenue and operating profit given in note 2(iii) to the accounts shows T&D revenues and operating profits for each of the six month periods ended 30 September which are higher than the figures shown in note 2(i) reflecting adjustments in respect of the under-recovery of regulated entitlement. T&D under-recovers against its regulated entitlement (which is spread evenly over the financial year) in the first six months and over-recovers in the second six months reflecting the seasonality of electricity demand.

Net finance costs (relating to continuing and discontinued operations excluding pension scheme interest) increased from £10.5m to £13.7m due to higher net debt which increased from £378.6m at 31 March 2008 to £526.8m at 30 September 2008.

The effective tax rate (relating to continuing and discontinued operations including deferred tax) decreased from 29.8% to 28.0% reflecting the reduction in the UK statutory tax rate from 30% to 28% with effect from 1 April 2008.

The pension liability (relating to continuing and discontinued operations), under IAS 19 Employee Benefits, increased from £55.2m at 31 March 2008 to £71.2m at 30 September 2008 reflecting lower asset values offset by lower liabilities due to an increase in the discount rate used to discount scheme liabilities, as a result of higher bond yields.

## GROUP INCOME STATEMENT

	Note	Six months ended 30 September		Year ended 31 March
		Unaudited 2008 £m	Unaudited 2007 £m	Audited 2008 £m
<b>Continuing operations</b>				
Revenue	2	84.8	23.7	129.2
Operating costs		<u>(61.6)</u>	<u>(43.4)</u>	<u>(112.4)</u>
<b>OPERATING PROFIT/(LOSS)</b>	2	<b>23.2</b>	<b>(19.7)</b>	<b>16.8</b>
Interest receivable		-	0.7	0.7
Finance costs		(13.7)	(10.5)	(27.5)
Net pension scheme interest		(3.5)	0.2	0.3
Net finance costs	3	<u>(17.2)</u>	<u>(9.6)</u>	<u>(26.5)</u>
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX</b>		<b>6.0</b>	<b>(29.3)</b>	<b>(9.7)</b>
Tax (charge)/credit	4	<u>(1.7)</u>	<u>8.9</u>	<u>2.9</u>
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER TAX</b>		<b>4.3</b>	<b>(20.4)</b>	<b>(6.8)</b>
<b>Discontinued operations</b>				
Profit for the period from discontinued operations	5	<u>8.6</u>	<u>57.4</u>	<u>88.3</u>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>		<u><b>12.9</b></u>	<u><b>37.0</b></u>	<u><b>81.5</b></u>

## GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Six months ended 30 September		Year ended 31 March
	Unaudited 2008 £m	Unaudited 2007 £m	Audited 2008 £m
Actuarial (loss)/gain on pension scheme assets and liabilities	(16.7)	19.6	12.1
Gains on cash flow hedges	-	1.1	1.9
Deferred tax credit/(charge) on items taken directly to equity	4.7	(6.2)	(4.3)
<b>Net (expense)/income recognised directly in equity</b>	<b>(12.0)</b>	14.5	<b>9.7</b>
<b>Transfers</b>			
Gains transferred from equity to the income statement on cash flow hedges	-	-	(1.9)
Deferred tax charge transferred from equity to the income statement	-	-	0.6
<b>Profit for the financial period</b>	<b>12.9</b>	37.0	<b>81.5</b>
<b>Total recognised income and expense for the period attributable to the equity holders of the parent company</b>	<b>0.9</b>	51.5	<b>89.9</b>

