moyle
interconnector

ANNUAL REPORT 2005

contents

moyle interconnector

chairman's statement

Alasdair Locke. Chairman

I am pleased to present the second annual set of accounts for the Moyle Group of companies, which continue to demonstrate that the Group is fulfilling its primary purpose of acting for the benefit of and in the long term interests of the consumers of electricity in Northern Ireland.

We have achieved a Group profit of £0.9 million, which although lower than last year, was after accounting for a return to customers of £2.3 million through the contribution to electricity prices agreed with the Northern Ireland Authority for Energy Regulation, (NIAER). The continuing strength of the Group's financial position gives us confidence in our ability to meet and deliver our corporate goals.

The operating performance of the Group has continued to be exemplary. We have once again achieved an above average availability of transmission capacity during the year and have equalled or exceeded all our Key Performance Indicators ("KPIs") for the year. These KPIs are chosen to measure both financial and operational targets that are considered to be important to our various stakeholders. We have maintained a strong cash flow and have further improved our debt service cover ratio which is essential to the long term viability and stability of the Group. At the same time, we have continued with an ongoing programme of investment in and maintenance of our assets to ensure that our ability to meet all our obligations over the long term is not compromised.

We continue to work closely with government and all relevant authorities and interested parties. During the year, significant changes occurred in the electricity markets of Great Britain and Northern Ireland which will have major effects on our business in the coming years. Your board is confident that the Group is taking the appropriate action to meet the challenges that lie ahead.

As a Group dedicated to the long term interests of the consumers of electricity in Northern Ireland, we are committed to achieving the highest standards of corporate governance and we continue to review our arrangements and practices on an ongoing basis. Appropriate changes and improvements have been made during the year.

During the year the Group's associated company, Northern Ireland Energy Holdings Limited (NIEH), completed its acquisition of Premier Transmission Limited (PTL). Your board believes that this acquisition has strengthened the Group and that the benefits should be consolidated and enhanced through a formal merger of the Moyle Group into the NIEH Group. The board looks forward to a satisfactory outcome to NIAER's recent consultation on such a merger and expects to put merger proposals to the members in the near future.

I would like to thank my colleagues on the board and the Managing Director for their significant contribution to our business throughout the year, and I look forward to working with them in delivering our goals for the future.

Alasdair Locke
Chairman

operating & financial review

The Business of the Group

The principal purpose of the Moyle Group is the ownership and operation, in the long-term interest of the electricity customers of Northern Ireland, of the Moyle Interconnector which provides 500 MW of transmission capacity linking the electricity transmission systems of Northern Ireland and Great Britain. The Group was formed in 2003 on the acquisition by Moyle Holdings Limited of its present wholly-owned subsidiaries, Moyle Interconnector (Financing) plc (Financing) and Moyle Interconnector Limited (Moyle) from Viridian Group PLC. The interconnector is owned and operated by Moyle and the Group's investment is debt-financed through a 30 year bond issued by Financing.

Moyle Holdings Limited is a company limited by guarantee having no shareholders, so that the Group's principal stakeholders are the electricity customers of Northern Ireland and our financiers. Our business is to provide a reliable transmission service to the electricity system of Northern Ireland and specifically to our direct customers who trade between the electricity markets of Northern Ireland, the Republic of Ireland and Great Britain. Our aim is to maximise value to our stakeholders through the provision of that service.

The Group's principal revenues are earned from sales of the transmission capacity of the Moyle Interconnector, principally on one to three year contracts sold in annual auctions. The quality of the service we provide is determined by the performance of our assets in delivering transmission capacity with a high availability to our direct customers and to the electricity system in Northern Ireland.

Customers' Returns and Receipts

As the Group has no shareholders, the directors consider it appropriate to report any returns made to or receipts from the electricity customers of Northern Ireland, in whose long-term interest the business is run. During the year the Group returned £2.3m to customers through the contribution to electricity prices agreed with the Northern Ireland Authority for Energy Regulation (NIAER). There have been no receipts from customers since no call has been made under the collection agency agreement with Northern Ireland Electricity plc (NIE).

Key Performance Indicators

The directors believe that in setting the Key Performance Indicators (KPIs) for the Moyle Group, account must be taken of the nature of the Group and its business. While the directors aim to achieve profitability, they consider that the performance of the Group against our aim of maximising value to our stakeholders is most appropriately measured by reference to certain other KPIs, chosen to reflect what is important to our stakeholders.

The electricity customers of Northern Ireland will underwrite any revenue shortfalls incurred by Moyle through the collection agency agreement with NIE and the Group's surpluses will be used on their behalf in consultation with NIAER. The relevant KPIs therefore measure cash required from customers; or transferred to Moyle's Distributions Account or disbursed on customers' behalf.

The requirements of Moyle's financiers are set out in the financing documents. Aside from compliance with the financing covenants, the principal measurements required are that the reserve accounts are fully funded and the Annual Debt Service Cover Ratio (ADSCR) is greater than 1.15.

The quality of service to our direct customers is determined by the performance of Moyle's assets. The asset KPIs were identified in 2003 by the technical advisers to the Group's financiers as Forced Energy Unavailability (FEU), the measure of the impact of unplanned outages, and Scheduled Energy Unavailability (SEU), the measure of unavailability due to planned maintenance. FEU and SEU are defined in and measured in accordance with the international standard reporting protocol for the performance of High Voltage Direct Current (HVDC) links published by CIGRÉ (the international conference of electricity transmission networks). We measure our performance against the independent estimates for those KPIs made by the technical advisers to our financiers.

KPI	2005	2004
Group profit after tax	£0.9m	£2.9m
Cash called under Collection Agency	Nil	Nil
Cash transferred to Distributions Account	£4.2m	£2.8m
Distributions Account disbursements	£2.3m	None
Reserve Accounts funding	100%	100%
ADSCR	2.28	1.85
SEU	0.34%	0.56%
FEU	0.05%	0.05%

Moyle Interconnector Limited Performance

Revenue and Profitability

Moyle's available east-west transmission capacity of 400 MW (limited by system considerations in Northern Ireland to less than the full capacity of the link) was fully contracted during the year. There was no market demand for west-east capacity. Market prices for Moyle capacity were similar to 2004 and asset availability continued to be good, resulting in a marginal increase in revenue (before the customer rebate) for the year to £20.8m.

During the year, in consultation with NIAER, Moyle made a contribution of £2.3m out of its cash reserves towards holding down electricity prices in Northern Ireland. This contribution was made through a rebate of capacity charges to NIE, resulting in net revenue of £18.5m.

As a consequence of the capital refund in respect of connection charges in Scotland, fixed assets reduced by £30.1m (see Regulatory Developments below) with a corresponding reduction in the depreciation charge.

After accounting for its contribution to electricity prices Moyle, the operating company, made a profit after tax of £1.4m compared with £3.3m in 2004.

Operational Performance

Moyle continued to deliver performance significantly better than the technical adviser's predictions, with an overall availability of 99.6% for the year (99.4% in 2004) being achieved, against the prediction of 97.85%.

The cable system continued to perform without incident. The biennial survey of the submarine cables carried out in the autumn showed the cable external protection to be in very good condition with only minor remedial work needed. The year's maintenance programme was satisfactorily completed and an SEU of 0.34% (0.56% in 2004) was achieved, against the prediction of 1.00%. Planned maintenance has continued to be carried out at times of the lowest demand for interconnector capacity so as to minimise inconvenience to customers.

The ongoing high reliability of the interconnector is shown by the very low FEU of 0.05% (the same as 2004) against the technical adviser's prediction of 1.15%. The causes of the small number of unplanned outages which did occur have been identified and remedial action to eliminate these has been taken or is planned.

Group Financial Review

Turnover, Profitability and Surplus

Group net turnover, at £18.5m, was £2.2m down on 2004 principally due to the contribution made by Moyle to electricity prices in Northern Ireland. Operating profit before interest and tax, at £8.4m, was correspondingly lower than 2004. Group profit after tax was £0.9m (£2.9m in 2004) after accounting for debt service and goodwill amortisation.

The year's cash surplus of £4.2m was transferred to Moyle's Distributions Account as required by the finance documents. These funds are available for use for the benefit of electricity customers in Northern Ireland in consultation with NIAER.

Cash Flow, Debt Service and Liquidity

Net cash inflow from operating activities remained strong at £11.2m (£14.5m in 2004, when there was no customer rebate). After meeting all debt service costs, this resulted in an increase in Group cash of £3.9m.

The Group's only borrowings are the Index Linked Guaranteed Secured Bonds 2033 issued by Financing. Under the financing documents, the ongoing ability of Financing to meet its debt service obligations is measured by the ADSCR at the level of Moyle. For the year under review, the ADSCR, calculated by comparing the actual cash flow with the debt service payment which it funded, was 2.28 against a required figure of 1.15.

The financing documents require certain cash reserve accounts to be held and a £10m liquidity facility to be maintained. The reserve accounts were fully funded and the liquidity facility was in place throughout the year.

Treasury

The Group's cash reserves are invested in fixed term deposits of up to one year with a panel of financial institutions meeting the rating requirements of the financing documents. Interest received for the year was £0.8m (£0.5m in 2004).

Business Trends

Market Changes

The electricity markets of Great Britain and Northern Ireland changed in a number of ways during the year, with significant effects on Moyle's business. The changes included major increases in wholesale electricity prices in Great Britain, the construction of new generating capacity in Northern Ireland and limitations on North-South Interconnector capacity between Northern Ireland and the Republic of Ireland. The combined effect of these factors greatly reduced demand for Moyle capacity from April 2005 onwards.

In the December 2004 auction, no bids were received for the capacity due to come out of contract in April 2005. Revenue in 2005-06 is therefore expected to be significantly below that of the year under review, affecting profitability and cash reserves. It is likely that some drawing down of accumulated cash reserves will be required in order to meet the Group's financing and operating costs without recourse to electricity customers through the collection agency contract with NIE.

Projections of the ADSCR for the following three years, taking a conservative view of future revenues, show a minimum ADSCR of 1.39, demonstrating an ongoing ability to comfortably meet the Group's debt service obligations despite market changes.

Regulatory Developments

Regulatory activity is continuing on the restructuring of the electricity market and licensing arrangements in Northern Ireland, the Republic of Ireland and Great Britain, on all of which Moyle's business depends.

Great Britain

The new British Electricity Trading and Transmission Arrangements (BETTA) in Great Britain were finalised during the year and implemented on 1st April 2005. This required the substitution of new connection and use of system agreements with National Grid Company plc in place of Moyle's previous agreements with Scottish Power Transmission Limited. The final package of arrangements represents a net improvement in Moyle's position in technical and operational terms.

As part of the new arrangements Moyle obtained a capital refund of £30.1m in respect of its connection charges previously paid, together with a significant reduction in future connection charges.

The Moyle Interconnector is at present licensed and regulated in Northern Ireland but not in Great Britain. During the year, the proposals for the licensing in Great Britain of all interconnectors were further developed by the Department of Trade and Industry, with the outcome that Moyle will require a licence in Great Britain. The proposed licence terms recognise that Moyle is already licensed and regulated in Northern Ireland and seek to avoid the uncertainties of dual regulation. However, there will be some additional regulatory burden on the company.

Ireland

NIAER in Northern Ireland and the Commission for Energy Regulation (CER) in the Republic of Ireland announced during the year their intention to create by 2007 a single electricity market for the island of Ireland. Joint work on the design of the new market arrangements is in progress, led by the two regulators and involving the industry. Moyle maintains a high level of participation in the development of these new arrangements which will affect and should ultimately be beneficial to our business.

