

Moyle Holdings Limited

Registered Address: Business Address:

Capital House
3 Upper Queen Street
Belfast
BT1 6PU

3 Wellington Park
Malone Road
Belfast
BT9 6DL

Registered Number: T: 028 9092 3341
NI 45738 F: 028 9092 3381

Moyle Interconnector (Financing) plc

Registered Address: Business Address:

Capital House
3 Upper Queen Street
Belfast
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chairman's statement



Alasdair Locke, Chairman

I am very pleased to present the inaugural set of accounts for the Moyle Group of companies, following the successful acquisition in April 2003 of the Moyle Interconnector, which links the electricity transmission systems of Northern Ireland and Scotland. The Moyle Group was established with the express purpose of acting for the benefit of and in the long term interests of the consumers of electricity in Northern Ireland and it is therefore most gratifying to be able to report a highly satisfactory outcome to our first year of operations.

We have achieved a Group profit of some £2.9 million, which is in excess of our initial expectations and the outlook for the Group in the coming year gives us confidence in another favourable outcome, leading to a further strengthening of the Group's financial position and its ability to deliver its corporate goals.

The Group's operational performance has been most satisfactory, with an above average availability of transmission capacity during the year combined with some significant cost reductions in operations and maintenance without compromise to the safe and efficient conduct of our business. We maintained the healthy cash flow which is essential to meeting our commitments under our long-term bond financing. We have comfortably exceeded our debt service cover ratio requirements and we expect to continue to do so into the future. During the year we have continued to invest for the long term in maintenance and technical improvements to our assets, with a view to ensuring that we continue to deliver excellent operational performance to our customers while meeting our environmental obligations, and such programmes will continue in the current year.

Regulatory issues are of considerable importance to the conduct of the Group's business in all areas of operations, and as a consequence we work closely with government, the Northern Ireland Authority for Energy Regulation, the relevant authorities in other jurisdictions and interested parties to ensure that the Moyle Group can continue to serve the best interests of electricity consumers in Northern Ireland. Significant changes are likely to occur in the operation of our marketplace in the coming years, and it is therefore vital that we participate fully in the development and implementation of new market arrangements.

In this first year of the Group's operations, we have given particular attention to corporate governance and, mindful of our responsibilities to our stakeholders, we believe that the Group should adopt best practice in this area. Although the Combined Code was designed for companies different to the Moyle Group of companies, we have adopted a corporate governance policy based on its provisions as far as applicable in our circumstances.

I am fortunate to have the assistance of my colleagues on the Board of Directors, who have provided wise counsel and support to myself and the Managing Director in the administration and direction of the Group's affairs. I thank them for their valuable contribution and look forward to working with them to continue to deliver value to all our stakeholders.

Alasdair Locke
Chairman

managing director's review



Alan Rainey, Managing Director

Customers and Revenue

The primary revenue of the Moyle Group of companies ("the Group") is earned from sale, by annual auction, of the transmission capacity of the Moyle Interconnector on one to three year contracts. Although capacity in both directions is offered to the market, to date demand for Moyle capacity has been confined to the east-west direction. The 400 MW capacity available in that direction was fully contracted during the year. Although the capacity of the interconnector is 500 MW, system considerations have led the transmission system operator to limit the available transfer capacity offered to the market to 400 MW. Our customers are the electricity suppliers active in the franchise and eligible electricity markets in Northern Ireland and the Republic of Ireland.

Revenue for the year, at £20.7 million, was ahead of expectations due to good asset availability.

In the December 2003 auction, all capacity due to come out of contract on 1 April 2004 was re-sold at similar price levels to those of the previous year's auction. Projected revenue for 2004-05 is therefore expected to be similar to the year under review and to be adequate to meet the Group's financing and operating costs without recourse to electricity customers through the collection agency contract with Northern Ireland Electricity plc.

Revenue for the year from investment of the Group's cash reserves, at £0.5

million, was ahead of expectations as a result of the achievement of improved investment terms and of the general rise in interest rates.

Asset Performance and Maintenance

The service provided by the Group to its customers, and more generally to all electricity customers in Northern Ireland, is determined by the performance of its assets - the availability of the Moyle Interconnector's transmission capacity to traders in electricity between Ireland and Great Britain and to the electricity system in Northern Ireland. An overall availability of 99.4% for the year was achieved, significantly better than the independent estimate of 97.9% made in April 2003 by the technical advisers to the Group's financiers.

Detailed asset performance is measured by the parameters of Forced Energy Unavailability (FEU) and Scheduled Energy Unavailability (SEU). The high reliability of the interconnector was demonstrated by the very low FEU (the measure of the impact of unplanned outages) of 0.05% 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 taken. A satisfactory maintenance programme was indicated by the SEU (the measure of unavailability due to planned maintenance) of 0.56% against the prediction of 1.00%. Planned maintenance was carried out at times of the lowest demand for interconnector capacity so as to minimise inconvenience to customers.

The undersea and underground cables performed without incident throughout the year. The planned rock placement off the Scottish coast in January completed the rectification of the remaining deficiencies, identified during maintenance surveys, in the external protection of the cables. A diver survey of the immediate shore approaches confirmed the integrity of the protection in those areas.

The year's maintenance programme was satisfactorily completed. At year end there were no significant known defects on the interconnector equipment and spares holdings were at satisfactory levels for continued reliable service performance.

Financial Performance

The cash surplus on the year's operations was significantly ahead of the expectations at the time of the acquisition of the Moyle companies, resulting from the combination of increased revenues and savings on operation and maintenance costs. A transfer of £2.8 million of the year's surplus, as required by the finance documents, was made to the Distributions Account of Moyle Interconnector Limited ("Moyle"). These funds are available for use for the benefit of electricity customers in Northern Ireland in consultation with the Northern Ireland Authority for Electricity Regulation ("the Authority").

Under the finance documents, the ongoing ability of Moyle Interconnector (Financing) plc ("Financing") to meet its repayment obligations is measured by the

Annual Debt Service Cover Ratio (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 1.85 against a required figure of 1.15. Projected figures for the following three years show a minimum ADSCR of 1.86, demonstrating an ongoing ability to comfortably meet the Group's repayment obligations.

All of the reserve accounts were fully funded and the liquidity facility was in place throughout the year, as required by the finance documents. The Group's reporting obligations to its financiers, represented by Financial Security Assurance (U.K.) Limited as the Controlling Creditor and the Bank of New York as the Bond and Security Trustee and Paying Agent, were met and good relationships were maintained.

Profit at the level of Moyle, the operating company, was £3.8 million before tax. The corresponding figure at Financing and Group levels was £3.3 million after accounting for amortisation of the goodwill on acquisition of Moyle. The Group made a profit of £2.9 million after tax.

Environment

Following commissioning of the Moyle Interconnector, complaints were received of audible noise in the vicinity of the Ballycronan More Converter station and of telephone interference at remote locations in Northern Ireland, believed to be caused by the converter

station equipment. The audible noise issue was resolved early in the year.

