

**HUMBER POWER LIMITED**  
**(Registered Number 2571241)**

**DIRECTORS' REPORT AND ACCOUNTS**

**31 March 1997**



## **HUMBER POWER LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1997**

The directors present their report and the audited financial statements for the year ended 31 March 1997.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the group is the development and operation of a gas fired power station at Stallingborough, North East Lincolnshire.

#### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

Phase I of the project was substantially complete at the year end, becoming fully operational in April 1997.

Agreements were signed to increase the facility from 754 MW to 1265 MW in November 1996. The construction of Phase II is on schedule and within budget.

#### **RESULT AND DIVIDENDS**

The consolidated profit and loss account for the year is set out on page 4. The directors do not recommend the payment of a dividend. The loss for the year of £372,000 (1996 £225,000) has been added to the deficit on reserves.

#### **SUBSEQUENT EVENTS**

A take-over certificate was issued on 25 April 1997, at which point the group took ownership of Phase I of the power station.

#### **DIRECTORS AND THEIR INTERESTS**

The directors of the company during the period and at the date of this report were as follows:

K J Huopalahti	(Finnish)	(Chairman)
J Bryant	(British)	
A Asakura	(Japanese)	
E Drewery	(British)	

The alternate directors of the company during the period and at the date of this report were as follows:

J M Groves	(British)
J A Deane	(British)
W A J Poulton	- appointed 10/6/96 (British)
M R Miller	- resigned 10/6/96 (British)

No director had any interests in any of the shares of group undertakings at 31 March 1997 or at any time during the year.

## **HUMBER POWER LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1997**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 the group as at the end of the financial year 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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

#### **AUDITORS**

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

  
S. R. Jackson  
Secretary

11 September 1997

*Price Waterhouse*



## **AUDITORS' REPORT TO THE MEMBERS OF HUMBER POWER LIMITED**

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our audit in accordance with 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 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 of the state of affairs of the company and the group as at 31 March 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

**PRICE WATERHOUSE**  
Chartered Accountants  
and Registered Auditors

11 September 1997

# HUMBER POWER LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1997

	Note	1997 £'000	1996 £'000
Administrative expenses		(372)	(225)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	(372)	(225)
Tax on loss on ordinary activities	5	—	—
<b>LOSS FOR THE YEAR ADDED TO THE DEFICIT ON RESERVES</b>	17	(372)	(225)
		<u>          </u>	<u>          </u>

All figures in the profit and loss account relate to continuing operations.

The group has no recognised gains and losses other than those included in the profit and loss account above.

# HUMBER POWER LIMITED

## BALANCE SHEETS AS AT 31 MARCH 1997

	Note	<u>Group</u>		<u>Company</u>	
		1997 £'000	1996 £'000	1997 £'000	1996 £'000
<b>FIXED ASSETS</b>					
Tangible assets	7	<u>549,804</u>	<u>337,479</u>	<u>3,700</u>	<u>1,087</u>
<b>CURRENT ASSETS</b>					
Stocks	10	285	-	285	-
Debtors - amounts falling due within one year	11	19,993	2,043	18,292	56
- amounts falling due after more than one year	12	2,911	2,000	133,500	68,000
Cash at bank and in hand		<u>4,434</u>	<u>4,399</u>	<u>4,431</u>	<u>3,973</u>
		27,623	8,442	156,508	72,029
<b>CREDITORS - Amounts falling due within one year</b>	13	<u>(22,583)</u>	<u>(5,060)</u>	<u>(25,634)</u>	<u>(4,961)</u>
<b>NET CURRENT ASSETS</b>		<u>5,040</u>	<u>3,382</u>	<u>130,874</u>	<u>67,068</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		554,844	340,861	134,574	68,155
<b>CREDITORS - Amounts falling due after more than one year</b>	14	<u>(555,093)</u>	<u>(340,970)</u>	<u>(134,208)</u>	<u>(68,000)</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u>(249)</u>	<u>(109)</u>	<u>366</u>	<u>155</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15	632	400	632	400
Profit and loss account	17	<u>(881)</u>	<u>(509)</u>	<u>(266)</u>	<u>(245)</u>
<b>SHAREHOLDERS' FUNDS - EQUITY INTERESTS</b>	18	<u>(249)</u>	<u>(109)</u>	<u>366</u>	<u>155</u>

Approved by the board of directors on 11 September 1997  
and signed on their behalf by:

  
DIRECTOR

# **HUMBER POWER LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 1997**

### **1 PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

#### **(1) Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

#### **(2) Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking up to 31 March 1997. Intra group sales, profits and balances are eliminated on consolidation.

