Northern Ireland Electricity Limited

Unaudited Interim Report and Accounts

Six months ended
30 September 2012





INTERIM MANAGEMENT REPORT

The directors of Northern Ireland Electricity Limited (NIE) present their unaudited interim report and accounts for the six months ended 30 September 2012. The interim accounts 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 consolidate the results of NIE and its subsidiary undertakings (the Group).

Results and Dividends

The results for the six month period ended 30 September 2012 show a profit after tax of £34.4m (2011 - £33.4m). No dividends were paid during the period (2011 – dividends paid £nil). A financial review is set out below.

Background Information

The Group’s principal activity is the transmission and distribution of electricity in Northern Ireland. NIE holds a transmission licence covering its roles as owner of the transmission and distribution assets and distribution system operator in Northern Ireland. NIE is responsible for the planning, development, construction and maintenance of the transmission and distribution network and for the operation of the distribution network.

The transmission and distribution network comprises a number of interconnected networks of overhead lines and underground cables which are used for the transfer of electricity to c840,000 consumers via a number of substations. There are 2,200km (circuit length) of the transmission system, 43,500km of the distribution system and approximately 250 major substations. NIE’s transmission system is connected to that of the Republic of Ireland (RoI) through 275kV and 110kV interconnectors and to that in Scotland via the Moyle Interconnector.

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

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

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

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

NIE is subject to a price control, defined in a formula set out in its licence, which limits the revenue it may earn and the prices it may charge. The principles of price regulation employed in the licence conditions reflect the general duties of the Utility Regulator and DETI under relevant legislation. These include having regard for the need to ensure that NIE is able to finance its authorised activities.

Directors

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

Stephen Kingon CBE (independent non-executive Chairman)
Rotha Johnston CBE (independent non-executive director)
Ronnie Mercer (independent non-executive director)
Joe O’Mahony (Managing Director)
Peter Ewing (Deputy Managing Director and Director of Regulation)

Business Overview

Key achievements during the period included:

- Successful implementation of new billing and market IT systems that have facilitated full retail competition in the Northern Ireland electricity market for consumers wishing to change electricity supplier and have allowed harmonisation of market processes with the RoI, thereby creating the first harmonised retail market scheme between two jurisdictions in Europe. The project has been shortlisted for the Utility Industry Achievement Awards IT initiative of the year;

- Successful management of a change in network connection charges, following a decision by the Utility Regulator in April 2012 to remove subsidies which had been in place since before privatisation, resulting in an updated statement of charges for connection to the NIE distribution system approved by the Utility Regulator;

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

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

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

- Continued contribution of approximately £120m per annum into the Northern Ireland economy through employment and contracts with local businesses.

Financial Review

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

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

The results reported in the accounts for the six month period ended 30 September 2012 include an over-recovery correction factor of £15.0m, compared to an over-recovery of £13.3m during the six month period ended 30 September 2011, which has resulted in an increase in revenue and operating profits of £1.7m. The over-recoveries during the period ended 30 September 2012 and the year ended 31 March 2012 largely reflect a correction of under-recoveries of £29.6m during the year ended 31 March 2011.

The directors consider that pro-forma revenue and operating profits (based on regulated entitlement as allowed by NIE's price control) as shown in note 2 to the accounts, give a more meaningful measure of performance than revenue and operating profits reported in the Group Income Statement.

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

	Six months ended 30 September		**Year ended 31 March**
	2012 £m	2011 £m	**2012 £m**
Group operating profit	**63.5**	59.1	**107.0**
Deduct regulatory correction factor	**(15.0)**	(13.3)	**(14.4)**
Group pro-forma operating profit	**48.5**	45.8	**92.6**

The Group's pro-forma operating profit increased from £45.8m to £48.5m, primarily reflecting an increase in regulated income due to growth in NIE's regulatory asset base (RAB) offset by higher depreciation and amortisation charges.

Pro-forma FFO interest cover is calculated as pro-forma funds from operations divided by net interest charged to the income statement. Pro-forma FFO interest cover decreased from 4.0 times to 3.6 times primarily due to higher interest payable on borrowings.

