

HUMBER POWER LIMITED

Annual report for the period ended 23 September 1994 to 31 March 1995

Registered no: 2571241

	Pages
Directors' report	1 - 3
Report of the auditors	4
Consolidated profit and loss account	5
Balance sheets	6
Notes to the financial statements	7 - 18



Report of the directors for the period from 23 September 1994 to 31 March 1995

Registered no: 2571241

The directors present their report and the audited financial statements for the period from 23 September 1994 to 31 March 1995.

Principal activities

The consolidated profit and loss account for the period is set out on page 5.

The principal activity of the group is the development of a power station at Stallingborough, South Humberside and the subsequent generation and production of electricity at that site.

Review of business and future developments

Since financial close in September 1994 significant advances have been made in the progress of the development of South Humber Bank Power Station.

Many contracts in respect of the construction have already been awarded by a subsidiary company and ABB Power Generation Limited and its subcontractors have established an operational base on site at Stallingborough.

The outturn for the project remains on schedule and within budget.

The company is pleased to confirm that Mr Paul Evans has taken over the responsibilities of general manager. Paul brings a number of years experience in the UK power generation business and has started building a small permanent staff at Humber. Mr Matti Salla from IVO International has been appointed station manager and the company looks forward to his valuable contribution when he takes up the position in autumn 1995.

The board and management of Humber and its subsidiary remain focused on the key task of ensuring delivery of a commissioned and tested power station in spring 1997.

The group and its contractors have made a confident start to construction of this exciting power generation project and with the backing of its shareholders and bankers looks forward to significant developments in the year ahead.

HUMBER POWER LIMITED

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend. The loss for the period of £17,219 (1994: £88,285) has been transferred to reserves.

Directors

The directors of the company at 31 March 1995, all of whom have been directors for the whole of the period ended on that date unless otherwise stated, were as follows:-

K J Huopalahti	(Finnish)	(Chairman)	
J Bryant	(British)		appointed 23 September 1994
A Asakura	(Japanese)		appointed 23 September 1994
E Drewery	(British)		appointed 23 September 1994
J M Groves	(British)		appointed 8 November 1994

J M Groves has been appointed as an alternate director to E Drewery.

Changes in fixed assets

The movements in fixed assets during the period are set out in notes 7 to 9 to the financial statements.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss of the group for the period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 March 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Directors' interests in shares of the company

No director held beneficial interests in the shares of the company at 31 March 1995, or at any time during the period.

HUMBER POWER LIMITED

Insurance of directors

The company maintains insurance for Humber Power Limited's directors in respect of their duties as directors.

Close company provisions


As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company. There has been no change in this respect since the end of the financial period.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

For and on behalf of LEGIBUS SECRETARIES LTD.

Legibus Secretaries Limited
Company Secretary 
Authorised Signatory

Report of the auditors to the members of HUMBER POWER LIMITED

We have audited the financial statements on pages 5 to 18.

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.

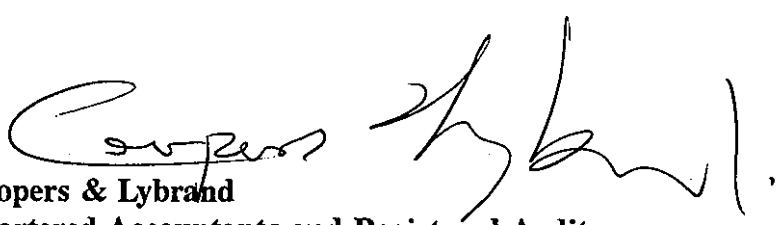
Basis of opinion

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 judgements 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 at 31 March 1995 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London 27 May 1995

HUMBER POWER LIMITED

Consolidated profit and loss account for the period ended 31 March 1995

	Notes	Period from 23 September 1994 to 31 March 1995 £	Period from 1 January to 22 September 1994 £
Administrative expenses		(17,219)	(100,738)
Loss on ordinary activities before interest	2	(17,219)	(100,738)
Interest receivable and similar income		-	12,453
Loss on ordinary activities before taxation		(17,219)	(88,285)
Tax on loss on ordinary activities	4	-	-
Loss for the period	16	(17,219)	(88,285)

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 losses above, and therefore no separate statement of total recognised gains and losses has been presented.

