Registered no: NI 26421

00401499

Premier Transmission Limited

Annual report

for the year ended 31 March 2007

Premier Transmission Limited

Annual report for the year ended 31 March 2007

Premier Transmission Limited

Directors and advisers

Directors

Alasdair Locke	Chairman
Alan McClure	Senior Independent Director
David Montgomery	
Felicity Huston	
Damian McAteer	
Nuala Sheeran	
Alan Rainey	Executive Director
William Cargo	Managing Director
Patrick Larkin	Executive Director

Secretary

Arthur Cox Northern Ireland

Registered office

Capital House
3 Upper Queen Street
Belfast
BT1 6PU

Solicitors

Arthur Cox Northern Ireland
Capital House
3 Upper Queen Street
Belfast
BT1 6PU

Bankers

Barclays Bank plc
Imperial House
Donegall Square East
Belfast
BT2 7DT

Registered auditors

PricewaterhouseCoopers LLP
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Premier Transmission Limited

Directors' report for the year ended 31 March 2007

The directors present their report and the audited financial statements for the year ended 31 March 2007.

Principal activity and review of the business

The company's principal activity during the year was the operation of the gas pipeline which links the gas 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 pipeline. The business of the company and future developments in relation to it are reviewed in the Chairman's Statement and the Operating and Financial Review contained within the financial statements of its ultimate parent undertaking, Northern Ireland Energy Holdings Limited.

Results and dividends

The company's profit for the year is £162,000 (2006: £2,325,000 as restated). The directors do not recommend the payment of a dividend.

Directors

The directors who served the company during the year were:

Alasdair Locke
Alan McClure
David Montgomery
Felicity Huston
Damian McAteer
Nuala Sheeran
Alan Rainey
William Cargo
Patrick Larkin (Appointed 22 January 2007)

Financial instruments

The company's financial risk management objectives and policies are discussed in the Treasury Policies section of the Group Operating and Financial Review of the company's ultimate parent undertaking, Northern Ireland Energy Holdings Limited.

Political and charitable donations

No political or charitable donations were made during the year (2006: £nil).

Payment of suppliers

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

The company had trade payable days of 25 days at 31 March 2007 (2006: 18 days).

Events after the balance sheet date

For a description of events after the balance sheet date refer to note 20 to the financial statements.

Directors' report for the year ended 31 March 2007 (continued)

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by IASB; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP were appointed as auditors during the year and have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

Arthur Cox

Arthur Cox Northern Ireland
Secretary
20 June 2007

Independent auditors' report to the shareholders of Premier Transmission Limited

We have audited the financial statements of Premier Transmission Limited for the year ended 31 March 2007, which comprise the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Article 243 of the Companies (Northern Ireland) Order 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you, if in our opinion, 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 other transactions is not disclosed. We read the Directors' Report and consider the implication for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986; and
- the information given in the Directors' Report is consistent with the financial statements.

As explained in note 1, the company, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 March 2007 and of its profit and cash flows for the year then ended.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Belfast
17 July 2007

Premier Transmission Limited

Income statement for the year ended 31 March 2007

	Notes	**Year ended 31 March 2007**	15 months ended 31 March 2006 As restated
		£'000	£'000
Revenue – continuing operations		**14,353**	19,423
Operating costs	2	**(11,317)**	(14,489)
Operating profit		**3,036**	4,934
Finance income	4	**1,253**	1,259
Finance costs	4	**(3,276)**	(3,284)
Finance costs – net	4	**(2,023)**	(2,025)
Profit before income tax		**1,013**	2,909
Income tax expense	5	**(851)**	(584)
Profit for the year	10	**162**	2,325

Statement of recognised income and expense for the year ended 31 March 2007

	Year ended 31 March 2007	15 months ended 31 March 2006 As restated
	£'000	£'000
Profit for the year	**162**	2,325
Total recognised income and expense for the year	**162**	2,325