Studies of the telephone interference issue identified a technical solution which would remove the possibility of harmonic emissions from the converter station exciting a resonance condition on the NIE transmission system resulting in interference to telephone customers. This solution, the installation of a blocking filter at Ballylumford power station, was implemented during the year. We expect that testing to be carried out after year end will show that the problem has been resolved at a cost within the provision made in the accounts at the time of commissioning the interconnector.

During the year, harmonic problems were experienced at the interface between the Auchencrosh Converter Station and the Scottish transmission system, resulting in a number of operational incidents including a forced outage of the interconnector. Investigation of these incidents led to a re-configuration of our filters at Auchencrosh just after year end. We believe that this has solved the problems for the time being but that further upgrading of our equipment at Auchencrosh is desirable to ensure that service availability is maintained at the optimum level in the long term. Plans for such upgrading are in hand.

Regulation

The December 2003 auction of Moyle's transmission capacity was held on the basis of access arrangements and auction procedures (the "relevant access arrangements" required by Moyle's licence) set out in the October 2003 decision paper of the Authority, following consultation with Moyle and the participants in the electricity market in Northern Ireland. These

arrangements satisfactorily meet the needs of the company and its customers at the present stage of development of the electricity market in Northern Ireland and will be kept under review as market development progresses.

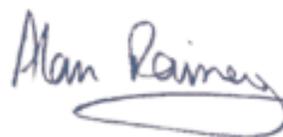
Moyle's transmission licence was modified by the Authority on 29 September 2003 in the technical terms necessitated by the enactment of the Energy (Northern Ireland) Order 2003 and the setting up of the Authority as successor to the Director General of Electricity Supply. There was no change to the substance of the licence.

The report on the Group's financial performance mentions the transfer of part of Moyle's cash surplus to the company's Distributions Account, to be used for the benefit of electricity customers. The Authority has issued a further Direction to Moyle, under the terms of its electricity transmission licence and the existing Moyle Direction, setting out the various purposes for which these funds are to be used, with the emphasis on the present and future cash needs of the company.

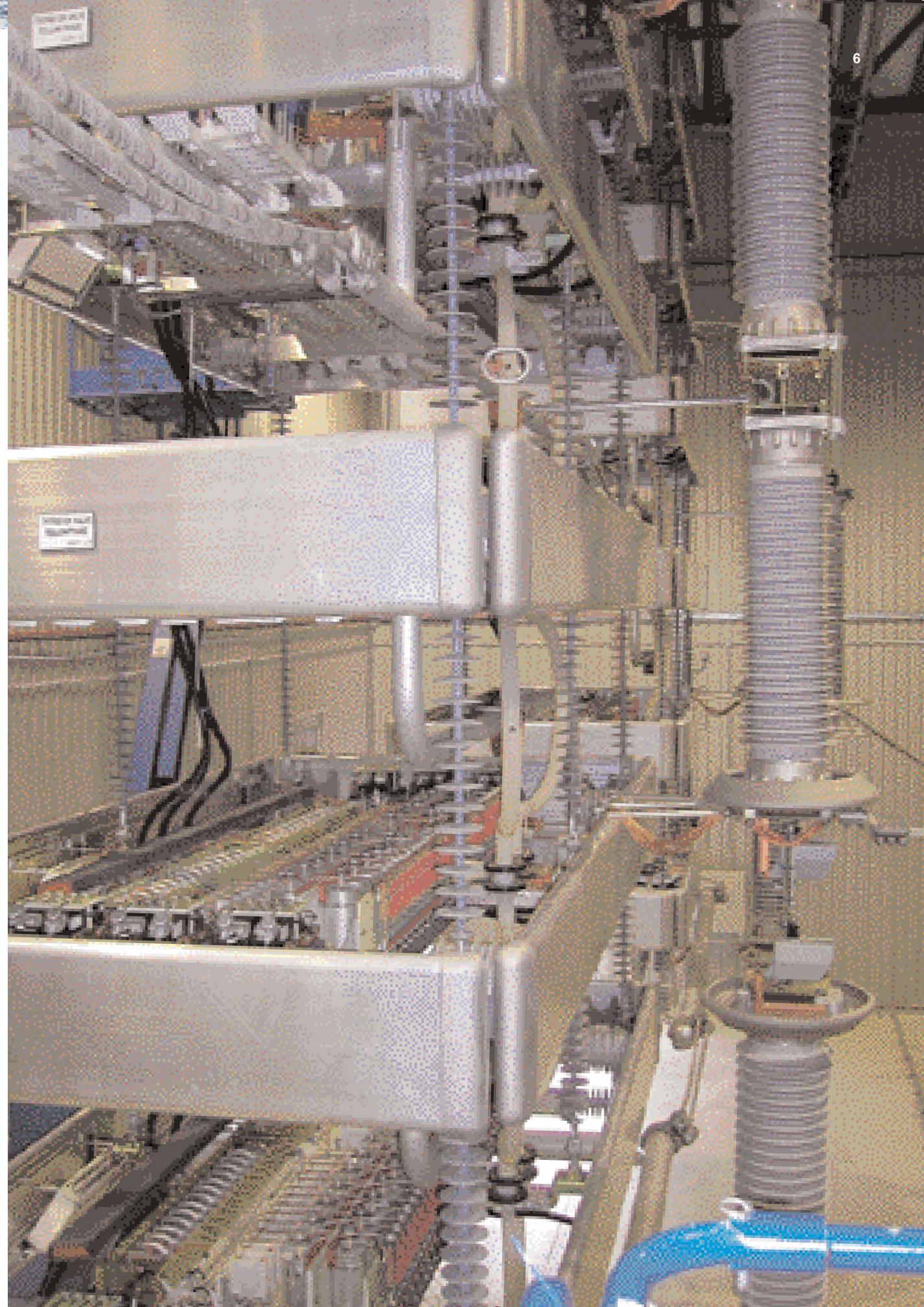
The Moyle Interconnector is at the interface between the electricity markets in Ireland and those in Great Britain and the major part of the Group's business is the transport of electricity to facilitate trades between those markets. Over the next few years significant changes will take place in the markets in all the jurisdictions concerned. Preparation of and consultation on the new arrangements is in progress and the respective regulatory authorities are considering arrangements for interconnector trading as a vital element of their overall market designs. Looking to the future of our business, we maintain a high level of participation in the development and implementation