#### **(3) Development costs**

Expenditure incurred during the development period of both Phase I and Phase II of the power station, including the cost of financing loans for development and apportionment of management charges, is capitalised and carried forward at cost until the completion of construction. These costs are shown as "Assets in the course of Construction" until the power station becomes operational, at which point they will be reclassified as "Generation Assets".

Net revenues arising from the sale of electricity during the commissioning period of Phase I and Phase II of the power station are set off against development costs.

#### **(4) Fixed assets**

Fixed assets, with the exception of freehold land, are stated at cost. Depreciation will commence on completion of commissioning once the power station becomes operational.

Depreciation will be provided on all fixed assets other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its useful life. Depreciation is to be charged from the "take-over" date for each Phase based upon useful asset lives as follows:

Power station	25 years
Tools and machinery	3 years
Computer software and equipment	3 years
Office equipment	3 years

A spares provision is built up annually so that the cost of replacing major spares at the end of their useful lives is spread evenly over the operating period of each Phase. The balance of the provision is shown under "Provisions for liabilities and charges".

## **HUMBER POWER LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 1997 (CONTINUED)**

#### **1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

##### **(5) Stocks**

Production and maintenance stocks are stated at the lower of cost incurred in bringing each item to its present location and condition and net realisable value on a FIFO unit cost basis.

##### **(6) Deferred tax**

Deferred taxation is provided on the liability basis to take account of the difference between the incidence of income and expenditure for accounting and taxation purposes to the extent that it is likely that a liability will crystallise in the foreseeable future.

##### **(7) Finance lease**

Assets held under finance lease arrangements have been capitalised and are included in fixed assets at their fair value at the inception of the lease. Finance lease assets will be depreciated at rates calculated to write off the cost, less estimated residual value, evenly over their useful life, which is deemed to be 25 years. The obligations relating to finance leases, net of finance charges in respect of future years, are included as appropriate under creditors due within or after more than one year. The interest element of the lease rental is allocated to accounting periods during the lease on an accruals basis. The interest charge is based on the outstanding finance lease creditor.

##### **(8) Interest payable/receivable**

Interest on borrowing specifically related to the financing of each Phase has been capitalised during the construction period. All other interest is charged/credited directly to the profit and loss account.

##### **(9) Leasing commitments**

Rentals payable/receivable under operating leases are charged to income on a straight line basis over the term of the lease.

##### **(10) Pension schemes**

The company participates in a contracted out money purchase scheme which is a defined contribution scheme. The amount charged in respect of pensions is the contributions payable in the year. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments in the balance sheet.

##### **(11) Cash flow statement**

The group qualifies as a small group under the terms of section 247 of the Companies Act 1985 and is therefore exempt from the requirement to prepare a cash flow statement.



## HUMBER POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 1997 (CONTINUED)

#### 2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	1997 £'000	1996 £'000
Loss on disposal of fixed assets	-	50
Auditors' remuneration - audit fees and expenses:		
- parent company	5	3
- subsidiary undertaking	<u>5</u>	<u>4</u>
- Group	10	7
	<u>          </u>	<u>          </u>
Auditors' remuneration - non audit fees	35	31
	<u>          </u>	<u>          </u>

#### 3 DIRECTORS' EMOLUMENTS

The directors received no emoluments from the company during the year (1996 Nil).

#### 4 EMPLOYEE INFORMATION

The average weekly number of persons (including directors) employed by the group during the year was 11 (1996 10). Staff costs comprise:

	1997 £'000	1996 £'000
Wages and salaries	208	158
Social security costs	21	16
Other pension costs	<u>19</u>	<u>19</u>
	248	193
	<u>          </u>	<u>          </u>

#### 5 TAXATION

There is no tax charge for the year due to the taxable losses available within the group (1996 £Nil).

#### 6 LOSS FOR THE YEAR

As permitted by section 230 of the Companies Act 1985, the company's profit and loss account has not been included in these financial statements. The company's loss for the financial year was £21,000 (1996 profit of £395,000).

# HUMBER POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 1997 (CONTINUED)

### 7 TANGIBLE FIXED ASSETS

Group	Short Leasehold property £'000	Freehold land £'000	Assets in the course of construction £'000	Total £'000
<b>Cost</b>				
At 1 April 1996	6	2,202	335,271	337,479
Additions	<u>-</u>	<u>2</u>	<u>212,323</u>	<u>212,325</u>
At 31 March 1997	<u>6</u>	<u>2,204</u>	<u>547,594</u>	<u>549,804</u>
<b>Depreciation</b>				
At 1 April 1996 and 31 March 1997	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book amounts</b>				
At 31 March 1997	<u>6</u>	<u>2,204</u>	<u>547,594</u>	<u>549,804</u>
At 31 March 1996	<u>6</u>	<u>2,202</u>	<u>335,271</u>	<u>337,479</u>

The net book amount of tangible fixed assets includes an amount of £430,908,000 (1996 £273,720,000) in respect of assets held under finance leases.

