

Company Number:
2730697

REPORT AND FINANCIAL STATEMENTS

for the year ended

31 MARCH 1997



YORKSHIRE COGEN LIMITED

YORKSHIRE COGEN Limited

ANNUAL REPORT AND ACCOUNTS for Year ended 31 March 1997

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

To construct and operate Peaking and Combined Heat and Power (CHP) generating plants.

REVIEW OF THE BUSINESS

During the year the two CHP plants and two system peaking plants have continued to operate successfully.

Three system peaking plants at Barugh, Brighthouse and Ecclesfield (January 1997), and one client peaking plant at Haarmann and Reimer (January 1997) were completed and became operational in January 1997.

RESULTS AND DIVIDENDS

The results for the company are set out in detail on page 5.

The Directors do not recommend the payment of a final dividend.

DIRECTORS AND DIRECTOR'S INTERESTS

The Directors who served during the year were as follows:-

Mr J M Chatwin	appointed 24 June 1996 resigned 22 July 1996 re-appointed 12 November 1996
Mr K Eddington	appointed 3 June 1996
Mr T J Morris	appointed 24 June 1996
Mr P B Morgan	appointed 22 July 1996 resigned 8 November 1996
Mr W J Wilkinson	resigned 22 July 1996
Mr J R Heath	resigned 22 July 1996

On 1 April 1997 Mr J M Chatwin resigned from the Board of Directors and was replaced by Mr G J Hall.

The Directors hold no beneficial interest in the ordinary share capital of the Company. The interests of the Directors as at 31 March 1996 (or date of appointment if later) and 31 March 1997 in the 68 2/11 p ordinary shares of Yorkshire Electricity Group plc, a company in the same group, were as follows:-

		Ordinary Shares	Executive Option Scheme	Sharesave Scheme (under option)
Mr T J Morris	24/06/96	-	6,792	-
	31/03/97	61	6,792	-
Mr K Eddington	03/06/96	-	7,684	629
	31/03/97	61	7,684	1,206

YORKSHIRE COGEN Limited

ANNUAL REPORT AND ACCOUNTS for Year ended 31 March 1997

DIRECTORS' REPORT continued

Options to purchase fully paid ordinary shares were granted under the Yorkshire Electricity Group Sharesave Scheme on 16 February 1996 at £5.48 per share and on 7 January 1997 at £5.97 per share, both options exercisable after 5 years. Options to purchase fully paid shares were also granted under the Executive Share Option Scheme on various dates and at prices ranging between £2.87 and £7.82 per share exercisable after periods of between three and ten years.

The interests of Messrs Chatwin and Hall in the ordinary share capital of Yorkshire Electricity Group plc, are disclosed in the financial statements of that Company.

POST BALANCE SHEET EVENT

On 24 February 1997 the boards of American Power ("AEP") and Public Service Company of Colorado ("PS Colorado") announced the terms of a cash offer for Yorkshire Electricity Group plc, the ultimate parent Company, to be made by Merrill Lynch on behalf of Yorkshire Holdings plc, a company owned equally by AEP and PS Colorado. The Offer, which was recommended for acceptance by the Yorkshire Electricity Group Board, valued each Yorkshire Electricity Share at 927p in cash and valued Yorkshire Electricity at approximately £1.5 billion.

The Offer was declared wholly unconditional on 1 April 1997. On 16 April 1997 notices were issued by Yorkshire Holdings plc in accordance with Section 429 of the Companies Act 1985 to acquire all those Yorkshire Electricity Shares still outstanding at the end of the requisite notice period.

DIRECTORS REPORT continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the auditors' statement of respective responsibilities of Directors and auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year.

The Directors consider that in preparing the financial statements on pages 5 to 11 on a going concern basis, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS

A resolution to reappoint Deloitte & Touche as Auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

S. M. D. Christie
20/10/97

Mrs S M D Christie
Company Secretary

Wetherby Road
Scarcroft
LEEDS
LS14 3HS

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out in page 7.

