# Northern Ireland Electricity plc

## Unaudited Interim Report

## Six months ended
## 30 September 2009

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.

## Principal Activities

Northern Ireland Electricity plc (NIE or the Company) holds a transmission licence covering its roles as owner of the transmission and distribution assets and distribution system operator in Northern Ireland. It is responsible for the planning, development, construction and maintenance of the transmission and distribution network and for the operation of the distribution network.

The NIE network comprises a number of interconnected networks of overhead lines and underground cables which are used for the transfer of electricity to approximately 815,000 customers via a number of substations. There are approximately 2,100km of the transmission system, of which some 80km are underground; approximately 42,900km of the distribution system, of which some 13,100km are underground; and approximately 240 major substations. NIE's transmission system is connected to that of the Republic of Ireland through 275kV and 110kV interconnectors and to that in Scotland via the Moyle Interconnector.

NIE derives its revenue principally from charges for use of the distribution system levied on electricity suppliers and charges for transmission services levied on SONI, the transmission system operator.

NIE is subject to a price control which determines the revenue it may earn and the prices it may charge. The current price control was reset with effect from 1 April 2007 and is scheduled to run to 31 March 2012.

## Directors

The directors who held office during the period were as follows:

Mike Toms (independent non-executive chairman)
John Biles (independent non-executive director)
Harry McCracken (executive director) - appointed 7 July 2009
Laurence MacKenzie (executive director) - resigned 7 July 2009

## Business Review

NIE continues to make substantial investment in its infrastructure assets. During the six month period, total capital expenditure (before customer contributions) including expenditure on non-network assets was £45.7m (2008 - £51.6m) reflecting a reduction in the number of both residential and industrial connections.

NIE, working jointly with EirGrid plc (Eirgrid), is progressing the development of the 400kV Tyrone-Cavan 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 for an overhead line, to include an environmental impact assessment, will be submitted to the planning authorities prior to 31 March 2010.

NIE is also working with the Department of Enterprise, Trade and Investment (DETI) and the Northern Ireland Authority for Utility Regulation (NIAUR) on a long-term strategy for the development of the electricity network in Northern Ireland to support the connection of additional renewable generation.

## Key Performance Indicators

The directors have 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 summarised in the table below:

| *KPIs* | **Six months ended 30 September** | | **Year ended 31 March** |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Group pro-forma operating profit (based on regulated entitlement) | **£54.0m** | £55.9m | **£114.0m** |
| Interest cover (based on Group pro-forma operating profit) | **5.3 times** | 4.1 times | **4.3 times** |

The directors consider that the Group's pro-forma operating profit from continuing and discontinued operations (as shown in note 2(iii)) gives a more meaningful measure of performance than the Group operating profit shown in the accounts.

The Group's pro-forma operating profit reduced from £55.9m to £54.0m principally reflecting the loss of contribution from SONI. The Company completed the sale of SONI to EirGrid on 11 March 2009. The calculation of Group pro-forma operating profit is shown below:

| | **Six months ended 30 September** | | **Year ended 31 March** |
|---|---|---|---|
| | **2009 £m** | 2008 £m | **2009 £m** |
| Group operating profit per accounts: | | | |
| Operating profit from continuing operations | **37.7** | 23.2 | **84.0** |
| Operating profit from discontinued operations | **-** | 12.0 | **32.8** |
| | **37.7** | 35.2 | **116.8** |
| Adjustment for under/(over)-recovery of regulated entitlement | **16.3** | 20.7 | **(2.8)** |
| Group pro-forma operating profit | **54.0** | 55.9 | **114.0** |

Interest cover increased from 4.1 times to 5.3 times reflecting lower interest rates. The calculation of interest cover is shown below:

| | Six months ended 30 September | | Year ended 31 March |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| | **£m** | £m | **£m** |
| Group pro-forma operating profit | **54.0** | 55.9 | **114.0** |
| Net finance costs (before net pension scheme interest): | | | |
| Continuing operations | **(10.2)** | (13.7) | **(26.2)** |
| Discontinued operations | **-** | - | **(0.5)** |
| | **(10.2)** | (13.7) | **(26.7)** |
| Interest cover | **5.3 times** | 4.1 times | **4.3 times** |

## Operational KPIs

The operational KPIs are:

- performance against the overall and guaranteed standards set by NIAUR;
- the number of complaints which the Consumer Council for Northern Ireland (Consumer Council) takes up on behalf of customers (Stage 2 complaints); and
- the average number of minutes lost per customer per annum through distribution interruptions, excluding the effect of major storms (CML).

| *KPIs* | Six months ended 30 September | | Year ended 31 March |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| Overall standards – defaults | **None** | None | **None** |
| Guaranteed standards – defaults | **None** | None | **None** |
| Stage 2 complaints to the Consumer Council | **1** | 3 | **3** |
| CML | **30** | 32 | **62** |

During the six month period there were no defaults against the overall and guaranteed standards set by NIAUR (2008 - none) and the number of Stage 2 complaints was 1 (2008 - 3).