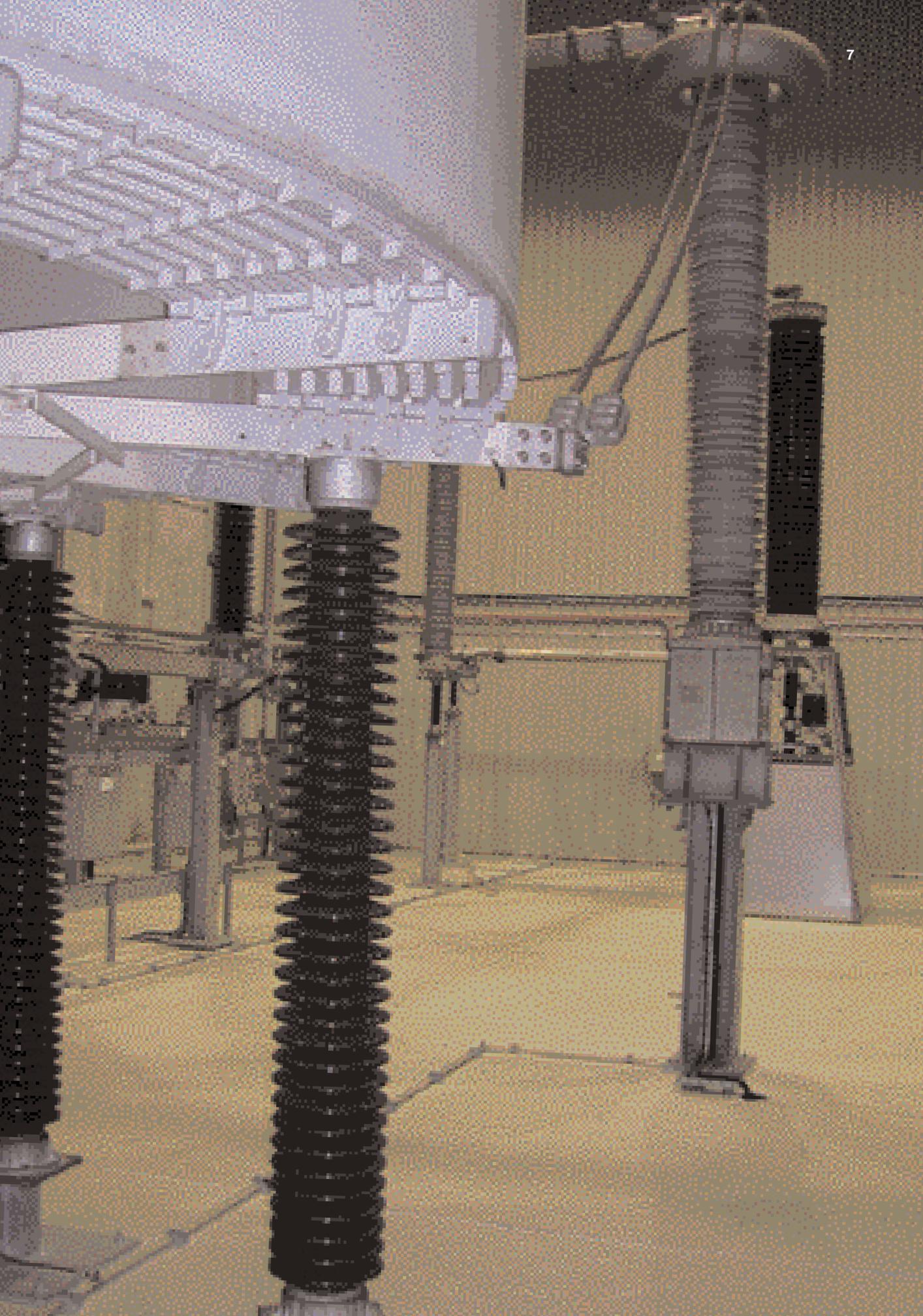
of the new market arrangements. Over the next year, this will entail considerable activity, particularly in relation to the Scottish market which is due to become part of the British Electricity Transmission and Trading Arrangements ("BETTA") in April 2005.

During the year the Energy Bill for Great Britain was introduced in Parliament. Among its provisions is a requirement for the licensing of interconnectors, which are at present licensable and regulated in Northern Ireland but not in Great Britain. The present arrangements bring certainty and stability to the regulatory regime governing Moyle's business. We believe that as Moyle is already licensed and regulated in Northern Ireland, there would be no benefit to our stakeholders or the community generally for Moyle to be also licensed in Great Britain. Working with the other interested parties in Northern Ireland, our policy is to seek exemption from the proposed new arrangements in Great Britain by virtue of the present regulatory regime in Northern Ireland.



Alan Rainey
Managing Director





board of directors



Alasdair J.D. Locke (50) 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 (55) Senior Independent Director

Alan McClure recently retired as President and CEO of Perfecseal Inc. and is now 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 (55)

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 (41)

Felicity Huston is a Partner in Huston and Co Tax Consultants, having been a partner for ten 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 and was made a Commissioner for the House of Lords Appointments Commission by the Prime Minister in 2000.



Damian McAteer (48)

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 (57) 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 35 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.

corporate governance



The Board believes that the Moyle Group should adopt best practice in the area of corporate governance. Mindful of its responsibilities to the Group's principal stakeholders (namely, electricity consumers in Northern Ireland and its bondholders), the Board has adopted a Corporate Governance policy based on the Combined Code so far as applicable in the circumstances of the Group, although the Board considers that the companies of the Group are not within the class of companies for which full compliance with the Combined Code is intended or appropriate. (The holding company of the Group, Moyle Holdings Limited, is a private company limited by guarantee. Its subsidiary, Moyle Interconnector (Financing) plc, is an unlisted public limited company which is the issuer of listed bonds. The operating company of the Group, Moyle Interconnector Limited, is a private company limited by shares.)

The Group's holding company, Moyle Holdings Limited, is headed by a small non-executive Board which meets at least four times a year to determine the strategy, plans and policies of the Group and to monitor its operational performance. The directors are also non-executive directors of each of the Group's two subsidiary companies. The subsidiaries each have one executive director (the "Managing Director"), who is the Group's only executive employee. Taking into account both best practice in corporate governance and the practicalities of the structure and staffing of the Group, the Board has adopted a schedule of matters

reserved for its consideration, with all other operational responsibility for day to day running of the Group being delegated to the Managing Director. The reserved matters include changes to the business of the Group, acquisitions and disposals, and expenditure and contracts outside approved plans and prescribed parameters.

The names of the chairman and senior independent director are set out on the first page of the Directors' Report for each company. The non-executive directors are all independent both of management and of any business or other relationship with the Group which could influence their independent and objective judgement in relation to the business of the Group. David Montgomery, prior to becoming a director of the companies, acted as a consultant to the Group through his company Mecom UK Management Company Limited.

Board members have access to the advice and services of the Company Secretary and to independent professional advice. The Managing Director reports on the Group's operations at each Board meeting. Papers on matters for consideration by the Board are circulated to directors in advance. The Board meets as the nominations, audit and remuneration committees as appropriate.

As the nomination committee, the Board operates a formal process for the appointment of new Board members,

as prescribed in the articles of association of Moyle Holdings Limited. Where there is a vacancy arising out of a resignation, the Board has authority to appoint a replacement, subject to ratification by the members of Moyle Holdings Limited at the Annual General Meeting. Appointments of additional non-executive directors bringing the total to more than three requires the approval of the members of Moyle Holdings Limited in general meeting. Such approval was given during the year for the increase of the number of non-executive directors to five. Non-executive directors are appointed on standard terms which are reviewed periodically. The re-election of non-executive directors is a matter for consideration by the members of Moyle Holdings Limited at the Annual General Meeting.