Respective responsibilities of Directors and auditors

As described on page 3 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 circumstances of the Company, 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 the Company's affairs as at 31 March 1997 and of its profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Leeds

Chartered Accountants and Registered Auditors

27 October 1997

YORKSHIRE COGEN Limited

ANNUAL REPORT AND ACCOUNTS for Year ended 31 March 1997

PROFIT & LOSS ACCOUNT for the Year ended 31 March 1997 (£'000s)

	<u>Note</u>	<u>1997</u>	<u>1996</u>
Turnover	2	5,797	3,253
Cost of Sales		(2,313)	(1,548)
Gross Profit		<u>3,484</u>	<u>1,705</u>
Administration Expenses		(1,593)	(921)
Profit on Ordinary Activities Before Taxation	4	<u>1,891</u>	<u>784</u>
Taxation on Profit on Ordinary Activities	5	(1,038)	(424)
Profit on Ordinary Activities After Taxation		<u>2,929</u>	<u>1,208</u>
Retained Profit for Year	12	<u>2,929</u>	<u>1,208</u>

The notes on pages 7 to 11 form an integral part of these accounts.

All results relate to continuing operations. The results above represent all of the gains and losses recognised by the company during the year and the preceding year. Consequently a statement of recognised gains and losses is not required. In addition, there is no difference between the results presented above and the result on an unmodified historical cost basis, therefore a note of historical cost profits and losses is not required.

YORKSHIRE COGEN Limited

ANNUAL REPORT AND ACCOUNTS for Year ended 31 March 1997

BALANCE SHEET as at 31 March 1997 (£'000s)

	Note	1997	1996
FIXED ASSETS			
Tangible Assets	6	25,988	9,509
CURRENT ASSETS			
Stock	7	149	104
Debtors	8	5,222	2,453
		5,371	2,557
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(26,966)	(10,602)
NET CURRENT LIABILITIES		(21,595)	(8,045)
NET ASSETS		4,393	1,464
FINANCED BY :-			
Called up Share Capital	11	-	-
Reserves			
Profit & Loss Account	12	4,393	1,464
EQUITY SHAREHOLDERS' FUNDS		4,393	1,464

The financial statements of the company were approved by the Board of Directors on 20 October 1997

Signed on behalf of Board of Directors

Keith Eddington 20/10/97
Director Date

The notes on pages 7 to 11 form an integral part of these accounts.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

These financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies which the Directors have adopted are set out below.

(a) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

(b) TANGIBLE FIXED ASSETS AND DEPRECIATION

No depreciation is provided on assets in the course of construction or freehold land. Additions during the year are depreciated in the month following the date of acquisition. The following assets lives have been applied:-

Generating Plant	20 years
Computer hardware and software	5 years

(c) STOCK

Stocks are stated at the lower of cost and net realisable value.

(d) ELECTRICITY DISCOUNTS

Up front electricity discounts paid to customers are treated as prepayments, the cost being amortised over the life of the contract.

(f) DEFERRED TAXATION

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision for deferred taxation, using the liability method is made to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(g) RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption included in Financial Reporting Standard No. 8 'Related Party Disclosures' (para 3) for wholly owned subsidiaries not to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties.

YORKSHIRE COGEN Limited

NOTES TO THE ACCOUNTS for the Year ended 31 March 1997

NOTES TO THE ACCOUNTS (continued)

2. TURNOVER

Turnover represents sales of electricity, net of difference payments.

3. DIRECTORS AND EMPLOYEES

The Company has no direct employees (1996 - nil). None of the Directors received any remuneration from the Company (1996 - nil).

4. PROFIT ON ORDINARY ACTIVITIES

Profit on ordinary activities is arrived at after charging :

	1997 £'000s	1996 £'000s
Auditors' remuneration	5	3
Depreciation on owned assets	521	283

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £'000s	1996 £'000s
Group relief receivable from parent company	(1,038)	(388)
Prior year adjustment	0	(36)
	<u>(1,038)</u>	<u>(424)</u>

The tax credit arises as a result of deferred tax not provided (see note 10).

YORKSHIRE COGEN Limited

NOTES TO THE ACCOUNTS for the Year ended 31 March 1997

NOTES TO THE ACCOUNTS (continued)

6. TANGIBLE ASSETS

	Land	Information Technology	Assets in Course of Construction	Generating Plant	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
<u>Gross Capital Cost</u>					
As at 1 April 1996	13	39	290	9,474	9,816
Additions	0	2	12,391	4,607	17,000
Transfers	0	0	(60)	60	0
As at 31 March 1997	13	41	12,621	14,141	26,816
<u>Depreciation (note 1(b))</u>					
As at 1 April 1996	0	4	0	303	307
Charge for the year	0	8	0	513	521
As at 31 March 1997	0	12	0	816	828
Net Book Value					
As at 31 March 1997	13	29	12,621	13,325	25,988
As at 31 March 1996	13	35	290	9,171	9,509