The number of CML was 30 minutes (2008 – 32) which is better than the target range set by NIAUR.

## Risks and Uncertainties

The principal risks and uncertainties affecting the Group relate to network reliability, customer service, health and safety, regulation, business continuity, outsourcing, social, environmental and ethical factors, pensions, IT security and data protection, financial control and capital management and liquidity. These risks are described on pages 9 - 13 of the Group's statutory accounts for the year ended 31 March 2009, a copy of which is available on the Group's website at http://www.nie.co.uk/accounts/NIE_Accounts_2008-2009.pdf.

## Financial Review

### Group revenue and operating profit

Revenue from continuing operations increased from £84.8m to £91.6m and operating profit from continuing operations increased from £23.2m to £37.7m. As noted above, the directors consider that the Group's pro-forma operating profit from continuing and discontinued operations (as shown in note 2(iii)) gives a more meaningful measure of performance.

### Net finance costs

The Group's net finance costs relating to continuing operations reduced from £17.2m to £15.1m, reflecting lower interest rates partially offset by an increase in net pension scheme interest.

### Tax charge

The Group's tax charge relating to continuing operations increased to £6.4m (2008 - £1.7m) reflecting the increase in profit before tax from continuing operations to £22.6m (2008 - £6.0m).

### Cash flow

The Group's net cash flows from operating activities increased to £17.6m (2008 – cash flows used in operating activities of £1.2m) reflecting the increase in profit shown in the Group income statement, a lower increase in working capital and lower interest costs.

The Group's net cash flows used in investing activities reduced to £39.5m (2008 - £43.7m).

Interim ordinary dividends paid were £55.0m (2008 - £110.6m).

### Net debt

The Group's net debt increased by £70.9m from £466.6m at 31 March 2009 to £537.5m at 30 September 2009 reflecting the cash flows noted above.

### Defined benefit pension liability

The Group's defined benefit pension scheme liability under IAS 19 Employee Benefits increased from £77.9m at 31 March 2009 to £134.6m at 30 September 2009 reflecting an increase in scheme liabilities due to a decrease in the discount rate (reflecting lower bond yields) and higher inflation expectations partially offset by higher asset values.

# GROUP INCOME STATEMENT

| | Note | Six months ended 30 September Unaudited 2009 £m | Six months ended 30 September Unaudited 2008 £m | Year ended 31 March Audited 2009 £m |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | 2 | **91.6** | 84.8 | **206.5** |
| Operating costs | | **(53.9)** | (61.6) | **(122.5)** |
| **OPERATING PROFIT** | 2 | **37.7** | 23.2 | **84.0** |
| Finance costs | | **(10.2)** | (13.7) | **(26.2)** |
| Net pension scheme interest | | **(4.9)** | (3.5) | **(7.0)** |
| Net finance costs | 4 | **(15.1)** | (17.2) | **(33.2)** |
| **PROFIT FROM CONTINUING OPERATIONS BEFORE TAX** | | **22.6** | 6.0 | **50.8** |
| Tax charge | 5 | **(6.4)** | (1.7) | **(14.1)** |
| **PROFIT FROM CONTINUING OPERATIONS AFTER TAX** | | **16.2** | 4.3 | **36.7** |
| **Discontinued operations** | | | | |
| Profit for the period from discontinued operations | 6 | **-** | 8.6 | **39.0** |
| **PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY** | | **16.2** | 12.9 | **75.7** |

