Network Rail
Infrastructure Limited

Interim financial statements

Six months ended 30 September 2008

Contents

Financial highlights

	Unaudited six months ended 30 September 2008 £m	Unaudited six months ended 30 September 2007 £m
Revenue	**3,117**	2,984
Operating profit	**1,226**	1,220
Profit before taxation	**706**	780
Profit after taxation	**5**	591
Net cash from operating activities	**1,636**	1,687
Capital expenditure	**2,161**	1,723
Net debt	**(20,490)**	(18,246)
Net assets	**7,106**	6,899
Railway network fixed assets	**33,212**	30,063
Investment property valuation	**866**	924

Commentary

Both operationally and financially Network Rail has performed well in the past six months. On time performance has improved, passenger satisfaction is higher than ever and the Company has continued its tight control of operating costs. The Company has also met 13 significant project milestones in the period on the West Coast Main Line project including the completion of Trent Valley four tracking and is pressing forward with early work on both the Thameslink and Crossrail projects. Overall, the Company is in a good position to deliver a strong full-year performance.

Safety

Rail remains the safest form of transport.

Network Rail has initiated significant public information campaigns to improve compliance at level crossing and reduce accident resulting from trespass.

Punctuality

The punctuality of the railways during the period exceeded regulatory targets. The Passenger Performance Measure (PPM) currently stands at 90.5% (2007/8 88.7%). There were 4.2m delay minutes (2007/8 4.6m)

Financial highlights

The financial performance of Network Rail was in line with expectations. The Company recorded an operating profit of £1,226m (2007/8: £1,220m), profit before tax of £706m (2007/8: £780m), and profit after tax of £5m (2007/8: £591m). The large increase in the tax charge is due to the abolition of industrial buildings allowances, as announced in the 2006 Budget, and substantively enacted in 2008.

Revenue, which comprises passenger franchise revenue from track access charges and revenue grant, freight revenue, property rental income and other income, increased by £133m to £3,117m (2007/8: £2,984m), largely in line with the regulatory determination. Operating costs rose to £1,891m (2007/8: £1,764m), including depreciation which increased £64m on the previous year (2008/9: £648m, 2007/8: £584m). However, like-for-like costs, adjusted for inflation and before depreciation, increased by just £6m reflecting Network Rail's strong focus on controlling operating expenditure.

In terms of cash flow the period under review saw net cash from operating activities of £1,636m, a decrease of £51m on the same period last year. Net debt at 30 September 2008 stood at £20,490m, an increase of £747m over the six months under review.

The carrying value of the railway network rose as investment in assets continued, and now totals £33,212m.

During the period the credit crunch and difficult economic circumstances impacted the valuations of Network Rail's investment property portfolio and its pension assets. At 30 September 2008, property was valued at £866m (£949m at 31 March 2008) and pension assets declined in value by 9%, driven largely by weakening equity valuations. Consequently, the pension accounting deficit rose to £617m (£370m at 31 March 2008).

Efficiencies

The overall ORR challenge for the Control Period was to produce combined efficiencies of 31% for operating, maintenance and renewals expenditure. The current forecast for the Control Period is 26%, a substantial efficiency but one that will fall short of our target. Renewals efficiencies remain disappointing, forecast to be 23% against a target of 30%, primarily as a result of track renewals where delivering savings remains particularly challenging with predicted efficiencies only 14%.

Steps have been taken to improve performance (including high output mechanisation and other initiatives such as modular switches and crossings) but these have yet to significantly impact on delivered efficiency. We continue to focus on realising improvements. In contrast, operating and maintenance cost efficiencies will largely be delivered with operating costs meeting the ORR's target of 30% savings, and maintenance delivering a 33% saving against a control period target of 34%.

Final Determination

Network Rail has undertaken significant analysis of the five-year funding settlement set by the ORR. It is clear that the ORR has listened to Network Rail's arguments and made significant concessions to bring it closer to the company's position.