7. STOCKS

	1997 £'000s	1996 £'000s
Raw materials and consumables	149	104

8. DEBTORS

	1997 £'000s	1996 £'000s
Trade Debtors	604	247
Amounts owed by ultimate parent company	2,426	1,155
Accrued Income	592	468
Other Debtors	912	507
VAT recoverable	688	76
	<u>5,222</u>	<u>2,453</u>

YORKSHIRE COGEN Limited

ANNUAL REPORT AND ACCOUNTS for Year ended 31 March 1997

BALANCE SHEET as at 31 March 1997 (£'000s)

	<u>Note</u>	<u>1997</u>	<u>1996</u>
FIXED ASSETS			
Tangible Assets	6	25,988	9,509
CURRENT ASSETS			
Stock	7	149	104
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		<u>5,371</u>	<u>2,557</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(26,966)	(10,602)
NET CURRENT LIABILITIES		<u>(21,595)</u>	<u>(8,045)</u>
NET ASSETS		<u>4,393</u>	<u>1,464</u>
FINANCED BY :-			
Called up Share Capital	11	-	-
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Profit & Loss Account	12	4,393	1,464
EQUITY SHAREHOLDERS' FUNDS		<u>4,393</u>	<u>1,464</u>

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Signed on behalf of Board of Directors

Keith Eddington Date 20/10/97
Director

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YORKSHIRE COGEN Limited

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YORKSHIRE COGEN Limited

NOTES TO THE ACCOUNTS for the Year ended 31 March 1997

NOTES TO THE ACCOUNTS (continued)

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YORKSHIRE COGEN Limited

NOTES TO THE ACCOUNTS for the Year ended 31 March 1997

NOTES TO THE ACCOUNTS (continued)

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £'000s	1996 £'000s
Trade Creditors	1,999	194
Amounts owed to ultimate parent company	19,131	9,929
Amounts owed to group undertakings	94	0
Taxation	0	0
Accruals	5,742	479
	<u>26,966</u>	<u>10,602</u>

10. DEFERRED TAXATION

In the opinion of the directors no provision is required for deferred taxation as at 31 March 1997 (1996 same.)

Unprovided deferred tax consists of :-

	1997 £'000s	1996 £'000s
Accelerated Capital Allowances	<u>2,563</u>	<u>875</u>

11. SHARE CAPITAL

	1997 £	1996 £
Authorised: 100 Ordinary shares at £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid up :		
2 Ordinary shares at £1 each	<u>2</u>	<u>2</u>
Total called up Share Capital per Balance Sheet	<u>2</u>	<u>2</u>

12. PROFIT & LOSS ACCOUNT

	£'000s
As at 1 April 1996	1,464
Retained Profit for Year	<u>2,929</u>
As at 31 March 1997	<u>4,393</u>

YORKSHIRE COGEN Limited

NOTES TO THE ACCOUNTS for the Year ended 31 March 1997

NOTES TO THE ACCOUNTS (continued)

13. CAPITAL COMMITMENTS

	1997 £'000s	1996 £'000s
Contracted but not provided in financial statements	14,757	0

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £'000s	1996 £'000s
Profit for year	2,929	1,208
Opening shareholders' funds	1,464	256
Closing shareholders' funds	4,393	1,464

15. ULTIMATE PARENT COMPANY

In the opinion of the Directors the ultimate parent company at 31 March 1997 was Yorkshire Electricity Group plc, being a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements will be available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

16. POST BALANCE SHEET EVENT

On 24 February 1997 the boards of American Power ("AEP") and Public Service Company of Colorado ("PS Colorado") announced the terms of a cash offer for Yorkshire Electricity Group plc, the ultimate parent Company, to be made by Merrill Lynch on behalf of Yorkshire Holdings plc, a company owned equally by AEP and PS Colorado. The Offer, which was recommended for acceptance by the Yorkshire Electricity Group Board, valued each Yorkshire Electricity Share at 927p in cash and valued Yorkshire Electricity at approximately £1.5 billion.

The Offer was declared wholly unconditional on 1 April 1997. On 16 April 1997 notices were issued by Yorkshire Holdings plc in accordance with Section 429 of the Companies Act 1985 to acquire all those Yorkshire Electricity Shares still outstanding at the end of the requisite notice period.