Financial Results

A summary of the financial results for the period reported in the accounts is shown below. The results reported in the accounts include regulatory correction factors as explained above.

	30 September		**31 March**
	2012	2011	**2012**
	£m	£m	**£m**
Revenue	**136.6**	122.7	**253.3**
Operating profit	**63.5**	59.1	**107.0**
Profit after tax	**34.4**	33.4	**58.8**
Net debt	**540.0**	547.7	**547.9**
Net assets	**191.5**	177.3	**192.5**

Income Statement

- Revenue of £136.6m (2011 - £122.7m) largely comprises revenue in respect of use of the transmission and distribution systems and PSO levies. The increase in revenue reflects higher revenue in respect of PSO pass through costs and growth in the RAB.

- Operating costs have increased from £63.6m to £73.1m largely reflecting higher PSO pass through costs and higher depreciation and amortisation charges.

- Operating profit was £63.5m (2011 - £59.1m) largely reflecting an increase in regulated income due to growth in the RAB offset by higher depreciation and amortisation charges.

- Net finance costs have increased from £16.2m to £20.4m. Net finance costs in the period primarily comprise £18.8m in respect of bond interest charges and net pension scheme interest charge of £2.1m. The increase in finance charges from 2011 reflects increased interest charges following a £400m bond issue in June 2011.

- Tax charge for the period was £8.7m (2011 – £9.5m): the decrease primarily reflects a reduction in the corporation tax rate.

- Profit after tax for the period was £34.4m (2011 - £33.4m) largely reflecting increased operating profit and a reduced tax charge offset by higher net finance costs.

Balance Sheet

- Non-current assets at 30 September 2012 were £1,626.7m (31 March 2012 - £1,611.9m). The increase reflects capital expenditure during the period offset by the movement in the mark-to-market value of RPI interest rate swap assets.

- Current assets at 30 September 2012 were £98.6m (31 March 2012 - £95.0m) primarily reflecting increased trade and other receivables due to higher revenue, offset by reduced cash balances.

- Current liabilities of £133.4m (31 March 2012 - £137.1m) mainly reflect lower financial liabilities due to timing of interest payments offset by increased trade and other payables and increased current tax payable.

- Non-current liabilities at 30 September 2012 were £1,400.4m (31 March 2012 - £1,377.3m). The increase largely reflects a movement in the IAS 19 pension liability to £146.7m (31 March 2012 - £105.8m) due to lower investment returns and a reduction in the discount rate: an analysis of the pension liability is shown in note 8 to the accounts. The movement in the mark-to-market value of RPI interest rate swap liabilities included within non-current liabilities is offset by the movement in RPI interest rate swap asset values included within non-current assets.

Cash flow

- Net cash flows from operating activities were £48.4m (2011 - £60.5m), the decrease reflecting timing of interest payments on bonds offset by movements in working capital.

- Cash flows in respect of investing activities decreased to £59.3m (2011 - £65.2m) largely reflecting lower expenditure in relation to IT systems following implementation during the period of new billing and market IT systems.

- There were no financing activities during the period. The proceeds of a £400m bond issued during the period to 30 September 2011 were primarily used to replace short-term variable debt with longer term debt repayable in 2026.

Operational Review

Operational KPIs

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

- performance against the overall and guaranteed standards set by the Utility Regulator, the majority of which apply to services provided by NIE (e.g. the timely restoration of consumers' supplies following an interruption and prescribed times for responding to consumers' voltage complaints);
- the number of complaints which the Consumer Council for Northern Ireland (Consumer Council) takes up on behalf of consumers (Stage 2 Complaints); and
- the average number of minutes lost per consumer per annum through distribution fault interruptions, excluding the effect of major storms (CML).

	Six months ended 30 September		**Year ended 31 March**
	2012	2011	**2012**
Overall standards – defaults	**None**	None	**None**
Guaranteed standards – defaults	**None**	None	**None**
Stage 2 complaints to the Consumer Council	**1**	1	**2**
CML	**25**	25	**53**

A key priority for NIE is to consistently provide the highest standards in customer service and network performance. During the six month period all the overall standards were achieved and there were no defaults against the guaranteed standards (2011 - none).

