

HUMBER POWER LIMITED
(Registered Number 2571241)

DIRECTORS' REPORT AND ACCOUNTS

31 March 2000



HUMBER POWER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2000

The directors present their report and the audited financial statements for the year ended 31 March 2000.

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 successfully completed its first major maintenance inspection, with the plant returning to operation as planned. High levels of efficiency and availability have continued to be maintained in the year.

Phase II of the project achieved high efficiency, but suffered an unscheduled outage in 1999; other than this incident availability levels continued to remain high.

The company is reviewing its commercial and financial structure to ensure that it can take full advantage of the New Electricity Trading Arrangements which commenced in March 2001.

Details of a proposed restructuring and re-financing are set out in note 1(2) to the accounts.

RESULT AND DIVIDENDS

The consolidated profit and loss account for the year is set out on page 5. The directors do not recommend the payment of a dividend. The loss for the year of £2,502,000 (1999 profit £2,090,000) has been deducted from reserves.

CHARITABLE DONATIONS

During the year the group made charitable donations of £7,000 (1999 £3,000).

DIRECTORS AND THEIR INTERESTS

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

M Preece – Chairman	(from 21 July 1999)	(British)
J Bryant – Chairman	(resigned 21 July 1999)	(British)
J A Deane	(resigned 30 March 2000)	(British)
A Asakura		(Japanese)
F G Debien	(resigned 19 July 2000)	(French)
A A Clements		(British)
J A G Bonner	(appointed 21 July 1999, resigned 30 June 2000)	(British)
Clifford Chance Secretaries Limited	(appointed 2 March 2000)	(N/A)

HUMBER POWER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2000

DIRECTORS AND THEIR INTERESTS (CONTINUED)

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

J Cox		(British)
J M Groves		(British)
G Steer		(British)
J Tsuruta	(resigned 27 January 2000)	(Japanese)
J M Merzeau		(French)
M R Miller	(appointed 21 July 1999)	(British)
M Saito	(appointed 27 January 2000 resigned 18 April 2000)	(Japanese)
S Yasuda	(appointed 19 April 2000)	(Japanese)
P Sauquet	(appointed 19 July 2000)	(French)

No director had any interests in any of the shares of group undertakings at 31 March 2000 or at any time during the year.

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.

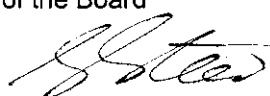
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

AUDITORS

Our auditors, PricewaterhouseCoopers, 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

Director



25 May 2001

PricewaterhouseCoopers

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AUDITORS' REPORT TO THE MEMBERS OF HUMBER POWER LIMITED

We have audited the financial statements on pages 5 to 21.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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.

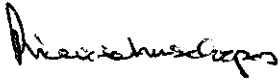
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

FUNDAMENTAL UNCERTAINTY

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the basis of preparation. The accounts have been prepared on a going concern basis and the validity of this depends on the successful completion of the restructuring of existing trading arrangements and the refinancing of the group's borrowings referred to in note 1. The accounts do not include any adjustments that would result should this restructuring and refinancing not be successfully completed. Details of the circumstances relating to this fundamental uncertainty are described in the accounting policies (note 1). Our opinion is not qualified in this respect.

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 2000 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

25 May 2001

HUMBER POWER LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2000

	Note	2000 £'000	1999 £'000
Turnover		199,801	163,821
Cost of sales		<u>(130,970)</u>	<u>(114,381)</u>
GROSS PROFIT		68,831	49,440
Distribution expenses		(9,826)	(7,736)
Administrative expenses		<u>(10,136)</u>	<u>(7,729)</u>
OPERATING PROFIT	2	48,869	33,975
Net interest payable	5	<u>(40,009)</u>	<u>(30,251)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,860	3,724
Taxation	6	<u>(11,362)</u>	<u>(1,634)</u>
(LOSS)/PROFIT FOR THE YEAR	18	<u>(2,502)</u>	<u>2,090</u>

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

The group has no recognised gains and losses other than the loss for the year reported above.