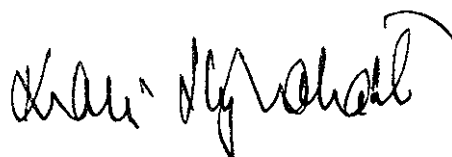
There is no difference between the loss on ordinary activities before taxation and the loss absorbed during the period as stated above, and their historical cost equivalents.

HUMBER POWER LIMITED

Balance sheets 31 March 1995

		Group		Company	
	Notes	31 March 1995	22 September 1994	31 March 1995	22 September 1994
		£	£	£	£
Fixed assets					
Intangible assets	7	-	4,209,214	-	4,209,214
Tangible assets	8	279,038,594	1,996,135	150,001	1,154,473
Investments	10	-	-	100	100
		<u>279,038,594</u>	<u>6,205,349</u>	<u>150,101</u>	<u>5,363,787</u>
Debtors: amounts due after one year	11	<u>3,419,438</u>	<u>-</u>	<u>46,000,000</u>	<u>-</u>
Current assets					
Debtors	12	2,476,793	122,460	816,567	122,460
Cash at bank and in hand		3,074,887	400,354	2,102,525	400,254
		<u>5,551,680</u>	<u>522,814</u>	<u>2,919,092</u>	<u>522,714</u>
Creditors: amounts falling due within one year	13	<u>(1,821,156)</u>	<u>(6,594,275)</u>	<u>(3,308,896)</u>	<u>(6,594,275)</u>
Net current assets/(liabilities)		<u>3,730,524</u>	<u>(6,071,461)</u>	<u>(389,804)</u>	<u>(6,071,561)</u>
Total assets less current liabilities		<u>286,188,556</u>	<u>133,888</u>	<u>45,760,297</u>	<u>(707,774)</u>
Creditors: amounts due after one year	14	<u>(286,071,887)</u>	<u>-</u>	<u>(46,000,000)</u>	<u>-</u>
Net assets/(liabilities)		<u><u>116,669</u></u>	<u><u>133,888</u></u>	<u><u>(239,703)</u></u>	<u><u>(707,774)</u></u>
Capital and reserves					
Called up share capital	15	400,200	400,200	400,200	400,200
Profit and loss account	16	(283,531)	(266,312)	(639,903)	(1,107,974)
Equity shareholders' funds	17	<u><u>116,669</u></u>	<u><u>133,888</u></u>	<u><u>(239,703)</u></u>	<u><u>(707,774)</u></u>

The financial statements on pages 6 to 18 were approved by the board of directors on 12 July 1995 and were signed on its behalf by



Director

HUMBER POWER LIMITED

Notes to the financial statements for the period ended 31 March 1995

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheets include the financial statements of the company and its subsidiary undertaking made up to 31 March 1995. Intra group sales, profits and balances are eliminated fully on consolidation. The subsidiary undertaking was acquired on 13 September 1994 and therefore the comparatives have been restated to reflect the group position.

Fixed assets

Expenditure incurred in the development of the Power Station, including the cost of financing loans for the development, is capitalised and carried forward at cost. 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 generating assets. These will be shown as "Buildings" and "Plant and machinery".

The costs of other tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Office furniture	14%
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No depreciation will be charged on the Power Station until it becomes operational.

Freehold land is not depreciated.

Development costs

Expenditure incurred in the development of projects, including the financing costs of loans for such projects, is capitalised and carried forward at cost. Costs are amortised at the earlier of the commencement of revenue streams or termination of the projects.