NIE's continued strong focus on service failure analysis limits the number of instances when consumers are dissatisfied to the extent that they refer a complaint to the Consumer Council. The number of Stage 2 Complaints in the six month period was 1 (2011 - 1).

The number of CML was 25 minutes (2011 - 25). This performance is better than the target range agreed with the Utility Regulator for the regulatory period 2007 – 2012 (RP4).

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

RP5 Price Control

RP5 was due to commence in April 2012. The Utility Regulator announced in October 2011 that RP5 would be introduced from 1 October 2012 rather than 1 April 2012 and that an extension of the RP4 price control would be implemented during the six month period from April to September 2012. In August 2012 the Utility Regulator notified NIE that the RP4 price control was extended further to 31 December 2012 with RP5 now due to commence on 1 January 2013.

In April 2012 the Utility Regulator published for consultation its draft determination for RP5. NIE's response in July 2012 stated that: the proposed price control would not serve customers' best interests; customers would be left with an aged and unreliable network, which would need substantial investment in future price control periods; NIE would be unable to finance such investments efficiently; it would not have been able to take the measures needed to replenish its skilled workforce by training apprentices and graduates to be the skilled engineers of the future; and NIE would be unable to develop its network to serve industry and commerce in Northern Ireland, to the detriment of all Northern Ireland's population.

The Utility Regulator's final determination was published in October 2012 and NIE responded on 20 November 2012, advising the Utility Regulator that regrettably it is unable to accept the Utility Regulator's proposed terms for the RP5 price control.

NIE has not taken this decision lightly. It has worked diligently throughout the price review process, which has been ongoing for over two years, in order to provide a robust business plan with extensive and detailed supporting information to facilitate the Utility Regulator to determine a price control that will enable NIE to provide an adequate service to its customers over RP5 and for the foreseeable future, and to finance its activities efficiently.

The allowances proposed by the Utility Regulator fall substantially short of the amounts required to enable NIE to meet its statutory and licence obligations and to carry out the necessary programme of work for RP5 to deliver the level of service customers expect.

Moreover, the Utility Regulator's proposals rely on regulatory arrangements which depart from the well-established system of regulation for network utilities that applies in the rest of the UK, notably in respect of their emphasis on ex post assessments and retrospective adjustments.

Since both NIE and the Utility Regulator consider that the present price control requires modification, NIE now expects the Utility Regulator to refer the matter to the Competition Commission.

A copy of NIE's response is available on the NIE website.

Investment

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

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

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

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

EU Legislation

In January 2012 NIE submitted its application for certification of transmission arrangements between NIE and SONI under Article 9(9) of Directive 2009/72/EC (the IME3 Directive) to the Utility Regulator. The IME3 Directive includes measures which aim to ensure the effective separation of networks from generation and supply activities. The Utility Regulator has exercised its power to extend the relevant date for certification set out in the legislation (3 March 2012) to 31 December 2012. The certification process requires the Single Electricity Market (SEM) Committee to make a preliminary decision on behalf of the Utility Regulator which must be referred to the European Commission for verification.

Principal Risks and Uncertainties

NIE operates a structured and disciplined approach to the management of risk overseen by the NIE Board and Audit Committee.

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

The internal audit function provides independent assurance on the adequacy of NIE's risk management arrangements.

NIE's Risk Management Committee, comprising a number of senior managers and chaired by the Finance Director, is responsible for co-ordinating the development of the overall risk management framework for NIE including the policies, standards and procedures, organisational arrangements and reporting requirements to NIE's Executive Committee, Audit Committee and Board.