Details of interest and similar charges included in "Assets in the course of construction" are set out in note 8.

Company	Assets in the course of construction £'000
<b>Cost</b>	
At 1 April 1996	1,087
Additions	<u>2,613</u>
At 31 March 1997	<u>3,700</u>
<b>Depreciation</b>	
At 1 April 1996 and 31 March 1997	<u>-</u>
<b>Net book amounts</b>	
At 31 March 1997	<u>3,700</u>
At 31 March 1996	<u>1,087</u>

# HUMBER POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 1997 (CONTINUED)

### 8 CAPITALISED INTEREST AND SIMILAR CHARGES

All interest, both payable and receivable, and similar charges arising on funding associated with the construction of the power station have been capitalised as part of fixed assets under "Assets in the course of construction". Capitalised interest comprises:

Group	1997 £'000	1996 £'000
<b>Interest payable and similar charges</b>		
Bank loans	11,800	5,281
Loan stock D	878	486
Finance leases	38,863	21,262
Interest rate swaps	<u>18,095</u>	<u>9,001</u>
	69,636	36,030
<b>Less: Interest receivable on cash balances</b>	<u>(552)</u>	<u>(298)</u>
<b>Capitalised interest and similar charges</b>	<u>69,084</u>	<u>35,732</u>

### 9 FIXED ASSET INVESTMENT

Humber Power Limited owns 100% of the ordinary issued shares of Humberland Limited, a company registered in England and Wales. The principal activity of Humberland Limited is the development and construction of a power station. The cost of investment in the subsidiary undertaking at 1 April 1996 and 31 March 1997 amounted to £100.

### 10 STOCKS

Stocks comprise consumable maintenance spares.

### 11 DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Trade debtors	8,410	23	8,410	23
Other debtors	672	151	447	22
Prepayments and accrued income	<u>10,911</u>	<u>1,869</u>	<u>9,435</u>	<u>11</u>
	19,993	2,043	18,292	56

# HUMBER POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 1997 (CONTINUED)

### 12 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Amounts owed by subsidiary undertaking	-	-	131,500	66,000
Amounts owed by related party (note 22)	2,000	2,000	2,000	2,000
Prepayments and accrued income	<u>911</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2,911	2,000	133,500	68,000
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

### 13 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Loan stock D (note 14)	19	-	19	-
Obligations under finance leases (note 14)	10,753	750	-	-
Trade creditors	1,181	3,044	784	274
Amounts owed to subsidiary undertaking	-	-	15,205	3,742
Other creditors	15	9	15	9
Accruals and deferred income	<u>10,615</u>	<u>1,257</u>	<u>9,611</u>	<u>936</u>
	22,583	5,060	25,634	4,961
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

# HUMBER POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 1997 (CONTINUED)

### 14 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Bank loans	131,500	66,000	131,500	66,000
Loan Stock D	2,708	2,000	2,708	2,000
Obligations under finance leases	420,155	272,970	-	-
Accruals and deferred income	730	-	-	-
	<u>555,093</u>	<u>340,970</u>	<u>134,208</u>	<u>68,000</u>

Fixed and floating charges exist over all the assets of the group to secure the financing liabilities in both the company and its subsidiary undertaking.

#### Bank loans

	<u>Group and company</u>	
	1997	1996
	£'000	£'000
Amounts repayable by instalments:		
Between one and two years	802	-
Between two and five years	9,271	3,128
Over five years	<u>121,427</u>	<u>62,872</u>
	<u>131,500</u>	<u>66,000</u>

The bank loans bear interest at various margins above LIBOR.

#### Loan stock D

On 28 September 1994, the company issued £2,000,000 14.93% unsecured loan stock to a related party. On 21 November 1996 the existing loan stock was cancelled and £2,727,000 of new 14.93% unsecured loan stock was issued at par.