Resources and Relationships

The Group's business model is based on debt financing and outsourcing. Thus, the Group has only one employee, the Managing Director. The risk inherent in this situation is managed at present through arrangements with the Group's associated company, Northern Ireland Energy Holdings Limited (NIEH), giving access to a wider management team, together with the Group's relationships with its professional advisers and through insurance. In this context, the directors consider their proposed merger of the Moyle Group into an enlarged NIEH Group important to the management of the Group in the medium term, allowing for an integrated management team with proper succession planning to be put in place.

During the year, the Group ensured full compliance with all terms of its financing and maintained good relations with its bond financiers, represented by Financial Security Assurance (U.K.) Limited as controlling creditor and the Bank of New York as trustee and paying agent.

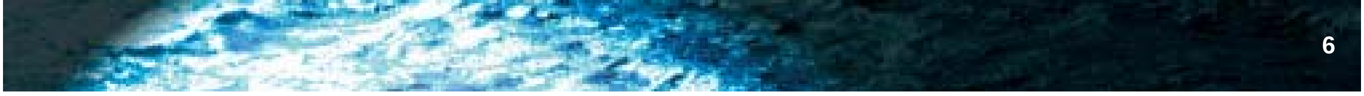
Moyle, the operating company of the Group, is regulated by NIAER under the terms of its transmission licence and the directions issued by NIAER under it. The Group aims to work closely with NIAER to build a long-term co-operative relationship in the interest of customers and meets regularly with NIAER at various levels to this end.

For most of its business activities, the Group relies on its network of professional advisers and contractors. While ensuring that contracts are at market rates, the Group aims to build relatively long-term relationships of the order of five years.

Environment

Tests carried out during the year confirmed the effectiveness of the blocking filter installed at Ballylumford power station in ensuring that harmonic emissions from the converter station would not excite a resonance condition on the NIE transmission system resulting in interference to telephone customers. Final resolution has not yet been reached with BT in relation to claims by their customers.

During the year, the filter and control equipment at our Auchencrosh Converter Station was upgraded to resolve the harmonic problems at the interface between the converter station and the Scottish transmission system. These problems had resulted in a number of operational incidents and complaints from Scottish Power Transmission Limited. There have been no further incidents or complaints and we believe that this issue has been resolved.



board of directors

Alasdair J.D. Locke (51) Chairman

Alasdair Locke is the executive chairman of Abbot Group plc, an international energy services provider to the oil and gas industry, and holds directorships in a range of other companies. He has been involved in the oil and shipping industries since 1974 and held senior executive positions within the banking industry. Mr. Locke is a director of Team Northern Ireland Limited and was until recently a member of the International Oil and Gas Business Advisory Board which advises the Department of Trade and Industry.

Alan McClure (56) Senior Independent Director

Alan McClure is the former President and CEO of Perfecseal Inc. and is the past Chairman of Ilex Urban Regeneration Company Limited, a public-private sector body set up by Government to oversee the social and economic regeneration of the Derry City Council area. A former Chairman of the Northern Ireland Institute of Directors and President of Londonderry Chamber of Commerce, Dr. McClure holds executive and non-executive roles in a number of companies across a range of disciplines in the United Kingdom.

David Montgomery (56)

David Montgomery has held a range of editorial positions at major newspapers since 1980. In 1992 he reconstructed the Mirror Group and grew it into a broader based media business. He was Chief Executive of the Group until 1999. Since then he has advised on numerous media acquisition projects, most recently with Local Press in Northern Ireland and remains actively involved in the media industry. Mr. Montgomery is the founding director of Team Northern Ireland Limited, which aims to support the renewal and funding of Northern Ireland's infrastructure following the peace deal.

Felicity Huston (42)

Felicity Huston is a Partner in Huston and Co Tax Consultants, having been a partner for eleven years and prior to that a Tax Inspector for six years. She was Chairman of the Northern Ireland Consumer Committee for Electricity - the electricity consumers' watchdog - for three years until its abolition in 2003. Before that Mrs. Huston was Deputy-Chairman and Energy convenor of the General Consumer Council NI, specialising in gas issues. She currently holds a number of public appointments, including that of Commissioner for the House of Lords Appointments Commission since 2000, and was appointed Commissioner for Public Appointments for Northern Ireland in August 2005.

Damian McAteer (49)

Damian McAteer is a graduate of University of Ulster and Strathclyde University Business School. He has extensive experience in business, community and the public sector. Mr. McAteer holds a number of directorships in private business and serves in a voluntary capacity on the boards of a range of community and voluntary organisations. He is a former special advisor to both the Minister of Finance and the Deputy First Minister in the Northern Ireland Executive.

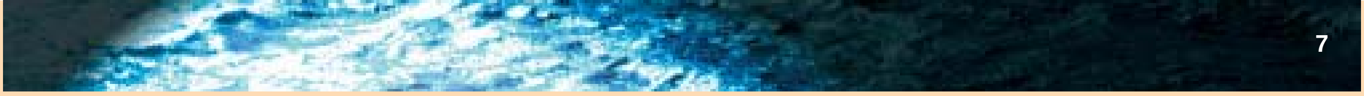
Alan Rainey (58) Managing Director

Alan Rainey has been Managing Director of the Moyle Group since its inception, having previously directed the Moyle Interconnector project in the ownership of Viridian Group PLC since the initial feasibility studies. An electrical engineer, during a 36 year career in the electricity industry he has worked on and directed the development and maintenance of generation, transmission and distribution systems throughout Ireland and overseas, working initially for ESB in the Republic and latterly for the Viridian Group in Northern Ireland.

William Cargo (46)

Bill Cargo held management positions in the UK gas industry from 1981, before becoming Engineering Director for Phoenix Natural Gas Limited from 1993 to 1999 during the introduction of natural gas to Northern Ireland. After working as Managing Director of Nile Valley Gas Company (Egypt), he became CEO of Premier Power Limited in 2001 during the construction of the new 600 MW CCGT. Joining Premier Transmission Limited prior to mutualisation, he became Managing Director in March 2005.

Alan Rainey and William Cargo are not directors of Moyle Holdings Limited.



corporate governance statement

The Group is committed to high standards of corporate governance. During 2004/05, the board reviewed its governance arrangements in the light of the new Combined Code on Corporate Governance (the Code) and the Guidance on Audit Committees (the Smith Report) and made changes as necessary and appropriate at the time.

As a company with only debt securities listed, Moyle Interconnector (Financing) plc and hence the Group, is not obliged to comply with the Code but uses its provisions as a guide to the extent considered appropiate to the circumstances of the Group.

The Board

An effective board of directors leads and controls the Group. The board, which met 8 times during the year, has adopted a schedule of matters reserved for its approval.

The board is responsible for:

- the development of strategy and major policies;
- the review of management performance;
- the approval of the annual operating plan and the financial statements;
- the system of internal control;
- corporate governance; and
- other reserved matters.

Comprehensive briefing papers, including financial information, are circulated to each director in advance of board meetings. A procedure is in place for directors to obtain independent professional advice in respect of their duties. They also have access to the advice and services of the Company Secretary.

Director	Board meetings attended
Alasdair Locke	7
Alan McClure	6
David Montgomery	8
Felicity Huston	7
Damian McAteer	8

There are no executives on the Group board. Alan Rainey is the managing director of the Group's subsidiaries, Moyle Interconnector Limited and Moyle Interconnector (Financing) plc.

Board membership

The names of the directors of each of the Group companies and their details appear on the first page of the Directors' Report for that company.

Throughout the year, the Chairman and the other non-executive directors were independent of management.

Throughout the year, the Senior Independent Director was Alan McClure.

From time to time the non-executive directors, including the Chairman, met independently of management. To ensure compliance with the Code, arrangements have been made, from 2005, for the Senior Independent Director to chair a meeting of the independent non-executive directors in the absence of the Chairman to appraise the Chairman's performance. In 2004, the Chairman's performance was appraised as part of the board evaluation process (see overleaf).

Board appointments, evaluation and training

There is a formal, rigorous and transparent procedure for the appointment of new directors to the board. This is described in the section on the Nominations Committee below. All directors joining the board are required to submit themselves for election at the AGM following their appointment.

Thereafter, they are subject to re-election every third year. The non-executive directors can serve only two terms of three years.

The directors also receive regular updates on changes and developments to the business, legislative and regulatory environments.

Board committees

During 2004/05 the board met as appropriate as the Audit, Nominations and Remuneration Committees. At the board meeting in January 2005 it was considered appropriate to separate the Audit Committee from the board with Felicity Huston in the chair.

Consequently during 2004/05 the Group did not fully comply with the new Code as the Group Chairman sat on and chaired the Audit Committee for a time during the year.

Audit Committee

From April 2005, the committee will comprise 4 non-executive directors Felicity Huston (Chairman), Alan McClure, David Montgomery and Damian McAteer.
All non-audit assignments awarded to the external auditors are reported to the Audit Committee on a annual basis, along with a full breakdown of non-audit fees incurred during the year.

As a matter of best practice and in accordance with auditing standard 610, the Audit Committee has held discussions with the external auditors on the subject of auditor independence. The auditors have confirmed their independence in writing.

Remuneration Committee

The Remuneration Committee comprised all the non-executive directors and was chaired throughout the year by Alasdair Locke. The role of this committee and details of how the company applies the principles of the Code in respect of directors' remuneration are set out in the Remuneration Committee Report.

Nominations Committee

The Nominations Committee comprises all the non-executive directors and was chaired by the Chairman.

The committee makes recommendations to the board for the appointment or replacement of directors. The Nominations Committee is also responsible for succession planning and board evaluation.

The committee regularly reviews the balance of skills, knowledge and experience on the board against current and future requirements of the Company and, as appropriate, draws up a list of required attributes.

Members

As the holding company of the Group, Moyle Holdings Limited, is a company limited by guarantee, the board of directors are supervised in their leadership and control of the Group by the members. During the year the members of Moyle Holdings Limited were:

James Burgess
David Gavaghan
Felicity Huston
Avila Kilmurray
Alasdair Locke
Seamus McAleavy
Damian McAteer
Alan McClure
James McCusker
David Montgomery
Gerard O'Hare
Neville Orr

Bondholders

The directors are very conscious of their obligations to the bondholders in the finance documents. In addition to complying with their other reporting obligations, they make available to bondholders copies of the Annual Report.

Internal control

The board of directors is responsible for the Group's system of internal control, which is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Going concern

After making enquiries, the board has a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, we continue to adopt the going concern basis in preparing the financial statements.

audit committee report

The main responsibilities of the Audit Committee are to:

- monitor the integrity of the Group's financial statements, reviewing the financial reporting judgements made;
- review the Group's internal controls and risk management systems;
- consider the need for an internal audit function;
- make recommendations to the board for approval by the members in general meeting, in relation to the appointment of the external auditors;
- approve the remuneration and terms of the external auditors and monitor their independence, objectivity and effectiveness; and
- develop policy on the engagement of the external auditors to supply non-audit services and report to the board with recommendations.

Until January 2005, the board met as the Audit Committee. At that time, the following were appointed as members of the Committee and have served since then:

- Felicity Huston - Chairman
- Alan McClure
- David Montgomery
- Damian McAteer.

The requirement in the Committee's Terms of Reference that at least one member of the Audit Committee should have sufficient recent and relevant financial experience is fulfilled by the Chairman.