## GROUP BALANCE SHEET

	Note	As at 30 September		As at 31
		Unaudited 2008 £m	Unaudited 2007 £m	March Audited 2008 £m
<b>Non-current assets</b>				
Property, plant and equipment	7	975.8	921.1	943.6
Intangible assets	8	46.7	41.9	49.0
Financial assets		0.3	0.5	0.4
		<u>1,022.8</u>	<u>963.5</u>	<u>993.0</u>
<b>Current assets</b>				
Inventories		8.1	6.8	6.9
Trade and other receivables		28.8	10.9	34.0
Financial assets		0.1	0.7	0.2
		<u>37.0</u>	<u>18.4</u>	<u>41.1</u>
Assets held for sale and included in disposal groups	5	24.3	70.9	22.7
		<u>61.3</u>	<u>89.3</u>	<u>63.8</u>
<b>TOTAL ASSETS</b>		<u>1,084.1</u>	<u>1,052.8</u>	<u>1,056.8</u>
<b>Current liabilities</b>				
Trade and other payables		71.0	54.4	86.3
Current tax payable		2.9	9.8	15.4
Deferred income		6.9	6.0	6.9
Financial liabilities		354.3	95.9	211.2
Provisions		3.6	9.0	3.9
		<u>438.7</u>	<u>175.1</u>	<u>323.7</u>
Liabilities included in disposal groups	5	22.4	102.4	19.0
		<u>461.1</u>	<u>277.5</u>	<u>342.7</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities		93.7	109.3	97.1
Deferred income		207.8	188.2	199.1
Financial liabilities		173.3	309.6	173.3
Provisions		9.4	12.7	11.9
Pension liability		69.6	51.4	53.8
		<u>553.8</u>	<u>671.2</u>	<u>535.2</u>
<b>TOTAL LIABILITIES</b>		<u>1,014.9</u>	<u>948.7</u>	<u>877.9</u>
<b>NET ASSETS</b>		<u>69.2</u>	<u>104.1</u>	<u>178.9</u>
<b>Equity</b>				
Share capital	8	36.4	-	36.4
Share premium	8	24.4	24.4	24.4
Capital redemption reserve	8	6.1	6.1	6.1
Hedge reserve	8	-	0.8	-
Accumulated profits	8	2.3	72.8	112.0
<b>TOTAL EQUITY</b>		<u>69.2</u>	<u>104.1</u>	<u>178.9</u>

The accounts were approved by the Board of directors and authorised for issue on 17 November 2008.

## GROUP CASH FLOW STATEMENT

	Note	Six months ended 30 September		Year ended 31 March
		Unaudited 2008 £m	Unaudited 2007 £m	Audited 2008 £m
<b>Cash flows from operating activities</b>				
Operating profit	2	35.2	62.9	130.8
Adjustments for:				
Depreciation of property, plant and equipment		20.3	18.2	37.8
Amortisation of intangible assets		2.9	1.1	3.5
Amortisation of customers' contributions and grants		(3.6)	(3.2)	(7.0)
Defined benefit pension charge less contributions paid		(4.1)	(5.5)	(9.3)
Net movement in provisions		(2.8)	(1.5)	(7.7)
Hedging gains transferred to the income statement		-	-	(1.9)
Operating cash flows before movement in working capital		47.9	72.0	146.2
(Increase)/decrease in working capital		(14.5)	36.9	78.9
<b>Cash generated from operations</b>		<b>33.4</b>	<b>108.9</b>	<b>225.1</b>
Interest received		-	0.7	0.7
Interest paid		(21.1)	(16.4)	(22.6)
Preference dividend paid		-	(1.1)	(2.1)
Current taxes paid		(13.5)	(37.9)	(51.0)
<b>Net cash flows (used in)/from operating activities</b>		<b>(1.2)</b>	<b>54.2</b>	<b>150.1</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(55.4)	(48.9)	(103.0)
Purchase of intangible assets		(0.6)	(12.8)	(22.4)
Contributions in respect of property, plant and equipment		12.3	11.6	27.1
Payment made in respect of disposal of discontinued operations		-	-	(48.0)
<b>Net cash flows used in investing activities</b>		<b>(43.7)</b>	<b>(50.1)</b>	<b>(146.3)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		150.4	67.6	173.1
Repayment of borrowings		-	-	(100.0)
Equity dividends paid		(110.6)	(94.4)	(94.4)
<b>Net cash flows used in financing activities</b>		<b>39.8</b>	<b>(26.8)</b>	<b>(21.3)</b>
Net decrease in cash and cash equivalents		(5.1)	(22.7)	(17.5)
Cash and cash equivalents at beginning of period		5.6	23.1	23.1
<b>Cash and cash equivalents at end of period</b>		<b>0.5</b>	<b>0.4</b>	<b>5.6</b>
Cash and cash equivalents relating to continuing activities	10	(0.3)	(0.4)	(0.3)
Cash and cash equivalents relating to discontinued activities	5	0.8	0.8	5.9
		<b>0.5</b>	<b>0.4</b>	<b>5.6</b>