HUMBER POWER LIMITED

BALANCE SHEETS AS AT 31 MARCH 2000

	Note	Group		Company	
		2000 £'000	1999 £'000	2000 £'000	1999 £'000
FIXED ASSETS					
Tangible assets	8	<u>534,519</u>	<u>554,580</u>	<u>533,451</u>	<u>553,359</u>
CURRENT ASSETS					
Stocks	10	13,855	19,882	13,855	19,882
Debtors - amounts falling due within one year	11	18,911	18,994	65,976	79,662
- amounts falling due after more than one year	12	8,721	9,805	74,132	91,753
Cash at bank and in hand		<u>25,173</u>	<u>44,591</u>	<u>25,173</u>	<u>44,591</u>
		66,660	93,272	179,136	235,888
CREDITORS - Amounts falling due within one year	13	<u>(42,206)</u>	<u>(77,458)</u>	<u>(47,140)</u>	<u>(108,010)</u>
NET CURRENT ASSETS		<u>24,454</u>	<u>15,814</u>	<u>131,996</u>	<u>127,878</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		558,973	570,394	665,447	681,237
CREDITORS - Amounts falling due after more than one year	14	<u>(547,356)</u>	<u>(559,832)</u>	<u>(666,239)</u>	<u>(681,504)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(12,996)</u>	<u>(9,439)</u>	<u>-</u>	<u>-</u>
NET ASSETS/(LIABILITIES)		<u>(1,379)</u>	<u>1,123</u>	<u>(792)</u>	<u>(267)</u>
CAPITAL AND RESERVES					
Called up share capital	17	632	632	632	632
Profit and loss account	18	<u>(2,011)</u>	<u>491</u>	<u>(1,424)</u>	<u>(899)</u>
EQUITY SHAREHOLDERS' FUNDS	19	<u>(1,379)</u>	<u>1,123</u>	<u>(792)</u>	<u>(267)</u>

Approved by the board of directors on 25 May 2001
and signed on their behalf by:

M. Preece
DIRECTORS C. Seer
E. Saloskari



HUMBER POWER LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2000

	Note	2000 £'000	1999 £'000
Net cash inflow from operating activities	20	81,097	59,002
Returns on investments and servicing of finance			
Interest received		2,597	2,881
Interest paid		(17,285)	(12,362)
Interest element of finance lease rental payments		<u>(25,392)</u>	<u>(40,751)</u>
Net cash outflow from returns on investments and servicing of finance		(40,080)	(50,232)
Capital expenditure and financial investment			
Purchases of tangible fixed assets		(1,187)	(802)
Movements in loan to related parties		<u>(6,721)</u>	<u>-</u>
Net cash outflow from capital expenditure and financial investment		<u>(7,908)</u>	<u>(802)</u>
Cash inflow before use of liquid resources and financing		33,109	7,968
Financing			
Repayment of bank loans		(27,458)	(48,853)
Issue of loan stock		-	62,241
Redemption of loan stock		(25,069)	(26,000)
Capital element of finance lease rental payments		<u>-</u>	<u>(4,449)</u>
Net cash outflow from financing		<u>(52,527)</u>	<u>(17,061)</u>
Decrease in cash in the year	21	(19,418)	(9,093)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the year		(19,418)	(9,093)
Cash outflow from decrease in debt and lease financing		<u>52,527</u>	<u>17,061</u>
Change in net debt resulting from cash flows		33,109	7,968
New finance leases		<u>-</u>	<u>(6,857)</u>
Movement in net debt in the year		33,109	1,111
Net debt at 1 April 1999		<u>(549,342)</u>	<u>(550,453)</u>
Net debt at 31 March 2000	21	<u>(516,233)</u>	<u>(549,342)</u>

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000

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

(2) Restructuring and re-financing

The UK Government announced proposals in July 1998 to introduce new electricity trading arrangements (NETA) within the UK electricity market. These came into force on 27 March 2001.