The Committee met twice during the year with all members attending. Other than the Chairman, members receive no additional remuneration for their service on the Committee.

The Committee monitors and reviews the Group's financial statements, internal controls and risk management by receiving reports from and conducting formal meetings with management and the external auditors. Based on its review of the reports and the answers to its enquiries, the Committee was satisfied as to the integrity of the financial statements and the effectiveness of the external audit for the year under review.

The Committee has met with the external auditor on the subject of auditor independence. All non-audit assignments awarded to the external auditors are reported to the Audit Committee on an annual basis, along with a full breakdown of non-audit fees incurred during the year. The auditors have confirmed their independence in writing.

Based on their assessment of the independence and satisfactory performance of the external auditors, the Committee recommended to the board that they be reappointed for a further year.

The Committee continues to keep under review the need for an internal audit function. The Committee is satisfied for the present, given the scope of the Group's activities, that the internal controls and risk management are adequate without such a function.

remuneration committee report

The only listed securities of the Group are the debt securities of Moyle Interconnector (Financing) plc. The Group therefore makes the following disclosures voluntarily and they are not intended to and do not comply with the requirements of schedule 7(A) of the Companies (Northern Ireland) Order 1986.

The Remuneration Committee is chaired by Alasdair Locke and comprises all of the non-executive directors. The executive director does not attend meetings of the Remuneration Committee. All non-executive directors of the Committee are independent and save for their directors' fees have no financial interest in the Group. The Remuneration Committee met twice during the year with full attendance by all of the non-executive directors in both cases. The role of the Remuneration Committee is to approve and implement the remuneration policy and specifically:

- to review annually and agree the broad policy and framework for the remuneration of non-executive directors and the executive director;
- to agree the terms of the executive director's service contract and remuneration; and
- to determine the nature and scale of performance arrangements that encourage enhanced performance and reward the executive director in a fair and responsible manner for his contribution to the success of the Group.

In its work the Committee considers the principles of best practice. The Company Secretary, Arthur Cox Northern Ireland, attends all meetings.

Remuneration Policy

The policy of the Committee is that levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the companies of the Moyle Group successfully in the interests of their stakeholders. The executive director's remuneration package includes basic salary, benefits, performance related bonus and pension benefits, with a significant proportion based on performance measured by the achievement of corporate targets. Non-cash benefits include private health insurance.

Specifically, the remuneration policy seeks to:

- set fees and base salaries at market level for companies of a similar size, market and profile; and
- set incentive bonuses across a broad range of performance measures relevant to stakeholders.

The Group maintains liability insurance for the directors and officers of the Group and its subsidiaries.

Non-Executive Remuneration

The Chairman and the non-executive directors are appointed under letters of appointment, which may be terminated by either party. No compensation is payable by the Group on termination of an appointment.

The considerable time commitment of the non-executive directors to the development of the Group is significant and involves the operation of the full board of Moyle Holdings Limited and the Audit, Remuneration, Nominations and Strategic Planning Committees.

Non-executive directors do not receive any bonuses or benefits in kind.

The remuneration of individual non-executive directors of Moyle Holdings Limited for the year was as follows:

	Basic salary/fees for 2004/05 £'000	Basic salary/fees for 2003/04 £'000
Non-Executive Directors		
Alasdair Locke	17	15
Alan McClure	11	10
David Montgomery	11	7
Felicity Huston	11	5
Damian McAteer	11	5
Totals	61	42

Executive Remuneration Report

The remuneration of the executive director of Moyle Interconnector (Financing) plc and Moyle Interconnector Limited was as follows:

	Basic salary/fees for 2004/05 £'000	Benefits in kind for 2004/05 £'000	Performance bonus for 2004/05 £'000	Total £'000
Executive Director Alan Rainey	101	1	46	148

The executive director's basic salary for 2003/04 was £94,000, with benefits in kind of £1,000 and a performance bonus of £45,000 equating to a total package of £140,000.

Performance Related Bonus

The executive performance related bonus arrangements are designed to align executive bonuses with improved customer service and the financial performance of the business.

The executive director may earn an annual bonus of up to 50% of basic salary of which up to 75% is assessed against achievement of essential performance targets (availability, cost management and compliance) and up to 25% is based on the level of out performance over the essential performance targets together with revenue. Annual bonus payments are non pensionable.

Service Contracts

The executive director has a service contract that is subject to three months notice. The service contract does not provide for compensation to be payable in the event of early termination by the Group, and the policy of the Committee in the event of termination would be to mitigate any contractual liability to the fullest extent possible.

Pension

The Group operates a pension scheme for the executive director. Contributions are assessed annually to ensure that the pension on retirement remains equivalent to comparable defined benefit schemes for employees in the electricity industry.

moyle holdings limited

a private company limited by guarantee and not having a share capital

report and financial statements 31 march 2005

Directors
Alasdair Locke — Chairman
Alan McClure — Senior Independent Director
David Montgomery
Felicity Huston
Damian McAteer

Secretary
Arthur Cox Northern Ireland

Auditors
Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

Bankers
Royal Bank Of Scotland
London Corporate Service Centre
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Solicitors
Arthur Cox Northern Ireland
Capital House
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Belfast
BT1 6PU

Registered Office
Capital House
3 Upper Queen Street
Belfast
BT1 6PU

Registered Number
NI 45738

directors' report

The directors are pleased to present their report and the Group financial statements for the year ended 31 March 2005.

Results and dividends

The profit for the year after taxation was £891,000 (2004: £2,854,000).

Principal activity and review of the business

The Company is a private company limited by guarantee and not having a share capital, established for the purpose of acquiring and owning Moyle Interconnector (Financing) plc and its subsidiary undertaking, Moyle Interconnector Limited.

The Group's principal activity is the financing and operation, through its subsidiaries, of the Moyle Interconnector – which links the electricity transmission systems of Northern Ireland and Scotland. It is the intention of the directors to continue to maintain the efficient and effective operation of the Moyle Internconnector. The business of the Group and future developments in relation to it are reviewed in the Chairman's Statement and the Operating and Financial Review.

Directors and their interests

The present directors of the Company are listed on page 12.

The directors have no beneficial interests in the share capital of the Company or any other Group company.

In accordance with Article 43 of the Company's Articles of Association the directors are not required to retire by rotation.

Political and charitable donations

No charitable or political donations have been made during the year (2004: £nil).

Going concern

After making enquires, the directors expect that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office. A resolution proposing their re-appointment will be submitted at the annual general meeting.

Payment of suppliers

The Group's procurement policy is to source equipment, goods and services from a wide range of suppliers in accordance with commercial practices based on fairness and transparency.

The Group recognises the important role that suppliers play in its business and works to ensure that payments are made to them in accordance with agreed contract terms.

The Group had trade creditors days of 24 days at 31 March 2005 (2004: 20 days).

By order of the Board
Arthur Cox Northern Ireland
Secretary
1 June 2005

statement of directors’ responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropiate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

independent auditor's report

to the members of moyle holdings limited (a company limited by guarantee and not having a share capital)

We have audited the Group's financial statements for the year ended 31 March 2005, which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, Operating and Financial Review, Board of Directors, Corporate Governance Statement, Audit Committee Report, Remuneration Committee Report, and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

Ernst & Young LLP
Registered Auditor
Belfast
1 June 2005

group profit and loss account

for the year ended 31 march 2005

	Notes	2005 £'000	2004 £'000
Turnover before customer rebate		20,812	20,742
Customer rebate		(2,300)	-
Turnover - continuing operations	2	18,512	20,742
Operating costs (excluding goodwill amortisation)		(9,680)	(9,685)
Goodwill amortisation		(481)	(431)
Total operating costs	3	(10,161)	(10,116)
Group operating profit		8,351	10,626
Interest receivable	6	882	476
Interest payable and similar charges	7	(8,247)	(7,761)
Profit on ordinary activities before taxation		986	3,341
Tax on profit on ordinary activities	8	(95)	(487)
Retained profit for the year	20	891	2,854

group statement of total recognised gains and losses

for the year ended 31 march 2005

There are no other recognised gains and losses other than the profit of the Group of £891,000 for the year ended 31 March 2005 (2004: £2,854,000).

group balance sheet

as at 31 march 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	10	17,793	18,274
Tangible assets	11	120,527	153,980
		138,320	172,254
Current assets			
Debtors	13		
amounts falling due within one year		20,737	3,533
amounts falling due in more than one year		12,544	1,274
		33,281	4,807
Cash		19,387	15,468
		52,668	20,275
Current liabilities			
Creditors: amounts falling due within one year	14	(6,292)	(7,609)
Net current assets		46,376	12,666
Total assets less current liabilities		184,696	184,920
Creditors: amounts falling due after more than one year	15	(126,928)	(126,750)
Provisions for liabilities and charges	17	(5,900)	(5,602)
Deferred income	18	(48,123)	(49,714)
Net assets		3,745	2,854
Capital and reserves			
Profit and loss account	20	3,745	2,854
Total reserves	20	3,745	2,854

The financial statements on pages 16 to 34 of this report were approved by the Board on 1 June 2005 and signed on its behalf by:

Alasdair Locke
Director

Felicity Huston
Director

company balance sheet

as at 31 march 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Investments	12	-	-
Current assets			
Debtors	13	22	20
Cash		12	13
		34	33
Current liabilities			
Creditors: amounts falling due within one year	14	(34)	(33)
Net current assets		-	-
Total assets less current liabilities		-	-
Net assets		-	-
Capital and reserves			
Profit and loss account	20	-	-
Total reserves	20	-	-

The financial statements on pages 16 to 34 of this report were approved by the Board on 1 June 2005 and signed on its behalf by:

Alasdair Locke
Director

Felicity Huston
Director

group cash flow statement

for the year ended 31 march 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	21(a)	11,173	14,479
Returns on investments and servicing of finance			
Interest paid		(4,007)	(3,858)
Interest received		842	459
Issue costs on bond		-	(3,386)
Net cash outflow from returns on investments and servicing of finance		(3,165)	(6,785)
Taxation			
UK Corporation tax		(125)	-
Acquisitions			
Cash acquired with subsidiary undertaking		-	50
Repayment of loan to Viridian Power and Energy Limited		-	(102,276)
Deferred consideration for subsidiary undertaking		-	(20,950)
		-	(123,176)
Capital expenditure			
Payments to acquire tangible fixed assets		-	(13)
Net cash inflow/(outflow) before financing		7,883	(115,495)
Financing			
Issue of bond		-	135,010
Capital repayments on bond		(3,964)	(4,047)
Net cash (outflow)/inflow from financing		(3,964)	130,963
Increase in cash	21(b)	3,919	15,468

notes to the financial statements

as at 31 march 2005

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The Group financial statements consolidate the financial statements of Moyle Holdings Limited and its subsidiary undertakings drawn up to 31 March 2005. No profit and loss account is presented for Moyle Holdings Limited as permitted by Article 238 (3) of the Companies (Northern Ireland) Order 1986.

Capitalised labour and overheads

All labour and overheads attributable to the construction of the Moyle Interconnector were capitalised during the period of construction and are written off as part of the total cost over the operational life of the asset.

Capitalised interest

Interest on the funding attributable to the construction of the Moyle Interconnector was capitalised during the period of construction and is written off as part of the total cost over the operational life of the asset. All other interest payable and receivable is reflected in the profit and loss account as it arises.