# GROUP STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 September Unaudited 2009 £m | Six months ended 30 September Unaudited 2008 £m | Year ended 31 March Audited 2009 £m |
|---|---|---|---|
| **Profit for the financial period** | **16.2** | 12.9 | **75.7** |
| **Other comprehensive income/(loss):** | | | |
| Actuarial loss on pension scheme assets and liabilities | **(55.9)** | (16.7) | **(25.7)** |
| Tax credit relating to actuarial loss on pension scheme assets and liabilities | **15.6** | 4.7 | **7.2** |
| **Net other comprehensive loss for the period** | **(40.3)** | (12.0) | **(18.5)** |
| **Total net comprehensive (loss)/income for the period** | **(24.1)** | 0.9 | **57.2** |

# GROUP BALANCE SHEET

| | Note | As at 30 September Unaudited 2009 £m | As at 30 September Unaudited 2008 £m | As at 31 March Audited 2009 £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 8 | **1,034.7** | 975.8 | **1,009.1** |
| Intangible assets | 8 | **41.2** | 46.7 | **44.0** |
| Financial assets | | **0.2** | 0.3 | **0.2** |
| | | **1,076.1** | 1,022.8 | **1,053.3** |
| **Current assets** | | | | |
| Inventories | | **6.0** | 8.1 | **6.1** |
| Trade and other receivables | | **44.0** | 28.8 | **46.1** |
| Financial assets | | **0.1** | 0.1 | **0.2** |
| Cash and cash equivalents | | **-** | - | **1.6** |
| | | **50.1** | 37.0 | **54.0** |
| Assets held for sale and included in disposal groups | | **-** | 24.3 | **-** |
| | | **50.1** | 61.3 | **54.0** |
| **TOTAL ASSETS** | | **1,126.2** | 1,084.1 | **1,107.3** |
| **Current liabilities** | | | | |
| Trade and other payables | | **89.4** | 71.0 | **98.7** |
| Current tax payable | | **6.5** | 2.9 | **13.1** |
| Deferred income | | **7.7** | 6.9 | **7.4** |
| Financial liabilities | | **364.1** | 354.3 | **294.8** |
| Provisions | | **4.1** | 3.6 | **3.8** |
| | | **471.8** | 438.7 | **417.8** |
| Liabilities included in disposal groups | | **-** | 22.4 | **-** |
| | | **471.8** | 461.1 | **417.8** |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | | **78.1** | 93.7 | **91.9** |
| Deferred income | | **215.4** | 207.8 | **212.7** |
| Financial liabilities | | **173.4** | 173.3 | **173.4** |
| Provisions | | **6.5** | 9.4 | **8.1** |
| Pension liability | | **134.6** | 69.6 | **77.9** |
| | | **608.0** | 553.8 | **564.0** |
| **TOTAL LIABILITIES** | | **1,079.8** | 1,014.9 | **981.8** |
| **NET ASSETS** | | **46.4** | 69.2 | **125.5** |
| **Equity** | | | | |
| Share capital | | **36.4** | 36.4 | **36.4** |
| Share premium | | **24.4** | 24.4 | **24.4** |
| Capital redemption reserve | | **6.1** | 6.1 | **6.1** |
| Accumulated profits | | **(20.5)** | 2.3 | **58.6** |
| **TOTAL EQUITY** | | **46.4** | 69.2 | **125.5** |

The accounts were approved by the Board of directors and authorised for issue on 27 October 2009.

# GROUP STATEMENT OF CHANGES IN EQUITY

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Accumulated profits £m | Total £m |
|---|---|---|---|---|---|
| **At 1 April 2008** | **36.4** | **24.4** | **6.1** | **112.0** | **178.9** |
| Profit for the period | - | - | - | 75.7 | 75.7 |
| Net other comprehensive loss for the period | - | - | - | (18.5) | (18.5) |
| Total net comprehensive income for the period | - | - | - | 57.2 | 57.2 |
| Equity dividends (note 7) | - | - | - | (110.6) | (110.6) |
| **At 1 April 2009** | **36.4** | **24.4** | **6.1** | **58.6** | **125.5** |
| Profit for the period | - | - | - | 16.2 | 16.2 |
| Net other comprehensive loss for the period | - | - | - | (40.3) | (40.3) |
| Total net comprehensive loss for the period | - | - | - | (24.1) | (24.1) |
| Equity dividends (note 7) | - | - | - | (55.0) | (55.0) |
| **At 30 September 2009** | **36.4** | **24.4** | **6.1** | **(20.5)** | **46.4** |