Premier Transmission Limited

Balance sheet at 31 March 2007

	Notes	2007 £'000	2006 £'000
Assets			
Non current assets			
Property, plant and equipment	6	**101,926**	105,013
		101,926	105,013
Current assets			
Trade and other receivables	7	**11,374**	6,847
Cash and cash equivalents	8	**18,295**	17,468
		29,669	24,315
Total assets		**131,595**	129,328
Equity			
Ordinary shares	9 & 10	**861**	861
Share premium	10	**14,012**	14,012
Retained earnings	10	**3,907**	3,745
Total equity		**18,780**	18,618
Liabilities			
Non current liabilities			
Borrowings	11	**53,809**	52,101
Financial liabilities	12	**2,111**	2,340
Deferred income tax liabilities	13	**17,149**	17,264
Government grant	14	**34,488**	35,584
		107,557	107,289
Current liabilities			
Trade and other payables	15	**3,933**	2,080
Financial liabilities	12	**229**	245
Government grant	14	**1,096**	1,096
		5,258	3,421
Total liabilities		**112,815**	110,710
Total equity and liabilities		**131,595**	129,328

The financial statements on pages 5 to 19 were approved by the board on 20 June 2007 and were signed on its behalf by:

Alasdair Locke
Director

Felicity Huston
Director

Premier Transmission Limited

Cash flow statement for the year ended 31 March 2007

	Notes	Year ended 31 March 2007 £'000	15 months ended 31 March 2006 £'000
Cash flows from operating activities			
Profit before income tax and finance costs		**3,036**	4,934
Adjustments for:			
Depreciation of property, plant and equipment		**3,177**	3,958
Amortisation of government grants		**(1,096)**	(1,370)
Increase in trade and other receivables		**(4,454)**	(58)
Increase/(decrease) in trade and other payables		**869**	(3,048)
Income tax paid		**(51)**	-
Net cash generated from operating activities		**1,481**	4,416
Cash flows from investing activities			
Interest received		**1,003**	998
Purchases of property, plant and equipment		**(89)**	(145)
Net cash generated from investing activities		**914**	853
Cash flows from financing activities			
Interest paid		**(1,568)**	(3,284)
Proceeds from borrowings		**-**	11,859
Net cash (used in)/generated from financing activities		**(1,568)**	8,575
Increase in cash and cash equivalents		**827**	13,844
Cash and cash equivalents at the beginning of the year	8	**17,468**	3,624
Cash and cash equivalents at the end of the year	8	**18,295**	17,468

Notes to the financial statements for the year ended 31 March 2007

1 Accounting policies

General information

The company's principal activity during the year was the operation of the Scotland Northern Ireland pipeline which links the gas transmission systems of Northern Ireland and Scotland. The company is incorporated in Northern Ireland.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

These financial statements were authorised for issue by the board of directors on 20 June 2007 and were signed on their behalf by Alasdair Locke and Felicity Huston.

Statement of compliance with IFRSs

The financial statements of Premier Transmission Limited have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRSs), IFRIC interpretations (IFRIC) and the Companies (Northern Ireland) Order 1986 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. In preparing these financial statements, the directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB).

New standards and interpretations not applied

During the year, the IASB and IFRIC have issued the following accounting standards and interpretations with an effective date after the date of these financial statements (i.e. applicable to accounting periods beginning on or after the effective date);

		Effective date
International Accounting Standards (IAS/IFRSs)		
IFRS 7	Financial instruments: disclosures	1 January 2007
IAS 1	Amendment relating to the presentation of financial statements	1 January 2007
IFRS 8 *	Operating segments	1 January 2009
IAS 23 *	Borrowing costs (revised)	1 January 2009
International Financial Reporting Interpretation Committee (IFRIC)		
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of embedded derivatives	1 June 2006
IFRIC 10 *	Interim financial reporting and impairment	1 November 2006
IFRIC 11 *	Group and treasury share transactions	1 March 2007
IFRIC 12 *	Service concession arrangements	1 January 2008

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the company's financial statements in the period of initial application.

Under the adoption of IFRS 7, the company will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks they give rise to. More specifically the company will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

* These standards have not yet been adopted by the European Union.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of capacity on the Scotland, Northern Ireland pipeline for the transmission of gas between Scotland and Northern Ireland. All revenue is generated within the United Kingdom. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

Notes to the financial statements for the year ended 31 March 2007

1 Accounting policies (continued)

Revenue (continued)

The company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and accumulated impairment losses. The initial cost of an asset comprises cost plus any costs directly attributable to bringing the asset into operation and an estimate of any decommissioning costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Pipeline	43 years
Computer equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

As asset is derecognised upon disposal or when no future economic benefit is expected to arise from the asset.