The Board meets periodically as the remuneration committee, reviewing the Managing Director's salary, setting performance criteria and assessing performance against these criteria. The Managing Director's contract period will continue to be less than one year. Details of directors' fees and remuneration are set out in the separate statement on Directors' Remuneration.

Having consulted as appropriate with the Northern Ireland Authority for Energy Regulation, the committee will report on non-executive fees to the members of Moyle Holdings Limited at the Annual General Meeting, which will set the parameters for future policy on fees.



The Board meets as the audit committee twice a year, monitoring the accounting policies and financial statements of the Group, reviewing its financial controls and risk management systems and considering the appointment, independence and terms of the Group's auditors.

directors' remuneration

The policy of the Board 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.

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

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

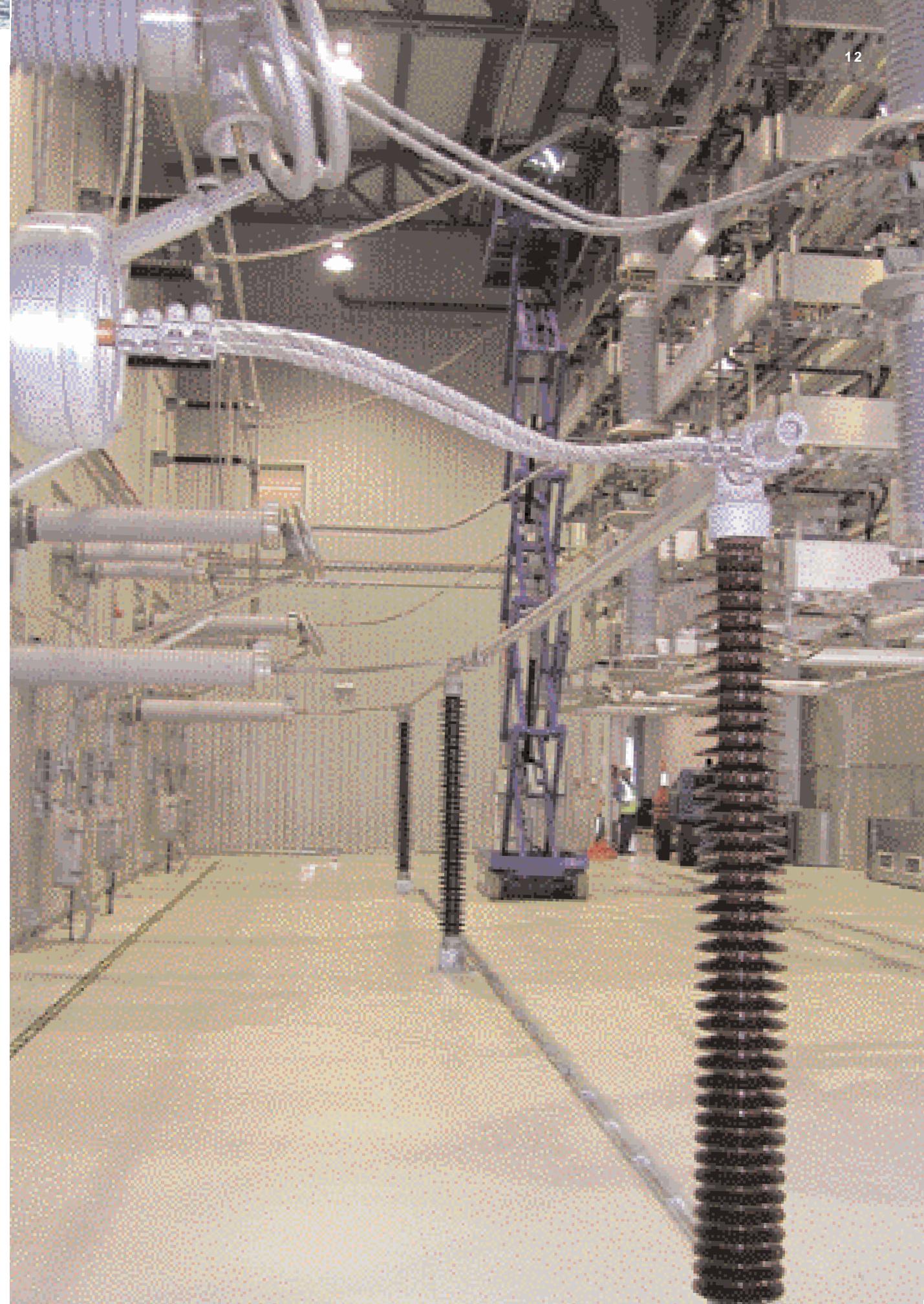
	Basic salary/fees £'000	Benefits in kind £'000	Performance bonus £'000	Total £'000
Non-Executive Directors				
Alasdair Locke	15			15
Alan McClure	10			10
David Montgomery	7			7
Felicity Huston	5			5
Damian McAteer	5			5
Totals	42			42

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

	Basic salary/fees £'000	Benefits in kind £'000	Performance bonus £'000	Total £'000
Executive Director				
Alan Rainey	94	1	45	140

The Group operates a pension scheme for the executive director of the subsidiary undertakings and made contributions of £23,000 to the scheme during the year. Contributions are assessed annually to ensure that the pension on retirement remains equivalent to comparable defined benefit schemes for employees in the electricity industry.

By order of the Board
Arthur Cox Northern Ireland
Secretary



moyle holdings limited

a private company limited by guarantee and not having a share capital
report and financial statements 31 march 2004

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
PO Box 39952
2 1/2 Devonshire Square
London
EC2M 4XJ

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 45738

directors' report

The directors are pleased to present their report and the group financial statements for the period ended 31 March 2004.

Results and dividends

The profit for the period after taxation was £2,854,000.

Principal activity and review of the business

The Company was incorporated on 8 March 2003 as 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 Interconnector. The business of the Group and future developments in relation to it are reviewed in the Chairman's Statement and the Managing Director's Review.

Directors and their interests

The present directors of the Company are listed on page 13. The initial directors S. Cross and J. Ebbage resigned on 26 March 2003 and the remaining appointments and resignations of directors during the period were as follows

Director	Date of appointment	Date of resignation
Alasdair Locke	26 March 2003	-
Alan McClure	26 March 2003	-
Edward Haughey	26 March 2003	7 July 2003
David Montgomery	7 July 2003	-
Felicity Huston	30 September 2003	-
Damian McAteer	30 September 2003	-

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 period.

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 were appointed as auditors during the period and 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.