HUMBER POWER LIMITED

Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and, for the construction lease both capital and interest elements are capitalised during the period of construction. Assets held under finance leases will be depreciated from the commencement of revenue streams over the shorter of the lease terms and the useful life of the equivalent owned assets.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Assets and liabilities in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating results.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Cash flow statement

The group qualifies as a small group under the terms of Section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

2 Operating loss

Operating loss is stated after charging:

	Period from 23 September 1994 to 31 March 1995 £	Period from 1 January to 22 September 1994 £
Loss on disposal of fixed assets	4,472	-
Auditors' remuneration		
- current year for audit work	6,500	6,000
Operating lease charges:		
Hire of plant and machinery	-	4,359
Other operating leases	-	14,267
Depreciation of tangible fixed assets	-	2,505
	<hr/>	<hr/>

HUMBER POWER LIMITED

3 Directors' emoluments

	Period from 23 September 1994 to 31 March 1995 £	Period from 1 January to 22 September 1994 £
Emoluments (including pension contributions and benefits in kind)	-	43,148
	<u> </u>	<u> </u>

The emoluments to 22 September 1994 were borne by the immediate parent company at that time.

Directors' emoluments excluding pension contributions are as follows:

	Period from 23 September 1994 to 31 March 1995 £	Period from 1 January to 22 September 1994 £
Emoluments of the chairman	Nil	Nil
	<u> </u>	<u> </u>
Emoluments of the highest paid director	Nil	43,148
	<u> </u>	<u> </u>

The number of directors (including the chairman and the highest paid director) whose emoluments were within the ranges:

	Period from 23 September 1994 to 31 March 1995 Number	Period from 1 January to 22 September 1994 Number
£0 to £5,000	5	2
£40,001 to £45,000	-	1
	<u> </u>	<u> </u>

HUMBER POWER LIMITED

4 Taxation

There is no tax charge for the period due to the taxable losses available within the group.

5 Employee information

The average weekly number of persons (including directors) employed by the group during the period was six. Staff costs for the above persons comprise:

	31 March 1995 £	22 September 1994 £
Wages and salaries	8,048	-
Social security costs	821	-
	<u>8,869</u>	<u>-</u>

6 Loss for the period

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £468,071 (1994: loss £929,947).

7 Intangible fixed assets

Group and company

	Development costs £
Cost	
At 23 September 1994	4,209,214
Reclassification as tangible fixed assets	(4,209,214)
At 31 March 1995	<u>-</u>
Depreciation	
At 23 September 1994	-
Charge for period	-
At 31 March 1995	<u>-</u>
Net book value	
At 31 March 1995	<u>-</u>
Net book value	
At 23 September 1994	<u>4,209,214</u>

HUMBER POWER LIMITED

Development expenditure relates to a specific project involving the construction and operation of a power station undertaken by the group. The project is in its initial construction stage and therefore the expenditure has been transferred to tangible fixed assets and is included within "Assets in the course of construction".

8 Tangible fixed assets

Group

	Short leasehold property £	Freehold land £	Assets in course of construction £	Office furniture £	Total £
Cost					
At 23 September 1994	-	1,991,663	-	5,000	1,996,663
Additions	6,188	360,114	272,471,415	-	272,837,717
Reclassification	-	-	4,209,214	-	4,209,214
Disposals	-	-	-	(5,000)	(5,000)
At 31 March 1995	6,188	2,351,777	276,680,629	-	279,038,594
Depreciation					
At 23 September 1994	-	-	-	528	528
Disposals	-	-	-	(528)	(528)
At 31 March 1995	-	-	-	-	-
Net book value					
At 31 March 1995	6,188	2,351,777	276,680,629	-	279,038,594
At 22 September 1994	-	1,991,663	-	4,472	1,996,135

The net book value of tangible fixed assets includes an amount of £240,071,887 (1994: £nil) in respect of assets held under finance leases.

For details of interest and similar charges included in "Assets in the course of construction" see note 9.

HUMBER POWER LIMITED

Company

	Interest in freehold land £	Office furniture £	Total £
Cost			
At 23 September 1994	1,150,001	5,000	1,155,001
Disposals	(1,000,000)	(5,000)	(1,005,000)
	<hr/>	<hr/>	<hr/>
At 31 March 1995	150,001	-	150,001
	<hr/>	<hr/>	<hr/>
Depreciation			
At 23 September 1994	-	528	528
Charge for period	-	-	-
Disposals	-	(528)	(528)
	<hr/>	<hr/>	<hr/>
At 31 March 1995	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 1995	150,001	-	150,001
	<hr/>	<hr/>	<hr/>
At 23 September 1994	1,150,001	4,472	1,154,473
	<hr/>	<hr/>	<hr/>

On 22 September 1994 the company disposed of certain interests in freehold land for a total consideration of £1,000,001. The disposal was made to Humberland Limited, the company's subsidiary undertaking. Upon disposal, this land was revalued to £1,841,663 in the acquiring company's books.

