

Humber Power Limited
Annual report
for the period ended 25 May 2001

Registered Number 2571241



Humber Power Limited

Annual report for the period ended 25 May 2001

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Humber Power Limited

Directors' report for the period ended 25 May 2001

The directors present their report and the audited financial statements of the company for the period ended 25 May 2001.

Principal activities

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

Change of year end

The company's year end was changed from 31 March to 25 May during the period and, therefore, these accounts have been prepared covering a 14 month period.

Review of business and future developments

Phase 1 and Phase 2 of the project continued to maintain high levels of efficiency and availability throughout the year, with the exception of an unscheduled outage in October 2000 on Phase 1. Both phases of the project have been maintained in accordance with the planned inspection programme following which the plant returned to operation as expected.

During the period the company has reviewed its commercial and financial structure to ensure that it is in a position to take full advantage of the New Electricity Trading Arrangements that commenced in March 2001.

Details of the restructuring and re-financing that took place on 25th May 2001 are set out in notes 13 and 16 to the accounts.

Results and dividends

The consolidated profit and loss account for the period is set out on page 4. The directors do not recommend the payment of a dividend. The profit for the period of £3,389,000 (2000 loss £2,502,000) has been transferred to reserves.

Charitable donations

During the period the group made charitable donations of £ 4,000 (2000 £7,000).

Directors and their interests

The directors who held office during the period are given below:

A Asakura	(resigned 25 May 2001)	(Japanese)
F G Debien	(resigned 19 July 2000)	(French)
A A Clements	(resigned 25 May 2001)	(British)
M Preece	(resigned 25 May 2001)	(British)
J A G Bonner	(appointed 21 July 1999, resigned 30 June 2000)	(British)
Clifford Chance Secretaries Limited	(appointed 2 March 2000)	(N/A)
Jean Fournier	(appointed 25 May 2001, resigned 14 September 2001)	(French)
John Shears	(appointed 25 May 2001)	(British)
Jake Ulrich	(appointed 25 May 2001)	(American)
Jean Pierre Mateille	(appointed 25 May 2001)	(French)

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

Humber Power Limited

J Cox	(resigned 25 May 2001)	(British)
J M Groves	(resigned 25 May 2001)	(British)
G Steer	(resigned 25 May 2001)	(British)
J M Merzeau	(resigned 25 May 2001)	(French)
M R Miller	(appointed 21 July 1999, resigned 25 May 2001)	(British)
M Saito	(appointed 27 January 2000, resigned 18 April 2000)	(Japanese)
S Yasuda	(appointed 19 April 2000, resigned 25 May 2001)	(Japanese)
P Sauquet	(appointed 19 July 2000)	(French)

No director had any interests in any of the shares of group undertakings at 25 May 2001 or at any time during the period.

Policy and practice on payment of creditors

Creditors are paid as they fall due. Trade creditors at the period end represented 4 days (2000 5 days) of purchases.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

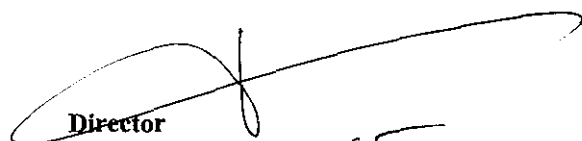
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 25 May 2001 and that applicable accounting standards have been followed.

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 Act 1985. 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.

Auditors

The auditors, PricewaterhouseCoopers, 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


Director
P. Sauquet

5 FEBRUARY 2002

Humber Power Limited

Auditors' report to the members of Humber Power Limited

We have audited the financial statements on pages 4 to 23.

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.

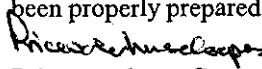
Basis of audit opinion

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 of the group at 25 May 2001 and of the profit and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Hull

5 FEBRUARY 2002

Humber Power Limited

Consolidated profit and loss account for the period ended 25 May 2001

	Note	25 May 2001 (14 months) £'000	31 March 2000 (12 months) £'000
Turnover		205,804	199,801
Cost of sales		(119,260)	(130,970)
Gross profit		86,544	68,831
Distribution expenses		(9,405)	(9,826)
Administrative expenses		(14,147)	(10,136)
Other operating income/(expenses)	1	(13,844)	-
Operating profit	1	49,148	48,869
Net interest payable	4	(40,943)	(40,009)
Profit on ordinary activities before taxation		8,205	8,860
Taxation	5	(4,816)	(11,362)
Profit/(Loss) for the period	18	3,389	(2,502)

All items dealt with in arriving at operating profit above relate to continuing operations.