The principal risks and uncertainties facing NIE for the remainder of the financial year, which are managed under NIE's risk management framework, are:

- an unsatisfactory outcome from the RP5 price control review given the Utility Regulator's final determination for RP5;

- the failure of the NIE Health and Safety Management System with exposure of employees, contractors and the general public to risk of injury and the associated potential liability and/or loss of reputation for NIE;

- widespread and prolonged failure of the transmission or distribution network and failing to respond adequately following damage to the network from adverse weather conditions;

- inability to recruit and retain employees with the necessary knowledge and skills; and

- other operational, financial and reputational risks arising from failing to meet consumer service standards or business continuity, IT Security and Data Protection issues.

GROUP INCOME STATEMENT

	Note	Six months ended 30 September Unaudited 2012 £m	Unaudited 2011 £m	Year ended 31 March Audited 2012 £m
Continuing operations				
Revenue	2	**136.6**	122.7	**253.3**
Operating costs		**(73.1)**	(63.6)	**(146.3)**
OPERATING PROFIT	2	**63.5**	59.1	**107.0**
Finance revenue		**0.2**	0.2	**0.3**
Finance costs		**(18.5)**	(15.7)	**(33.4)**
Net pension scheme interest		**(2.1)**	(0.7)	**(1.3)**
Net finance costs	3	**(20.4)**	(16.2)	**(34.4)**
PROFIT BEFORE TAX		**43.1**	42.9	**72.6**
Tax charge	4	**(8.7)**	(9.5)	**(13.8)**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		**34.4**	33.4	**58.8**

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September Unaudited 2012 £m	Unaudited 2011 £m	Year ended 31 March Audited 2012 £m
Profit for the financial period	**34.4**	33.4	**58.8**
Other comprehensive income/(expense):			
Actuarial loss on pension scheme assets and liabilities	**(46.6)**	(66.0)	**(78.0)**
Tax credit relating to actuarial loss on pension scheme assets and liabilities	**11.2**	16.5	**19.6**
Net other comprehensive expense for the period	**(35.4)**	(49.5)	**(58.4)**
Total net comprehensive income/(expense) for the period	**(1.0)**	(16.1)	**0.4**

GROUP BALANCE SHEET

	Note	As at 30 September Unaudited 2012 £m	As at 30 September Unaudited 2011 £m	As at 31 March Audited 2012 £m
Non-current assets				
Property, plant and equipment	5	**1,212.9**	1,148.1	**1,186.4**
Intangible assets	5	**47.4**	49.4	**47.8**
Derivative financial assets		**366.4**	350.9	**377.7**
		1,626.7	1,548.4	**1,611.9**
Current assets				
Inventories		**6.1**	6.0	**5.2**
Trade and other receivables		**43.4**	39.8	**32.1**
Derivative financial assets		**8.6**	7.1	**6.3**
Other financial assets		**-**	0.1	**-**
Cash and cash equivalents		**40.5**	32.7	**51.4**
		98.6	85.7	**95.0**
TOTAL ASSETS		**1,725.3**	1,634.1	**1,706.9**
Current liabilities				
Trade and other payables		**86.9**	80.4	**82.1**
Current tax payable		**19.0**	7.8	**11.3**
Deferred income		**9.1**	8.5	**8.8**
Financial liabilities:				
Derivative financial liabilities		**8.6**	7.1	**6.3**
Other financial liabilities		**8.8**	8.8	**27.6**
Provisions		**1.0**	1.5	**1.0**
		133.4	114.1	**137.1**
Non-current liabilities				
Deferred tax liabilities		**57.7**	72.3	**68.4**
Deferred income		**249.5**	239.1	**245.4**
Financial liabilities:				
Derivative financial liabilities		**366.4**	350.9	**377.7**
Other financial liabilities		**571.7**	571.6	**571.7**
Provisions		**8.4**	8.1	**8.3**
Pension liability	8	**146.7**	100.7	**105.8**
		1,400.4	1,342.7	**1,377.3**
TOTAL LIABILITIES		**1,533.8**	1,456.8	**1,514.4**
NET ASSETS		**191.5**	177.3	**192.5**
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		**124.6**	110.4	**125.6**
TOTAL EQUITY		**191.5**	177.3	**192.5**