However, before Network Rail can accept the settlement there are two significant hurdles to overcome. Firstly, there are a number of issues on which the company needs clarification from the ORR. Given the lack of overall flexibility in the settlement, Network Rail requires a positive outcome on these items. Secondly, the company needs to attain an appropriate investment grade from the ratings agencies to allow it to commence a stand alone corporate debt programme. The company expects to receive a rating early in the New Year.

A final decision on whether to trigger a reference to the Competition Commission is unlikely to be made until these matters have been resolved.

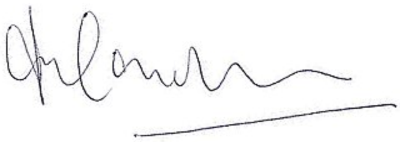
Board changes

During the period Network Rail announced a significant strengthening of the Board. Robin Gisby (Director, Operations and Customer Service), Simon Kirby (Director, Infrastructure Investment) and Paul Plummer (Director, Planning and Regulation) have all joined the Board as executive directors. However, Ron Henderson (Director, Finance) has announced his intention to retire and Ian McAllister will be stepping down as Chairman next July after almost eight years in the role. Network Rail has a robust succession policy and will be announcing their replacements in due course.

Outlook

The next six months will present two major challenges for Network Rail. Firstly, in our evaluation and response to the ORR's final determination for control period 4, and secondly in our planned completion of the final West Coast Main Line upgrade and the introduction of the new timetable. The targets set by the ORR in its final determination are clearly challenging. Network Rail's task is to review the data to be sure that the targets and levels of investment set out by the ORR are both achievable and adequate to meet the growing demands being placed on the railway.

The West Coast project is one of the most significant engineering projects ever undertaken in the UK. On completion, the line will allow many more commuter and long distance trains and a better service for millions of passengers. I am confident that as Network Rail reaches the final months of control period 3, the Company is in a strong position to meet these challenges, implement the necessary changes and take balanced judgments that are in the interests of passengers, stakeholders and the Company.



Iain Coucher
Chief Executive
November 2008

Independent review report

to Network Rail Infrastructure Limited

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 which comprises the consolidated income statement, the consolidated statement of total recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants, London
November 2008

Consolidated income statement

	Notes	Unaudited six months ended 30 September 2008 £m	Unaudited six months ended 30 September 2007 £m	Audited year ended 31 March 2008 £m
Revenue	2	**3,117**	2,984	5,960
Net operating costs	3	**(1,891)**	(1,764)	(3,548)
Operating profit		**1,226**	1,220	2,412
Revaluation movements and profits on disposal of properties		**(49)**	(12)	34
Total profit from operations		**1,177**	1,208	2,446
Investment revenues	4	**71**	53	132
Other gains and losses	4	**31**	25	33
Finance costs	4	**(573)**	(506)	(1,014)
Profit before tax		**706**	780	1,597
Tax	5	**(701)**	(189)	(408)
Profit after tax for the period		**5**	591	1,189

All amounts in the current and prior periods relate to continuing activities.

Consolidated statement of recognised income and expense

	Unaudited six months ended 30 September 2008 £m	Unaudited six months ended 30 September 2007 £m	Audited year ended 31 March 2008 £m
Recognised income and expense in the year			
Gains on revaluation of the railway network	**256**	620	403
Gains/(losses) on cash flow hedges	**149**	(21)	370
Exchange differences on retranslation of foreign currency debt taken to hedging reserve	**(247)**	15	(393)
	(98)	(6)	(23)
Actuarial (losses)/gains on defined benefit pension schemes	**(245)**	110	(133)
Tax on items taken directly to equity	**25**	(207)	(69)
Impact of change in corporation tax rate	**-**	134	134
Net (expense)/income recognised directly in equity	**(62)**	651	312
Transfers			
Transferred to income statement on sale of hedging instruments	**-**	(2)	-
Transferred to income statement on cash flow hedges	**2**	2	4
Tax on items transferred from equity	**(1)**	(1)	(1)
	1	(1)	3
Profit for the period	**5**	591	1,189
Total recognised income and expense for the period attributable to equity shareholders	**(56)**	1,241	1,504