The group has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

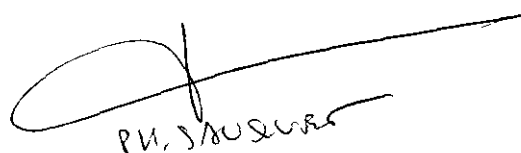
Humber Power Limited

Balance sheets as at 25 May 2001

	Note	Group 25 May 2001 £'000	Group 31 March 2000 £'000	Company 25 May 2001 £'000	Company 31 March 2000 £'000
Fixed assets					
Tangible assets	7	496,604	534,519	495,594	533,451
Investments	8	-	-	-	-
		496,604	534,519	495,594	533,451
Current assets					
Stocks	9	13,673	13,855	13,673	13,855
Debtors					
- amounts falling due within one year	10	33,978	18,911	43,978	65,976
- amounts falling due after more than one year	11	-	8,721	100,343	74,132
Cash at bank and in hand		9,306	25,173	3,496	25,173
		56,957	66,660	161,490	179,136
Creditors – amounts falling due within one year	12	(33,665)	(42,206)	(46,190)	(47,140)
Net current assets		23,292	24,454	115,300	131,996
Total assets less current liabilities		519,896	558,973	610,894	665,447
Creditors – amounts falling due after more than one year	13	(472,270)	(547,356)	(581,711)	(666,239)
Provisions for liabilities and charges	14	(17,812)	(12,996)	-	-
Net assets/(liabilities)		29,814	(1,379)	29,183	(792)
Capital and reserves					
Called up share capital	16	20,000	632	20,000	632
Share Premium	17	8,436	-	8,436	-
Profit and loss account	18	1,378	(2,011)	747	(1,424)
Equity shareholders' funds	19	29,814	(1,379)	29,183	(792)

The financial statements on pages 4 to 23 were approved by the board of directors on 5 FEBRUARY 2002 and were signed on its behalf by:

Director


P. H. J. A. S. C. W. R.

Humber Power Limited

Consolidated cash flow statement for the period ended 25 May 2001

	Note	25 May 2001 £'000	25 May 2001 £'000	31 March 2000 £'000	31 March 2000 £'000
Net cash inflow from operating activities	20		35,104		81,097
Returns on investment and servicing of finance					
Interest received		6,406		2,597	
Interest paid		(18,274)		(17,285)	
Interest element of finance lease rental payments		(29,075)		(25,392)	
Net cash outflow from returns on investments and servicing of finance			(40,943)		(40,080)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(7,467)		(1,187)	
Movements in loan to related parties		9,134		(6,721)	
Net cash inflow/(outflow) from capital expenditure and financial investment			1,667		(7,908)
Cash (outflow)/inflow before use of liquid resources and financing			(4,172)		33,109
Financing					
Repayment of bank loans		(82,189)		(27,458)	
Issue of ordinary share capital		27,804		-	
Issue of loan stock		52,314			
Redemption of loan stock		(13,899)		(25,069)	
Capital element of finance lease rental payments		4,275		-	
Net cash outflow from financing			(11,695)		(52,527)
Decrease in net cash			(15,867)		19,418

Humber Power Limited

Reconciliation of net cash flow to movement in net debt

	25 May 2001 £'000	25 May 2001 £'000	31 March 2000 £'000	31 March 2000 £'000
Decrease in cash in the period	(15,867)		(19,418)	
Cash outflow from decrease in debt and lease financing	39,499		52,527	
Movement in net debt in the period		23,632		33,109
Net debt at 1 April 2000		(516,233)		(549,342)
Net debt at 25 May 2001		(492,601)		(516,233)

Humber Power Limited

Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

Basis of accounting

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

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 25 May 2001. Intra group sales, profits and balances are eliminated on consolidation.