By order of the Board
Arthur Cox Northern Ireland
Secretary
6 July 2004

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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

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 period ended 31 March 2004, 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, Managing Director's Review, Report of the Remuneration Committee, Corporate Governance 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 Group as at 31 March 2004 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

Ernst & Young LLP
Registered Auditor
Belfast
6 July 2004

group profit and loss account

for the period ended 31 march 2004

	Notes	2004 £'000
Turnover - acquisitions	2	20,742
Operating costs (excluding goodwill amortisation)		(9,685)
Goodwill amortisation		(431)
Total operating costs	3	<u>(10,116)</u>
Group operating profit - acquisitions		10,626
Interest receivable	6	476
Interest payable and similar charges	7	<u>(7,761)</u>
Profit on ordinary activities before taxation		3,341
Tax on profit on ordinary activities	8	<u>(487)</u>
Retained profit for the period	20	<u><u>2,854</u></u>

group statement of total recognised gains and losses

There are no other recognised gains and losses other than the profit of the Group of £2,854,000 for the period ended 31 March 2004.

group balance sheet

as at 31 march 2004

	Notes	2004 £'000
Fixed assets		
Intangible assets	10	18,274
Tangible assets	11	153,980
		<u>172,254</u>
Current assets		
Debtors	13	4,807
Cash		15,468
		<u>20,275</u>
Current liabilities		
Creditors: amounts falling due within one year	14	<u>(7,609)</u>
Net current assets		12,666
Total assets less current liabilities		184,920
Creditors: amounts falling due after more than one year	15	(126,750)
Provisions for liabilities and charges	17	(5,602)
Deferred income	18	<u>(49,714)</u>
Net assets		<u><u>2,854</u></u>
Capital and reserves		
Profit and loss account	20	2,854
Total reserves	20	<u><u>2,854</u></u>

The financial statements on pages 17 to 35 of this report were approved by the Board on 6 July 2004 and signed on its behalf by:

Alan McClure
Director

Damian McAteer
Director

company balance sheet

as at 31 march 2004

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

The financial statements on pages 17 to 35 of this report were approved by the Board on 6 July 2004 and signed on its behalf by:

Alan McClure
Director

Damian McAteer
Director

group cash flow statement

as at 31 march 2004

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

notes to the financial statements

as at 31 march 2004

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 2004. 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 will be 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, 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 2004

2. Turnover and segmental information

Turnover, which is stated net of 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 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:

	2004 £'000
Maintenance costs	1,243
Other operating costs	5,434
Administration costs	976
Depreciation (after crediting amortisation of deferred government grants)	2,032
Amortisation of goodwill	431
	<hr/>
	10,116
	<hr/> <hr/>

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:

	2004 £'000
Depreciation charge on tangible fixed assets	3,439
Amortisation of deferred government grants	1,407
Auditors' remuneration in respect of services to the Group:	
- Audit services (company - £3,000)	14
- Non audit services	6
Operating lease costs:	
- Other	82
	<hr/> <hr/>

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 FRS 4.

notes to the financial statements

as at 31 march 2004

4. Directors emoluments

	2004 £'000
Emoluments	42
Contributions paid to defined benefit pension scheme	-
Members of defined benefit pension scheme	-

5. Staff costs

	2004 £'000
Wages and salaries	145
Social security costs	17
Pension costs	23
	185

The average monthly number of employees during the period, including directors, was 2.

6. Interest receivable

	2004 £'000
Bank interest receivable	476

7. Interest payable and similar charges

	2004 £'000
Unwinding of discount on decommissioning provision	181
Bond interest and indexation	7,580
	7,761

notes to the financial statements

as at 31 march 2004

8. Tax on profit on ordinary activities

(i) Analysis of charge in the period	2004 £'000
Current tax:	
UK corporation tax on profit for the period	125
Total current tax	125
Deferred tax:	
Origination and reversal of timing differences	926
Deferred tax discount	(564)
Total deferred tax	362
Total tax charge on profit on ordinary activities	487

(ii) Factors affecting tax for the period

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

9. Profit for the financial period

The profit dealt with in the accounts of the parent company was £159.

notes to the financial statements

as at 31 march 2004

10. Intangible assets Group

	Goodwill £'000
Cost:	
On incorporation	-
Additions	18,705
	<hr/>
At 31 March 2004	18,705
Amortisation:	
On incorporation	-
Charge for the period	431
	<hr/>
At 31 March 2004	431
	<hr/>
Net book value:	
At 31 March 2004	18,274
	<hr/> <hr/>
At incorporation	-
	<hr/> <hr/>

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.

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. On commissioning, it enabled electricity consumers in Northern Ireland to have access to the cheaper electricity available in the competitive electricity market in Great Britain.

Moyle Interconnector Limited has already established itself in the market with a growth in operating profit to £10,427,000 in the year ended 31 March 2004 (2003 - £6,432,000).

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 will be reviewed for impairment annually.

Negative goodwill arising on the acquisition of Moyle Interconnector (Financing) plc has been fully amortised in the period.

notes to the financial statements

as at 31 march 2004

11. Tangible fixed assets Group

	Interconnector £'000	Control equipment £'000	Office equipment £'000	Total £'000
Cost				
At incorporation	-	-	-	-
Acquisition of subsidiary undertaking	158,489	3,785	-	162,274
Additions	-	-	13	13
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	158,489	3,785	13	162,287
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At incorporation	-	-	-	-
Acquisition of subsidiary undertaking	4,755	113	-	4,868
Charge for the period	3,170	265	4	3,439
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	7,925	378	4	8,307
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2004	150,564	3,407	9	153,980
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At incorporation	-	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included in fixed assets are amounts in respect of capitalised interest of £8,137,000.

notes to the financial statements

as at 31 march 2004

12. Investments

Company	Subsidiary undertakings
	£'000
Cost:	
At incorporation	-
Additions	1
	<hr/>
At 31 March 2004	1
	<hr/>
Net book value:	
At 31 March 2004	1
	<hr/> <hr/>
At incorporation	-
	<hr/> <hr/>

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:

<i>Name of company</i>	<i>Country of incorporation or registration</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
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

On 14 April 2003, the Company acquired 100% of the ordinary share capital of Moyle Interconnector (Financing) plc and its subsidiary undertaking. The acquisition is analysed as follows:

Net assets and fair value at date of acquisition:	£'000
Fixed assets	157,406
Goodwill	18,755
Debtors	8,096
Cash	50
Other creditors	(4,851)
Provisions	(5,059)
Deferred income	(51,121)
Deferred consideration to Viridian Group PLC for acquisition of Moyle Interconnector Limited	(20,950)
Loan from Viridian Power & Energy Limited repaid on issue of bond	(102,276)
	<hr/>
Net assets	50
Goodwill arising on acquisition	(50)
	<hr/> <hr/>
	-
	<hr/> <hr/>
Discharged by:	
Cash payment of £1	-
	<hr/> <hr/>

Moyle Interconnector (Financing) plc was incorporated on 3 March 2003 and there were no recognised gains or losses in the period to acquisition. During the year ended 31 March 2003 Moyle Interconnector Limited recorded turnover of £16,081,000 and operating profit of £6,432,000, earned a profit before tax of £940,000 and a profit after tax of £3,607,000.

notes to the financial statements

as at 31 march 2004

13. Debtors

Amounts falling due within one year:

	Group 2004 £'000	Company 2004 £'000
Trade debtors	1,891	-
Prepayments	1,625	4
Other debtors	17	-
Amounts owed by subsidiary undertakings	-	16
	<hr/>	<hr/>
	3,533	20
	<hr/>	<hr/>
Amounts falling due after one year:		
Prepayments	1,274	-
	<hr/>	<hr/>
	4,807	20
	<hr/> <hr/>	<hr/> <hr/>

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

14. Creditors: amounts falling due within one year

	Group 2004 £'000	Company 2004 £'000
Trade creditors	361	9
Other tax and social security	341	-
Corporation tax	125	-
Accruals and deferred income	3,188	24
2.9376% Index Linked Guaranteed Secured Bonds 2033 (note 16)	3,594	-
	<hr/>	<hr/>
	7,609	33
	<hr/> <hr/>	<hr/> <hr/>

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

	Group 2004 £'000	Company 2004 £'000
2.9376% Index Linked Guaranteed Secured Bonds 2033 (note 16)	126,750	-
	<hr/> <hr/>	<hr/> <hr/>

notes to the financial statements

as at 31 march 2004

16.Loans

	Group	Company
	2004	2004
	£'000	£'000
2.9376% Index Linked Guaranteed Secured Bonds 2033		
Amounts falling due:		
In one year or less or on demand	3,885	-
In more than one year but not more than two years	3,955	-
In more than two years but not more than five years	12,378	-
In more than five years	114,466	-
	<u>134,684</u>	<u>-</u>
Less: issue costs	4,340	-
	<u>130,344</u>	<u>-</u>
Less: included in creditors: amounts falling due within one year	3,594	-
	<u>126,750</u>	<u>-</u>

The 2.9376% Index Linked Guaranteed Secured Bonds 2033 were issued during the 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 (UK) 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:

	2004
	£'000
Capital allowances in advance of depreciation	4,709
Other timing differences	(281)
	<u>4,428</u>
Discount	(2,178)
	<u>2,250</u>
Provision at incorporation	-
Acquisition of subsidiary undertaking	1,888
Deferred tax charge for the period	362
	<u>2,250</u>

notes to the financial statements

as at 31 march 2004

	Deferred taxation	Decommissioning provision	Total
	£'000	£'000	£'000
At incorporation	-	-	-
Acquisition of subsidiary undertaking	1,888	3,171	5,059
Increase in provision	926	-	926
Unwinding of discount	(564)	181	(383)
	<u>2,250</u>	<u>3,352</u>	<u>5,602</u>
At 31 March 2004	<u>2,250</u>	<u>3,352</u>	<u>5,602</u>

Provision has been made for expenditure to be incurred in meeting the expected costs arising from the future decommissioning of the Interconnector in 38 years, at the end of its useful economic life. This provision is expected to be utilised within 38 years.

18.Deferred income

Group

	2004
	£'000
At incorporation	-
Acquisition of subsidiary undertaking	51,121
Amortised during the year	(1,407)
	<u>49,714</u>
At 31 March 2004	<u>49,714</u>

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 13, 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
	<u>2,854</u>
Balance at 31 March 2004	<u>2,854</u>

Company

At incorporation	-
Profit for the period	-
	<u>-</u>
Balance at 31 March 2004	<u>-</u>

notes to the financial statements

as at 31 march 2004

21. Notes to the group cash flow statement

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

	2004 £'000
Group operating profit	10,626
Depreciation	3,439
Amortisation of grant	(1,407)
Amortisation of goodwill	431
Amortisation of bond issue costs	302
Increase in debtors	(1,337)
Increase in creditors	2,425
	<hr/>
Net cash inflow from operating activities	14,479
	<hr/> <hr/>

b) Reconciliation of net cashflows to movement in net debt

	2004 £'000
Increase in cash in the period	15,468
Cash inflow from issue of bond	(135,010)
Issue costs of bond paid in period	3,386
Cash outflow from capital repayments on bond	4,047
Cash outflow from repayment of loan to Viridian Power and Energy Limited	102,276
	<hr/>
Change in net debt resulting from cash flows	(9,833)
Loan acquired with subsidiary undertaking	(102,276)
Other	(2,767)
	<hr/>
Movement in net debt in the period	(114,876)
	<hr/>
Net debt at incorporation	-
	<hr/>
Net debt at end of period	(114,876)

Analysis of net debt

	At incorporation £'000	Cash flow £'000	Non Cash Movements £'000	At 31 March 2004 £'000
Cash at bank	-	15,468	-	15,468
	<hr/>	<hr/>	<hr/>	<hr/>
Cash	-	15,468	-	15,468
Bond	-	(127,577)	(2,767)	(130,344)
Loan	-	102,276	(102,276)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	-	(9,833)	(105,043)	(114,876)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Non-cash movements relate to:

- i) Indexation on capital element of bond in the period of £3,721,000
- ii) Capitalised bond costs acquired with subsidiary undertaking of £1,256,000
- iii) Amortisation on bond issue costs in the period of £302,000

notes to the financial statements

as at 31 march 2004

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 period under review, 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 period 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. At the year-end, the bond was at a fixed rate; 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
2004			
Sterling	132,500	130,344	2,156
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		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
2004			
Sterling	2.94	29	0.4
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

notes to the financial statements

as at 31 march 2004

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	Floating rate	Financial
		financial	financial	assets
		assets	assets	on which
		£'000	£'000	no interest
				is earned
		£'000	£'000	£'000
2004				
Sterling	17,376	-	15,468	1,908
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Floating rate financial assets comprise cash deposits on money market deposit at call and on deposit for variable terms up to one month. The interest on the sterling fixed rate financial assets is 3.25% to 3.93% which mature in less than one month.

Maturity of financial liabilities

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

	2004 £'000
In one year or less, or on demand	5,750
In more than one year, but not more than two	3,673
In more than two years, but not more than five	11,594
In more than five years	111,483
	<u> </u>
	<u>132,500</u>

Borrowing facilities

The Group have undrawn borrowing facilities of £10,000,000 available at 31 March 2004. The facility is reviewed at the end of each 364 day period. The current facility is to be reviewed on 30 March 2005.

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 market value.

23.Financial commitments

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

Group	Land and buildings 2004 £'000
Operating leases which expire: beyond 5 years	82
	<u> </u>

The company has no finance leases.

24.Contingent liabilities and guarantees

Group

The group have given guarantees disclosed in note 16 to the accounts.

notes to the financial statements

as at 31 march 2004

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 £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 2004 was some £25,000. 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 2004 using the projected unit method. The major assumptions used were (in nominal terms):

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

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

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

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.

David Montgomery prior to being a director received a consultancy fee of £60,000 through his company Mecom UK Management Company Limited.

moyle interconnector (financing) plc

a public limited company

report and financial statements 31 march 2004

Directors

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

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
 London
 EC2M 4XJ

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 period ended 31 March 2004.

Results and dividends

The profit for the period after taxation was £2,804,000. The directors do not recommend the payment of a dividend.