Tangible fixed assets and depreciation

Tangible assets are stated at cost less depreciation. The charge for depreciation is calculated so as to write off the cost of assets over their estimated useful lives on a straight-line basis. The lives of each major class of depreciable asset are as follows:

Interconnector assets	40 years
Control and protection equipment	20 years
Office equipment	3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Goodwill arising on the acquisition of Moyle Interconnector Limited is capitalised, classified as an asset on the balance sheet, and amortised on a straight line basis over its useful economic life. As explained in note 10 goodwill arising on the acquisition of Moyle Interconnector Limited is being amortised over 39 years. The carrying value is reviewed annually by the directors in order to assess whether there has been any diminution in value in excess of the amortisation in the period. Any such reductions in value are taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment for accounts and taxation purposes of transactions and events recognised in the accounts of the current year and previous years. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Deferred taxation is discounted using the post tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates similar to those of the deferred taxation assets and liabilities.

Deferred income

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by instalments over the expected useful lives of the related assets, in line with the depreciation policy. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Decommissioning provision

Provision is made for the estimated decommissioning costs at the end of the operating life of the Moyle Interconnector on a discounted basis. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. The unwinding of the discount is included within net interest payable and similar charges.

A corresponding tangible fixed asset of an amount equivalent to the provision was also created on full commissioning of the Moyle Interconnector. This is subsequently depreciated as part of the interconnector asset.

Lease commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The Group operates a defined benefit pension scheme for the managing director of Moyle Interconnector Limited, which requires contributions to be made to a separately administered fund. Contributions to this fund are charged to the profit and loss account so as to spread the cost over the employee's working life in the Group.

notes to the financial statements

as at 31 march 2005

2. Turnover and segmental information

Turnover, which is stated net of rebates and value added tax, is generated from the sale of capacity on the Moyle Interconnector for the transmission of electricity between Northern Ireland and Scotland. All turnover is generated within the United Kingdom and Ireland.

The customer rebate represents amounts credited to Moyle Interconnector Limited customers for the benefit of electricity consumers in Northern Ireland.

The Group operates in one principal area of activity as above, hence all profits and net assets are attributable to this activity.

3. Operating costs

Operating costs were as follows:

	2005	**2004**
	£'000	**£'000**
Maintenance costs	1,582	1,243
Other operating costs	4,983	5,434
Administration costs	1,342	976
Depreciation (after crediting amortisation of deferred government grants)	1,773	2,032
Amortisation of goodwill	481	431
	10,161	10,116

The directors believe that the nature of the Group's business is such that the analysis of operating costs set out in the Companies (Northern Ireland) Order 1986 format is not appropriate. As requested by the Order, the directors have therefore adopted the presented format so that operating costs are disclosed in a manner appropriate to the Group's activities.

Operating costs also include:

	2005	**2004**
	£'000	**£'000**
Depreciation charge on tangible fixed assets	3,364	3,439
Amortisation of deferred government grants	1,591	1,407
Auditors' remuneration in respect of services to the Group:		
- Audit services	22	14
- Non audit services	6	6
Operating lease costs:		
- Other	82	82

Auditors' remuneration in respect of services to the Company amounted to £7,000 (2004: £3,000).

During the prior period additional fees of £284,000 were paid to the auditors for work relating to the issue of the bond, and have been deducted in arriving at the net proceeds from loans in accordance with FRS4.

notes to the financial statements

as at 31 march 2005

4. Directors emoluments

	2005 £'000	2004 £'000
Emoluments	61	42
Contributions paid to defined benefit pension scheme	-	-
	No.	*No.*
Members of defined benefit pension scheme	-	-

5. Staff costs

	2005 £'000	2004 £'000
Wages and salaries	148	140
Social security costs	18	17
Pension costs	24	23
	190	180

The average monthly number of employees during the year, comprising only directors holding contracts of service with the Group, was 1 (2004: 1).

6. Interest receivable

	2005 £'000	2004 £'000
Bank interest receivable	882	476

7. Interest payable and similar charges

	2005 £'000	2004 £'000
Unwinding of discount on decommissioning provision	191	181
Bond interest and indexation	8,056	7,580
	8,247	7,761

notes to the financial statements

as at 31 march 2005

8. Tax on profit on ordinary activities

(i) Analysis of charge in the period

	2005 £'000	2004 £'000
Current tax		
UK corporation tax on profit for the period	-	125
Adjustment to the corporation tax of prior year	(12)	-
Total current tax	(12)	125
Deferred tax		
Origination and reversal of timing differences	397	926
Deferred tax discount credit	(290)	(564)
Total deferred tax	107	362
Total tax charge on profit on ordinary activities	95	487

(ii) Factors affecting tax for the period

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	986	3,341
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 30%	296	1,002
Effects of:-		
Goodwil amortised	144	130
Capital allowances in excess of depreciation	(440)	(1,029)
Other timing differences	(15)	(6)
Disallowed expenses	15	28
Adjustment of UK corporation tax of prior year	(12)	-
Current tax for the period	(12)	125

9. Profit for the financial year

The profit dealt with in the accounts of the parent company was £31 (2004: profit of £159).

notes to the financial statements

as at 31 march 2005

10. Intangible assets

Group

	Goodwill £'000
Cost	
At 1 April 2004 and 31 March 2005	18,705
Amortisation	
At 1 April 2004	431
Charge for the year	481
At 31 March 2005	912
Net book value	
At 31 March 2005	17,793
At 1 April 2004	18,274

Goodwill arising on the acquisition of Moyle Interconnector Limited has been capitalised and is being amortised over its estimated useful economic life of 39 years from the date of acquisition, 8 April 2003.

Moyle Interconnector Limited operates in an established and stable market sector, acting as the only link between the transmission systems of Northern Ireland and Scotland.

The Moyle Interconnector is of strategic importance in the further development of an integrated electricity supply network linking the electricity grids of Northern Ireland, Scotland, England, Wales and the Republic of Ireland, with a further link to France and the European network and allows for the first time trading between the respective markets. Following the development of electricity markets throughout the world over the last decade, trading between those markets will be an integral part of economic life for the long term, giving assurance of a market for the transmission service which the Moyle Interconnector provides.

Moyle Interconnector Limited has already established itself in the market with an operating profit of £8,165,000 in the year ended 31 March 2005 (2004: £10,427,000).

On the basis of the above the Group has concluded that the durability of the acquired undertaking is expected to be for at least the operational lifespan of the related interconnector asset, which at the date of acquisition of Moyle Interconnector Limited had a remaining useful life of 39 years; this estimated useful life is in line with industry standards for transmission network assets. The carrying value of the related goodwill is capable of continued measurement, and is reviewed for impairment annually.

notes to the financial statements

as at 31 march 2005

Group

	Interconnector £'000	Control equipment £'000	Office equipment £'000	**Total £'000**
Cost				
At 1 April 2004	158,489	3,785	13	162,287
Capital Rebate	(30,089)	-	-	(30,089)
At 31 March 2005	128,400	3,785	13	132,198
Depreciation				
At 1 April 2004	7,925	378	4	8,307
Charge for the year	3,170	190	4	3,364
At 31 March 2005	11,095	568	8	11,671
Net book value				
At 31 March 2005	117,305	3,217	5	120,527
At 1 April 2004	150,564	3,407	9	153,980

Included in the cost of fixed assets are amounts in respect of capitalised interest of £8,137,000 (2004: £8,137,000).

The Group became entitled to repayment of £30,089,000 during the year from the original cost of the interconnector as a result of changes to the electricity trading market in Great Britain. As disclosed in note 13, £12,036,000 of this rebate is due in more than one year.

notes to the financial statements

as at 31 march 2005

12. Investments
Company

	Subsidiary Undertakings £
Cost and net book value	
At 1 April 2004 and 31 March 2005	1

Details of the investments in which the Company holds more than 20% of the nominal value of any class of share capital are as follows:

Name of company	*Country of incorporation or registration*	*Holding*	*Proportion held*	*Nature of business*
Moyle Interconnector (Financing) plc	Northern Ireland	Ordinary Shares	100%	Financing
* Moyle Interconnector Limited	Northern Ireland	Ordinary Shares	100%	Operation of Moyle Interconnector

* held by a subsidiary undertaking

13. Debtors

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Amounts falling due within one year				
Trade debtors	997	-	1,891	-
Prepayments	1,595	-	1,625	4
Other debtors	80	4	17	-
Corporation tax recoverable	12	-	-	-
Amounts owed by subsidiary undertakings	-	18	-	16
Capital rebate (note 11)	18,053	-	-	-
	20,737	22	3,533	20
Amounts falling due after one year				
Prepayments	508	-	1,274	-
Capital rebate (note 11)	12,036	-	-	-
	12,544	-	1,274	-
	33,281	22	4,807	20

Prepayments falling due after one year represent prepaid maintenance and servicing of the converter stations.

notes to the financial statements

as at 31 march 2005

14. Creditors: amounts falling due within one year

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Trade creditors	432	5	361	9
Other tax and social security	222	-	341	-
Corporation tax	-	-	125	-
Accruals and deferred income	1,845	29	3,188	24
2.9376% Index Linked Guaranteed Secured Bonds 2033 (note 16)	3,793	-	3,594	-
	6,292	34	7,609	33

15. Creditors: amounts falling due after more than one year

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
2.9376% Index Linked Guaranteed Secured Bonds 2033 (note 16)	126,928	-	126,750	-

16. Loans

2.9376% Index Linked Guaranteed Secured Bonds 2033

Amounts falling due	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
In one year or less or on demand	4,075	-	3,885	-
In more than one year but not more than two years	4,146	-	3,955	-
In more than two years but not more than five years	13,268	-	12,378	-
In more than five years	113,280	-	114,466	-
	134,769	-	134,684	-
Less: unamortised issue costs	4,048	-	4,340	-
	130,721	-	130,344	-
Less: included in creditors: amounts falling due within one year	3,793	-	3,594	-
	126,928	-	126,750	-

The 2.9376% Index Linked Guaranteed Secured Bonds 2033 were issued during the prior period to finance the acquisition of Moyle Interconnector Limited and to repay indebtedness owed to members of Viridian Group PLC. The indexation is based upon RPI. The bond is secured by fixed and floating charges over all the assets of the group, and also by way of an unconditional and irrevocable financial guarantee given by Financial Security Assurance (U.K.) Limited as to scheduled payments of principal and interest, excluding default interest. In return for this guarantee, every six months the Group pays an index linked fee of 0.125% of the outstanding balance of the bond.

notes to the financial statements

as at 31 march 2005

17. Provisions for liabilities and charges
Group

Deferred taxation
Deferred taxation is fully provided in the financial statements as follows:

	2005 £'000	2004 £'000
Capital allowances in advance of depreciation	5,092	4,709
Other timing differences	(267)	(281)
Undiscounted provision for deferred tax	4,825	4,428
Discount	(2,468)	(2,178)
Discounted provision for deferred tax	2,357	2,250

	2005 £'000	2004 £'000
Provision at start of period	2,250	-
Acquisition of subsidiary undertaking	-	1,888
Deferred tax charge for the period	107	362
Provision at end of period	2,357	2,250

	Deferred taxation £'000	Decommissioning provision £'000	Total £'000
At 1 April 2004	2,250	3,352	5,602
Increase in provision	107	-	107
Unwinding of discount	-	191	191
At 31 March 2005	2,357	3,543	5,900

Provision has been made for expenditure to be incurred in meeting the expected costs arising from the future decommissioning of the Interconnector in 37 years, at the end of its useful economic life. This provision is expected to be utilised within 37 years.

notes to the financial statements

as at 31 march 2005

18. Deferred income

Group

	Deferred grants £'000
Grants	
At 1 April 2004	49,714
Amortised during the year	(1,591)
At 31 March 2005	48,123

19. Members' guarantee

In accordance with the Company's Articles of Association the members have undertaken to contribute in the event of a winding up, a sum not exceeding £1. The number of members at the balance sheet date was 12, of whom 5 are directors of the Company.