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 period 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
Motor vehicles	4 years

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.

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

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 periods, 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.

Operating leases

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

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.

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 period are shown as either accruals or prepayments in the balance sheet.

Humber Power Limited

Notes to the financial statements for the period ended 25 May 2001

1 Operating profit

	14 months to 25 May 2001 £'000	31 March 2000 £'000
<hr/> Operating profit is stated after charging/(crediting)		
Depreciation		
- owned assets	11,434	5,512
- assets held under finance leases	24,814	25,423
The total amount charged to the profit and loss account in respect of finance leases (of which £29,075,000 (2000 £25,603,000) is shown as interest and £24,814,000 (2000 £25,423,000) is shown as depreciation)	53,889	51,026
<hr/> Auditors' remuneration – audit fees and expenses:		
- parent company	44	18
- subsidiary undertaking	-	-
- Group	44	18
Auditors' remuneration – non audit fees	510	165
Release of accrual for Contracts for Difference payments	-	(475)

Other operating expenses reflects the net cost associated with the termination of the group's principal trading contracts during the period, including related legal and professional costs. These contracts comprised the gas supply contract, contracts for differences and the operation and maintenance contract relating to the power station. Certain of these contracts were with related parties. Details of these contracts are contained in note 24.

2 Directors' emoluments

The directors received no emoluments from the company during the period (2000 £Nil).

Humber Power Limited

3 Employee information

The average monthly number of persons (excluding executive directors) employed by the group during the period was 8 (2000: 8). Staff costs comprise:

	14 months to 25 May 2001 £'000	31 March 2000 £'000
Wages and salaries	600	366
Social security costs	75	39
Other pension costs	62	92
	737	497

4 Interest and similar changes

	14 months to 25 May 2001 £'000	31 March 2000 £'000
Payable		
Bank loans	18,274	14,657
Other loans	-	2,346
Finance lease costs	29,075	25,603
	47,349	42,606
Receivable		
Bank interest	(6,406)	(2,597)
	(6,406)	(2,597)
Net interest payable	40,943	40,009

Humber Power Limited

5 Taxation

The charge based on the profits for the period comprises:

	25 May 2001 £'000	31 March 2000 £'000
Deferred taxation (note 14)	4,816	11,362
Adjustments in respect of prior periods		
Consortium relief	-	7,805
Deferred taxation	-	(7,805)
	4,816	11,362

The current period tax charge is higher than expected due to permanent disallowable items and non-recognition of a deferred tax asset in relation to losses.

6 Profit for the period

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 profit for the financial period was £2,189,000 (2000 loss of £525,000).

7 Tangible assets

Group	Short leasehold property £'000	Freehold land £'000	Power station assets £'000	Gas turbine components £'000	Other, plant, machinery and equipment £'000	Total £'000
Cost						
At 1 April 2000	6	2,204	540,680	47,982	697	591,569
Additions	-	-	1,348	5,784	335	7,467
Disposals	-	-	(8,263)	(6,212)	-	(14,475)
At 25 May 2001	6	2,204	533,765	47,554	1,032	584,561
Depreciation						
At 1 April 2000	-	-	42,074	14,564	412	57,050
Charge for the period	-	-	20,649	15,406	193	36,248
Disposals	-	-	(833)	(4,508)	-	(5,341)
At 25 May 2001	-	-	61,890	25,462	605	87,957
Net book amount						
At 25 May 2001	6	2,204	471,875	22,092	427	496,604
At 31 March 2000	6	2,204	498,606	33,418	285	534,519

The cost of assets held under finance leases at 25 May 2001 amounted to £454,346,000 (2000 £454,346,000) with accumulated depreciation of £74,697,000 (2000 £49,883,000)

Humber Power Limited

Company	Power station assets £'000	Gas turbine components £'000	Motor vehicles, plant and machinery £'000	Total £'000
Cost				
At 1 April 2000	542,107	47,982	-	590,089
Additions	1,348	5,784	200	7,332
Disposals	(8,263)	(6,212)	-	(14,475)
At 25 May 2001	535,192	47,554	200	582,946
Depreciation				
At 1 April 2000	42,074	14,564	-	56,638
Charge for the period	20,649	15,406	-	36,055
Disposals	(833)	(4,508)	-	(5,341)
At 25 May 2001	61,890	25,462	-	87,352
Net book amount				
At 25 May 2001	473,302	22,092	200	495,594
At 31 March 2000	500,033	33,418	-	533,451

The costs of assets held under finance leases at 25 May 2001 amounted to £581,559,000 (2000 £581,559,000) with accumulated depreciation of £89,305,000 (2000 £59,611,000).