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

# NOTES TO THE INTERIM ACCOUNTS

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## 1. Basis of preparation

The interim accounts for the six months ended 30 September 2008 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

In accordance with IFRS 5 Non-Current Assets Held For Sale and Discontinued Operations, SONI is classified as a discontinued operation in the balance sheets as at 30 September 2008 and 31 March 2008 and in the income statements for the current and comparative periods. Similarly, PPB and NIE Supply have been classified as discontinued operations in the balance sheet as at 30 September 2007 and in the income statements for the six months ended 30 September 2007 and the year ended 31 March 2008.

IFRSs 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 does not reflect the revenues and profits earned by continuing or discontinued operations, as if they were stand alone entities, for current or past periods or likely to be earned in future periods.

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 2008 which have been filed with the Registrar of Companies and contain an unqualified audit report and do not contain a statement under either Article 245(2) or Article 245(3) of the Companies (Northern Ireland) Order 1986 regarding inadequate accounting records or a failure to obtain necessary information and explanations.

## NOTES TO THE INTERIM ACCOUNTS (continued)

### 2. Segmental Information

#### (i) Revenue and profit - continuing operations

	Six months ended 30 September						Year ended 31 March		
	2008 External £m	2008 Internal £m	2008 Total £m	2007 External £m	2007 Internal £m	2007 Total £m	2008 External £m	2008 Internal £m	2008 Total £m
<b>Continuing operations</b>									
<b>Revenue</b>									
Transmission and Distribution	84.8	17.0	101.8	23.7	56.3	80.0	129.2	80.4	209.6
Other	-	-	-	-	0.1	0.1	-	0.2	0.2
	<u>84.8</u>	<u>17.0</u>	<u>101.8</u>	<u>23.7</u>	<u>56.4</u>	<u>80.1</u>	<u>129.2</u>	<u>80.6</u>	<u>209.8</u>
Inter-group elimination			<u>(17.0)</u>			<u>(56.4)</u>			<u>(80.6)</u>
			<u>84.8</u>			<u>23.7</u>			<u>129.2</u>
<b>Operating profit</b>									
Transmission and Distribution			40.2			35.4			96.1
Other			-			0.4			0.2
Inter-group elimination			<u>(17.0)</u>			<u>(55.5)</u>			<u>(79.5)</u>
			<u>23.2</u>			<u>(19.7)</u>			<u>16.8</u>
Interest receivable			-			0.7			0.7
Finance costs			(13.7)			(10.5)			(27.5)
Net pension scheme interest			(3.5)			0.2			0.3
Net finance costs			<u>(17.2)</u>			<u>(9.6)</u>			<u>(26.5)</u>
<b>Profit/(loss) from continuing operations before tax</b>			<b>6.0</b>			<b>(29.3)</b>			<b>(9.7)</b>
Tax (charge)/credit			<u>(1.7)</u>			<u>8.9</u>			<u>2.9</u>
<b>Profit/(loss) from continuing operations after tax</b>			<b>4.3</b>			<b>(20.4)</b>			<b>(6.8)</b>
<b>Discontinued operations</b>									
Profit for the period from discontinued operations (note 5)			<u>8.6</u>			<u>57.4</u>			<u>88.3</u>
Profit for the period			<u>12.9</u>			<u>37.0</u>			<u>81.5</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		
	2008 External £m	2008 Internal £m	2008 Total £m	2007 External £m	2007 Internal £m	2007 Total £m	2008 External £m	2008 Internal £m	2008 Total £m
<b>Discontinued operations</b>									
<b>Revenue</b>									
PPB	-	-	-	64.9	132.2	197.1	74.5	152.2	226.7
NIE Supply	-	-	-	207.4	4.6	212.0	248.5	4.4	252.9
SONI	20.2	-	20.2	4.0	14.6	18.6	30.1	17.5	47.6
	<u>20.2</u>	-	<u>20.2</u>	276.3	151.4	427.7	353.1	174.1	527.2
Inter-group elimination			-			(151.4)			(174.1)
			<u>20.2</u>			<u>276.3</u>			<u>353.1</u>
<b>Operating profit/(loss)</b>									
PPB			-			12.9			8.4
NIE Supply			-			12.8			20.8
SONI			(5.0)			1.4			5.3
Inter-group elimination			17.0			55.5			79.5
			<u>12.0</u>			<u>82.6</u>			<u>114.0</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		Year ended	Six months ended		Year ended
	30 September	31 March	31 March	30 September	31 March	
	2008	2007	2008	2008	2007	2008
	£m	£m	£m	£m	£m	£m
<b>Based on regulated entitlement:</b>						
Transmission and Distribution	115.7	93.2	216.1	54.2	48.6	102.6
SONI	26.8	18.3	44.5	1.6	1.0	2.2
PPB	-	186.8	221.5	-	2.7	3.2
NIE Supply	-	204.9	238.8	-	5.7	6.6
Other	0.2	(0.8)	(1.1)	0.1	(0.6)	(1.1)
Inter-group elimination	(17.0)	(207.9)	(254.8)	-	-	-
	<u>125.7</u>	294.5	465.0	<u>55.9</u>	57.4	113.5
Adjustment for (under)/over-recovery	(20.7)	5.5	17.3	(20.7)	5.5	17.3
	<u>105.0</u>	300.0	482.3	<u>35.2</u>	62.9	130.8
Relating to continuing operations	84.8	23.7	129.2	23.2	(19.7)	16.8
Relating to discontinued operations	20.2	276.3	353.1	12.0	82.6	114.0
	<u>105.0</u>	300.0	482.3	<u>35.2</u>	62.9	130.8