20. Reconciliation of reserves

Group

	Profit and loss account £'000
At incorporation	-
Profit for the period	2,854
Balance at 31 March 2004	2,854
Profit for the year	891
Balance at 31 March 2005	3,745

Company

At incorporation	-
Profit for the period	-
Balance at 31 March 2004	-
Profit for the year	-
Balance at 31 March 2005	-

notes to the financial statements

as at 31 march 2005

21. Notes to the group cash flow statement

a) Reconciliation of group operating profit to net cash inflow from operating activities:

	2005 £'000	2004 £'000
Group operating profit	8,293	10,626
Depreciation	3,364	3,439
Amortisation of grant	(1,591)	(1,407)
Amortisation of goodwill	481	431
Amortisation of bond issue costs	292	302
Decrease/(increase) in debtors	1,668	(1,337)
(Decrease)/increase in creditors	(1,334)	2,425
Net cash inflow from operating activities	11,173	14,479

b) Reconciliation of net cashflows to movement in net debt

	2005 £'000	2004 £'000
Increase in cash in the year	3,919	15,468
Cash inflow from issue of bond	-	(135,010)
Issue costs of bond	-	3,386
Cash outflow from capital repayments on bond	3,964	4,047
Cash outflow from repayment of loan to Viridian Power and Energy Limited	-	102,276
Change in net debt resulting from cash flows	7,883	(9,833)
Loan acquired with subsidiary undertaking	-	(102,276)
Other	(4,341)	(2,767)
Movement in net debt in the year	3,542	(114,876)
Net debt at start of year	(114,876)	-
Net debt at end of year	(111,334)	(114,876)

Analysis of net debt

	At 31 March 2004 £'000	Cash flow £'000	Non cash movements £'000	At 31 March 2005 £'000
Cash at bank	15,468	3,919	-	19,387
Cash	15,468	3,919	-	19,387
Bond	(130,344)	3,964	(4,341)	(130,721)
Total	(114,876)	7,883	(4,341)	(111,334)

Non-cash movements relate to:

i) Indexation on capital element of bond in the period of £4,049,000.

ii) Amortisation on bond issue costs in the period of £292,000.

notes to the financial statements

as at 31 march 2005

22. Derivatives and other financial instruments

The Group's principal financial instruments comprise of a bond, cash, and cash on deposit. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

It is, and has been throughout the current and prior years, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is detailed in the note below. The disclosures below include short-term debtors and creditors.

Interest rate risk

The Group borrows at both fixed and floating rates of interest. Throughout the current and prior years, the bond was at a fixed rate and there were no other borrowings.

Liquidity risk

The Group's objective is to maintain the continuity of funding through the operation of the Moyle Interconnector. If required the Group may call upon the Collection Agency agreement with Northern Ireland Electricity plc, through which cash may be collected to enable Moyle to meet its requirements, or it may alternatively draw down on a £10,000,000 liquidity facility with The Royal Bank of Scotland plc. It is the Group's policy to enter into no borrowing facility other than the liquidity facility as noted above.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31 March is as follows:

Currency	Total £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000
2005			
Sterling	132,369	130,721	1,648
2004			
Sterling	132,500	130,344	2,156

notes to the financial statements

as at 31 march 2005

22. Derivatives and other financial instruments (continued)

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate %	**Weighted average period for which rate is fixed years**	**Weighted average period until maturity years**
Currency			
2005			
Sterling	2.94*	28	0.4
2004			
Sterling	2.94*	29	0.4

* The bond principal and interest are adjusted for the movement in RPI in each 6 month period, as applied on 30 September and 31 March in each year, based on the RPI figure for the eighth month prior to these dates.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group as at 31 March is as follows:

Currency	**Total £'000**	**Fixed rate financial assets £'000**	**Floating rate financial assets £'000**	**Financial assets on which no interest is earned £'000**
2005				
Sterling	50,552	8,500	40,976	1,076
2004				
Sterling	17,376	8,200	7,268	1,908

Floating rate financial assets comprise cash deposits on money market deposit at call and on deposit for variable terms up to one month and, for the year ended 31 March 2005, a capital rebate receivable over a period of 24 months. Floating rate financial assets earn interest at a range of Bank of England base rate to Bank of England base rate plus 2%. The interest on the sterling fixed rate financial assets is 3.93% to 4.98% (2004: 3.25% to 3.93%) which mature in less than one month.

notes to the financial statements

as at 31 march 2005

22. Derivatives and other financial instruments (continued)

Financial assets on which no interest is earned are due to mature in one month.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March is as follows:

	2005 £'000	2004 £'000
In one year or less, or on demand	5,441	5,750
In more than one year, but not more than two	3,875	3,673
In more than two years, but not more than five	12,515	11,594
In more than five years	110,538	111,483
	132,369	132,500

Borrowing facilities

The Group have undrawn borrowing facilities of £10,000,000 available at 31 March 2005 (2004: £10,000,000). The facility is reviewed at the end of each 364 day period. The current facility is to be reviewed on 29 March 2006.

Fair values of financial assets and financial liabilities

In the opinion of the directors the fair value of each category of financial assets and financial liabilities does not materially differ from the book values. The fair value of the bonds is derived from their limited trading on the market.

23. Financial commitments

The commitments under non-cancellable operating leases are as follows:

Group

	Land and buildings 2005 £'000	Land and buildings 2004 £'000
Operating leases which expire:		
beyond 5 years	82	82

The company has no finance leases.

24. Contingent liabilities and guarantees

Group

The Group have given guarantees disclosed in note 16 to the financial statements.

25. Pension commitments

Moyle Interconnector Limited operates a pension scheme, funded by the payment of contributions to a separately administered fund which is invested in a contracted-in money purchase scheme with a major insurer. However, because the targeted benefits are based on those to which the employee was entitled from his previous employer, the scheme is substantially a defined benefit scheme in nature. There are certain limitations as to the extent that previous entitlements are reflected in the company pension scheme, such that if the cost of funding certain of the benefits is deemed unreasonable by the company, the company reserves the right to amend the levels of benefit.

The pension cost for the year in respect of benefits under the scheme was £24,000 (2004: £23,000)

The net pension charge is derived from a regular cost of 26.7% of salary. The pension cost has been determined in accordance with the advice of Financial Planning Organisation Limited. For accounting purposes, the attained age method was adopted, and the most significant actuarial assumptions were that investment returns at 7.6% per annum pre-retirement would exceed general salary increases by 4.0% per annum and investment returns of 6.1% per annum post-retirement would

notes to the financial statements

as at 31 march 2005

25. Pension commitments (continued)

exceed future pension increases by 3.4% per annum. The market value of the scheme's assets as at 31 March 2005 was some £53,000. The actuarial value of the assets represented 100% of the actuarial value of the accrued benefits. The accrued benefits include benefits based on completed service and projected salary for the active member.

FRS 17 disclosures

Financial Planning Organisation Limited have provided a valuation of the scheme under FRS 17 as at 31 March 2005 using the projected unit method. The major assumptions used were (in nominal terms):

	2005	2004
Rate of increase in pensionable salaries	6.9%	6.9%
Rate of increase in pensions in payment	5.3%	5.3%
Inflation assumption	5.3%	5.3%
Discount rate	8.5%	8.5%

The charge to the profit and loss account, comprising wholly current service costs would have been £24,000 (2004: £23,000). The valuation at 31 March 2005 showed a net pension asset (before and after deferred tax) of £nil, as follows.

	Value at 31 March 2005 £'000	Expected rate of return %	Value at 31 March 2004 £'000	Expected rate of return %
Insurance policy	53	8.5	25	8.5
Total market value of assets	53		25	
Present value of scheme liabilities	(53)		(25)	
Pension asset before and after deferred tax	-		-	

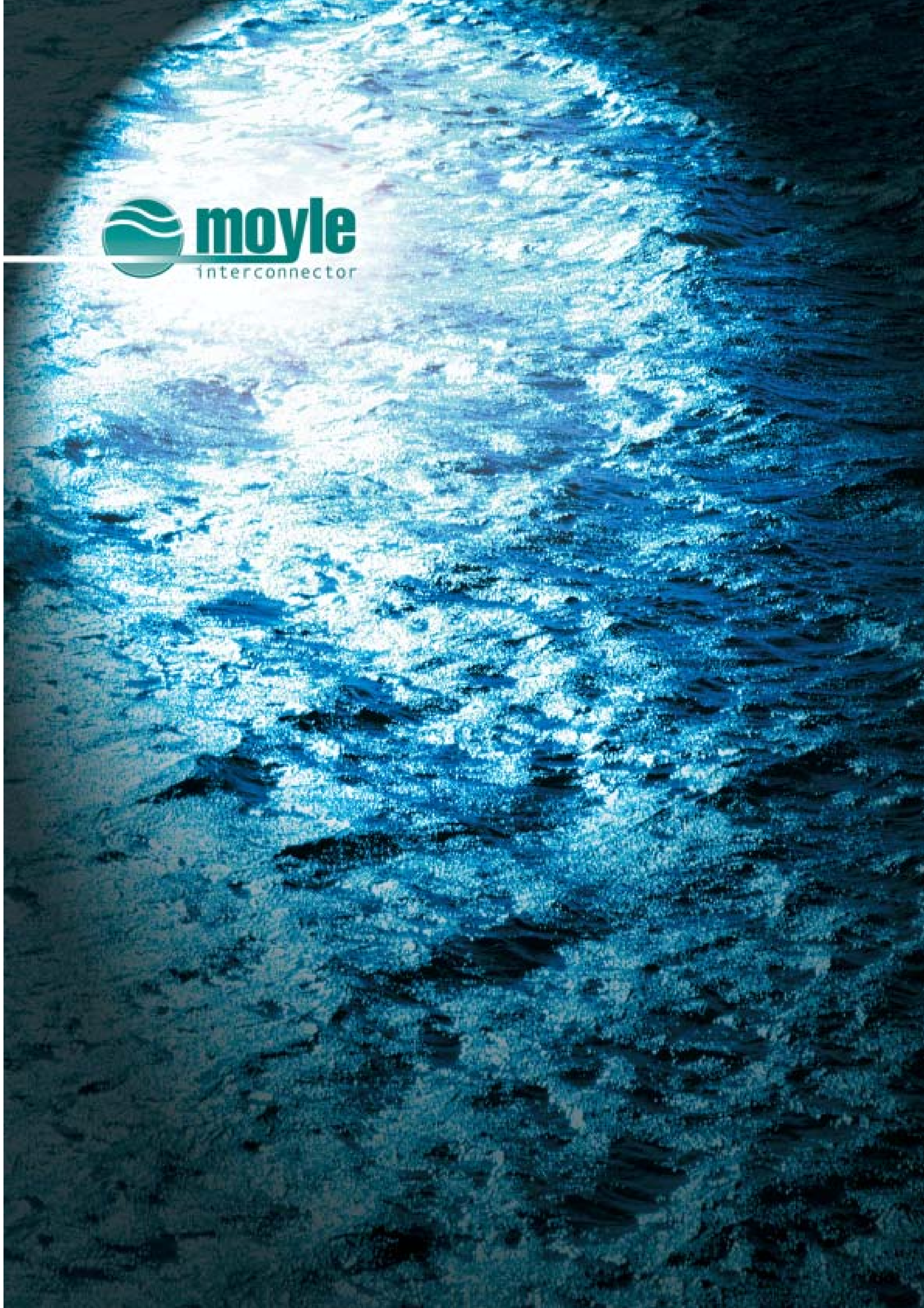
Movement in pension balance during the year

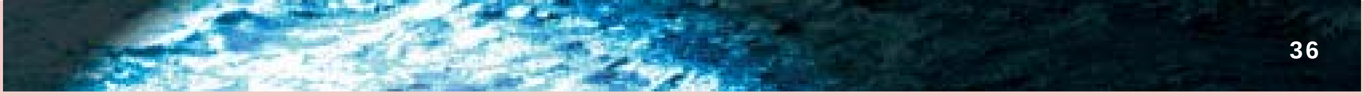
	2005 £'000	2004 £'000
Opening balance	-	-
Movement in year:		
Current service cost	(24)	(23)
Contributions	24	23
Returns on pension scheme assets	28	25
Interest on pension scheme liabilities	(28)	(25)
Closing balance	-	-

26. Related parties

The Company has taken advantage of the exemption within FRS 8 'Related Party Disclosures' from disclosing transactions with its subsidiaries during the year. Consolidated financial statements of Moyle Holdings Limited, can be obtained from Capital House, 3 Upper Queen Street, Belfast, BT1 6PU.