Disposals comprise assets scrapped during the period 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.

8 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 2000 and 25 May 2001 amounted to £100.

Humber Power Limited

9 Stocks

	Group and company	
	25 May	31 March
	2001	2000
	£'000	£'000
Strategic spares	8,599	10,303
Consumable spares	5,074	3,552
	13,673	13,855

10 Debtors – amounts falling due within one year

	Group	Group	Company	Company
	25 May	31 March	25 May	31 March
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade debtors	336	17,570	336	17,570
Amounts due from subsidiary undertaking	-	-	-	19,212
Amounts owed by subsidiary under loan agreements	-	-	-	16,778
Dividend receivable from subsidiary	-	-	10,000	11,145
Other debtors	31,316	16	31,316	2
Prepayments and accrued income	2,326	1,325	2,326	1,269
	33,978	18,911	43,978	65,976

11 Debtors – amounts falling due after more than one year

	Group	Group	Company	Company
	25 May	31 March	25 May	31 March
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amounts due from subsidiary undertaking	-	-	100,343	65,411
Amounts owed by related party (note 24)	-	8,721	-	8,721
	-	8,721	100,343	74,132

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12 Creditors – amounts falling due within one year

	Group	Group	Company	Company
	25 May	31 March	25 May	31 March
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank loans	-	16,778	-	16,778
Loan stock (see note 13)	27,314	3,104	27,314	3,122
Trade creditors	1,416	13,233	1,339	13,227
Other taxes and social security	29	3,458	29	3,458
Accruals and deferred income	2,122	4,816	1,995	4,475
Other creditors	461	-	461	-
Obligations under finance leases	2,323	817	15,052	6,080
	33,665	42,206	46,190	47,140

13 Creditors – amounts falling due after more than one year

	Group	Group	Company	Company
	25 May	31 March	25 May	31 March
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank loans				
Bank loans	-	65,411	-	65,411
Loan stock	25,000	10,795	25,000	10,777
Obligations under finance leases	447,270	444,501	556,711	563,404
Accruals and deferred income	-	26,649	-	26,647
	472,270	547,356	581,711	666,239

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

Humber Power Limited

The repayment profile of the group's indebtedness is as follows:

	Group and company	
	25 May	31 March
	2001	2000
	£'000	£'000
Bank loans		
Amounts repayable by instalments:		
Between one and two years	-	15,340
Between two and five years	-	50,071
Over five years	-	-
	-	65,411

	Group and company						
	25 May 2001			31 March 2000			
	E	C	Total	A	B	D	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan stock							
Amounts repayable:							
In less than one year	-	27,314	27,314	391	2,691	22	3,104
Between one and two years	-	-	-	435	-	27	462
Between two and five years	-	-	-	1,570	-	138	1,708
In more than five years	25,000	-	25,000	6,104	-	2,521	8,625
	25,000	27,314	52,314	8,500	2,691	2,708	13,899

On 25 May 2001 the A, B and D loan stock was converted into ordinary shares of £1 each (notes 16 and 24)

The loan stock E held by related parties (note 24), is unsecured, repayable in full on 31 May 2021 and bears interest at a rate of LIBOR plus 0.25%.

The loan stock C is held by a related party (note 24), is unsecured and does not bear interest. It was repaid in full on 1 September 2001.