Principal activity and review of the business

The Company was incorporated on 3 March 2003. The Group's principal activity is the financing and operation of the Moyle Interconnector which links the electricity transmission systems of Northern Ireland and Scotland. It is the intention of the directors 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 Managing Director's Review.

Directors and their interests

The present directors of the Company are listed on page 37. Appointments and resignations of directors during the period were as follows:

Director	Date of appointment	Date of resignation
Harry McCracken	3 March 2003	14 April 2003
Alan Rainey	3 March 2003	-
Patrick Bourke	25 March 2003	14 April 2003
Alasdair Locke	14 April 2003	-
Alan McClure	14 April 2003	-
Edward Haughey	14 April 2003	7 July 2003
David Montgomery	7 July 2003	-
Felicity Huston	30 September 2003	-
Damian McAteer	30 September 2003	-

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 period.

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 were appointed as auditors during the period and 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.

By order of the Board
 Arthur Cox Northern Ireland
 Secretary
 6 July 2004

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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

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 period ended 31 March 2004, 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 whether the financial statements have been 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 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, Managing Director's Review, Report of the Remuneration Committee, Corporate Governance 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 2004 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

Ernst & Young LLP
Registered Auditor
Belfast
6 July 2004

group profit and loss account

for the period ended 31 march 2004

	Notes	2004 £'000
Turnover - acquisition	2	20,742
Operating costs (excluding goodwill amortisation)		(9,685)
Goodwill amortisation		(481)
Total operating costs	3	(10,166)
Group operating profit - acquisition		10,576
Interest receivable	6	476
Interest payable and similar charges	7	(7,761)
Profit on ordinary activities before taxation		3,291
Tax on profit on ordinary activities	8	(487)
Retained profit for the period	20	2,804

group statement of total recognised gains and losses

There are no other recognised gains and losses other than the profit attributable to shareholders of the Group of £2,804,000 for the period ended 31 March 2004.

group balance sheet

as at 31 march 2004

	Notes	2004 £'000
Fixed assets		
Intangible assets	10	18,274
Tangible assets	11	153,980
		172,254
Current assets		
Debtors	13	4,803
Cash		15,455
		20,258
Current liabilities		
Creditors: amounts falling due within one year	14	(7,592)
Net current assets		12,666
Total assets less current liabilities		184,920
Creditors: amounts falling due after more than one year	15	(126,750)
Provisions for liabilities and charges	17	(5,602)
Deferred income	18	(49,714)
Net assets		2,854
Capital and reserves		
Called up share capital	19	50
Profit and loss account	20	2,804
Total equity shareholders' funds	20	2,854

The financial statements on pages 41 to 57 of this report were approved by the Board on 6 July 2004 and signed on its behalf by:

Alan McClure
Director

Damian McAteer
Director

company balance sheet

as at 31 march 2004

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

The financial statements on pages 41 to 57 of this report were approved by the Board on 6 July 2004 and signed on its behalf by:

Alan McClure
Director

Damian McAteer
Director

notes to the financial statements

as at 31 march 2004

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 2004. 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 will be 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, 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 2004

2. Turnover and segmental information

Turnover, which is stated net of 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 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:

	2004
	£'000
Maintenance costs	1,243
Other operating costs	5,434
Administration costs	976
Depreciation (after crediting amortisation of deferred government grants)	2,032
Amortisation of goodwill	481
	<u>10,166</u>

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:

	2004
	£'000
Depreciation charge on tangible fixed assets	3,439
Amortisation of deferred government grants	1,407
Auditors' remuneration in respect of services to the Group:	
- Audit services (company - £8,000)	11
- Non audit services	6
Operating lease costs:	
- Other	82
	<u>82</u>

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

	2004
	£'000
Emoluments	140
Contributions paid to defined benefit pension scheme	23
	<u>163</u>
	<u>No.</u>
Members of defined benefit pension scheme	1

notes to the financial statements

as at 31 march 2004

5. Staff costs

	2004
	£'000
Wages and salaries	140
Social security costs	17
Pension costs	23
	<u>180</u>

The average monthly number of employees during the period, including directors, was 1.

6. Interest receivable

	2004
	£'000
Bank interest receivable	476
	<u>476</u>

7. Interest payable and similar charges

	2004
	£'000
Unwinding of discount on decommissioning provision	181
Bond interest and indexation	7,580
	<u>7,761</u>

8. Tax on profit on ordinary activities

(i) Analysis of charge in the period

	2004
	£'000
Current tax:	
UK corporation tax on profits for the period	125
Total current tax	125
Deferred tax:	
Origination and reversal of timing differences	926
Deferred tax discount	(564)
Total deferred tax	362
Total tax charge on profit on ordinary activities	<u>487</u>

notes to the financial statements

as at 31 march 2004

(ii) Factors affecting tax for the period

	2004
	£'000
Profit on ordinary activities before tax	3,291
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 30%	<u>988</u>
Effects of:-	
Goodwill amortised	144
Capital allowances in excess of depreciation	(1,029)
Other timing differences	(6)
Disallowed expenses	<u>28</u>
Current tax for the period	<u><u>125</u></u>

9. Profit for the financial period

The profit dealt with in the accounts of the parent company was £17,000.

10. Intangible assets

Group	Goodwill
	£'000
Cost:	
On incorporation	-
Additions	<u>18,755</u>
At 31 March 2004	<u>18,755</u>
Amortisation:	
On incorporation	-
Charge for the period	<u>481</u>
At 31 March 2004	<u>481</u>
Net book value:	
At 31 March 2004	<u><u>18,274</u></u>
At incorporation	<u><u>-</u></u>

notes to the financial statements

as at 31 march 2004

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.

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. On commissioning, it enabled electricity consumers in Northern Ireland to have access to the cheaper electricity available in the competitive electricity market in Great Britain.

Moyle Interconnector Limited has already established itself in the market with a growth in operating profit to £10,427,000 in the year ended 31 March 2004 (2003 - £6,432,000).

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 will be reviewed for impairment annually.