Premier Transmission Limited is a related party by virtue of all the directors holding directorships in both companies. During the year, the Group made purchases on behalf of Premier Transmission Limited which were subsequently recharged. A year end debtor of £3,491 is carried for amounts owed by Premier Transmission Limited to Moyle Holdings Limited at the year end.


moyle
interconnector



moyle interconnector (financing) plc

a public limited company

report and financial statements 31 march 2005

Directors

Alasdair Locke	Chairman
Alan McClure	Senior Independent Director
David Montgomery	
Felicity Huston	
Damian McAteer	
Alan Rainey	Managing Director
William Cargo	

Secretary
Arthur Cox Northern Ireland

Auditors
Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

Bankers
Royal Bank Of Scotland
London Corporate Service Centre
PO Box 39952
2 1/2 Devonshire Square
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Solicitors
Arthur Cox Northern Ireland
Capital House
3 Upper Queen Street
Belfast
BT1 6PU

Registered Office
Capital House
3 Upper Queen Street
Belfast
BT1 6PU

Registered Number
NI 45625

directors' report

The directors are pleased to present their report and the Group financial statements for the year ended 31 March 2005.

Results and dividends

The profit for the year after taxation was £891,000 (2004: £2,804,000). The directors do not recommend the payment of a dividend.

Principal activity and review of the business

The Group's principal activity is the financing and operation, through its subsidiary, of the Moyle Interconnector – which links the electricity transmission systems of Northern Ireland and Scotland. It is the intention of the directors to continue to maintain the efficient and effective operation of the Moyle Interconnector. The business of the Group and future developments in relation to it are reviewed in the Chairman's Statement and the Operating and Financial Review contained within the financial statements of Moyle Holdings Limited.

Directors and their interests

The present directors of the Company are listed on page 36. William Cargo was appointed as a director on 27 May 2005.

The directors have no beneficial interests in the share capital of the Company, or any other Group company.

In accordance with Article 22 of the Company's Articles of Association the directors are not required to retire by rotation.

Political and charitable donations

No charitable or political donations have been made during the year (2004: £nil).

Going concern

After making enquires, the directors expect that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office. A resolution proposing their re-appointment will be submitted at the annual general meeting.

Payment of suppliers

The Group's procurement policy is to source equipment, goods and services from a wide range of suppliers in accordance with commercial practices based on fairness and transparency.

The Group recognises the important role that suppliers play in its business and works to ensure that payments are made to them in accordance with agreed contract terms.

The Group had trade creditors days of 24 days at 31 March 2005 (2004: 19 days).

By order of the Board
Arthur Cox Northern Ireland
Secretary
1 June 2005

statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropiate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

independent auditor's report

to the members of moyle interconnector (financing) plc

We have audited the Group's financial statements for the year ended 31 March 2005, which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

Ernst & Young LLP
Registered Auditor
Belfast
1 June 2005

group profit and loss account

for the year ended 31 march 2005

	Notes	2005 £'000	2004 £'000
Turnover before customer rebate		20,812	20,742
Customer rebate		(2,300)	-
Turnover - continuing operations	2	18,512	20,742
Operating costs (excluding goodwill amortisation)		(9,680)	(9,685)
Goodwill amortisation		(481)	(481)
Total operating costs	3	(10,161)	(10,166)
Group operating profit		8,351	10,576
Interest receivable	6	882	476
Interest payable and similar charges	7	(8,247)	(7,761)
Profit on ordinary activities before taxation		986	3,291
Tax on profit on ordinary activities	8	(95)	(487)
Retained profit for the year	20	891	2,804

group statement of total recognised gains and losses

for the year ended 31 march 2005

There are no other recognised gains and losses other than the profit attributable to shareholders of the Group of £891,000 for the year ended 31 March 2005 (2004: £2,804,000).

group balance sheet

as at 31 march 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	10	17,793	18,274
Tangible assets	11	120,527	153,980
		138,320	172,254
Current assets			
Debtors	13		
amounts falling due within one year		20,733	3,529
amounts falling due in more than one year		12,544	1,274
		33,277	4,803
Cash		19,375	15,455
		52,652	20,258
Current liabilities			
Creditors: amounts falling due within one year	14	(6,276)	(7,592)
Net current assets		46,376	12,666
Total assets less current liabilities		184,696	184,920
Creditors: amounts falling due after more than one year	15	(126,928)	(126,750)
Provisions for liabilities and charges	17	(5,900)	(5,602)
Deferred income	18	(48,123)	(49,714)
Net assets		3,745	2,854
Capital and reserves			
Called up share capital	19	50	50
Profit and loss account	20	3,695	2,804
Total equity shareholders' funds	20	3,745	2,854

The financial statements on pages 40 to 56 of this report were approved by the Board on 1 June 2005 and signed on its behalf by:

Alasdair Locke
Director

Felicity Huston
Director

company balance sheet

as at 31 march 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Investments	12	20,950	20,950
Current assets			
Debtors	13		
amounts falling due within one year		3,579	3,413
amounts falling due in more than one year		109,155	109,242
		112,734	112,655
Cash		-	-
		112,734	112,655
Current liabilities			
Creditors: amounts falling due within one year	14	(5,369)	(6,121)
Net current assets		107,365	106,534
Total assets less current liabilities		128,315	127,484
Creditors: amounts falling due after more than one year	15	(128,248)	(127,417)
Net assets		67	67
Capital and reserves			
Called up share capital	19	50	50
Profit and loss account	20	17	17
Total equity shareholders' funds	20	67	67

The financial statements on pages 40 to 56 of this report were approved by the Board on 1 June 2005 and signed on its behalf by:

Alasdair Locke
Director

Felicity Huston
Director

notes to the financial statements

as at 31 march 2005

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The Group financial statements consolidate the financial statements of Moyle Interconnector (Financing) plc and its subsidiary undertaking drawn up to 31 March 2005. No profit and loss account is presented for Moyle Interconnector (Financing) plc as permitted by Article 238 (3) of the Companies (Northern Ireland) Order 1986.

Cash flow statement

The Group has taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the Group's cash flows are included in the consolidated financial statements of its ultimate parent undertaking, which are publicly available.

Capitalised labour and overheads

All labour and overheads attributable to the construction of the Moyle Interconnector were capitalised during the period of construction and are written off as part of the total cost over the operational life of the asset.

Capitalised interest

Interest on the funding attributable to the construction of the Moyle Interconnector was capitalised during the period of construction and is written off as part of the total cost over the operational life of the asset. All other interest payable and receivable is reflected in the profit and loss account as it arises.

Tangible fixed assets and depreciation

Tangible assets are stated at cost less depreciation. The charge for depreciation is calculated so as to write off the cost of assets over their estimated useful lives on a straight-line basis. The lives of each major class of depreciable asset are as follows:

Interconnector assets	40 years
Control and protection equipment	20 years
Office equipment	3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet, and amortised on a straight line basis over its useful economic life. As explained in note 10 goodwill arising on the acquisition of Moyle Interconnector Limited is being amortised over 39 years. The carrying value is reviewed annually by the directors in order to assess whether there has been any diminution in value in excess of the amortisation in the period. Any such reductions in value are taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment for accounts and taxation purposes of transactions and events recognised in the accounts of the current year and previous years. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Deferred taxation is discounted using the post tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates similar to those of the deferred taxation assets and liabilities.

Deferred income

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by instalments over the expected useful lives of the related assets, in line with the depreciation policy. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Decommissioning provision

Provision is made for the estimated decommissioning costs at the end of the operating life of the Moyle Interconnector on a discounted basis. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. The unwinding of the discount is included within net interest payable and similar charges.

A corresponding tangible fixed asset of an amount equivalent to the provision was also created on full commissioning of the Moyle Interconnector. This is subsequently depreciated as part of the interconnector asset.

Lease commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The Group operates a defined benefit pension scheme for the managing director of Moyle Interconnector Limited, which requires contributions to be made to a separately administered fund. Contributions to this fund are charged to the profit and loss account so as to spread the cost over the employee's working life in the group.

notes to the financial statements

as at 31 march 2005

2. Turnover and segmental information

Turnover, which is stated net of rebates and value added tax, is generated from the sale of capacity on the Moyle Interconnector for the transmission of electricity between Northern Ireland and Scotland. All turnover is generated within the United Kingdom and Ireland.

The customer rebate represents amounts credited to Moyle Interconnector Limited customers for the benefit of electricity consumers in Northern Ireland.

The Group operates in one principal area of activity as above, hence all profits and net assets are attributable to this activity.

3. Operating costs

Operating costs were as follows:	2005 £'000	2004 £'000
Maintenance costs	1,582	1,243
Other operating costs	4,983	5,434
Administration costs	1,342	976
Depreciation (after crediting amortisation of deferred government grants)	1,773	2,032
Amortisation of goodwill	481	481
	10,161	10,166

The directors believe that the nature of the Group's business is such that the analysis of operating costs set out in the Companies (Northern Ireland) Order 1986 format is not appropriate. As requested by the Order, the directors have therefore adopted the presented format so that operating costs are disclosed in a manner appropriate to the Group's activities.

Operating costs also include:	2005 £'000	2004 £'000
Depreciation charge on tangible fixed assets	3,364	3,439
Amortisation of deferred government grants	1,591	1,407
Auditors' remuneration in respect of services to the Group:		
- Audit services	15	11
- Non audit services	6	6
Operating lease costs:		
- Other	82	82

Auditors' remuneration in respect of services to the company amounted to £8,000 (2004: £8,000).
During the prior period additional fees of £284,000 were paid to the auditors for work relating to the issue of the bond, and have been deducted in arriving at the net proceeds from loans in accordance with FRS4.