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Current loans and receivables are classified as 'trade and other receivables' in the balance sheet.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Notes to the financial statements for the year ended 31 March 2007

1 Accounting policies (continued)

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'operating costs'. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Ordinary shares

Ordinary shares are classified as equity.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial liabilities

Financial liabilities represent financial guarantees issued by the company to a 3rd party in respect of liabilities of the company's parent undertaking. Financial liabilities are recognised initially at fair value and subsequently stated at amortised cost with the amortisation being recognised in finance income in the income statement.

Income tax and deferred income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither an accounting nor a taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the financial statements for the year ended 31 March 2007

1 Accounting policies (continued)

Income tax and deferred income tax (continued)

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Government grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to the income statement 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 the income statement so as to match them with the expenditure to which they relate.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Operating lease commitments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Pensions and other post-retirement benefits

The company contributes to individual's personal pension schemes . Contributions are recognised in the income statement in the period in which they become payable.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:

Estimate of useful economic life of assets

The company assesses the useful economic life of assets on an annual basis. The remaining useful economic life of the Pipeline was determined as approximately 33.5 years at the beginning of the year. If the remaining useful economic life had been assessed at 34.5 years depreciation would have decreased by £86,000 and if the remaining useful economic life had been assessed at 32.5 years depreciation would have increased by £101,000.

Comparatives

Certain comparatives have been restated to present a fairer comparison with the current year. These restatements principally relate to the disclosure of social security costs in employee benefit expense. These restatements had no effect on the company's profit for the period ended 31 March 2006.

Notes to the financial statements for the year ended 31 March 2007

2 Expenses by nature

	Year to 31 March 2007 £'000	15 months to 31 March 2006 As restated £'000
Employee benefit expense (Note 3)	**321**	344
Depreciation (net of amortisation of deferred government grants)	**2,081**	2,588
Operating lease payments	**65**	57
Fees payable to the company's auditor in respect of the audit of the company's financial statements	**16**	26
Fees payable to the company's auditor in respect of taxation services	**4**	2
Other expenses	**8,830**	11,472
Total operating costs	**11,317**	14,489

3 Employee benefit expense

	Year to 31 March 2007 £'000	15 months to 31 March 2006 As restated £'000
Wages and salaries	**264**	280
Social security costs	**32**	37
Pension costs	**25**	27
	321	344

The average monthly number of employees during the year (comprising only directors holding contracts of service with the Company) was 1 (2006: 1).

Directors' emoluments	Year to 31 March 2007 £'000	15 months to 31 March 2006 As restated £'000
Aggregate emoluments	**147**	142
Contributions paid to defined contribution pension scheme	**17**	17
	164	159

	Number	Number
Members of defined contribution pension scheme	**1**	1

Directors' emoluments represent the remuneration of the company's executive director, William Cargo. The remaining directors of the company received £198,000 (2006: £209,000) for their services to group companies. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of other group companies.

Premier Transmission Limited

Notes to the financial statements for the year ended 31 March 2007

4 Finance income and costs

	Year to 31 March 2007 £'000	15 months to 31 March 2006 As restated £'000
Interest expense:		
Borrowings	-	237
Borrowings from group undertakings	3,276	3,047
Finance costs	3,276	3,284
Interest income:		
Short-term bank deposits	(1,003)	(998)
Income tax receivables	(5)	-
Financial liabilities	(245)	(261)
Finance income	(1,253)	(1,259)
Finance costs – net	2,023	2,025

5 Income tax expense

	Year to 31 March 2007 £'000	15 months to 31 March 2006 £'000
Current income tax:		
Current income tax charge	-	131
Payments for group relief	342	-
Adjustments in respect of previous periods – group relief	624	411
Total current income tax	966	542
Deferred income tax:		
Origination and reversal of temporary differences	(115)	42
Total deferred income tax	(115)	42
Total income tax	851	584

Notes to the financial statements for the year ended 31 March 2007

5 Income tax expense (continued)

The income tax expense in the income statement for the year differs from the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are reconciled below:

	Year to 31 March 2007	15 months to 31 March 2006 As restated
	£'000	£'000
Profit before income tax	**1,013**	2,909
Tax calculated at the UK standard rate of corporation tax of 30% (2006: 30%)	**304**	873
Expenses not deductible for tax purposes	**-**	11
Group relief surrender	**-**	(632)
Income not taxable	**(77)**	(79)
Adjustments in respect of previous periods	**624**	411
Total income tax	**851**	584