Consolidated balance sheet

	Notes	Unaudited 30 September 2008 £m	Unaudited 30 September 2007 £m	Audited 31 March 2008 £m
Assets				
Non-current assets				
Intangible assets		**74**	75	74
Property, plant and equipment – the railway network	6	**33,212**	30,063	31,443
Investment property		**866**	924	949
Investments in joint ventures		**2**	-	-
Loan to immediate parent company		**376**	354	368
Derivative financial instruments		**240**	65	98
Finance lease receivables		**11**	14	12
Total financial assets		**627**	433	478
		34,781	31,495	32,944
Current assets				
Inventories		**77**	55	64
Finance lease receivables		**3**	3	3
Trade and other receivables		**686**	670	680
Derivative financial instruments		**322**	-	307
Held-to-maturity investments		**11**	395	8
Available-for-sale financial assets		**621**	-	47
Cash and cash equivalents		**1,631**	1,393	543
		3,351	2,516	1,652
Total assets		**38,132**	34,011	34,596
Current liabilities				
Trade and other payables		**(2,660)**	(2,698)	(2,388)
Bank overdrafts and loans	7	**(4,245)**	(2,606)	(5,077)
Derivative financial instruments		**(2)**	(212)	(69)
Short-term provisions		**(11)**	(15)	(12)
		(6,918)	(5,531)	(7,546)
Net current liabilities		**(3,567)**	(3,015)	(5,894)
Non-current liabilities				
Bank loans and debt issued	7	**(18,506)**	(17,418)	(15,255)
Derivative financial instruments		**(20)**	(191)	(60)
Other payables		**(1,534)**	(1,123)	(1,429)
Retirement benefit obligation		**(617)**	(139)	(370)
Deferred tax liabilities		**(3,429)**	(2,688)	(2,765)
Long term provisions		**-**	(12)	-
Obligations under finance leases		**(2)**	(10)	(9)
		(24,108)	(21,581)	(19,888)
Total liabilities		**(31,026)**	(27,112)	(27,434)
Net assets		**7,106**	6,899	7,162

Consolidated balance sheet continued:

	Notes	Unaudited 30 September 2008 £m	Unaudited 30 September 2007 £m	Audited 31 March 2008 £m
Equity				
Share capital		**160**	160	160
Share premium account		**85**	85	85
Revaluation reserves		**4,618**	4,735	4,511
Other reserve		**1,458**	1,458	1,458
Hedging reserve		**(143)**	(64)	(72)
Retained earnings		**928**	525	1,020
Total shareholders' funds and equity attributable to equity holders of the parent company		**7,106**	6,899	7,162

This interim financial report was approved by the Board of Directors on November 2008.

It was signed on its behalf by:

Iain Coucher (Director) Ron Henderson (Director)

Consolidated cash flow statement

	Note	Unaudited six months ended 30 September 2008 £m	Unaudited six months ended 30 September 2007 £m	Audited year ended 31 March 2008 £m
Net cash generated from operating activities	8	**1,636**	1,687	2,434
Investing activities				
Interest received		**46**	23	90
Purchases of property, plant and equipment – the railway network		**(2,111)**	(1,677)	(3,544)
Proceeds on disposal of investment property		**32**	14	63
Capital grants received		**103**	146	328
Capital element of finance leases' receipts		**1**	2	3
Purchases of financial investments		**(577)**	(395)	(53)
Net cash used in investing activities		**(2,506)**	(1,887)	(3,113)
Financing activities				
Repayment of borrowings		**(968)**	(2,316)	(4,414)
Repayment of obligations under finance leases		**(8)**	-	(1)
New loans raised		**2,934**	3,716	5,444
Net cash generated from financing activities		**1,958**	1,400	1,029
Net increase in cash and cash equivalents		**1,088**	1,200	350
Cash and cash equivalents at beginning of the period		**543**	193	193
Cash and cash equivalents at the end of the period		**1,631**	1,393	543

Notes to the interim financial statements

Six months ended 30 September 2008

1. General information

The information contained in this report for the year ended 31 March 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year, which were prepared under IFRS, has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.