	<u>Group and company</u>	
	1997	1996
	£'000	£'000
Amounts repayable by instalments:		
In less than one year	19	-
Between one and two years	24	14
Between two and five years	122	18
Over five years	<u>2,562</u>	<u>1,968</u>
	<u>2,727</u>	<u>2,000</u>

# HUMBER POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 1997 (CONTINUED)

### 14 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

#### Finance leases

The net finance lease obligations to which the group is committed are:

	1997 £'000	1996 £'000
Less than one year	10,753	750
Between one and five years	5,686	15,439
Over five years	<u>414,469</u>	<u>257,531</u>
	430,908	273,720

The total amounts repayable by instalments, any part of which falls due after more than five years, are as follows:

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Bank loans	<u>131,500</u>	<u>66,000</u>	<u>131,500</u>	<u>66,000</u>
Loan Stock D	<u>2,727</u>	<u>2,000</u>	<u>2,727</u>	<u>2,000</u>
Finance leases	<u>430,908</u>	<u>272,970</u>	<u>-</u>	<u>-</u>

### 15 CALLED UP SHARE CAPITAL

	Group and company			
	Number	1997 £'000	Number	1996 £'000
<b>Authorised, allotted, called up and fully paid:</b>				
'A' shares of £1 each	90,000	90	90,000	90
'B' shares of £1 each	541,429	542	310,000	310
'AB' shares of £1 each	<u>267</u>	<u>-</u>	<u>200</u>	<u>-</u>
	631,696	632	400,200	400

On 25 November 1996, 231,429 'B' shares of £1 each and 67 'AB' shares of £1 each were issued at par for cash. The purpose of the issue was to assist in the financing of the group's power station.

# HUMBER POWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 1997 (CONTINUED)

### 16 RIGHTS OF SHARES

Class A shares carry no rights to dividends or distribution until the earlier of the repayment in full of Class A1 and A2 loan stock and the date upon which the principal of the Class A1 or A2 loan stock becomes prematurely due and payable, whereupon they will rank pari passu with Class B shares in all respects.

Class A and B shares are not entitled to dividends in excess of an index-linked £1,000,000,000 in any accounting period, whereas Class AB shares are unrestricted in this respect.

In a winding up, Class AB shares are entitled to a return of capital in priority to all other classes of shares, but shall have no further right to distributions.

The three classes rank equally in terms of voting rights with each share carrying one vote.

### 17 PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 1 April 1996	(509)	(245)
Loss for the year	<u>(372)</u>	<u>(21)</u>
At 31 March 1997 - deficit	<u>(881)</u>	<u>(266)</u>

### 18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Opening shareholders' funds	(109)	116	155	(240)
Shares issued	232	-	232	-
(Loss)/profit for the financial year	<u>(372)</u>	<u>(225)</u>	<u>(21)</u>	<u>395</u>
Closing shareholders' funds	<u>(249)</u>	<u>(109)</u>	<u>366</u>	<u>155</u>

### 19 CAPITAL COMMITMENTS

The group has signed various contracts in connection with the construction and financing of Phase I and Phase II of the power station. At 31 March 1997 the group had capital commitments contracted for of £72,478,000.

## HUMBER POWER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 1997 (CONTINUED)

#### 20 PENSIONS

The group participates in a contracted out money purchase scheme.

Pension costs of £19,000 incurred during the construction and commissioning phase of the Power Station have been capitalised as part of fixed assets under "Assets in the course of construction" in the year (1996 £19,000).

#### 21 RELATED PARTY TRANSACTIONS

The following transactions between the Group and group undertakings of its shareholders have been included in the consolidated financial statements.

##### (1) Construction contracts

During the year the Group has capitalised amounts paid and payable to group undertakings of the following shareholder under the terms of various contracts:

<u>Name of shareholder</u>	<u>Type of contract</u>	<u>Amount paid/payable</u>
ABB Energy Ventures BV	Construction contracts	£136 million

Trade creditors include £393,000 payable under the construction contracts.

##### (2) Development and success fees

Following completion of financing for Phase II of the power station, development costs incurred and success fees totalling £22,500,000 were paid to ABB Energy Ventures BV, IVO Energy Limited, Midlands Power (HPL) Limited and Tomen Power Corporation (UK) Limited. This amount has been capitalised as part of the cost of developing the power station.

##### (3) Loan Stock D

At 1 April 1996 the Group had in issue loan stock D amounting to £2,000,000 which was held by Midlands Power (HPL) Limited. On 21 November 1996 the existing loan stock was cancelled and £2,727,000 of new 14.93% unsecured loan stock was issued at par.

Creditors at 31 March 1997 includes £2,727,255 in respect of loan stock D held by Midlands Power (HPL) Limited (of which £2,708,000 falls due after more than one year), together with accrued interest of £146,000.

The loan stock D bears interest at 14.93% per annum.

The Group has provided Midlands Power (HPL) Limited with an interest free loan. At 31 March 1997 the amount due to the Group was £2,000,000 (1996 £2,000,000).