The introduction of these new arrangements is likely to result in the renegotiation or termination of:

- (1) the existing contracts for differences (CFD) held with certain shareholder companies that effectively fix the price which the group receives for electricity generated from part of the Power Plant up until April 2012;
- (2) the gas supply agreement (GSA) with a shareholder company that effectively fixes the price which the group pays for gas supplied to part of the Power Plant up until April 2012;
- (3) the existing tolling agreement with a shareholder company (note 24); and
- (4) the existing banking facilities.

As a consequence the group has embarked upon a restructuring programme. Negotiations between shareholders and with the directors of the Company in respect of the restructuring, including the renegotiation of the existing CFD, GSA and tolling contracts referred to above, are ongoing. A temporary agreement between the shareholders has been put in place to cover the period from the introduction of NETA until the date of completion of the restructuring. This includes the injection of additional debt funding of approximately £9 million by the existing shareholders for a period of up to three months from 1 April 2001, and the suspension of existing CFD contracts.

In addition, the Group has been notified that the introduction of NETA would constitute an event of default under the current banking facilities. However, the Group's bankers are continuing to be supportive and are providing facilities, and have indicated their intention to continue to provide such facilities, under the existing facility agreements, pending finalisation of a restructuring program. It is anticipated that the Group will enter into new banking facilities on successful completion of the restructuring. In the event that agreement is not reached between the contract counter parties and with the Company in relation to the renegotiation of contracts, it is possible that the existing banking facilities would be withdrawn.

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The accounts have been prepared on the going concern basis which assumes that the company and its subsidiary will continue in operational existence for the foreseeable future. The validity of this assumption depends on:

- the successful completion of the restructuring, referred to above; and
- the successful negotiation of new facilities with the group's banks and other lenders pending the completion of the restructuring.

If the group was unable to continue in operational existence, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts and to provide for further liabilities which might arise. Additionally, further adjustments would have to be made to reclassify fixed assets and long term liabilities as current assets and current liabilities, respectively.

Whilst the directors cannot be certain as to the outcome of the proposed restructuring and re-financing, they believe they will be satisfactorily concluded and that it is appropriate for the accounts to be prepared on a going concern basis.

(3) 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 2000. Intra group sales, profits and balances are eliminated on consolidation.

(4) Fixed assets

Fixed assets are stated at the original cost to the Group.

Depreciation is charged on all fixed assets, other than freehold land, from the "take-over" date for each phase, 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 economic life. The useful economic lives of assets held in the year have been estimated as follows:

Power station	30 years
Gas turbine components	3 - 9 years
Tools and machinery	4 years
Computer software and equipment	4 years
Office equipment	4 years

(5) Stocks

Strategic spares and consumable spares are stated at the lower of cost incurred in bringing each item to its present location and condition and net realisable value.

(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.

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(7) Finance leases

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 are depreciated at rates calculated to write off the cost, less estimated residual value, evenly over their useful life, which is deemed to be 30 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) Operating leases

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

(9) Interest

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.

(10) Pension schemes

The company participates in a contracted out money purchase scheme. Pension contributions are charged to the profit and loss account as the costs are incurred. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments in the balance sheet.

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

2 OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2000 £'000	1999 £'000
Depreciation - owned assets	5,512	3,810
- assets held under finance lease	25,423	15,233
	<u>51,026</u>	<u>39,676</u>
The total amount charged to the profit and loss account in respect of finance leases (of which £25,603,000 (1999 £24,443,000) is shown as interest and £25,423,000 (1999 £15,233,000) is shown as depreciation)	<u>51,026</u>	<u>39,676</u>
Auditors' remuneration - audit fees and expenses:		
- parent company	18	17
- subsidiary undertaking	-	-
- Group	18	17
	<u>165</u>	<u>116</u>
Auditors' remuneration - non audit fees	165	116
	<u>165</u>	<u>116</u>
Release of accrual for Contracts for Difference payments	(475)	-
	<u>(475)</u>	<u>-</u>

3 DIRECTORS' EMOLUMENTS

The directors received no emoluments from the company during the year (1999 £Nil).