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Accumulated profits £m | Total £m |
|---|---|---|---|---|---|
| **At 1 April 2008** | **36.4** | **24.4** | **6.1** | **112.0** | **178.9** |
| Profit for the period | - | - | - | 12.9 | 12.9 |
| Net other comprehensive loss for the period | - | - | - | (12.0) | (12.0) |
| Total net comprehensive income for the period | - | - | - | 0.9 | 0.9 |
| Equity dividends (note 7) | - | - | - | (110.6) | (110.6) |
| **At 30 September 2008** | **36.4** | **24.4** | **6.1** | **2.3** | **69.2** |

# GROUP CASH FLOW STATEMENT

| | Note | Six months ended 30 September Unaudited 2009 £m | Unaudited 2008 £m | Year ended 31 March Audited 2009 £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit for the period | | **16.2** | 12.9 | **75.7** |
| Adjustments for: | | | | |
| Tax charge – continuing operations | | **6.4** | 1.7 | **14.7** |
| Tax charge – discontinued operations | | **-** | 3.3 | **8.8** |
| Net finance costs – continuing operations | | **15.1** | 17.2 | **33.2** |
| Net finance costs – discontinued operations | | **-** | 0.1 | **0.7** |
| Gain on disposal of discontinued operations | | **-** | **-** | **(15.7)** |
| Depreciation of property, plant and equipment | | **20.1** | 18.9 | **38.6** |
| Amortisation of intangible assets | | **2.8** | 2.9 | **5.7** |
| Amortisation of customers' contributions and grants | | **(3.9)** | (3.6) | **(7.4)** |
| Impairment of property, plant and equipment | | **-** | 1.4 | **2.6** |
| Defined benefit pension charge less contributions paid | | **(4.2)** | (4.1) | **(8.5)** |
| Net movement in provisions | | **(1.3)** | (2.8) | **(4.1)** |
| Operating cash flows before movement in working capital | | **51.2** | 47.9 | **143.7** |
| Increase in working capital | | **(6.1)** | (14.5) | **(3.6)** |
| **Cash generated from operations** | | **45.1** | 33.4 | **140.1** |
| Interest paid | | **(16.3)** | (21.1) | **(28.5)** |
| Current taxes paid | | **(11.2)** | (13.5) | **(24.7)** |
| **Net cash flows from/(used in) operating activities** | | **17.6** | (1.2) | **86.9** |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | | **(46.4)** | (55.4) | **(110.1)** |
| Purchase of intangible assets | | **-** | (0.6) | **(0.7)** |
| Contributions in respect of property, plant and equipment | | **6.9** | 12.3 | **21.5** |
| Disposal of subsidiary undertaking | | **-** | - | **11.8** |
| Repayment of loans made | | **-** | - | **12.0** |
| **Net cash flows used in investing activities** | | **(39.5)** | (43.7) | **(65.5)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from borrowings | | **75.1** | 150.4 | **85.2** |
| Equity dividends paid | | **(55.0)** | (110.6) | **(110.6)** |
| **Net cash flows from/(used in) financing activities** | | **20.1** | 39.8 | **(25.4)** |
| Net decrease in cash and cash equivalents | | **(1.8)** | (5.1) | **(4.0)** |
| Cash and cash equivalents at beginning of period | | **1.6** | 5.6 | **5.6** |
| **Cash and cash equivalents at end of period** | | **(0.2)** | 0.5 | **1.6** |
| Cash and cash equivalents relating to continuing operations | 10 | **(0.2)** | (0.3) | **1.6** |
| Cash and cash equivalents relating to discontinued operations | | **-** | 0.8 | **-** |
| | | **(0.2)** | 0.5 | **1.6** |

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 overdrafts.

# NOTES TO THE INTERIM ACCOUNTS

## 1. Basis of Preparation

The interim accounts for the six months ended 30 September 2009 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and the Disclosure and Transparency Rules of the Financial Services Authority.

The interim accounts have been prepared on the basis of the accounting policies set out in the accounts for the year ended 31 March 2009 except for the adoption of IAS 1 (revised) "Presentation of Financial Statements". The adoption of IAS 1 (revised) has required the reconciliation of movements in equity, previously disclosed in note 24 to the Group's accounts for the year ended 31 March 2009, to be presented as a primary statement entitled 'Group Statement of Changes in Equity'. In addition the Statement of Recognised Income and Expense has been replaced with the Group Statement of Comprehensive Income resulting in some presentational changes from the previous statement.

IFRIC 18 "Transfers of assets from customers" has not been applied in the interim accounts as it has not yet been endorsed by the European Union ("EU") and its effective date is uncertain. Subject to EU endorsement it is expected that IFRIC 18 will be applied in preparing the annual accounts for the year ending 31 March 2010.