Humber Power Limited

	Group	Group	Company	Company
	25 May	31 March	25 May	31 March
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Finance leases				
Amounts repayable by instalments:				
Between one and two years	3,032	1,945	7,373	6,695
Between two and five years	16,043	9,208	26,715	24,264
Over five years	428,195	433,348	522,623	532,445
	447,270	444,501	556,711	563,404

The finance lease bears interest at a margin above LIBOR. The rate is 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 periods, are as follows:

	Group	Group	Company	Company
	25 May	31 March	25 May	31 March
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank loans	-	82,189	-	82,189
Loan Stock A	-	8,500	-	8,500
Loan Stock D	-	2,708	-	2,708
Loan Stock E	25,000	-	25,000	-
Finance leases	449,593	445,318	571,763	569,484

14 Provisions for liabilities and charges

	Deferred taxation
	£'000
At 1 April 2000	12,996
Profit and loss account	4,816
At 25 May 2001	17,812

Humber Power Limited

15 Deferred taxation

	25 May 2001	25 May 2001	31 March 2000	31 March 2000
	Provision made	Full potential (asset) liability	Provision made	Full potential (asset)/liability
Group	£'000	£'000	£'000	£'000
Accelerated capital allowances	(6,274)	(6,274)	(8,963)	(8,963)
Other timing differences	36,072	36,072	38,256	38,256
	29,798	29,798	29,293	29,293
Losses available for future relief	(11,986)	(21,345)	(16,297)	(24,765)
	17,812	8,453	12,996	4,528

	25 May 2001	25 May 2001	31 March 2000	31 March 2000
	Provision made	Full potential (asset) liability	Provision made	Full potential (asset)/liability
Company	£'000	£'000	£'000	£'000
Accelerated capital allowances	533	533	320	320
Other timing differences	1,032	1,032	1,069	1,069
	1,565	1,565	1,389	1,389
Losses available for future relief	(1,565)	(10,924)	(1,389)	(9,856)
	-	(9,359)	-	(8,467)

16 Called up share capital

	25 May 2001	31 March 2000
	£'000	£'000
Authorised, allotted, called up and fully paid		
20,000,000 Ordinary shares of £1 each	20,000	-
90,000 'A' shares of £1 each	-	90
541,429 'B' shares of £1 each	-	542
267 'AB' shares of £1 each	-	-
	20,000	632

Humber Power Limited

On 25 May 2001 the following transactions took place related to the share capital of the company as part of a capital restructuring:

- increase in the authorised share capital of the company to 20,000,000 Ordinary shares of £1 each.
- Reclassification of 90,000 "A" shares, 541,429 "B" shares and 267 "AB" shares into 631,696 Ordinary shares of £1 each.
- Conversion of £8,499,477 of Loan Stock A into 8,499,477 Ordinary shares of £1 each.
- Conversion of £2,690,600 of Loan Stock B into 2,690,000 Ordinary shares of £1 each.
- Conversion of £200 of Loan Stock AB into 200 Ordinary shares of £1 each.
- Conversion of £708,437 of Loan Stock D into 708,437 Ordinary shares of £1 each.
- Conversion of £15,905,574 of Unsecured Convertible Loan Stock 2002 into 7,469,589 Ordinary shares of £1 each, the balance being credited to the share premium account.

17 Share Premium account

	Group £'000	Company £'000
At 1 April 2000	-	-
On issue of ordinary shares (note 16)	8,436	8,436
At 25 May 2001	8,436	8,436

18 Profit and loss account

	Group £'000	Company £'000
At 1 April 2000 – deficit	(2,011)	(1,424)
Profit for the period	3,389	2,171
At 25 May 2001	1,378	747

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19 Reconciliation of movements in shareholders' funds

	Group	Group	Company	Company
	25 May	31 March	25 May	31 March
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Opening shareholders' funds	(1,379)	1,123	(792)	(267)
Profit/(loss) for the financial period	3,389	(2,502)	2,171	(525)
Issue of new share capital	27,804	-	27,804	-
Closing shareholders' funds – surplus/(deficit)	29,814	(1,379)	29,183	(792)

20 Reconciliation of operating profit to net cash inflow from operating activities

	25 May	31 March
	2001	2000
	£'000	£'000
Operating profit	49,148	48,869
Depreciation	36,248	31,201
Decrease/(increase) in stocks	182	(3,926)
(Increase)/decrease in debtors	(6,292)	83
Increase in creditors	(44,182)	4,870
Net cash inflow from operating activities	35,104	81,097