4 EMPLOYEE INFORMATION

The average number of employees (excluding directors) of the group during the year was 8 (1999 9). Staff costs comprise:

	2000 £'000	1999 £'000
Wages and salaries	366	386
Social security costs	39	38
Other pension costs	<u>92</u>	<u>38</u>
	497	462
	<u>497</u>	<u>462</u>

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

5	NET INTEREST PAYABLE	2000	1999
		£'000	£'000
	Interest payable		
	Bank loans and payments under interest rate swaps	14,657	10,008
	Other loans	2,346	979
	Finance leases and finance lease guarantee fees	<u>25,603</u>	<u>31,386</u>
		42,606	42,373
	Interest receivable		
	Bank interest	(2,597)	(2,820)
	Other interest	<u>-</u>	<u>(61)</u>
		(2,597)	(2,881)
		40,009	39,492
	Capitalised interest and similar charges	<u>-</u>	<u>(9,241)</u>
		40,009	30,251
		<u><u>40,009</u></u>	<u><u>30,251</u></u>

6 TAXATION

The charge based on the profits for the year comprises:

Deferred taxation	11,362	1,018
Adjustments in respect of prior years		
Consortium relief (Note 24(7))	7,805	(7,805)
Deferred taxation	<u>(7,805)</u>	<u>8,421</u>
	11,362	1,634
	<u><u>11,362</u></u>	<u><u>1,634</u></u>

The current year tax charge is higher than expected due to restrictions on the utilisation of losses within the group against future profits.

7 PROFIT 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 £525,000 (1999 profit of £10,434,000).

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

8 TANGIBLE FIXED ASSETS

GROUP	Short leasehold property £'000	Freehold land £'000	Power station assets £'000	Gas turbine components £'000	Plant, machinery and equipment £'000	Total £'000
Cost						
At 1 April 1999	6	2,204	539,515	46,472	675	588,872
Additions	-	-	1,165	14,053	22	15,240
Disposals	-	-	-	(12,543)	-	(12,543)
At 31 March 2000	6	2,204	540,680	47,982	697	591,569
Depreciation						
At 1 April 1999	-	-	23,512	10,543	237	34,292
Charge for year	-	-	18,562	12,464	175	31,201
Disposals	-	-	-	(8,443)	-	(8,443)
At 31 March 2000	-	-	42,074	14,564	412	57,050
Net book amounts						
At 31 March 2000	6	2,204	498,606	33,418	285	534,519
At 31 March 1999	6	2,204	516,003	35,929	438	554,580

The cost of assets held under finance leases at 31 March 2000 amounted to £451,727,000 (1999 £454,348,000) with accumulated depreciation of £45,298,000 (1999 £28,318,000)

Company	Power station assets £'000	Gas turbine components £'000	Total £'000
Cost			
At 1 April 1999	540,942	46,472	587,414
Additions	1,165	14,053	15,218
Disposals	-	(12,543)	(12,543)
At 31 March 2000	542,107	47,982	590,089
Depreciation			
At 1 April 1999	23,512	10,543	34,055
Charge for year	18,562	12,464	31,026
Disposals	-	(8,443)	(8,443)
At 31 March 2000	42,074	14,564	56,638
Net book amounts			
At 31 March 2000	500,033	33,418	533,451
At 31 March 1999	517,430	35,929	553,359

The costs of assets held under finance leases at 31 March 2000 amounted to £578,938,000 (1999 £581,559,000) with accumulated depreciation of £55,026,000 (1999 £33,806,000).

Disposals comprise assets scrapped during the year together with gas turbine components transferred to stock at their net book value which are to be refurbished and subsequently re-used in the operation of the plant. Additions to gas turbine components represent transfers from strategic spares stock at the lower of cost or net realisable value.

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

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 1999 and 31 March 2000 amounted to £100.