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

The information shown for the year ended 31 March 2009 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and has been extracted from the Group's annual report for the year ended 31 March 2009, which has been filed with the Registrar of Companies. The report of the auditors on the accounts contained within the Group's annual report for the year ended 31 March 2009 was unqualified and did 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.

## 2. Operating Segments Information

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

| Continuing operations | Six months ended 30 September 2009 External £m | 2009 Internal £m | 2009 Total £m | 2008 External £m | 2008 Internal £m | 2008 Total £m | Year ended 31 March 2009 External £m | 2009 Internal £m | 2009 Total £m |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| Transmission and Distribution | 107.8 | 0.1 | 107.9 | 98.7 | 17.0 | 115.7 | 197.9 | 35.2 | 233.1 |
| Other | 0.1 | - | 0.1 | 0.2 | - | 0.2 | 0.3 | 0.1 | 0.4 |
| | 107.9 | 0.1 | 108.0 | 98.9 | 17.0 | 115.9 | 198.2 | 35.3 | 233.5 |
| Inter-group elimination | | | (0.1) | | | (17.0) | | | (35.3) |
| Regulated entitlement | | | 107.9 | | | 98.9 | | | 198.2 |
| Adjustment for (under)/over-recovery | | | (16.3) | | | (14.1) | | | 8.3 |
| | | | 91.6 | | | 84.8 | | | 206.5 |
| **Operating profit** | | | | | | | | | |
| Transmission and Distribution | | | 53.6 | | | 54.2 | | | 110.1 |
| Other | | | 0.4 | | | 0.1 | | | 0.8 |
| Inter-group elimination | | | - | | | (17.0) | | | (35.2) |
| | | | 54.0 | | | 37.3 | | | 75.7 |
| Adjustment for (under)/over-recovery | | | (16.3) | | | (14.1) | | | 8.3 |
| | | | 37.7 | | | 23.2 | | | 84.0 |
| Finance costs | | | (10.2) | | | (13.7) | | | (26.2) |
| Net pension scheme interest | | | (4.9) | | | (3.5) | | | (7.0) |
| Net finance costs | | | (15.1) | | | (17.2) | | | (33.2) |
| **Profit from continuing operations before tax** | | | 22.6 | | | 6.0 | | | 50.8 |

### (ii) Revenue and profit - discontinued operations

| Discontinued operations | Six months ended 30 September 2009 External £m | 2009 Internal £m | 2009 Total £m | 2008 External £m | 2008 Internal £m | 2008 Total £m | Year ended 31 March 2009 External £m | 2009 Internal £m | 2009 Total £m |
|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | |
| SONI - regulated entitlement | - | - | - | 26.8 | - | 26.8 | 59.2 | - | 59.2 |
| Adjustment for under-recovery | | | - | | | (6.6) | | | (5.5) |
| | | | - | | | 20.2 | | | 53.7 |
| **Operating profit/(loss)** | | | | | | | | | |
| SONI | | | - | | | 1.6 | | | 3.1 |
| Inter-group elimination | | | - | | | 17.0 | | | 35.2 |
| | | | - | | | 18.6 | | | 38.3 |
| Adjustment for under-recovery | | | - | | | (6.6) | | | (5.5) |
| | | | - | | | 12.0 | | | 32.8 |
| Interest receivable | | | - | | | - | | | 0.4 |
| Finance costs | | | - | | | - | | | (0.9) |
| Net pension scheme interest | | | - | | | (0.1) | | | (0.2) |
| Net finance costs | | | - | | | (0.1) | | | (0.7) |
| **Profit from discontinued operations before tax** | | | - | | | 11.9 | | | 32.1 |

## 2. Operating Segments Information (continued)

### (iii) Revenue and profit - continuing and discontinued operations

Due to the treatment required by IFRS 5 "Non-Current Assets held for Sale and Discontinued Operations" in respect of the disclosures above, the directors believe the following breakdown of the total Group's business gives a more meaningful measure of performance.