6 Property, plant and equipment

	Pipeline £'000	**Computer equipment £'000**	**Total £'000**
Cost			
At 1 January 2005	**132,871**	**-**	**132,871**
Additions	**-**	**145**	**145**
At 31 March 2006	**132,871**	**145**	**133,016**
Additions	**-**	**89**	**89**
At 31 March 2007	**132,871**	**234**	**133,105**
Depreciation			
At 1 January 2005	**24,045**	**-**	**24,045**
Provided during the period	**3,910**	**48**	**3,958**
31 March 2006	**27,955**	**48**	**28,003**
Provided during the year	**3,127**	**49**	**3,176**
At 31 March 2007	**31,082**	**97**	**31,179**
Net book amount			
At 31 March 2007	**101,789**	**137**	**101,926**
At 31 March 2006	**104,917**	**97**	**105,013**
At 31 December 2004	**108,826**	**-**	**108,826**

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

Depreciation expense of £3,176,000 (2006: £3,958,000) has been fully charged to operating costs.

Notes to the financial statements for the year ended 31 March 2007

7 Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables	**302**	1,372
Prepayments and accrued income	**1,081**	182
Other receivables	**2,001**	2,025
Income tax receivables	**93**	20
Amounts owed by group undertakings	**7,897**	3,248
	11,374	6,847

8 Cash and cash equivalents

	2007 £'000	2006 £'000
Short-term bank deposits	**18,295**	17,468

9 Called up share capital

	2007 £'000	2006 £'000
Authorised		
6,622,519 ordinary shares of £1 each	**6,623**	6,623
Allotted and fully paid		
860,928 ordinary shares of £1 each	**861**	861

10 Reconciliation of movements in equity

	Ordinary shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2005 as previously reported	861	14,012	4,266	19,139
Prior period adjustment	-	-	(2,846)	(2,846)
At 1 January 2005 as restated	861	14,012	1,420	16,293
Total recognised income and expense for the period	-	-	2,325	2,325
At 31 March 2006	861	14,012	3,745	18,618
Total recognised income and expense for the year	-	-	162	162
At 31 March 2007	861	14,012	3,907	18,780

Notes to the financial statements for the year ended 31 March 2007

10 Reconciliation of movements in equity (continued)

The prior period adjustment relates to the implementation of Amendments to IAS 39 Financial Instruments "Recognition and Measurement and IFRS 4 Insurance Contracts". The implementation of the amendment to IAS 39 has resulted in the recognition of a financial liability. This financial liability relates to a guarantee given by the company to a 3rd party in respect of borrowings by the company's parent undertaking. The prior period adjustment has resulted in an increase in financial liabilities of £2,846,000 during the period ended 31 March 2006 with a corresponding decrease in retained earnings and an increase in financial income in the period ended 31 March 2006 of £261,000.

11 Borrowings

	2007	2006
	£'000	£'000
Non-current		
Borrowings from group undertakings	**53,809**	52,101

The borrowings from group undertakings relate to a 2.953% indexed loan from the company's parent undertaking. The borrowings are repayable in full on 31 March 2030.

The fair values of the company's borrowings are £44,731,000 (2006: £43,638,000).

12 Financial liabilities

	2007	2006
		As restated
	£'000	£'000
Financial guarantee	**2,340**	2,585
Less non-current portion	**(229)**	(245)
Current portion	**2,111**	2,340

The financial guarantee represents the amortised cost of issuing a financial guarantee to a 3rd party in respect of borrowings by the company's parent undertaking.

Notes to the financial statements for the year ended 31 March 2007

13 Deferred income tax

The gross movement on the deferred income tax account is as follows:

	£'000
At 1 January 2005	17,222
Income statement charge for the period	42
At 31 March 2006	17,264
Income statement credit for the year	(115)
At 31 March 2007	**17,149**

Deferred income tax relates to accelerated capital allowances.

14 Government grant

	£'000
At 1 January 2005	36,956
Amortised during the period	(1,370)
Adjustment	1,094
At 31 March 2006	36,680
Amortised during the year	(1,096)
At 31 March 2007	**35,584**

The current portion of deferred income is £1,096,000 (2006: £1,096,000). The non-current portion is £34,488,000 (2006: £35,584,000).