10 STOCKS

	<u>Group and company</u>	
	<u>2000</u>	<u>1999</u>
	<u>£'000</u>	<u>£'000</u>
Strategic spares	10,303	15,918
Consumable spares	<u>3,552</u>	<u>3,964</u>
	13,855	19,882
	<u><u> </u></u>	<u><u> </u></u>

11 DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Trade debtors	17,570	16,437	17,570	16,437
Amounts due from subsidiary undertaking	-	-	19,212	18,501
Amounts owed by subsidiary under loan agreements	-	-	16,778	27,699
Dividend receivable from subsidiary	-	-	11,145	16,231
Other debtors	16	1,527	2	496
Prepayments and accrued income	<u>1,325</u>	<u>1,030</u>	<u>1,269</u>	<u>298</u>
	18,911	18,994	65,976	79,662
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

12 DEBTORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Amounts owed by subsidiary under loan agreements	-	-	65,411	81,948
Amounts owed by related party (note 24)	8,721	2,000	8,721	2,000
Consortium relief receivable (note 24)	-	7,805	-	7,805
	8,721	9,805	74,132	91,753
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

13 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Bank loans	16,778	27,699	16,778	27,699
Loan stock (see note 14)	3,104	21,994	3,122	21,994
Trade creditors	13,233	9,310	13,227	9,286
Amounts owed to subsidiary undertaking	-	-	-	28,473
Group relief	-	-	-	3,554
Other taxes and social security	3,458	4,524	3,458	4,524
Accruals and deferred income	4,816	8,036	4,475	7,097
Obligations under finance leases	817	5,895	6,080	5,383
	42,206	77,458	47,140	108,010
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

14 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>Group</u>		<u>Company</u>	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Bank loans	65,411	81,948	65,411	81,948
Loan stock	10,795	16,974	10,777	16,974
Obligations under finance leases	444,501	439,423	563,404	569,484
Accruals and deferred income	26,649	21,487	26,647	13,098
	547,356	559,832	666,239	681,504
	<u> </u>	<u> </u>	<u> </u>	<u> </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.

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

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

Bank loans	Group and company	
	2000 £'000	1999 £'000
Amounts repayable by instalments:		
Between one and two years	15,340	16,943
Between two and five years	50,071	53,964
Over five years	—	11,041
	65,411	81,948

Loan stock	2000				Group and company			
	A £'000	B £'000	D £'000	Total £'000	A £'000	B £'000	D £'000	Total £'000
Amounts repayable								
In less than one year	391	2,691	22	3,104	373	21,602	19	21,994
Between one and two years	435	—	27	462	411	5,768	24	6,203
Between two and five years	1,570	—	138	1,708	1,549	—	122	1,671
In more than five years	6,104	—	2,521	8,625	6,538	—	2,562	9,100
	8,500	2,691	2,708	13,899	8,871	27,370	2,727	38,968

The loan stock A is held by a related party (note 24), is unsecured, repayable by instalments and bears interest at rates which take account of price indices. The rate applicable in the year was 21.23% per annum.

The loan stock B is held by a number of related parties (note 24), is unsecured and does not bear interest.

The loan stock D is held by a related party (note 24), is unsecured, repayable by instalments and bears interest at a rate of 14.93% per annum.

Finance leases	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Amounts repayable by instalments:				
Between one and two years	1,945	798	6,695	6,080
Between two and five years	9,208	8,065	24,264	22,037
Over five years	433,348	430,560	532,445	541,367
	444,501	439,423	563,404	569,484

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

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

The bank loans and finance leases bear interest at various margins above LIBOR. These rates are effectively fixed using interest rate swaps at rates varying between 6.0% and 7.7% which expire in 2014. The finance lease obligations of the company represent amounts owing to Humberland Limited, its subsidiary undertaking.