The adjustment for (under)/over-recovery represents the amount by which the Group (under)/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
	2008 £m	2007 £m	2008 £m
<b>Interest receivable:</b>			
Bank interest	-	0.7	0.7
<b>Interest payable:</b>			
Bank loans and overdrafts	-	(2.9)	(4.1)
Eurobond	(6.1)	(6.1)	(12.1)
Interest payable to fellow Viridian undertakings	(7.7)	(1.5)	(7.2)
	<b>(13.8)</b>	<b>(10.5)</b>	<b>(23.4)</b>
Less: charged to the Group Balance Sheet	0.1	0.8	1.1
Total interest charged to the Group Income Statement	<b>(13.7)</b>	<b>(9.7)</b>	<b>(22.3)</b>
<b>Other finance costs:</b>			
Preference dividends	-	(1.1)	(2.1)
Other finance charges	-	(0.4)	(0.5)
	-	(1.5)	(2.6)
<b>Total finance costs</b>	<b>(13.7)</b>	<b>(11.2)</b>	<b>(24.9)</b>
<b>Net pension scheme interest:</b>			
Expected return on pension scheme assets	15.5	20.7	38.5
Interest on pension scheme liabilities	(19.1)	(20.4)	(38.2)
	<b>(3.6)</b>	<b>0.3</b>	<b>0.3</b>
<b>Net finance costs charged to the Group Income Statement</b>	<b>(17.3)</b>	<b>(10.2)</b>	<b>(23.9)</b>
Net finance costs relating to continuing operations	(17.2)	(9.6)	(26.5)
Net finance costs relating to discontinued operations	(0.1)	(0.6)	2.6
<b>Net finance costs charged to the Group Income Statement</b>	<b>(17.3)</b>	<b>(10.2)</b>	<b>(23.9)</b>

## NOTES TO THE INTERIM ACCOUNTS (continued)

### 4. Tax Charge

	Six months ended 30 September		Year ended 31 March
	2008 £m	2007 £m	2008 £m
<b>Current tax charge</b>			
UK corporation tax at 28% (2007 - 30%)	3.8	15.2	26.6
Corporation tax underprovided in previous years	-	-	7.6
	<u>3.8</u>	<u>15.2</u>	<u>34.2</u>
<b>Deferred tax charge/(credit)</b>			
Origination and reversal of temporary differences in current year	1.2	0.5	6.3
Impact of rate changes	-	-	(7.0)
Origination and reversal of temporary differences relating to prior years	-	-	(8.1)
	<u>1.2</u>	<u>0.5</u>	<u>(8.8)</u>
Total deferred tax charge/(credit)			
	<u>1.2</u>	<u>0.5</u>	<u>(8.8)</u>
<b>Tax charge reported in the Group Income Statement</b>	<u>5.0</u>	<u>15.7</u>	<u>25.4</u>
Tax charge/(credit) relating to continuing operations	1.7	(8.9)	(2.9)
Tax charge relating to discontinued operations	<u>3.3</u>	<u>24.6</u>	<u>28.3</u>
<b>Tax charge reported in the Group Income Statement</b>	<u>5.0</u>	<u>15.7</u>	<u>25.4</u>