The accounts were approved by the Board of directors and signed on its behalf by:

Joe O'Mahony
Managing Director

Date: 27 November 2012

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 April 2011	**36.4**	**24.4**	**6.1**	**126.5**	**193.4**
Profit for the period	-	-	-	58.8	58.8
Net other comprehensive expense for the period	-	-	-	(58.4)	(58.4)
Total net comprehensive income for the period	-	-	-	0.4	0.4
Deferred tax charges relating to items charged in changes in equity	-	-	-	(1.3)	(1.3)
At 1 April 2012	**36.4**	**24.4**	**6.1**	**125.6**	**192.5**
Profit for the period	-	-	-	34.4	34.4
Net other comprehensive expense for the period	-	-	-	(35.4)	(35.4)
Total net comprehensive income for the period	-	-	-	(1.0)	(1.0)
At 30 September 2012	**36.4**	**24.4**	**6.1**	**124.6**	**191.5**

	Share capital £m	Share premium £m	Capital redemption reserve £m	Accumulated profits £m	Total £m
At 1 April 2011	**36.4**	**24.4**	**6.1**	**126.5**	**193.4**
Profit for the period	-	-	-	33.4	33.4
Net other comprehensive expense for the period	-	-	-	(49.5)	(49.5)
Total net comprehensive expense for the period	-	-	-	(16.1)	(16.1)
At 30 September 2011	**36.4**	**24.4**	**6.1**	**110.4**	**177.3**

GROUP CASH FLOW STATEMENT

	Six months ended 30 September		Year ended 31 March
	Unaudited	Unaudited	**Audited**
	2012	2011	**2012**
	£m	£m	**£m**
Cash flows from operating activities			
Profit for the period	**34.4**	33.4	**58.8**
Adjustments for:			
Tax charge - continuing operations	**8.7**	9.5	**13.8**
Net finance costs - continuing operations	**20.4**	16.2	**34.4**
Depreciation of property, plant and equipment	**23.7**	22.4	**45.2**
Release of customers' contributions and grants	**(4.5)**	(4.3)	**(8.8)**
Amortisation of intangible assets	**8.1**	5.6	**13.7**
Contributions in respect of property, plant and equipment	**8.7**	12.6	**23.7**
Defined benefit pension charge less contributions paid	**(7.8)**	(6.6)	**(13.4)**
Net gain on transfer of pension assets and liabilities relating to former employees	**-**	-	**(0.7)**
Net movement in provisions	**0.1**	0.1	**(0.2)**
Operating cash flows before movement in working capital	**91.8**	88.9	**166.5**
Increase in working capital	**(5.4)**	(14.9)	**(6.1)**
Cash generated from operations	**86.4**	74.0	**160.4**
Interest received	**0.2**	-	**0.3**
Interest paid	**(37.6)**	(13.5)	**(13.6)**
Current taxes paid	**(0.6)**	-	**(2.9)**
Net cash flows from operating activities	**48.4**	60.5	**144.2**
Cash flows from investing activities			
Purchase of property, plant and equipment	**(50.3)**	(56.7)	**(110.7)**
Purchase of intangible assets	**(9.0)**	(8.5)	**(19.4)**
Net cash flows used in investing activities	**(59.3)**	(65.2)	**(130.1)**
Cash flows from financing activities			
Proceeds from borrowings	**-**	400.0	**399.6**
£400m bond issue costs	**-**	(2.1)	**(1.7)**
Repayment of borrowings	**-**	(361.1)	**(361.2)**
Net cash flows from financing activities	**-**	36.8	**36.7**
Net (decrease)/increase in cash and cash equivalents	**(10.9)**	32.1	**50.8**
Cash and cash equivalents at beginning of period	**51.4**	0.6	**0.6**
Cash and cash equivalents at end of period	**40.5**	32.7	**51.4**

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 2012 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 consolidate the results of Northern Ireland Electricity Limited and its subsidiary undertakings (the Group).

