

Killingholme Power Limited

Annual report

for the period ended 31 December 2000

Registered Number 3782437



# Killingholme Power Limited

## Annual report

for the period ended 31 December 2000

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# **Killingholme Power Limited**

## **Directors' report for the period ended 31 December 2000**

The directors present their report and the audited financial statements of the company for the period ended 31 December 2000.

### **Principal activities and review of the business**

The principal activity of the Company is the generation and sale of electricity. The company has performed satisfactorily during the period. The directors are cautiously optimistic about the future despite uncertainties resulting from the introduction of New Electricity Trading Arrangements on 27 March 2001.

### **Results and dividends**

The result for the period is set out in the profit and loss account on page 4.

The directors recommend a dividend on the £0.90 preference shares of £12,869,000.

### **Directors and their interests**

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

Robert Brown (British)	Appointed 29 March 2000
James Milkovich (American)	Appointed 29 March 2000
John Noer (American)	Appointed 16 May 2000
David Peterson (American)	Appointed 16 May 2000
Ronald Will (American)	Appointed 16 May 2000

None of the directors had any beneficial interest in the shares of the Company.

### **Employees**

The senior management team is committed to the continuous development of staff at all levels of the organisation, and the Company has been accredited with 'Investors in People' (IiP) status. The process and practices that have been introduced to achieve the IiP standard are regularly reviewed and improved to allow the business and employees to gain the maximum benefit, and staff are encouraged to maintain personal development plans.

### **Equal opportunities**

The Company operates an Equal Opportunities Policy providing employees with the chance to share equally in opportunities for training, career development and promotion.

### **Charitable and political donations**

The Company made charitable donations of £5,000 during the financial period and no political donations.

### **Prompt payment policy**

The Company complied with the Confederation of British Industry (CBI) Prompt Payment Code for all suppliers. Information about the code may be obtained from the CBI.

# Killingholme Power Limited

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year 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.

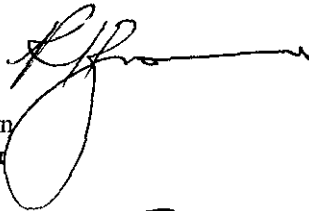
The directors confirm that suitable accounting policies have been used and applied consistently. They confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 December 2000 and that applicable accounting standards have been followed. The directors are also required to prepare the accounts 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 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



R Brown  
Director

Date:

26TH JULY 2001

# Killingholme Power Limited

## Auditors' report to the members of Killingholme Power Limited

We have audited the financial statements on pages 4 to 15.

### 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.

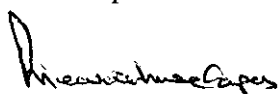
### Basis of audit opinion

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 the company's affairs at 31 December 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Hull  
Date: 26 July 2001

# Killingholme Power Limited

## Profit and loss account for the period ended 31 December 2000

	Note	31 December 2000 (9 months) £'000	29 March 2000 (10 months) £'000
Turnover – (continuing operations)		86,008	14,983
Cost of sales		(44,749)	(7,403)
Gross profit		41,259	7,580
Net operating expenses		(22,987)	(2,772)
<b>Operating profit</b>	1	18,272	4,808
Net interest receivable	6	686	-
<b>Profit on ordinary activities before tax</b>		18,958	4,808
Tax on profit on ordinary activities	7	(6,089)	(2,852)
<b>Profit for the financial year</b>		12,869	1,956
Dividends – including non-equity	8	(12,869)	(1,956)
<b>Retained profit for the financial year</b>	14	-	-

There were no recognised gains or losses other than the result for the period.

# Killingholme Power Limited

## Balance sheet as at 31 December 2000

	Note	31 December 2000 £'000	29 March 2000 £'000
<b>Fixed assets</b>			
Tangible assets	9	352,812	360,357
<b>Current assets</b>			
Stock	10	7,970	10,302
Cash at Bank		18,165	-
Debtors	11	22,617	7,168
		48,752	17,470
<b>Creditors: amounts falling due within one year</b>	12	(30,143)	(8,377)
<b>Net current assets</b>		18,609	9,093
<b>Total assets less current liabilities</b>		371,421	369,450
<b>Provisions for liabilities and charges</b>	13	(1,971)	-
<b>Net assets</b>		369,450	369,450
<b>Capital and reserves</b>			
Called up share capital - Equity	14	-	-
- Non Equity	14	369,450	369,450
Profit and loss account	15	-	-
<b>Total shareholders' funds</b>	16	369,450	369,450
<b>Analysis of shareholders' funds</b>			
Non-Equity		369,450	369,450
Equity		-	-
		369,450	369,450

The financial statements on pages 4 to 15 were approved by the board of directors and were signed on its behalf by:

  
R. Brown  
Director

Date:

26th July 2001

# Killingholme Power Limited

## Accounting policies

### Basis of preparation of accounts

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

### Comparative figures

This is the second financial period of the Company since it was incorporated on 4 June 1999 and covers the period from 29 March 2000, when NRG purchased the company from National Power PLC (now Innogy plc), to 31 December 2000, which is the year end for NRG companies. The company commenced trading on 10 February 2000.