### 5. Discontinued operations

Discontinued operations at 30 September 2008 comprise SONI. In addition to SONI, PPB and NIE Supply have also been classified as discontinued operations in the comparative figures for the six months ended 30 September 2007 and the year ended 31 March 2008.

#### (i) Group Income Statement

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

	Six months ended 30 September		Year ended 31 March
	2008 £m	2007 £m	2008 £m
Revenue	20.2	276.3	353.1
Operating costs	(8.2)	(193.7)	(239.1)
<b>Operating profit</b>	<u>12.0</u>	<u>82.6</u>	<u>114.0</u>
Interest receivable	-	-	2.9
Finance costs	-	(0.7)	(0.3)
Net pension scheme interest	(0.1)	0.1	-
Net finance (costs)/income	<u>(0.1)</u>	<u>(0.6)</u>	<u>2.6</u>
<b>Profit before tax charge</b>	<u>11.9</u>	<u>82.0</u>	<u>116.6</u>
Current income tax charge	(3.3)	(24.0)	(29.0)
Deferred income tax (charge)/credit	-	(0.6)	0.7
Total income tax charge	<u>(3.3)</u>	<u>(24.6)</u>	<u>(28.3)</u>
<b>Profit for the period from discontinued operations</b>	<u>8.6</u>	<u>57.4</u>	<u>88.3</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
	2008 £m	2007 £m	2008 £m
Net cash flows (used in)/from operating cash flows	(9.6)	56.7	82.6
Net cash flows (used in)/from investing activities	(2.5)	8.8	4.4
Net cash flows provided by/(used in) financing activities	7.1	(65.7)	(81.7)

#### (iii) Group Balance Sheet

SONI has been classified as held for sale and presented separately in the balance sheet as at 30 September 2008. The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	As at 30 September 2008 £m
Property, plant and equipment	13.9
Trade and other receivables	9.6
Cash and cash equivalents	0.8
Total assets classified as held for sale	24.3
Trade and other payables	17.1
Current tax liability	3.3
Deferred tax liabilities	0.4
Pension liability	1.6
Total liabilities associated with assets classified as held for sale	22.4

### 6. Dividends Paid

	Six months ended 30 September		Year ended 31 March
	2008 £m	2007 £m	2008 £m
Equity dividends on ordinary shares:			
Interim dividend for the year ended 31 March 2008	-	94.4	94.4
Interim dividend for the year ending 31 March 2009	110.6	-	-

## NOTES TO THE INTERIM ACCOUNTS (continued)

### 7. Capital expenditure

	Six months ended 30 September	
	2008 £m	2007 £m
<b>Continuing operations - T&amp;D</b>		
Property, plant & equipment	51.0	47.0
Intangible assets - computer software	0.6	12.8
	51.6	59.8
<b>Discontinued operations - SONI</b>		
Property, plant & equipment	2.2	2.3
	2.2	2.3
<b>Total capital expenditure</b>	53.8	62.1

No assets were disposed of by the Group during the period (2007 - £nil).

### 8. Reconciliation of Movements in Equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Accumulated profits £m	Total £m
<b>At 1 April 2007</b>	-	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)
	-	24.4	6.1	0.8	72.8	104.1
<b>At 30 September 2007</b>	-	24.4	6.1	0.8	72.8	104.1
	-	-	-	-	89.9	89.9
Conversion of preference shares to ordinary shares	36.4	-	-	-	-	36.4
Equity dividends	-	-	-	-	(94.4)	(94.4)
	-	-	-	-	(94.4)	(94.4)
<b>At 31 March 2008</b>	36.4	24.4	6.1	-	112.0	178.9
Total recognised income and expense for the period	-	-	-	-	0.9	0.9
Equity dividends	-	-	-	-	(110.6)	(110.6)
	-	-	-	-	(110.6)	(110.6)
<b>At 30 September 2008</b>	36.4	24.4	6.1	-	2.3	69.2

### 9. Capital Commitments

At 30 September 2008 the Group had capital commitments of £11.3m (2007 - £15.2m).