The interim accounts have been prepared on the basis of the accounting policies set out in the accounts for the year ended 31 March 2012. The following amendments to existing standards and interpretations were effective for the current period but did not have a material impact on the accounts:

IAS 12	Income Taxes: Limited scope amendment (recovery of underlying assets) (effective for accounting periods beginning on or after 1 January 2012)
IFRS 7 (revised)	Disclosures - Transfers of financial assets; Offsetting of financial assets and financial liabilities; and Initial application of IFRS 9 (effective at various dates beginning on or after 1 July 2011)

The interim accounts have been prepared on the going concern basis as the directors, having considered available relevant information, have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the next 12 months.

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 2012 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 2012, 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 2012 was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006 regarding inadequate accounting records or a failure to obtain necessary information and explanations.

2. Revenue and Operating Profit

	Six months ended 30 September 2012 £m	2011 £m	Year ended 31 March 2012 £m
Revenue:			
Based on regulated entitlement	**121.6**	109.4	**238.9**
Adjustment for regulatory correction factor	**15.0**	13.3	**14.4**
	136.6	122.7	**253.3**
Interest receivable	**0.2**	0.2	**0.3**
	136.8	122.9	**253.6**
Operating Profit:			
Based on regulated entitlement	**48.5**	45.8	**92.6**
Adjustment for over-recovery	**15.0**	13.3	**14.4**
	63.5	59.1	**107.0**

The regulatory correction factor represents the amount by which the amount of revenue recovered in the period exceeds or falls short of the amount allowed by the Group's price control formula.

The Group's operating activities, which are described in the interim management report, comprise one operating segment.

3. Net Finance Costs

	Six months ended 30 September 2012 £m	2011 £m	Year ended 31 March 2012 £m
Interest receivable:			
Interest receivable	**0.2**	0.2	**0.3**
Interest payable:			
£175m bond	**(6.0)**	(6.0)	**(12.0)**
£400m bond	**(12.8)**	(8.4)	**(21.2)**
Amounts owed to ESB group undertakings	**-**	(1.7)	**(1.6)**
Interest rate swaps	**-**	-	**-**
	(18.8)	(16.1)	**(34.8)**
Less: capitalised interest	**0.4**	0.5	**1.6**
Total interest charged to the income statement	**(18.4)**	(15.6)	**(33.2)**
Other finance costs:			
Amortisation of financing charges	**(0.1)**	(0.1)	**(0.2)**
Total finance costs	**(18.5)**	(15.7)	**(33.4)**
Net pension scheme interest:			
Expected return on pension scheme assets	**17.2**	19.8	**39.7**
Interest on pension scheme liabilities	**(19.3)**	(20.5)	**(41.0)**
	(2.1)	(0.7)	**(1.3)**
Net finance costs	**(20.4)**	(16.2)	**(34.4)**

4. Tax Charge

	Six months ended 30 September 2012 £m	2011 £m	Year ended 31 March 2012 £m
Current tax charge			
UK corporation tax at 24% (2011 - 26%)	**8.3**	6.5	**11.8**
Corporation tax under provided in previous periods	**-**	-	**1.1**
Total current tax	**8.3**	6.5	**12.9**
Deferred tax charge			
Origination and reversal of temporary differences in current period	**0.4**	3.0	**7.1**
Origination and reversal of temporary differences relating to prior periods	**-**	-	**(6.2)**
Total deferred tax charge	**0.4**	3.0	**0.9**
Total tax charge	**8.7**	9.5	**13.8**

5. Capital Expenditure

	Six months ended 30 September 2012 £m	2011 £m	Year ended 31 March 2012 £m
Property, plant and equipment	**50.1**	53.1	**111.1**
Intangible assets - computer software	**7.8**	9.6	**19.2**
	57.9	62.7	**130.3**

No assets were disposed of by the Group during the period (2011 - £nil).

6. Capital Commitments

At 30 September 2012 the Group had contracted future capital expenditure in respect of property, plant and equipment of £5.8m (2011 - £9.8m) and computer software assets of £1.0m (2011 – £7.7m).