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

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Bank loans	82,189	109,647	82,189	109,647
Loan Stock A	<u>8,500</u>	<u>8,871</u>	<u>8,500</u>	<u>8,871</u>
Loan Stock D	<u>2,708</u>	<u>2,727</u>	<u>2,708</u>	<u>2,727</u>
Finance leases	<u>445,318</u>	<u>445,318</u>	<u>569,484</u>	<u>574,867</u>

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000
GROUP	
At 1 April 1999	9,439
Profit and loss account	<u>3,557</u>
At 31 March 2000	<u>12,996</u>

	2000		1999	
16 DEFERRED TAXATION	Provision made £'000	Full potential (asset)/liability £'000	Provision made £'000	Full potential (asset)/liability £'000
GROUP				
Accelerated capital allowances	(8,963)	(8,963)	(12,056)	(12,056)
Other timing differences	<u>38,256</u>	<u>38,256</u>	<u>39,969</u>	<u>39,969</u>
	<u>29,293</u>	<u>29,293</u>	<u>27,913</u>	<u>27,913</u>
Losses available for future relief	<u>(16,297)</u>	<u>(24,765)</u>	<u>(18,474)</u>	<u>(18,474)</u>
	<u>12,996</u>	<u>4,528</u>	<u>9,439</u>	<u>9,439</u>
COMPANY				
Accelerated capital allowances	320	320	310	310
Other timing differences	<u>1,069</u>	<u>1,069</u>	<u>1,105</u>	<u>1,105</u>
	<u>1,389</u>	<u>1,389</u>	<u>1,415</u>	<u>1,415</u>
Losses available for future relief	<u>(1,389)</u>	<u>(9,856)</u>	<u>(1,415)</u>	<u>(3,389)</u>
	<u>-</u>	<u>(8,467)</u>	<u>-</u>	<u>(1,974)</u>

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

17 CALLED UP SHARE CAPITAL

	Group and company			
	Number	2000 £'000	Number	1999 £'000
Authorised, allotted, called up and fully paid				
'A' shares of £1 each	90,000	90	90,000	90
'B' shares of £1 each	541,429	542	541,429	542
'AB' shares of £1 each	<u>267</u>	<u>-</u>	<u>267</u>	<u>-</u>
	631,696	632	631,696	632
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

Class A shares carry no rights to dividends or distribution until the earlier of the repayment in full of the Class A loan stock and the date upon which the principal of the Class A 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.

18 PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 1 April 1999 - surplus/(deficit)	491	(899)
Loss for the year	<u>(2,502)</u>	<u>(525)</u>
At 31 March 2000 - deficit	<u>(2,011)</u>	<u>(1,424)</u>
	<u>=====</u>	<u>=====</u>

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Opening shareholders' funds	1,123	(967)	(267)	(10,701)
(Loss)/profit for the financial year	<u>(2,502)</u>	<u>2,090</u>	<u>(525)</u>	<u>10,434</u>
Closing shareholders' funds - (deficit)/surplus	<u>(1,379)</u>	<u>1,123</u>	<u>(792)</u>	<u>(267)</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

20	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2000 £'000	1999 £'000
	Operating profit	48,869	33,975
	Depreciation	31,201	19,043
	Increase in stocks	(3,926)	(3,491)
	Decrease/(increase) in debtors	83	(1,689)
	Increase in creditors	<u>4,870</u>	<u>11,164</u>
	Net cash inflow from operating activities	81,097	59,002

21	ANALYSIS OF NET DEBT	At 1 April 1999 £'000	Cash flows £'000	At 31 March 2000 £'000
	Cash at bank and in hand	44,591	(19,418)	25,173
	Bank loans	(109,647)	27,458	(82,189)
	Loan Stock A	(8,871)	371	(8,500)
	Loan Stock B	(27,370)	24,679	(2,691)
	Loan Stock D	(2,727)	19	(2,708)
	Finance leases	<u>(445,318)</u>	<u>-</u>	<u>(445,318)</u>
		<u>(549,342)</u>	<u>33,109</u>	<u>(516,233)</u>

22 CAPITAL COMMITMENTS

The group has signed various contracts in connection with the construction and financing of the power station. At 31 March 2000 the group had capital commitments contracted for of £257,000 (1999 £1,398,000).

23 PENSIONS

The group participates in a contracted out money purchase scheme.

The group pension contributions during the year amounted to £92,000 (1999 £38,000).