Accounting policies

This interim financial report has been prepared in accordance with IFRSs, including IAS 34 "Interim Financial Reporting". The accounting policies and methods of computation used in this interim report are consistent with those used in the most recent annual report and accounts. A copy of this document is available on the Company's website: www.networkrail.co.uk.

Business segments

No segmental analysis is provided because the Company operates one class of business, that of managing the national rail infrastructure and undertakes that class of business in one geographical segment, Great Britain.

2. Revenue

	Unaudited six months ended 30 September 2008 £m	Unaudited six months ended 30 September 2007 £m	Audited year ended 31 March 2008 £m
Franchised track access and grant income	**2,934**	2,792	5,584
Freight revenue	**48**	44	90
Property rental income	**107**	112	219
Other income	**28**	36	67
	3,117	2,984	5,960

Franchise track access and grant income is made up of £1,654m (2007/8: £1,446m) passenger franchise revenue and £1,280m (2007/8: £1,346m) of revenue grants.

The effect of the performance regimes on the results of the Group was net income of £35m (six months to 30 September 2007: net income of £37m).

3. Net operating costs

	Unaudited six months ended 30 September 2008 £m	Unaudited six months ended 30 September 2007 £m	Audited year ended 31 March 2008 £m
Employee costs	**817**	749	1,536
Own costs capitalised	**(217)**	(198)	(575)
Other external charges (including infrastructure maintenance costs)	**769**	724	1,603
Other operating income	**(106)**	(77)	(175)
Net operating costs before depreciation	**1,263**	1,198	2,389
Depreciation and other amounts written off non-current assets	**648**	584	1,195
Capital grants amortised	**(20)**	(18)	(36)
Net operating costs	**1,891**	1,764	3,548

4. Investment revenue and finance costs

	Unaudited six months ended 30 September 2008 £m	Unaudited six months ended 30 September 2007 £m	Audited year ended 31 March 2008 £m
Investment revenue			
Interest receivable on investments and deposits	**71**	43	113
Expected return on assets less interest on liabilities in respect of defined benefit pension scheme	**-**	10	19
Total investment revenue	**71**	53	132
Finance costs			
Interest payable on debt	**(613)**	(552)	(1,106)
Expected return on assets less interest on liabilities in respect of defined benefit pension scheme	**(8)**	-	-
Total borrowing costs	**(621)**	(552)	(1,106)
Less: amounts included in the cost of qualifying assets	**48**	46	92
Total finance costs	**(573)**	(506)	(1,014)

Other gains and losses

Gains arising from ineffective portion of cash flow hedges	**21**	7	25
Losses arising from ineffective portion of cash flow hedges	**(8)**	(1)	(12)
Gain on disposal of cash flow hedge	**5**	8	8
Fair value losses on interest rate swaps transferred from equity	**(7)**	(2)	(4)
Gains arising from cash flow hedge accounting	**11**	12	17
Increase in fair value of fair value hedges	**118**	23	105
Increase in fair value of fair value hedged debt	**(121)**	(23)	(111)
Decrease in fair value of fair value hedges	**(1)**	(44)	-
Decrease in fair value of fair value hedged debt	**2**	43	-
Losses arising from fair value hedge accounting	**(2)**	(1)	(6)
Increase in fair value of derivatives not hedge accounted	**16**	14	58
Increase in fair value of non hedge accounted debt	**(11)**	(1)	(33)
Decrease in fair value of derivatives not hedge accounted	**(4)**	(4)	(5)
Decrease in fair value of non hedge accounted debt	**31**	5	1
Decrease in fair value of non-hedge accounted investments	**(10)**	-	1
Gains arising from non-hedge accounting	**22**	14	22
Total other gains	**31**	25	33