7. Net Debt

	As at 30 September 2012 £m	As at 30 September 2011 £m	As at 31 March 2012 £m
Cash at bank and in hand	**40.5**	32.7	**51.4**
Debt due before 1 year:			
Interest payable on £175m bond	**(0.4)**	(0.4)	**(6.4)**
Interest payable on £400m bond	**(8.4)**	(8.4)	**(21.2)**
	(8.8)	(8.8)	**(27.6)**
Debt due after 1 year:			
Amounts owed to ESB group undertakings		-	
£175m bond	**(173.8)**	(173.7)	**(173.8)**
£400m bond	**(397.9)**	(397.9)	**(397.9)**
	(571.7)	(571.6)	**(571.7)**
Total net debt	**(540.0)**	(547.7)	**(547.9)**

8. Pension Commitments

	As at 30 September 2012 £m	As at 30 September 2011 £m	As at 31 March 2012 £m
Market value of assets	**699.9**	687.4	**720.5**
Actuarial value of liabilities	**(846.6)**	(788.1)	**(826.3)**
Net pension liability	**(146.7)**	(100.7)	**(105.8)**

Changes in the market value of assets	As at 30 September 2012 £m	As at 30 September 2011 £m	As at 31 March 2012 £m
Market value of assets at 1 April	**720.5**	705.5	**705.5**
Expected return	**17.2**	19.8	**39.7**
Contributions from employer	**9.0**	7.5	**15.6**
Contributions from scheme members	**0.1**	0.1	**0.2**
Benefits paid	**(22.5)**	(22.2)	**(44.6)**
Actuarial (loss)/gain	**(24.4)**	(23.3)	**3.4**
Net transfer of assets in respect of former employees	**-**	-	**0.7**
Market value of assets at period end	**699.9**	687.4	**720.5**

8. Pension Commitments (continued)

Changes in the actuarial value of liabilities	**As at 30 September 2012 £m**	As at 30 September 2011 £m	**As at 31 March 2012 £m**
Actuarial value of liabilities at 1 April	**826.3**	746.1	**746.1**
Interest cost	**19.3**	20.5	**41.0**
Current service cost	**1.2**	0.9	**2.0**
Curtailment loss	**-**	-	**0.2**
Contributions from scheme members	**0.1**	0.1	**0.2**
Benefits paid	**(22.5)**	(22.2)	**(44.6)**
Actuarial loss	**22.2**	42.7	**81.4**
Actuarial value of liabilities at period end	**846.6**	788.1	**826.3**

9. Related Party Transactions

During the six months ended 30 September 2012, the Group contributed £9.3m (2011 - £7.5m) to the Northern Ireland Electricity Pension Scheme.

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

Principal subsidiaries of ESB are related parties of the Group. Transactions between the Group and related parties are disclosed below:

	Interest Payable to related parties £m	**Revenue from related parties £m**	**Charges from related parties £m**	**Other transactions with related parties £m**	**Amounts owed by related parties at period end £m**	**Amounts owed to related parties at period end £m**
6 months to 30 September 2012						
ESBNI	**-**	**-**	**-**	**0.8**	**-**	**-**
Other ESB subsidiaries	**-**	**10.1**	**(30.1)**	**-**	**2.2**	**8.0**
	-	**10.1**	**(30.1)**	**0.8**	**2.2**	**8.0**
6 months to 30 September 2011						
ESBNI	(1.7)	-	-	358.0	-	-
Other ESB subsidiaries	-	8.8	(28.1)	-	1.5	5.6
	(1.7)	8.8	(28.1)	358.0	1.5	5.6
Year to 31 March 2012						
ESBNI	**(1.6)**	**-**	**-**	**(359.7)**	**-**	**-**
Other ESB subsidiaries	**-**	**23.5**	**(59.3)**	**-**	**1.6**	**7.3**
	(1.6)	**23.5**	**(59.3)**	**(359.7)**	**1.6**	**7.3**

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 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 4.2.7R of the Disclosure and Transparency Rules.

By order of the Board

Joe O'Mahony
Managing Director

27 November 2012