15 Trade and other payables

	2007 £'000	2006 £'000
Trade payables	**537**	566
Accruals and deferred income	**1,759**	1,171
Amounts owed to group undertakings	**984**	14
Other tax and social security	**634**	312
Other payables	**19**	17
	3,933	2,080

Notes to the financial statements for the year ended 31 March 2007

16 Commitments

Operating lease commitments - company as lessee

The company has entered into a commercial lease on land and this lease has a term of 29 years. There are no restrictions placed upon the lessee by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2007	2006
	£'000	£'000
Not later than one year	**65**	57
After one year but not more than five years	**260**	228
After five years	**1,495**	1,368
	1,820	1,653

17 Related party transactions and ultimate controlling party

The ultimate controlling parties of the company are the members of Northern Ireland Energy Holdings Limited.

During the year the company entered into transactions, in the ordinary course of business, with related parties.

Transactions entered into, and trading balances outstanding at 31 March with related parties, are as follows:

		Amount of transaction		**Amount owed (to)/from related party**	
		2007	2006	**2007**	2006
	Nature of transaction	**£'000**	£'000	**£'000**	£'000
Parent undertaking	Loan received from	-	-	**(53,809)**	(52,101)
Parent undertaking	Loan provided to	-	-	**7,888**	3,248
Ultimate parent undertaking	Loan provided to	-	-	**9**	(14)
Parent undertaking	Group relief claimed	**(857)**	-	**(857)**	-
Fellow subsidiary undertaking	Group relief claimed	**(127)**	-	**(127)**	-
Ultimate parent undertaking	Management charge payable	**(265)**	(222)	-	-
Fellow subsidiary undertaking	Survey costs payable	**(446)**	-	-	-
Parent undertaking	Interest payable	**(3,276)**	(3,047)	-	-

Compensation of key management (including directors):

	2007	2006
		As restated
	£'000	£'000
Short term employee benefits	**147**	142
Post-employment benefits	**17**	17

Notes to the financial statements for the year ended 31 March 2007

18 Financial instruments

An explanation of the Company's financial instrument risk management objectives, policies and strategies are set out in the discussion of Treasury policies in the Operating and Financial Review of the company's ultimate parent undertaking.

Interest rate risk profile of financial assets and liabilities:

As at 31 March 2007	**Within 1 year £'000**	**1-2 years £'000**	**2-3 years £'000**	**3-4 years £'000**	**4-5 years £'000**	**More than 5 years £'000**	**Total £'000**
Cash	**18,295**	**-**	**-**	**-**	**-**	**-**	**18,295**
Borrowings from group undertakings	**-**	**-**	**-**	**-**	**-**	**(53,809)**	**(53,809)**
	18,295	**-**	**-**	**-**	**-**	**(53,809)**	**(35,514)**

As at 31 March 2006	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
Cash	17,468	-	-	-	-	-	17,468
Borrowings from group undertakings	-	-	-	-	-	(52,101)	(52,101)
	17,468	-	-	-	-	(52,101)	(34,633)

Cash earns interest at a range of Bank of England base rate less 0.75% to Bank of England base rate plus 2%. Borrowings from group undertakings bear interest at a rate of 2.953% per annum and are indexed linked to the Retail Price Index.

Credit risk

There are no significant concentrations of credit risk within the company. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

19 Ultimate parent undertaking

The immediate parent undertaking is Premier Transmission Financing plc, a company incorporated in Northern Ireland. Group financial statements for this company are prepared and are available to the public from Capital House, 3 Upper Queen Street, Belfast, BT1 6PU.

The ultimate parent undertaking is Northern Ireland Energy Holdings Limited, a company incorporated in Northern Ireland. Group financial statements for this company are prepared and are available to the public from Capital House, 3 Upper Queen Street, Belfast, BT1 6PU.

20 Events after the balance sheet date

The UK government has announced that the main rate of Corporation Tax will be reduced from 30% to 28% with effect from 1 April 2008. In accordance with IFRSs, the existing rate of 30% is still used as a basis for the calculation of the deferred income taxes stated in these financial statements. If the new rate of Corporation Tax were applied to the current year financial statements, deferred income tax liabilities would decrease by £1,143,000 at the balance sheet date. The impact of the change in rate for the year ended 31 March 2008 will depend on the taxable income for the year then ended.