5. Tax

	Unaudited six months ended 30 September 2008 £m	Unaudited six months ended 30 September 2007 £m	Audited year ended 31 March 2008 £m
Current tax:			
UK corporation tax at 28% (2007: 30%):	**9**	12	19
Less advance corporation tax (ACT) set-off	**(6)**	(8)	(13)
Corporation tax liability	**3**	4	6
Group relief payable to Network Rail Holdco Limited	**3**	4	8
Total current tax	**6**	8	14
Deferred tax:			
Deferred tax at 28% (2007: 30%):			
Current year charge	**192**	211	440
Change of corporation tax rate	**-**	(30)	(28)
Prior year charge	**(9)**	-	(18)
Abolition of Industrial buildings allowance	**512**	-	-
Total deferred tax	**695**	181	394
Total tax	**701**	189	408

The total tax rate in the interim period is 99%, representing the best estimate of the effective tax rate expected for the full financial year of 28% (2007/8: 28.1%) and the full recognition of the abolition of industrial building allowance.

The legislation introducing the abolition of industrial buildings allowance was enacted in the period and this liability has therefore been fully reflected in the accounts. The types of asset which qualified as an industrial building were stations, embankments, sea walls, depots and goods yards.

The rate used for the purposes of deferred tax in these accounts is 28% (2007/8: 28%) as this is the rate and the rate at which the temporary differences are expected to reverse.

6. Property, plant and equipment – the railway network

	Group £m
Valuation	
At 1 April 2007	28,304
Additions	3,952
Depreciation charge for the year	(1,195)
Transfers to investment property	(21)
Revaluation in the year	403
At 31 March 2008	**31,443**
Additions	**2,161**
Depreciation charge for the period	**(648)**
Revaluation in the period	**256**
At 30 September 2008	**33,212**

The Group has chosen the railway network fixed asset valuation at 1 April 2002 to be the deemed cost of the network. This was the date of implementation of depreciated replacement cost accounting for railway network fixed assets under UK GAAP and from that date the Group has maintained appropriate accounting records to enable it to undertake accounting for fixed assets on an IFRS compliant basis.

7. Bank overdrafts and loans

	Unaudited 30 September 2008 £m	Unaudited 30 September 2007 £m	Audited 31 March 2008 £m
Bank loans and overdrafts	**1,420**	1,561	1,398
Bonds issued under the Debt Issuance Programme (less unamortised discount and fees)	**17,201**	13,424	14,662
Debt issued under Medium Term Note Programme (less unamortised discount and fees)	**3,945**	4,839	4,072
Kreditanstalt fur Wiederaufbau facility	**185**	200	200
	22,751	20,024	20,332

The borrowings are repayable as follows:			
On demand or due within one year	**4,245**	2,606	5,077
Due within one to two years	**2,156**	4,107	1,158
Due within two to five years	**3,700**	3,316	2,783
Due in more than five years	**12,650**	9,995	11,314
	22,751	20,024	20,332
Less: amounts repayable within one year (shown under current liabilities):			
Bank loans and overdrafts	**(115)**	(169)	(100)
Bonds issued under Debt Issuance Programme (less unamortised discount and fees)	**-**	(1,383)	(705)
Debt issued under Medium Term Note Programme (less unamortised discount and fees)	**(3,945)**	(854)	(4,072)
Kreditanstalt fur Wiederaufbau facility	**(185)**	(200)	(200)
Amounts repayable within one year	**(4,245)**	(2,606)	(5,077)
Amounts repayable after more than one year	**18,506**	17,418	15,255

All borrowings are denominated in or swapped into sterling.