HUMBER POWER LIMITED

9 Capitalised interest and similar charges

All interest, both payable and receivable, and similar charges arising out of the funding needed for the construction of the Power Station has been capitalised as part of fixed assets under "assets in the course of construction".

	31 March 1995 £	22 September 1994 £
Interest payable and similar charges		
On bank loans repayable within 5 years not by instalments	1,313,780	-
On loan stock D repayable after more than five years	151,345	-
On finance leases	6,267,091	-
On interest rate swaps	3,285,605	-
	<hr/>	<hr/>
	11,017,821	-
Less: interest receivable on cash balances	(152,122)	-
	<hr/>	<hr/>
Capitalised interest and similar charges	10,865,699	-
	<hr/>	<hr/>

10 Fixed asset investments

Investment in group undertaking

	Group £	Company £
Cost		
At 23 September 1994	-	100
	<hr/>	<hr/>
At 31 March 1995	-	100
	<hr/>	<hr/>

Humber Power Limited owns 100% of the ordinary issued shares of Humberland Limited, a company incorporated in England and Wales. The principal activity of Humberland Limited is the development and construction of a power station.

HUMBER POWER LIMITED

11 Debtors: amounts due after one year

	Group		Company	
	31 March 1995 £	22 September 1994 £	31 March 1995 £	22 September 1994 £
Amounts owed by subsidiary undertaking	-	-	44,000,000	-
Amount owed by related party	2,000,000	-	2,000,000	-
Prepayments and accrued income	1,419,438	-	-	-
	<u>3,419,438</u>	<u>-</u>	<u>46,000,000</u>	<u>-</u>

12 Debtors: amounts falling due within one year

	Group		Company	
	31 March 1995 £	22 September 1994 £	31 March 1995 £	22 September 1994 £
Trade debtors	1,756	-	1,756	-
Amounts owed by former ultimate parent company	-	374	-	374
Other debtors	810,019	119,172	810,019	119,172
Prepayments and accrued income	1,665,018	2,914	4,792	2,914
	<u>2,476,793</u>	<u>122,460</u>	<u>816,567</u>	<u>122,460</u>

HUMBER POWER LIMITED

13 Creditors: amounts falling due within one year

	Group		Company	
	31 March 1995 £	22 September 1994 £	31 March 1995 £	22 September 1994 £
Bank overdraft	-	41,004	-	41,004
Trade creditors	1,001,947	217	21	217
Amounts owed to group undertakings:				
- due to former immediate parent company				
- loans	-	1,500,000	-	1,500,000
- current	-	142,474	-	142,474
- due to former ultimate parent company				
- loans	-	1,770,000	-	1,770,000
- current	-	8,322	-	8,322
- due to former fellow subsidiaries				
- loans	-	1,000,000	-	1,000,000
- current	-	6,118	-	6,118
- due to subsidiary	-	-	2,555,509	-
Corporation tax	2,985	2,985	2,985	2,985
Other creditors	30,804	1,910,927	30,804	1,910,927
Accruals and deferred income	785,420	212,228	719,577	212,228
	<u>1,821,156</u>	<u>6,594,275</u>	<u>3,308,896</u>	<u>6,594,275</u>

14 Creditors: amounts falling due in more than one year

	Group		Company	
	31 March 1995 £	22 September 1994 £	31 March 1995 £	22 September 1994 £
Bank loans	44,000,000	-	44,000,000	-
Loan Stock D	2,000,000	-	2,000,000	-
Obligations under finance leases	240,071,887	-	-	-
	<u>286,071,887</u>	<u>-</u>	<u>46,000,000</u>	<u>-</u>

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

HUMBER POWER LIMITED

Bank loans

The bank loans are repayable at the company's option any time up to takeover date when the power station attains operational status. This is currently forecast to be 1 April 1997.

Loan stock D

On 28 September 1994, the company issued £2,000,000 14.93% unsecured loan stock, repayable in five years or more.