### Turnover

Turnover comprises primarily sales to the electricity trading market in England and Wales of electricity generated by the Company.

### Pension costs

Pension contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

### Foreign exchange

Transactions denominated in foreign currencies arising in the normal course of business are translated into sterling at the exchange rate ruling on the date payment takes place

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date.

In accordance with FRS-15 (Tangible Fixed Assets) interest on borrowings relating to major capital projects with long periods of development is capitalised during their construction and written off as part of the total cost over the useful life of the asset.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Original generation plant	- 40 years
Non-operational buildings	- 40 years
Fixtures, fittings, tools and equipment	- 5 years
Computer equipment and software	- 3-5 years
Hot gas path turbine blades and vanes	- 5 years

Freehold land is not depreciated.



# **Killingholme Power Limited**

## **Stocks**

Operating stocks of consumables and stores are valued at the lower of cost and net realisable value. These are included as current assets.

## **Taxation**

Deferred tax is provided using the liability method on all timing differences.

# Killingholme Power Limited

## Notes to the financial statements for the period ended 31 December 2000

### 1 Operating profit

	9 months ended 31 December 2000 £'000	10 months ended 29 March 2000 £'000
<hr/>		
Operating profit is stated after charging:		
Depreciation of tangible fixed assets		
- owned assets	10,153	4,808
Auditors remuneration - audit	22	-
- non-audit	15	-

Auditors' remuneration was borne by another group company during the period ended 29 March 2000.

### 2 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	9 months ended 31 December 2000 £'000	10 months ended 29 March 2000 £'000
Operations	19	19
Maintenance	22	22
Business services	8	9
	49	50

# Killingholme Power Limited

## 3 Employee costs

	9 months ended 31 December 2000 £'000	10 months ended 29 March 2000 £'000
Wages and salaries	1,059	213
Social security costs	85	16
Other pensions costs	62	11
<b>Staff costs</b>	<b>1,206</b>	<b>240</b>

## 4 Pension scheme funding

The majority of pensions are funded through the industry-wide scheme, the Electricity Supply Pension Scheme (ESPS) which is a defined benefit scheme with assets invested in separate trustee-administered funds. The ESPS is divided into sections, one of which is the Innogy PLC section (formally National Power PLC section). Following the sale of the Company, staff are continuing to make their pension contributions into the Innogy PLC section until 30 March 2001.

An actuarial valuation is carried out every three years by a professionally qualified actuary, who recommends the rates of contribution by each employer. Innogy PLC has taken separate advice from a professionally qualified actuary in order to determine the pension cost to be included in the accounts under Statement of Accounting Practice 24. The latest available review of the assets and liabilities in Innogy PLC's section of the ESPS for accounting purposes was undertaken as at 31 March 1998, using the projected unit credit method. The assumptions which have the most significant effect on the results of the review are those relating to the rate of return of investments and the rates of increase in salaries and pensions. It was assumed that the annual investment return will be 2.75% higher than the annual general increase in salaries and 4.5% higher than the annual increases in pensions. Dividends are expected to grow at 5% per annum, with allowance made for the loss of tax credits on UK equities.

At 31 March 1998, the market value of the National Power PLC ESPS assets was £2,595 million and the actuarial value covered 105% of the benefits that had accrued to members after allowing for expected future increases in earnings and benefit improvements granted to members following the formal valuation of the National Power PLC section of the ESPS as at 31 March 1998.

During the period ended 31 December 2000, the Company contributed to the ESPS at the rate of 6% of members' pensionable earnings.

The total pension cost for the Company over the period was £62k.

With effect from 30 March 2001 the Company will cease paying contributions into the Innogy PLC section of the ESPS and effective from that date the NRG Energy Pension Plan will come into being. This scheme is a mirror scheme to the Innogy PLC ESPS scheme.

# Killingholme Power Limited

## 5 Directors' remuneration, interests and transactions

None of the directors received any fees or remuneration from the company during either the current or previous period.