| | Revenue | | | Operating profit/(loss) | | |
|---|---|---|---|---|---|---|
| | Six months ended 30 September | | Year ended 31 March | Six months ended 30 September | | Year ended 31 March |
| | **2009** | 2008 | **2009** | **2009** | 2008 | **2009** |
| | **£m** | £m | **£m** | **£m** | £m | **£m** |
| **Based on regulated entitlement:** | | | | | | |
| Transmission and Distribution | **107.9** | 115.7 | **233.1** | **53.6** | 54.2 | **110.1** |
| SONI | **-** | 26.8 | **59.2** | **-** | 1.6 | **3.1** |
| Other | **0.1** | 0.2 | **0.4** | **0.4** | 0.1 | **0.8** |
| Inter-group elimination | **(0.1)** | (17.0) | **(35.3)** | **-** | - | **-** |
| Total regulated entitlement | **107.9** | 125.7 | **257.4** | **54.0** | 55.9 | **114.0** |
| Adjustment for (under)/over-recovery | **(16.3)** | (20.7) | **2.8** | **(16.3)** | (20.7) | **2.8** |
| | **91.6** | 105.0 | **260.2** | **37.7** | 35.2 | **116.8** |
| Relating to continuing operations | **91.6** | 84.8 | **206.5** | **37.7** | 23.2 | **84.0** |
| Relating to discontinued operations | **-** | 20.2 | **53.7** | **-** | 12.0 | **32.8** |
| | **91.6** | 105.0 | **260.2** | **37.7** | 35.2 | **116.8** |

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

## 3. Impairment of Property, Plant and Equipment

Operating costs include:

| | Six months ended 30 September | | Year ended 31 March |
|---|---|---|---|
| | **2009** | 2008 | **2009** |
| | **£m** | £m | **£m** |
| Impairment of property, plant and equipment | **-** | 1.4 | **2.6** |

## 4. Net Finance Costs

| | Six months ended 30 September 2009 £m | 2008 £m | Year ended 31 March 2009 £m |
|---|---|---|---|
| **Interest receivable:** | | | |
| Bank interest | **-** | - | **0.4** |
| **Interest payable:** | | | |
| Eurobond | **(6.1)** | (6.1) | **(12.0)** |
| Interest payable to fellow Viridian undertakings | **(4.2)** | (7.7) | **(15.2)** |
| | **(10.3)** | (13.8) | **(27.2)** |
| Less: capitalised interest | **0.1** | 0.1 | **0.1** |
| **Total finance costs** | **(10.2)** | (13.7) | **(27.1)** |
| **Net pension scheme interest:** | | | |
| Expected return on pension scheme assets | **12.6** | 15.5 | **30.9** |
| Interest on pension scheme liabilities | **(17.5)** | (19.1) | **(38.1)** |
| | **(4.9)** | (3.6) | **(7.2)** |
| **Net finance costs** | **(15.1)** | (17.3) | **(33.9)** |
| Net finance costs relating to continuing operations | **(15.1)** | (17.2) | **(33.2)** |
| Net finance costs relating to discontinued operations | **-** | (0.1) | **(0.7)** |
| **Net finance costs charged to the Group Income Statement** | **(15.1)** | (17.3) | **(33.9)** |

## 5. Tax Charge

| | Six months ended 30 September 2009 £m | 2008 £m | Year ended 31 March 2009 £m |
|---|---|---|---|
| ***Current tax charge*** | | | |
| UK corporation tax at 28% (2008 – 28%) | **4.6** | 3.8 | **21.9** |
| ***Deferred tax charge*** | | | |
| Origination and reversal of temporary differences in current year | **1.8** | 1.2 | **1.0** |
| **Total tax charge reported in the income statement** | **6.4** | 5.0 | **22.9** |
| Relating to continuing operations | **6.4** | 1.7 | **14.1** |
| Relating to discontinued operations | **-** | 3.3 | **8.8** |
| **Total tax charge reported in the income statement** | **6.4** | 5.0 | **22.9** |

## 6. Discontinued Operations

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

| | Note | Six months ended 30 September 2009 £m | Six months ended 30 September 2008 £m | Year ended 31 March 2009 £m |
|---|---|---|---|---|
| Profit from discontinued operations before tax | 2(ii) | **-** | 11.9 | **32.1** |
| Profit on disposal of discontinued operations | | **-** | - | **15.7** |
| Total tax charge relating to discontinued operations | 5 | **-** | (3.3) | **(8.8)** |
| **Profit for the period from discontinued operations** | | **-** | 8.6 | **39.0** |