Finance leases

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

	1995 £	1994 £
Between two and five years	25,264,000	-
Over five years	214,807,887	-
	<u>240,071,887</u>	<u>-</u>

The total value of leases repayable by instalments, any part of which falls due after more than five years is £240,071,887.

15 Called up share capital

	Group		Company	
	31 March 1995 £	22 September 1994 £	31 March 1995 £	22 September 1994 £
Authorised:				
90,000 'A' shares of £1 each	90,000	90,000	90,000	90,000
310,000 'B' shares of £1 each	310,000	310,000	310,000	310,000
200 'AB' shares of £1 each	200	200	200	200
	<u>400,200</u>	<u>400,200</u>	<u>400,200</u>	<u>400,200</u>
Allotted, called up and fully paid				
90,000 'A' shares of £1 each	90,000	90,000	90,000	90,000
310,000 'B' shares of £1 each	310,000	310,000	310,000	310,000
200 'AB' shares of £1 each	200	200	200	200
	<u>400,200</u>	<u>400,200</u>	<u>400,200</u>	<u>400,200</u>

HUMBER POWER LIMITED

16 Profit and loss account

	Group		Company	
	23 September 1994 to 31 March 1995 £	1 January 1994 to 22 September 1994 £	23 September 1994 to 31 March 1995 £	1 January 1994 to 22 September 1994 £
At 23 September 1994	(266,312)	(178,027)	(1,107,974)	(178,027)
(Loss)/profit for period	(17,219)	(88,285)	468,071	(929,947)
At 31 March 1995	<u>(283,531)</u>	<u>(266,312)</u>	<u>(639,903)</u>	<u>(1,107,974)</u>

17 Reconciliation of movements in shareholders' funds

	Group		Company	
	31 March 1995 £	22 September 1994 £	1995 £	1994 £
Opening shareholders' funds	133,888	129,975	(707,774)	129,975
Loss/(profit) for the financial period	(17,219)	(88,285)	468,071	(929,947)
New share capital issued	-	92,198	-	92,198
Closing shareholders' funds	<u>116,669</u>	<u>133,888</u>	<u>(239,703)</u>	<u>(707,774)</u>

18 Capital commitments

The group has signed various contracts in connection with the construction and financing of the power station. The budgeted construction cost which has been approved by the board of directors is £420 million.

Under the terms of the Deed of Surrender dated 31 August 1994 in respect of the Hoyes Tenancy on land at Stallingborough, the company is committed to the construction of an access road and the modification of drainage facilities. The directors estimate that costs in respect of this work will not exceed £15,000.

HUMBER POWER LIMITED

19 Financial commitments

The group has financial commitments in respect of non-cancellable operating leases of plant and machinery. The rentals payable under these leases in the next year are as follows:

	Group and company	
	31 March	22 September
	1995	1994
	£	£
Expiring within one year	-	3,044
	<u> </u>	<u> </u>

In addition the group leases certain land and buildings on short term leases. The rents payable under these leases, which are subject to renegotiation at various intervals specified in the leases and in respect of which the group pays all insurance, maintenance and repairs of these properties, in the next year are as follows:

	Group and company	
	31 March	22 September
	1995	1994
	£	£
Expiring in less than one year	-	5,722
	<u> </u>	<u> </u>
	-	5,772
	<u> </u>	<u> </u>

20 Contingent liabilities

On 22 September 1994 the group entered into an agreement with Associated British Ports giving the company the right to secure an underlease over land to allow installation of cooling water pipes. The rental under the lease is £15,000 for the first two and a half years and £30,000 for each subsequent five year period. The lease is for a total period of forty years.

Under the terms of the underlease with Associated British Ports the group is responsible for the removal of accumulations of silt built up as a result of the development of the power station for a period from the date of commencement of construction to a date ten years after completion of the construction works. It is not possible to quantify the cost of the removal of silt at present.

The group has entered into an interest rate swap as the fixed rate payer at a rate of 8.6% per annum. The amount payable or receivable is recalculated quarterly based on the prevailing LIBOR rates and an agreed schedule of nominal principal amounts. The nominal principal amounts vary between £267 million and £365 million.