## NOTES TO THE INTERIM ACCOUNTS (continued)

### 10. Net Debt

	As at 30 September		As at 31 March
	2008	2007	2008
	£m	£m	£m
Cash at bank and in hand	<u>0.8</u>	<u>0.8</u>	<u>5.9</u>
Debt due before 1 year:			
Interest payable on Eurobond	(0.4)	(0.4)	(6.4)
Interest payable on EIB loan	-	(0.4)	-
Bank loans and overdrafts	(0.3)	(0.4)	(0.3)
Amounts owed to fellow Viridian undertakings	<u>(353.6)</u>	<u>(94.7)</u>	<u>(204.5)</u>
	<u>(354.3)</u>	<u>(95.9)</u>	<u>(211.2)</u>
Debt due after 1 year:			
Eurobond	(173.3)	(173.2)	(173.3)
EIB loan	-	(100.0)	-
Preference shares	-	(36.4)	-
	<u>(173.3)</u>	<u>(309.6)</u>	<u>(173.3)</u>
<b>Total net debt</b>	<u><b>(526.8)</b></u>	<u><b>(404.7)</b></u>	<u><b>(378.6)</b></u>
Net debt relating to continuing operations	(518.0)	(509.7)	(381.9)
Inter-business borrowings	<u>(9.6)</u>	<u>104.2</u>	<u>(2.6)</u>
	<u>(527.6)</u>	<u>(405.5)</u>	<u>(384.5)</u>
Net debt relating to discontinued operations	(8.8)	105.0	3.3
Inter-business borrowings	<u>9.6</u>	<u>(104.2)</u>	<u>2.6</u>
	<u>0.8</u>	<u>0.8</u>	<u>5.9</u>
Total net debt	<u><b>(526.8)</b></u>	<u><b>(404.7)</b></u>	<u><b>(378.6)</b></u>

## NOTES TO THE INTERIM ACCOUNTS (continued)

### 11. 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
	2008 £m	2007 £m	2008 £m
Salaries and short-term employee benefits	0.2	0.7	1.9
Post employment benefits			
- defined benefit scheme	-	0.1	0.1
- defined contribution scheme	0.1	0.2	0.3
Other long-term benefits	0.1	0.2	0.3
Compensation for loss of employment	-	-	0.6
	<u>0.4</u>	<u>1.2</u>	<u>3.2</u>

#### Other related parties

During the six months ended 30 September 2008, the Group contributed £5.2m (2007 - £7.1m) to the Viridian Group Pension Scheme.

NIE is part of the Viridian group. Transactions and balances between NIE and fellow Viridian group undertakings and its immediate parent undertaking, Viridian Group Limited, 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
<b>6 months to 30 September 2008</b>							
Viridian Group Limited	110.6	-	7.3	-	-	-	353.6
Other Viridian undertakings	-	-	0.4	81.9	37.7	17.3	11.0
	<u>110.6</u>	<u>-</u>	<u>7.7</u>	<u>81.9</u>	<u>37.7</u>	<u>17.3</u>	<u>364.6</u>
<b>6 months to 30 September 2007</b>							
Viridian Group Limited	94.4	1.1	1.1	-	-	0.1	79.5
Other Viridian undertakings	-	-	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>
<b>Year to 31 March 2008</b>							
Viridian Group Limited	94.4	2.1	6.4	-	-	-	212.3
Other Viridian undertakings	-	-	0.8	164.5	76.4	25.7	32.9
	<u>94.4</u>	<u>2.1</u>	<u>7.2</u>	<u>164.5</u>	<u>76.4</u>	<u>25.7</u>	<u>245.2</u>

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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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 4.2.7 of the Disclosure and Transparency Rules.

All of the directors listed in the annual report for the year ended 31 March 2008 held office throughout the period.

By order of the Board

Mike Toms  
Chairman

Laurence MacKenzie  
Executive Director

17 November 2008