21 Analysis of net debt

	At 1 April 2000	Cash flows	At 25 May 2001
	£'000	£'000	£'000
Cash at bank and in hand	25,173	(15,867)	9,306
Bank loans	(82,189)	82,189	-
Loan Stock A	(8,500)	8,500	-
Loan Stock B	(2,691)	2,691	-
Loan Stock D	(2,708)	2,708	-
Loan Stock E & C	-	(52,314)	(52,314)
Finance leases	(445,318)	(4,275)	(449,593)
	(516,233)	23,632	(492,601)

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22 Capital commitments

The group has signed various contracts in connection with the construction and financing of the power station. At 25 May 2001 the group had capital commitments contracted for of £3,299,000 (2000 £257,000).

23 Pensions

The group participates in a contracted out money purchase scheme.

The group pension contributions during the period amounted to £62,000 (2000 £92,000).

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 period the Group has capitalised an amount of £nil (2000 £1,097,000) paid and payable to group undertakings of ABB Energy Ventures BV under the terms of construction contracts. In addition, £7,479,000 was paid or payable in respect of gas turbine components purchased in the period (2000 £4,049,000) of which £nil was included within trade creditors at 25 May 2001 (2000 £3,117,000).

Trade creditors include £nil payable (2000 £76,000 receivable) under these contracts.

(2) Loan stock and loans to shareholders

Creditors at 25 May 2001 include £Nil (2000 £8,499,477) in respect of loan stock A and £Nil (2000 £2,708,437) in respect of loan stock D held by Midlands Power (HPL) Limited together with accrued interest of £Nil (2000 £2,345,000). On 25 May 2001 Chanter Petroleum Limited purchased £8,499,477 of loan stock A and 708,437 of loan stock D and on the same date these were converted into 9,207,914 ordinary shares of £1 each. On 25 May 2001 £2,000,000 of loan stock D was repaid by the cancellation of the £2,000,000 interest free loan provided to Midland Power (HPL) Limited.

Creditors at 25 May 2001 include £Nil (2000 £2,690,600) in respect of loan stock B. The loan stock was held by the following group undertakings of its shareholders between 1 April 2000 and 25 May 2001:

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

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On 25 May 2001 Chanter Petroleum Limited purchased the balance of loan stock B that it did not already own from the other parties (£2,298,370) and on the same date the total amount of loan notes (£2,690,000) were converted into 2,690,600 ordinary shares £1 each.

Creditors at 25 May 2001 include £25,000,000 (2000: Nil) in respect of loan stock E and £27,314,443 (2000: Nil) in respect of short term loan stock held by the following group undertakings of its shareholders:

- Chanter Petroleum Limited
- GB Gas Holdings Limited

The short term loan stock was repaid in full on 1 September 2001.

Further details regarding the terms of the loan stock in issue during the period are provided in note 13.

(3) Contracts for differences

The Group held 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 fixed 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 period was £115,872,000 (2000 £20,697,000), and trade debtors include £Nil (2000 trade creditors included £4,814,000) in respect of these contracts.

During the period the contracts were terminated and payments totalling approximately £156 million were received by the company.

(4) Tolling revenues

The company has received £54,212,000 (2000 £47,771,000) 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 £nil (2000 £4,482,000) receivable from group undertakings of Chanter Petroleum Limited under the tolling contract.

(5) Gas contract

The Group had a gas supply contract with group undertakings of Chanter Petroleum Limited. The result for the period includes £70,269,000 (2000 £89,691,000) in respect of gas purchased under this contract on an arms-length basis. Trade creditors include £213,000 payable to a group undertaking of Chanter Petroleum Limited at 25 May 2001 (2000 £8,298,000).

The contract fixed the gas cost on phase 1 plant to the group for the period ending April 2012.

On 25 May 2001 the company paid approximately £156 million to terminate the gas supply contract.

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(6) Operational management

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

The amount paid or payable in the period was £12,154,000 (2000 £8,778,000), and trade creditors include £nil (2000 £Nil) payable under this contract.

On 25 May 2001 a payment of £10,000,000 was made by the company to terminate the contract.