24 RELATED PARTY TRANSACTIONS

The following transactions between the Group and group undertakings of its shareholders, all of whom are regarded as related parties under Financial Reporting Standard No 8 have been included in the consolidated financial statements.

(1) Construction contracts and purchase of replacement components

During the year the Group has capitalised an amount of £1,097,000 (1999 £1,042,000) paid and payable to group undertakings of ABB Energy Ventures BV under the terms of construction contracts. In addition, £4,049,000 was paid or payable in respect of gas turbine components purchased in the year (1999 £Nil) of which £3,117,000 was included within trade creditors at 31 March 2000 (1999 £Nil).

Trade creditors include £76,000 payable (1999 £88,000 receivable) under these contracts.

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

24 RELATED PARTY TRANSACTIONS (continued)

(2) Loan Stock and loan to shareholder

Creditors at 31 March 2000 include £8,500,000 (1999 £8,871,000) in respect of loan stock A and £2,708,000 (1999 £2,727,000) in respect of loan stock D held by Midlands Power (HPL) Limited together with accrued interest of £2,345,000 (1999 £1,104,000).

The Group has provided Midlands Power (HPL) Limited, and others with interest free loans. At 31 March 2000 the amount due to the Group was £8,721,000 (1999 interest free loan to Midlands Power (HPL) Limited of £2,000,000).

Creditors at 31 March 2000 include £2,691,000 (1999 £27,370,000) in respect of loan stock B held by the following group undertakings of its shareholders:

Midlands Power (HPL) Limited
IVO Energy Limited
Tomen Power Corporation (UK) Limited
ABB Energy Ventures BV
Chanter Petroleum Limited
British Energy plc

Further details regarding the terms of the loan stock in issue during the year are provided in note 14.

(3) Contracts for differences

The Group holds contracts for differences with the following group undertakings of its shareholders:

Midlands Electricity plc
Imatran Voima Oy
Tomen Power Corporation (UK) Limited
ABB Energy Ventures (Jersey) Limited

These contracts effectively fix the price of electricity generated on Phase I plant for a period ending in April 2012.

The net amount receivable under the contracts in the year was £20,697,000 (1999 £6,836,000), and trade debtors include £4,814,000 (1999 trade creditors included £196,000) in respect of these contracts.

(4) Tolling revenues

The company has received £47,771,000 (1999 £12,588,000) from group undertakings of Chanter Petroleum Limited in respect of a gas tolling contract for part of the generation output of the power station. Trade debtors include £4,482,000 (1999 £3,989,000) receivable from group undertakings of Chanter Petroleum Limited under the tolling contract.

(5) Gas contract

The Group has a gas supply contract with group undertakings of Chanter Petroleum Limited. The result for the year includes £89,691,000 (1999 £60,514,000) in respect of gas purchased under this contract on an arms-length basis. Trade creditors include £8,298,000 payable to a group undertaking of Chanter Petroleum Limited at 31 March 2000 (1999 £6,458,000).

This contract fixes the gas cost to the group for the period ending April 2012.

HUMBER POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2000 (CONTINUED)

24 RELATED PARTY TRANSACTIONS (continued)

(6) Operational management

The Group has a contract with group undertakings of IVO Energy Limited for the operational management of the power station.

The amount paid or payable in the year was £8,778,000 (1999 £7,224,000), and trade creditors include £Nil (1999 £777,000) payable under this contract.

A further £15,000 of fees paid to group undertakings of IVO Energy Limited in relation to the construction of Phase II of the power station have been capitalised (1999 £699,000)

(7) Consortium relief

Prior period losses of the company amounting to £26,017,000 were surrendered to group undertakings of Midlands Power (HPL) Limited, IVO Energy Limited and Tomen Power Corporation (UK) Limited and an asset of £7,805,000 was recorded in the balance sheet at 31 December 1999 to reflect the amount receivable from the above consortium members in respect of the losses surrendered. These claims have subsequently been withdrawn by the consortium members and as a consequence the debtor has been written off in the current period.