7. Bank overdrafts and loans continued

Bonds issued under the Debt Issuance Programme are analysed as follows*:

	Unaudited 30 September 2008 £m	Unaudited 30 September 2007 £m	Audited 31 March 2008 £m
1.085% sterling index linked bond due 2052	105	-	102
0% sterling index linked bond due 2052	104	-	101
0% sterling index linked bond due 2051	104	-	101
0.53% sterling index linked bond due 2051	102	-	-
0.517% sterling index linked bond due 2051	101	-	-
0.678% sterling index linked bond due 2048	100	-	-
1.125% sterling index linked bond due 2047	519	497	509
0% sterling index linked bond due 2047	66	60	62
1.5646% sterling index linked bond due 2044	223	212	217
1.2219% sterling index linked bond due 2040	221	211	217
4.6535% sterling bond due 2038	100	100	100
1.375% sterling index linked bond due 2037	1,767	995	1,012
7.05% US dollar bond due 2036	16	11	12
6.91% US dollar bond due 2036	16	11	12
4.75% sterling bond due 2035	1,221	1,221	1,221
1.6492% sterling index linked bond due 2035	335	322	328
4.375% sterling bond due 2030	813	869	868
1.75% sterling index linked bond due 2027	2,035	998	1,545
4.615% Norwegian krone bond due 2026	45	40	47
4.57% Norwegian krone bond due 2026	12	11	13
1.9618% sterling index linked bond due 2025	283	270	276
4.75% sterling bond due 2024	723	721	722
2.15% Japanese yen bond due 2021	53	43	51
2.76% Swiss franc bond due 2021	137	115	140
2.315% Japanese yen bond due 2021	53	44	54
2.28% Japanese yen bond due 2021	53	44	51
4.625% sterling bond due 2020	973	996	995
6% Australian dollar bond due 2016	222	207	217
4.40% Canadian dollar due 2016	263	238	254
4.875% sterling bond due 2015	990	989	989
3.5% US dollar bond due 2013	699	-	-
4.875% sterling bond due 2012	994	-	-
4.375% sterling bond due 2011	448	447	447
5.25% US dollar bond due 2011	591	499	545
3% US dollar bond due 2011	560	-	502
5.50% Australian dollar bond due 2010	378	367	391
5.125% sterling bond due 2010	499	499	498
3.875% US dollar bond due 2009	561	488	504
4.875% US dollar bond due 2009	716	616	654
4.3775% sterling bond called/put 2008	-	200	200
5.0575% US dollar bond called/put 2008	-	23	25
4.125% US dollar bond due 2008	-	610	630
4.46% sterling bond due 2008	-	50	50
4.50% sterling bond due 2008	-	400	-
	17,201	13,424	14,662

*Amounts are shown net of unamortised discount and fees.

7. Bank overdrafts and loans continued

Debt issued under the Medium Term Note programme is analysed as follows*:

	Unaudited 30 September 2008 £m	Unaudited 30 September 2007 £m	Audited 31 March 2008 £m
3 1/8% Euro medium term note due 2009	1,921	1,739	1,988
4 7/8% Sterling medium term note due 2009	2,024	2,246	2,084
2 5/8% US Dollar medium term note due 2008	-	244	-
2 5/8% US Dollar medium term note due 2008	-	610	-
	3,945	4,839	4,072

*Amounts are shown net of unamortised discount and fees.

Bank loans and overdrafts are analysed as follows:

	Unaudited 30 September 2008 £m	Unaudited 30 September 2007 £m	Audited 31 March 2008 £m
Index-linked European Investment Bank due 2037	376	361	369
HSBC Bank due 2019 repayable by instalments	207	206	206
Barclays Bank due 2017 repayable by instalments	55	57	55
Royal Bank of Scotland due 2017 repayable by instalments	68	68	68
5.57% European Investment Bank due 2013	200	200	200
5.77% European Investment Bank due 2012	300	300	300
6.42% European Investment Bank due 2011	100	100	100
6.42% European Investment Bank due 2009	100	100	100
European Investment Bank due 2007	-	100	-
Money market borrowings	14	50	-
Overdrafts	-	19	-
	1,420	1,561	1,398