4. Directors emoluments	2005 £'000	2004 £'000
Emoluments	148	140
Contributions paid to defined benefit pension scheme	24	23
	No.	*No.*
Members of defined benefit pension scheme	1	1

The directors' emoluments figures reflect the remuneration of the Company's executive director, Alan Rainey. The remaining directors of the Company, who are also directors of Moyle Holdings Limited and Moyle Interconnector Limited, received total remuneration for the year of £61,000 (2004: £42,000), all of which was paid by Moyle Holdings Limited. The directors do not believe that it is practical to apportion this amount between their services as directors of the Company and their services as directors of Moyle Interconnector Ltd.

notes to the financial statements

as at 31 march 2005

5. Staff costs

	2005 £'000	2004 £'000
Wages and salaries	148	140
Social security costs	18	17
Pension costs	24	23
	190	180

The average monthly number of employees during the year, comprising only directors holding contracts of service with the Group, was 1 (2004: 1)

6. Interest receivable

	2005 £'000	2004 £'000
Bank interest receivable	882	476

7. Interest payable and similar charges

	2005 £'000	2004 £'000
Unwinding of discount on decommissioning provision	191	181
Bond interest and indexation	8,056	7,580
	8,247	7,761

8. Tax on profit on ordinary activities

(i) Analysis of charge in the period

	2005 £'000	2004 £'000
Current tax		
UK corporation tax on profits for the period	-	125
Adjustment to UK corporation tax of prior year	(12)	-
Total current tax	(12)	125
Deferred tax		
Origination and reversal of timing differences	397	926
Deferred tax discount credit	(290)	(564)
Total deferred tax	107	362
Total tax charge on profit on ordinary activities	95	487

notes to the financial statements

as at 31 march 2005

8. Tax on profit on ordinary activities (continued)

(ii) Factors affecting tax for the period	2005 £'000	2004 £'000
Profit on ordinary activities before tax	986	3,291
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 30%	296	988
Effects of:-		
Goodwill amortised	144	144
Capital allowances in excess of depreciation	(440)	(1,029)
Other timing differences	(15)	(6)
Disallowed expenses	15	28
Adjustment to UK corporation tax of prior year	(12)	-
Current tax for the period	(12)	125

9. Profit for the financial year

The profit dealt with in the accounts of the parent company was £9 (2004: profit of £17,000).

10. Intangible assets

Group	**Goodwill £'000**
Cost	
At 1 April 2004 and 31 March 2005	18,755
Amortisation	
At 1 April 2004	481
Charge for the year	481
At 31 March 2005	962
Net book value	
At 31 March 2005	17,793
At 1 April 2004	18,274

notes to the financial statements

as at 31 march 2005

10. Intangible assets (continued)

Goodwill arising on the acquisition of Moyle Interconnector Limited has been capitalised and is being amortised over its estimated useful economic life of 39 years from the date of acquisition, 8 April 2003.

Moyle Interconnector Limited operates in an established and stable market sector, acting as the only link between the transmission systems of Northern Ireland and Scotland.

The Moyle Interconnector is of strategic importance in the further development of an integrated electricity supply network linking the electricity grids of Northern Ireland, Scotland, England, Wales and the Republic of Ireland, with a further link to France and the European network and allows for the first time trading between the respective markets. Following the development of electricity markets throughout the world over the last decade, trading between those markets will be an integral part of economic life for the long term, giving assurance of a market for the transmission service which the Moyle Interconnector provides.

Moyle Interconnector Limited has already established itself in the market with an operating profit of £8,165,000 in the year ended 31 March 2005 (2004: £10,427,000).

On the basis of the above the Group has concluded that the durability of the acquired undertaking is expected to be for at least the operational lifespan of the related interconnector asset, which at the date of acquisition of Moyle Interconnector Limited had a remaining useful life of 39 years; this estimated useful life is in line with industry standards for transmission network assets. The carrying value of the related goodwill is capable of continued measurement, and is reviewed for impairment annually.

11.Tangible fixed assets

Group

	Interconnector £'000	Control equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 April 2004	158,489	3,785	13	162,287
Capital rebate	(30,089)	-	-	(30,089)
At 31 March 2005	128,400	3,785	13	132,198
Depreciation				
At 1 April 2004	7,925	378	4	8,307
Charge for the year	3,170	190	4	3,364
At 31 March 2005	11,095	568	8	11,671
Net book value				
At 31 March 2005	117,305	3,217	5	120,527
At 1 April 2004	150,564	3,407	9	153,980

Included in the cost of fixed assets are amounts in respect of capitalised interest of £8,137,000 (2004: £8,137,000).

The Group became entitled to repayment of £30,089,000 during the year from the original cost of the interconnector as a result of changes to the electricity trading market in Great Britain. As disclosed in note 13, £12,036,000 of this rebate is due in more than one year.

notes to the financial statements

as at 31 march 2005

12. Investments

Company

	Subsidiary undertaking £'000
Cost and net book value	
At 1 April 2004 and 31 March 2005	20,950

Details of the investments in which the Company holds more than 20% of the nominal value of any class of share capital are as follows:

Name of company	*Country of incorporation or registration*	*Holding*	*Proportion held*	*Nature of business*
Moyle Interconnector Limited	Northern Ireland	Ordinary Shares	100%	Operation of Moyle Interconnector

13. Debtors

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Amounts falling due within one year				
Trade debtors	997	-	1,891	-
Prepayments	1,595	176	1,621	168
Other debtors	76	-	17	-
Corporation tax recoverable	12	-	-	-
Loan to subsidiary undertaking	-	3,403	-	3,245
Capital rebate (note 11)	18,053	-	-	-
	20,733	3,579	3,529	3,413
Amounts falling due after one year				
Prepayments	508	-	1,274	-
Loan to subsidiary undertaking	-	109,155	-	109,242
Capital rebate (note 11)	12,036	-	-	-
	12,544	109,155	1,274	109,242
	33,277	112,734	4,803	112,655

Prepayments falling due after one year represent maintenance and servicing of the converter stations.

notes to the financial statements

as at 31 march 2005

14. Creditors: amounts falling due within one year

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Trade creditors	427	-	350	-
Other tax and social security	222	-	341	-
Corporation tax	-	-	125	-
Accruals and deferred income	1,816	10	3,166	6
Amounts owed to parent undertaking	18	-	16	-
Amounts owed to subsidiary undertaking	-	1,566	-	2,521
2.9376% Index Linked Guaranteed Secured Bonds 2033 (note 16)	3,793	3,793	3,594	3,594
	6,276	5,369	7,592	6,121

15. Creditors: amounts falling due after more than one year

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
2.9376% Index Linked Guaranteed Secured Bonds 2033 (note 16)	126,928	126,928	126,750	126,750
Loan from subsidiary undertaking	-	1,320	-	667
	126,928	128,248	126,750	127,417

The loan from subsidiary undertaking is interest free and is repayable on 31 March 2033.

notes to the financial statements

as at 31 march 2005

16. Loans

2.9376% Index Linked Guaranteed Secured Bonds 2033

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Amounts falling due				
In one year or less or on demand	4,075	4,075	3,885	3,885
In more than one year but not more than two years	4,146	4,146	3,955	3,955
In more than two years but not more than five years	13,268	13,268	12,378	12,378
In more than five years	113,280	113,280	114,466	114,466
	134,769	134,769	134,684	134,684
Less: unamortised issue costs	4,048	4,048	4,340	4,340
	130,721	130,721	130,344	130,344
Less: included in creditors amounts falling due within one year	3,793	3,793	3,594	3,594
	126,928	126,928	126,750	126,750

The 2.9376% Index Linked Guaranteed Secured Bonds 2033 were issued during the prior period to finance the acquisition of Moyle Interconnector Limited and to repay indebtedness owed to members of Viridian Group PLC. The indexation is based upon RPI. The bond is secured by fixed and floating charges over all the assets of the Group, and also by way of an unconditional and irrevocable financial guarantee given by Financial Security Assurance (U.K.) Limited as to scheduled payments of principal and interest, excluding default interest. In return for this guarantee, every six months the Group pays an index linked fee of 0.125% of the outstanding balance of the bond.

17. Provisions for liabilities and charges

Group

Deferred taxation

Deferred taxation is fully provided in the financial statements as follows:

	2005 £'000	2004 £'000
Capital allowances in advance of depreciation	5,092	4,709
Other timing differences	(267)	(281)
Undiscounted provision for deferred tax	4,825	4,428
Discount	(2,468)	(2,178)
Discounted provision for deferred tax	2,357	2,250

	2005 £'000	2004 £'000
Provision at start of period	2,250	-
Acquisition of subsidiary undertaking	-	1,888
Deferred tax charge for the period	107	362
Provision at end of period	2,357	2,250

notes to the financial statements

as at 31 march 2005

17. Provisions for liabilities and charges (continued)

	Deferred taxation £'000	Decommissioning provision £'000	Total £'000
At 1 April 2004	2,250	3,352	5,602
Increase in provision	107	-	107
Unwinding of discount	-	191	191
At 31 March 2005	2,357	3,543	5,900

Provision has been made for expenditure to be incurred in meeting the expected costs arising from the future decommissioning of the Interconnector in 37 years, at the end of its useful economic life. This provision is expected to be utilised within 37 years.

18. Deferred income

Group

	Deferred grants £'000
Grants	
At 1 April 2004	49,714
Amortised during the year	(1,591)
At 31 March 2005	48,123

19. Share capital

	Authorised Share Capital £'000
At 1 April 2004 and 31 March 2005	
1,000,000 ordinary shares of £1 each	1,000

	Allotted, called up and fully paid No.	£'000
At 1 April 2004 and 31 March 2005		
50,000 ordinary shares of £1 each	50,000	50

notes to the financial statements

as at 31 march 2005

20. Reconciliation of shareholders' funds and movement of reserves

Group

	Share capital £'000	Profit and loss account £'000	Total shareholders funds £'000
At incorporation	50	-	50
Profit for the period	-	2,804	2,804
Balance at 31 March 2004	50	2,804	2,854
Profit for the year	-	891	891
Balance at 31 March 2005	50	3,695	3,745

Company

	Share capital £'000	Profit and loss account £'000	Total shareholders funds £'000
At incorporation	50	-	50
Profit for the period	-	17	17
Balance at 31 March 2004	50	17	67
Profit for the year	-	-	-
Balance at 31 March 2005	50	17	67

notes to the financial statements

as at 31 march 2005

21. Derivatives and other financial instruments

The Group's principal financial instruments comprise of a bond, cash, and cash on deposit. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

It is, and has been throughout the current and prior years, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is detailed in the note below. The disclosures below include short-term debtors and creditors.

Interest rate risk

The Group borrows at both fixed and floating rates of interest. Throughout the current and prior years, the bond was at a fixed rate and there were no other borrowings.

Liquidity risk

The Group's objective is to maintain the continuity of funding through the operation of the Moyle Interconnector. If required the Group may call upon the Collection Agency agreement with Northern Ireland Electricity plc, through which cash may be collected to enable Moyle to meet its requirements, or it may alternatively draw down on a £10,000,000 liquidity facility with The Royal Bank of Scotland plc. It is the Group's policy to enter into no borrowing facility other than the liquidity facility as noted above.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31 March is as follows:

Currency	**Total £'000**	**Fixed rate financial liabilities £'000**	**Financial liabilities on which no interest is paid £'000**
2005			
Sterling	132,353	130,721	1,632
2004			
Sterling	132,484	130,344	2,140

notes to the financial statements

as at 31 march 2005

21. Derivatives and other financial instruments (continued)

Currency	Fixed rate financial liabilities: Weighted average interest rate %	Fixed rate financial liabilities: Weighted average period for which rate is fixed years	Financial liabilities on which no interest is paid: Weighted average period until maturity years
2005			
Sterling	2.94*	28	0.4
2004			
Sterling	2.94*	29	0.4

* The bond principal and interest are adjusted for the movement in RPI in each 6 month period, as applied on 30 September and 31 March in each year, based on the RPI figure for the eighth month prior to these dates.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group as at 31 March is as follows:

Currency	Total £'000	Fixed rate financial assets £'000	Floating rate financial assets £'000	Financial assets on which no interest is earned £'000
2005				
Sterling	50,536	8,500	40,964	1,072
2004				
Sterling	17,363	8,200	7,255	1,908

Floating rate financial assets comprise cash deposits on money market deposit at call and on deposit for variable terms up to one month; and, for the year ended 31 March 2005, a capital rebate receivable over a period of 24 months. Floating rate financial assets earn interest at a range of Bank of England base rate to Bank of England base rate plus 2%. The interest on the sterling fixed rate financial assets is 3.93% to 4.98% (2004: 3.25% to 3.93%) which mature in less than one month. Financial assets on which no interest is earned are due to mature in one month.

