

Company Number:
2730697

REPORT AND FINANCIAL STATEMENTS

for the year ended

31 MARCH 1998

YORKSHIRE COGEN LIMIT



YORKSHIRE COGEN Limited

ANNUAL REPORT AND ACCOUNTS for Year ended 31 March 1998

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 1998.

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, five system peaking plants and one client peaking plant have continued to operate successfully.

One CHP plant at Queens Medical Centre was completed and became operational in March 1998.

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	resigned 01 April 1997
Mr K Eddington	
Mr T J Morris	
Mr G J Hall	appointed 01 April 1997

Mr K Eddington resigned as a Director in May 1998 and Mr S D Guy was appointed to the board on 11 June 1998.

The Directors hold no beneficial interest in the ordinary share capital of the Company. The interests of the Directors as at 31 March 1997 and 31 March 1998 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	31/03/97	61	6,792	-
	31/03/98	NIL	NIL	NIL
Mr K Eddington	31/03/97	61	7,684	1,206
	31/03/98	NIL	NIL	NIL

DIRECTORS' REPORT (continued)

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.

YEAR 2000 ISSUES

The company is currently evaluating its business systems and processes to determine the extent to which modifications are required to prevent problems related to the year 2000, and the resources which will be required to make such modifications. The company estimates that the costs associated with year 2000 modifications will be approximately £230,000, which will be expensed as incurred.

POST BALANCE SHEET EVENT

The contractual take over date for Thornhill was 12 February 1998. The current contractual take over date is now expected to be September 1998 and consequently under the terms of the contract Yorkshire Cogen will be seeking liquidated damages, which at this stage it is not practicable to substantiate.

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.

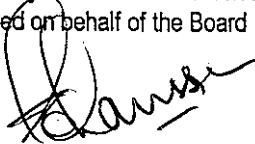
The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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



Ms S M Johansson
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 1998 and of its profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Manchester
Chartered Accountants and Registered Auditors

15/9/98

YORKSHIRE COGEN Limited

ANNUAL REPORT AND ACCOUNTS for Year ended 31 March 1998

PROFIT & LOSS ACCOUNT for the Year ended 31 March 1998 (£'000s)

	<u>Note</u>	<u>1998</u>	<u>1997</u>
Turnover	2	7,868	5,797
Cost of Sales		(3,272)	(2,313)
Gross Profit		<u>4,596</u>	<u>3,484</u>
Administration Expenses		(2,246)	(1,593)
Profit on Ordinary Activities Before Taxation	4	<u>2,350</u>	<u>1,891</u>
Taxation on Profit on Ordinary Activities	5	(2,549)	(1,038)
Profit on Ordinary Activities After Taxation		<u>4,899</u>	<u>2,929</u>
Retained Profit for Year	12	<u><u>4,899</u></u>	<u><u>2,929</u></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 1998

BALANCE SHEET as at 31 March 1998 (£'000s)

	<u>Note</u>	<u>1998</u>	<u>1997</u>
FIXED ASSETS			
Tangible Assets	6	56,849	25,988
CURRENT ASSETS			
Stock	7	151	149
Debtors	8	7,603	5,222
		<u>7,754</u>	<u>5,371</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(55,311)	(26,966)
NET CURRENT LIABILITIES		<u>(47,557)</u>	<u>(21,595)</u>
NET ASSETS		<u>9,292</u>	<u>4,393</u>
FINANCED BY :-			
Called up Share Capital	11	-	-
Reserves			
Profit & Loss Account	12	9,292	4,393
EQUITY SHAREHOLDERS' FUNDS		<u>9,292</u>	<u>4,393</u>

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

Signed on behalf of Board of Directors


 Director _____ Date 11/9/98

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	15 - 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 1998

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 (1997 - nil). None of the Directors received any remuneration from the Company (1997 - nil).

4. PROFIT ON ORDINARY ACTIVITIES

Profit on ordinary activities is arrived at after charging :

	1998 £'000s	1997 £'000s
Auditors' remuneration	5	5
Depreciation on owned assets	786	521

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000s	1997 £'000s
Group relief receivable from parent company	(2,549)	(1,038)
Prior year adjustment	0	0
	<u>(2,549)</u>	<u>(1,038)</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 1998

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 1997	13	41	12,621	14,141	26,816
Additions	677	0	27,428	3,542	31,647
Transfers	0	0	(2,661)	2,661	0
As at 31 March 1998	690	41	37,388	20,344	58,463
<u>Depreciation (note 1(b))</u>					
As at 1 April 1997	0	12	0	816	828
Charge for the year	0	8	0	778	786
As at 31 March 1998	0	20	0	1,594	1,614
Net Book Value					
As at 31 March 1998	690	21	37,388	18,750	56,849
As at 31 March 1997	13	29	12,621	13,325	25,988

7. STOCKS

	1998 £'000s	1997 £'000s
Raw materials and consumables	151	149

8. DEBTORS

	1998 £'000s	1997 £'000s
Trade Debtors	261	604
Amounts owed by parent company	4,796	2,426
Accrued Income	710	592
Other Debtors	859	912
VAT recoverable	977	688
	7,603	5,222

YORKSHIRE COGEN Limited

NOTES TO THE ACCOUNTS for the Year ended 31 March 1998

NOTES TO THE ACCOUNTS (continued)

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £'000s	1997 £'000s
Trade Creditors	2,513	1,999
Amounts owed to parent company	46,419	19,131
Amounts owed to group undertakings	0	94
Accruals	6,379	5,742
	<u>55,311</u>	<u>26,966</u>

10. DEFERRED TAXATION

In the opinion of the directors no provision is required for deferred taxation as at 31 March 1998 (1997 same.)

Unprovided deferred tax consists of :-

	1998 £'000s	1997 £'000s
Accelerated Capital Allowances	<u>5,662</u>	<u>2,563</u>

11. SHARE CAPITAL

	1998 £	1997 £
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 1997	4,393
Retained Profit for Year	<u>4,899</u>
As at 31 March 1998	<u>9,292</u>

YORKSHIRE COGEN Limited

NOTES TO THE ACCOUNTS for the Year ended 31 March 1998

NOTES TO THE ACCOUNTS (continued)

13. CAPITAL COMMITMENTS

	1998 £'000s	1997 £'000s
Contracted but not provided in financial statements	14,826	14,757

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £'000s	1997 £'000s
Profit for year	4,899	2,929
Opening shareholders' funds	4,393	1,464
Closing shareholders' funds	9,292	4,393

15. ULTIMATE PARENT COMPANY

The Parent company as at 31 March 1998 for whom group accounts are prepared is Yorkshire Power Group Ltd, being a company incorporated in Great Britain and registered in England and Wales. Copies of the financial statements for this company will be available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.