## 7. Dividends Paid

| | Six months ended 30 September 2009 £m | Six months ended 30 September 2008 £m | Year ended 31 March 2009 £m |
|---|---|---|---|
| Equity dividends on ordinary shares: | | | |
| Interim dividend for the year ended 31 March 2009 | **-** | 110.6 | **110.6** |
| Interim dividend for the year ending 31 March 2010 | **55.0** | - | **-** |

## 8. Capital Expenditure

| | Six months ended 30 September 2009 £m | Six months ended 30 September 2008 £m | Year ended 31 March 2009 £m |
|---|---|---|---|
| **Continuing operations:** | | | |
| Property, plant & equipment | **45.7** | 51.0 | **104.1** |
| Intangible assets - computer software | **-** | 0.6 | **0.7** |
| | **45.7** | 51.6 | **104.8** |
| **Discontinued operations:** | | | |
| Property, plant & equipment | **-** | 2.2 | **4.8** |
| **Total capital expenditure** | **45.7** | 53.8 | **109.6** |

No assets were disposed of by the Group during the period (2008 - £nil).

## 9. Capital Commitments and Contingent Liabilities

At 30 September 2009 the Group had capital commitments of £11.9m (2008 - £11.3m).

## 10. Net Debt

| | As at 30 September | | As at 31 March |
|---|---|---|---|
| | **2009 £m** | 2008 £m | **2009 £m** |
| Cash at bank and in hand | **-** | 0.8 | **1.6** |
| Debt due before 1 year: | | | |
| Interest payable on Eurobond | **(0.4)** | (0.4) | **(6.4)** |
| Bank loans and overdrafts | **(0.2)** | (0.3) | **-** |
| Amounts owed to fellow Viridian undertakings | **(363.5)** | (353.6) | **(288.4)** |
| | **(364.1)** | (354.3) | **(294.8)** |
| Debt due after 1 year: | | | |
| Eurobond | **(173.4)** | (173.3) | **(173.4)** |
| **Total net debt** | **(537.5)** | (526.8) | **(466.6)** |
| Net debt relating to continuing operations | **(537.5)** | (518.0) | **(466.6)** |
| Inter-business borrowings | **-** | (9.6) | **-** |
| | **(537.5)** | (527.6) | **(466.6)** |
| Net debt relating to discontinued operations | **-** | (8.8) | **-** |
| Inter-business borrowings | **-** | 9.6 | **-** |
| | **-** | 0.8 | **-** |
| Total net debt | **(537.5)** | (526.8) | **(466.6)** |

## 11. Related Party Transactions

During the six months ended 30 September 2009, the Group contributed £5.1m (2008 - £5.2m) to the Viridian Group Pension Scheme.

The immediate parent undertaking of the Group is Viridian Group Limited. The parent undertaking of the largest group of which the Company is a member and for which group accounts are prepared is Viridian Group Holdings Limited (Viridian). Principal subsidiaries of Viridian are related parties of the Group. Transactions with Viridian Group Limited and other Viridian subsidiaries and the balances outstanding are disclosed below:

| | Ordinary dividends 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 2009** | | | | | | |
| Viridian Group Limited | **55.0** | **4.2** | **-** | **-** | **-** | **363.5** |
| Other Viridian subsidiaries | **-** | **-** | **82.5** | **26.8** | **28.9** | **18.0** |
| | **55.0** | **4.2** | **82.5** | **26.8** | **28.9** | **381.5** |
| 6 months to 30 September 2008 | | | | | | |
| Viridian Group Limited | 110.6 | 7.3 | - | - | - | 353.6 |
| Other Viridian subsidiaries | - | 0.4 | 81.9 | 37.7 | 17.3 | 11.0 |
| | 110.6 | 7.7 | 81.9 | 37.7 | 17.3 | 364.6 |
| **Year to 31 March 2009** | | | | | | |
| Viridian Group Limited | **110.6** | **14.3** | **-** | **-** | **-** | **299.6** |
| Other Viridian subsidiaries | **-** | **0.9** | **208.4** | **77.2** | **35.9** | **34.9** |
| | **110.6** | **15.2** | **208.4** | **77.2** | **35.9** | **334.5** |

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm, that to the best of their knowledge:

(i) the interim accounts have been prepared in accordance with IAS 34 as adopted by the European Union (EU) and the Disclosure and Transparency Rules of the Financial Services Authority; and

(ii) the interim management report includes a fair review of the information required by DTR 4.2.7 of the Disclosure and Transparency Rules.

By order of the Board

Harry McCracken
Executive Director

27 October 2009