Maturity of financial liabilities.

The maturity profile of the Group's financial liabilities at 31 March is as follows:

	2005 £'000	2004 £'000
In one year or less, or on demand	5,425	5,734
In more than one year, but not more than two	3,875	3,673
In more than two years, but not more than five	12,515	11,594
In more than five years	110,538	111,483
	132,353	132,484

notes to the financial statements

as at 31 march 2005

21. Derivatives and other financial instruments (continued)

Borrowing facilities

The Group have undrawn borrowing facilities of £10,000,000 available at 31 March 2005 (2004: £10,000,000). The facility is reviewed at the end of each 364 day period. The current facility is to be reviewed on 29 March 2006.

Fair values of financial assets and financial liabilities

In the opinion of the directors the fair value of each category of financial assets and financial liabilities does not materially differ from the book values. The fair value of the bonds is derived from their limited trading on the market.

22. Financial commitments

The commitments under non-cancellable operating leases are as follows:

Group

	Land and buildings 2005 £'000	Land and buildings 2004 £'000
Operating leases which expire:		
beyond 5 years	82	82

The company has no finance leases.

23. Pension commitments

Moyle Interconnector Limited operates a pension scheme, funded by the payment of contributions to a separately administered fund which is invested in a contracted-in money purchase scheme with a major insurer. However, because the targeted benefits are based on those to which the employee was entitled from his previous employer, the scheme is substantially a defined benefit scheme in nature. There are certain limitations as to the extent that previous entitlements are reflected in the company pension scheme, such that if the cost of funding certain of the benefits is deemed unreasonable by the company, the company reserves the right to amend the levels of benefit.

The pension cost for the year in respect of benefits under the scheme was £24,000 (2004: £23,000).

The net pension charge is derived from a regular cost of 26.7% of salary. The pension cost has been determined in accordance with the advice of Financial Planning Organisation Limited. For accounting purposes, the attained age method was adopted, and the most significant actuarial assumptions were that investment returns at 7.6% per annum pre-retirement would exceed general salary increases by 4.0% per annum and investment returns of 6.1% per annum post-retirement would exceed future pension increases by 3.4% per annum. The market value of the scheme's assets as at 31 March 2005 was some £53,000. The actuarial value of the assets represented 100% of the actuarial value of the accrued benefits. The accrued benefits include benefits based on completed service and projected salary for the active member.

FRS 17 disclosures

Financial Planning Organisation Limited have provided a valuation of the scheme under FRS 17 as at 31 March 2005 using the projected unit method. The major assumptions used were (in nominal terms):

	2005	2004
Rate of increase in pensionable salaries	6.9%	6.9%
Rate of increase in pensions in payment	5.3%	5.3%
Inflation assumption	5.3%	5.3%
Discount rate	8.5%	8.5%

notes to the financial statements

as at 31 march 2005

23. Pension commitments (continued)

The charge to the profit and loss account, comprising wholly current service costs would have been £24,000 (2004: £23,000). The valuation at 31 March 2005 showed a net pension asset (before and after deferred tax) of £nil, as follows.

	Value at 31 March 2005 £'000	Expected rate of return %	Value at 31 March 2004 £'000	Expected rate of return %
Insurance policy	53	8.5	25	8.5
Total market value of assets	53		25	
Present value of scheme liabilities	(53)		(25)	
Pension asset before and after deferred tax	-		-	

Movement in pension balance during the year

	2005 £'000	2004 £'000
Opening balance	-	-
Movement in year:		
Current service cost	(24)	(23)
Contributions	24	23
Returns on pension scheme assets	28	25
Interest on pension scheme liabilities	(28)	(25)
Closing balance	-	-

24. Contingent liabilities and guarantees

Group and Company

The Group and Company have given guarantees disclosed in note 16 to the financial statements.

25. Related parties

The Company has taken advantage of the exemption within FRS 8 'Related Party Disclosures' from disclosing transactions with its ultimate parent undertaking during the year, Moyle Holdings Limited, and its Group companies. Consolidated financial statements of Moyle Holdings Limited, which include the Company, can be obtained as described in note 26.

26. Ultimate parent undertaking and controlling party

The ultimate and immediate parent undertaking and controlling party of the Company is Moyle Holdings Limited, a company incorporated in Northern Ireland. Copies of its consolidated financial statements, which include the Company are available from Capital House, 3 Upper Queen Street, Belfast, BT1 6PU.


moyle
interconnector

notice of annual general meeting

MOYLE HOLDINGS LIMITED
Company Number: NI 45738
("the Company")

Notice is hereby given that the Annual General Meeting of the Company will be held at the Hilton Hotel, Castle Upton Estate, Templepatrick, BT39 0DD on the 12th day of October 2005 at 10.00am for the purpose of transacting the ordinary business of the Company, namely:-

1 To receive the Company's accounts and the reports of the directors and auditors for the year ended 31st March 2005.

2 To re-appoint the retiring auditors and to authorise the directors to determine the auditors' remuneration.

3 To confirm the directors' emoluments.

Dated this 4th day of July 2005

Registered Office: Capital House
3 Upper Queen Street
Belfast
BT1 6PU

By Order of the Board:

Arthur Cox Northern Ireland
Secretary

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her and that proxy need not also be a member. The form of proxy should adopt the following format.

FORM OF PROXY

I ____

of ____

hereby appoint the Chairman of the meeting or failing him

____

of ____

as my proxy to attend and vote for me on my behalf at the Annual General Meeting of Moyle Holdings Limited to be held at the Hilton Hotel, Castle Upton Estate, Templepatrick, BT39 0DD on the 12th day of October 2005 at 10.00am and at every adjournment thereof.

Dated this day of 2005

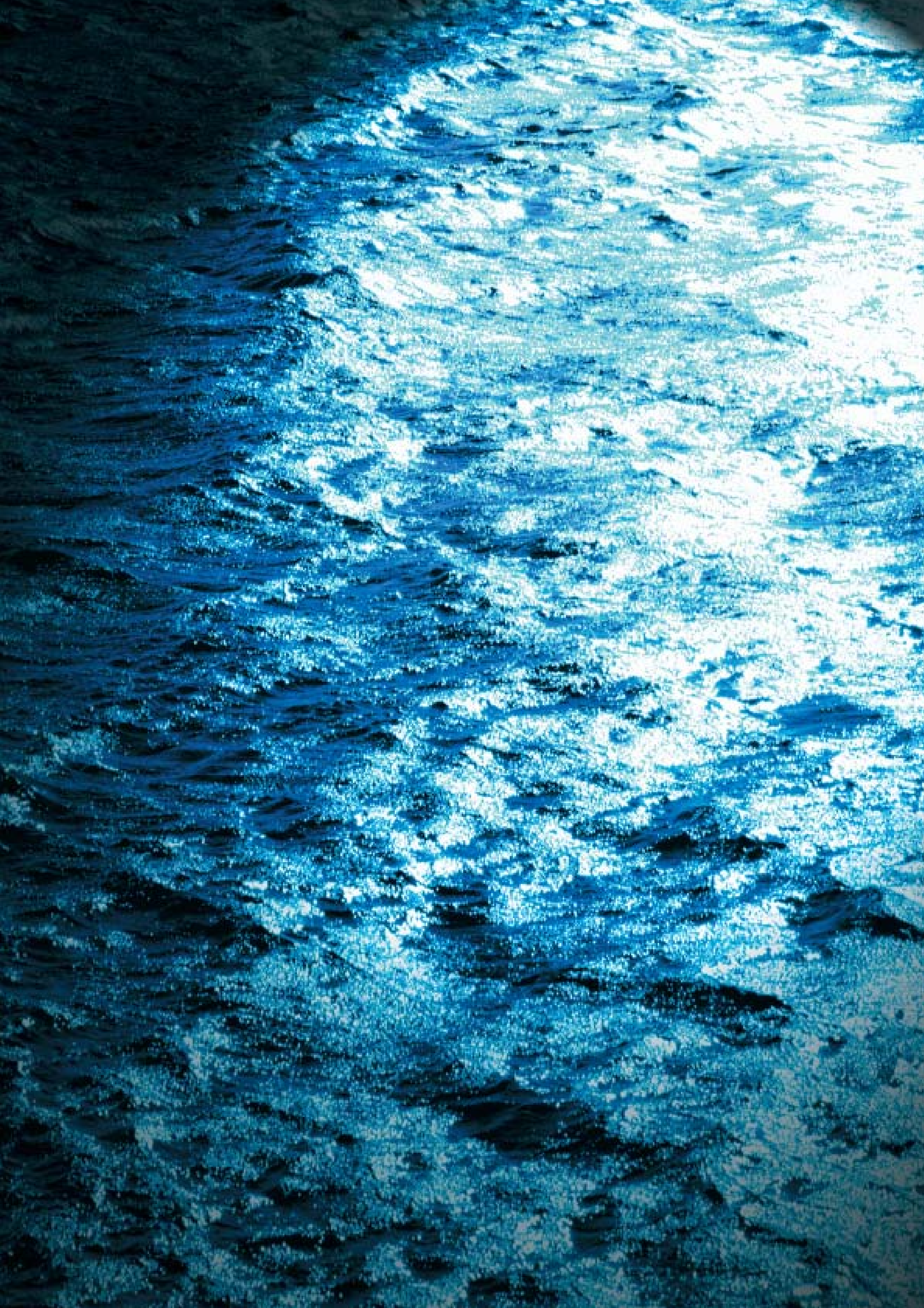
NOTES

1 You may appoint a person other than the Chairman of the meeting as your proxy by entering the name of the person who you wish to appoint in the space provided and deleting the words “the Chairman of the meeting or failing him”. Such proxy need not be a member of the Company. The Chairman of the meeting will act as your proxy if no other name is inserted.

2 The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing.

3 To be valid, this form must be completed and deposited at the registered office of the Company not less than 24 hours before the time fixed for holding the meeting at which the person named in the instrument proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

notes



ANNUAL REPORT 2005

Moyle Holdings Limited

Registered Address:

Capital House
3 Upper Queen Street
Belfast
BT1 6PU

Registered Number:
NI 45738

Business Address:

3 Wellington Park
Malone Road
Belfast
BT9 6DJ

T: 028 9092 3341
F: 028 9092 3381

Moyle Interconnector (Financing) plc

Registered Address:

Capital House
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BT1 6PU

Registered Number:
NI 45625

Business Address:

3 Wellington Park
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Belfast
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F: 028 9092 3381

Moyle Interconnector Limited

Registered Address:

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Registered Number:
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