11. Tangible fixed assets

Group	Interconnector	Control	Office	Total
	£'000	equipment	equipment	£'000
	£'000	£'000	£'000	£'000
Cost				
At incorporation	-	-	-	-
Acquisition of subsidiary undertaking	158,489	3,785	-	162,274
Additions	<u>-</u>	<u>-</u>	<u>13</u>	<u>13</u>
At 31 March 2004	<u>158,489</u>	<u>3,785</u>	<u>13</u>	<u>162,287</u>
Depreciation				
At incorporation	-	-	-	-
Acquisition of subsidiary undertaking	4,755	113	-	4,868
Charge for the period	<u>3,170</u>	<u>265</u>	<u>4</u>	<u>3,439</u>
At 31 March 2004	<u>7,925</u>	<u>378</u>	<u>4</u>	<u>8,307</u>
Net book value				
At 31 March 2004	<u>150,564</u>	<u>3,407</u>	<u>9</u>	<u>153,980</u>
At incorporation	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Included in fixed assets are amounts in respect of capitalised interest of £8,137,000.

notes to the financial statements

as at 31 march 2004

12. Investments

<i>Company</i>	Subsidiary undertaking £'000
Cost:	
At incorporation	-
Additions	20,950
At 31 March 2004	<u>20,950</u>
Net book value:	
At 31 March 2004	<u>20,950</u>
At incorporation	<u>-</u>

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:

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

On 8 April 2003, the Company acquired 100% of the ordinary share capital of Moyle Interconnector Limited. The acquisition is analysed as follows:

Net assets and fair value at date of acquisition:	£'000
Fixed assets	157,406
Debtors	4,710
Accruals	(1,465)
Provisions	(5,059)
Deferred income	(51,121)
Loan from Viridian Power & Energy Limited repaid on issue of bond	(102,276)
Net assets	<u>2,195</u>
Goodwill arising on acquisition	<u>18,755</u>
	<u>20,950</u>
Discharged by:	
Cash	<u>20,950</u>

During the year ended 31 March 2003 Moyle Interconnector Limited recorded turnover of £16,081,000 and operating profit of £6,432,000, earned a profit before tax of £940,000 and a profit after tax of £3,607,000

notes to the financial statements

as at 31 march 2004

13. Debtors

	Group 2004 £'000	Company 2004 £'000
Amounts falling due within one year:		
Trade debtors	1,891	-
Prepayments	1,621	168
Other debtors	17	-
Loan to subsidiary undertakings	-	3,245
	<u>3,529</u>	<u>3,413</u>
Amounts falling due after one year:		
Prepayments	1,274	-
Loan to subsidiary undertaking	-	109,242
	<u>4,803</u>	<u>112,655</u>

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

14. Creditors: amounts falling due within one year

	Group 2004 £'000	Company 2004 £'000
Trade creditors	350	-
Other tax and social security	341	-
Corporation tax	125	-
Accruals and deferred income	3,166	6
Amounts owed to parent undertaking	16	-
Amounts owed to subsidiary undertaking	-	2,521
2.9376% Index Linked Guaranteed Secured Bonds 2033 (note 16)	3,594	3,594
	<u>7,592</u>	<u>6,121</u>

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

	Group 2004 £'000	Company 2004 £'000
2.9376% Index Linked Guaranteed Secured Bonds 2033 (note 16)	126,750	126,750
Loan from subsidiary undertaking	-	667
	<u>126,750</u>	<u>127,417</u>

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

notes to the financial statements

as at 31 march 2004

16.Loans

2.9376% Index Linked Guaranteed Secured Bonds 2033

	Group 2004 £'000	Company 2004 £'000
Amounts falling due:		
In one year or less or on demand	3,885	3,885
In more than one year but not more than two years	3,955	3,955
In more than two years but not more than five years	12,378	12,378
In more than five years	114,466	114,466
	<u>134,684</u>	<u>134,684</u>
Less: issue costs	4,340	4,340
	<u>130,344</u>	<u>130,344</u>
Less: included in creditors: amounts falling due within one year	3,594	3,594
	<u>126,750</u>	<u>126,750</u>

The 2.9376% Index Linked Guaranteed Secured Bonds 2033 were issued during the 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 (UK) 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:

	2004 £'000
Capital allowances in advance of depreciation	4,709
Other timing differences	(281)
	<u>4,428</u>
Undiscounted provision for deferred tax	4,428
Discount	(2,178)
	<u>2,250</u>
Provision at incorporation	-
Acquisition of subsidiary undertaking	1,888
Deferred tax charge for the period	362
	<u>2,250</u>

notes to the financial statements

as at 31 march 2004

	Deferred taxation £'000	Decommissioning provision £'000	Total £'000
At incorporation	-	-	-
Acquisition of subsidiary undertaking	1,888	3,171	5,059
Increase in provision	926	-	926
Unwinding of discount	(564)	181	(383)
	<u>2,250</u>	<u>3,352</u>	<u>5,602</u>
At 31 March 2004	<u>2,250</u>	<u>3,352</u>	<u>5,602</u>

Provision has been made for expenditure to be incurred in meeting the expected costs arising from the future decommissioning of the Interconnector in 38 years, at the end of its useful economic life. This provision is expected to be utilised within 38 years.

18. Deferred income

Group

Grants

	2004 £'000
At incorporation	-
Acquisition of subsidiary undertaking	51,121
Amortised during the year	(1,407)
	<u>49,714</u>
At 31 March 2004	<u>49,714</u>

19.Share capital

	Authorised Share Capital £'000	
At incorporation and 31 March 2004		1,000
1,000,000 ordinary shares of £1 each		<u>1,000</u>
	Allotted, called up and fully paid No.	£'000
At incorporation and 31 March 2004		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50</u>

On 3 March 2003 50,000 £1 shares were issued at par for cash.

notes to the financial statements

as at 31 march 2004

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
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2004	50	2,804	2,854
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Company

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

notes to the financial statements

as at 31 march 2004

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 period under review, 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 period 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. At the year-end, the bond was at a fixed rate; 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
2004			
Sterling	132,484	130,344	2,140
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

notes to the financial statements

as at 31 march 2004

Currency	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	
2004				
Sterling	2.94	29	0.4	

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	Floating rate assets	Financial assets on which no interest is earned
		£'000	£'000	£'000
2004				
Sterling	17,363	-	15,455	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. The interest on the sterling fixed rate financial assets is 3.25% to 3.93% which mature in less than one month.

Maturity of financial liabilities.

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

	2004 £'000
In one year or less, or on demand	5,734
In more than one year, but not more than two	3,673
In more than two years, but not more than five	11,594
In more than five years	111,483
	<u>132,484</u>

Borrowing facilities

The Group have undrawn borrowing facilities of £10,000,000 available at 31 March 2004. The facility is reviewed at the end of each 364 day period. The current facility is to be reviewed on 30 March 2005.

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 market value.

notes to the financial statements

as at 31 march 2004

22. Financial commitments

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

Group

Operating leases which expire:
beyond 5 years

Land and buildings
2004
£'000
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 £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 2004 was some £25,000. 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 2004 using the projected unit method. The major assumptions used were (in nominal terms):

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

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

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

notes to the financial statements

as at 31 march 2004

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 as at 31 March 2004 was 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.



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 in the main meeting room in the Ballycronan More Converter Station, Ballylumford Road, Islandmagee, BT40 3RN on 9th September 2004 at 10:00 am 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 2004.
- 2 To ratify David Montgomery's prior appointment under Article 45 of the Articles of Association as a director.
- 3 To re-appoint the retiring auditors and to authorise the directors to determine the firm's remuneration.
- 4 To confirm the directors' emoluments.

Dated this 6th day of July 2004

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 Ballycronan More Converter Station, Ballylumford Road, Islandmagee, BT40 3RN on 9th day of September 2004 at 10.00 am and at every adjournment thereof.

Dated this _____ day of _____ 2004

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