8. Notes to the cash flow statement

	Unaudited six months ended 30 September 2008 £m	Unaudited six months ended 30 September 2007 £m	Audited year ended 31 March 2008 £m
Operating profit	**1,226**	1,220	2,412
Adjustments for:			
Depreciation of the railway network	**648**	584	1,195
Amortisation of capital grants	**(20)**	(18)	(36)
Amortisation of intangible assets	**-**	-	1
Decrease in provisions	**(1)**	(6)	(21)
Operating cash flows before movements in working capital	**1,853**	1,780	3,551
Increase in inventories	**(13)**	(6)	(15)
Decrease/(increase) in receivables	**18**	(20)	(10)
Increase/(decrease) in payables	**17**	134	(202)
Cash generated from operations	**1,875**	1,888	3,324
Income taxes paid	**(1)**	(2)	(4)
Interest paid	**(238)**	(199)	(886)
Net cash generated from operating activities	**1,636**	1,687	2,434

Cash and cash equivalents (which are represented as a single class of assets on the face of the balance sheet) comprise cash at bank and investments with a maturity of up to three months.

9. Analysis of changes in net debt

	At 1 April 2008 £m	Cash flows £m	Non cash movements £m	Capital accretion £m	Amortisation of discount £m	Fair value remeasurements £m	Foreign exchange differences £m	At 30 September 2008 £m
Cash and cash equivalents	**543**	1,088	-	-	-	-	-	**1,631**
Borrowings due within one year	**(5,077)**	755	-	-	(3)	-	80	**(4,245)**
Borrowings due after one year	**(15,255)**	(2,721)	-	(97)	(7)	(99)	(327)	**(18,506)**
Obligations under finance leases	**(9)**	7	-	-	-	-	-	**(2)**
Financial investments	**55**	577						**632**
	(19,743)	(294)	-	(97)	(10)	(99)	(247)	**(20,490)**

	At 1 October 2007 £m	Cash flows £m	Non cash movements £m	Capital accretion £m	Amortisation of discount £m	Fair value remeasurements £m	Foreign exchange differences £m	At 31 March 2008 £m
Cash and cash equivalents	1,393	(849)	-	-	(1)	-	-	**543**
Borrowings due within one year	(2,606)	1,696	(3,738)	-	(7)	(1)	(421)	**(5,077)**
Borrowings due after one year	(17,418)	(1,326)	3,738	(86)	(11)	(165)	13	**(15,255)**
Obligations under finance leases	(10)	1	-	-	-	-	-	**(9)**
Financial investments	395	(342)	-	-	1	-	1	**55**
	(18,246)	(820)	-	(86)	(18)	(166)	(407)	**(19,743)**

	At 1 April 2007 £m	Cash flows £m	Non cash movements £m	Capital accretion £m	Amortisation of discount £m	Fair value remeasurements £m	Foreign exchange differences £m	At 30 September 2007 £m
Cash and cash equivalents	193	1,199	-	-	1	-	-	**1,393**
Borrowings due within one year	(2,862)	1,218	(1,008)	-	(13)	-	59	**(2,606)**
Borrowings due after one year	(15,715)	(2,618)	1,008	(65)	(7)	23	(44)	**(17,418)**
Obligations under finance leases	(10)	-	-	-	-	-	-	**(10)**
Held-to-maturity investments	-	395	-	-	-	-	-	**395**
	(18,394)	194	-	(65)	(19)	23	15	**(18,246)**

10. Contingent liabilities

Provision has been made for the Directors' best estimate of the known claims, investigations and legal actions in progress.

11. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Company's ultimate parent company and controlling entity is Network Rail Limited, a company limited by guarantee without shares. The Company's immediate parent company is Network Rail Holdco Limited.