## 6 Interest and similar items

	9 months ended 31 December 2000 £'000	10 months ended 29 March 2000 £'000
Interest receivable	686	-

## 7 Tax on profit on ordinary activities

	9 months ended 31 December 2000 £'000	10 months ended 29 March 2000 £'000
<b>Taxation on the profit for the year</b>		
UK corporation tax at 30% (prior year: 30%)	-	2,852
Group relief at 30%	4,118	-
Deferred taxation	1,971	-
	6,089	2,852

The effective corporation tax rate of 32.1% is high because there are limited capital allowances available to the company.

## 8 Dividends

	9 months ended 31 December 2000 £'000	10 months ended 29 March 2000 £'000
<b>Non equity – preference</b>		
Preference shares - proposed	12,869	1,956

Dividend arrears on redeemable preference shares amount to £12,790,000.

# Killingholme Power Limited

## 9 Tangible assets

	Land and buildings	Plant and machinery	Assets Under Construction	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 29 March 2000	44,092	320,933	117	365,142
Other adjustment	-	(1,415)	-	(1,415)
Additions	-	3,086	937	4,023
<b>At 31 December 2000</b>	<b>44,092</b>	<b>322,604</b>	<b>1,054</b>	<b>367,750</b>
<b>Accumulated depreciation</b>				
At 29 March 2000	427	4,358	-	4,785
Charge for the period	1,753	8,400	-	10,153
<b>At 31 December 2000</b>	<b>2,180</b>	<b>12,758</b>	<b>-</b>	<b>14,938</b>
<b>Net book amount</b>				
<b>At 31 December 2000</b>	<b>41,912</b>	<b>309,846</b>	<b>1,054</b>	<b>352,812</b>
At 29 March 2000	43,665	316,575	117	360,357

Freehold land, at a cost of £17,000 has not been depreciated.

Other adjustment of £1,415,000 is a reversal of an accrual made at 29 March 2000 which was not required. The adjustment has no impact on the profit for the year.

The assets of the company are held as security against a bank loan in another group company.

## 10 Stocks

	31 December 2000	29 March 2000
	£'000	£'000
Plant Spares	7,921	10,239
Consumables	49	63
	<b>7,970</b>	<b>10,302</b>

There is no material difference between the balance sheet value of stocks and their replacement value.

# Killingholme Power Limited

## 11 Debtors

	31 December 2000	29 March 2000
	£'000	£'000
Trade debtors	9,976	7,168
Inter-company debtors	12,258	-
Prepayments	383	-
Total	22,617	7,168

## 12 Creditors – Amounts falling due within one year

	31 December 2000	29 March 2000
	£'000	£'000
Trade Creditors	60	-
Amount due to parent undertaking	2,950	-
Corporation tax	2,515	2,852
Other tax and social security	307	-
Other Creditors	123	1,541
Accruals and deferred income	9,363	2,028
Proposed dividends	14,825	1,956
	30,143	8,377

## 13 Provisions for liabilities and charges

	31 December 2000	29 March 2000
	£'000	£'000
<b>Deferred taxation provided in the accounts comprises</b>		
Accelerated capital allowances	1,971	-
Deferred tax provision	1,971	-
<b>The unprovided amounts of deferred taxation for timing differences are as follows</b>		
Accelerated capital allowances	-	-

# Killingholme Power Limited

## 14 Called up share capital

	31 December 2000	29 March 2000
	£	£
<b>Authorised</b>		
Equity: 74 'A' ordinary shares of £1 each	74	74
Non-equity: 26 'B' redeemable ordinary shares of £1 each	26	26
Non-equity: 410,500,000 preference shares of £0.90 each	369,450,000	369,450,000
	<b>369,450,100</b>	<b>369,450,100</b>
<b>Allotted, called up and fully paid</b>		
Equity: 74 'A' ordinary shares of £1 each	74	74
Non-equity: 26 'B' redeemable ordinary shares of £1 each	26	26
Non-equity: 410,500,000 preference shares of £0.90 each	369,450,000	369,450,000
	<b>369,450,100</b>	<b>369,450,100</b>

### *'A' ordinary shares*

The 'A' ordinary shares shall confer on the holders one vote for every share held.

### *'B' redeemable ordinary shares*

The 'B' redeemable ordinary shares shall not confer on the holders the right to attend, speak or vote at any General Meeting of the Company. The holders of the shares shall only receive dividends payable and declarable after 24 December 2000. After 31 December 2000, the Company shall have the right to redeem at any time the 'B' ordinary shares. The holders shall be paid the amount paid up thereon plus declared but unpaid dividends.

### *Preference shares*

The preference shareholders shall have the right to receive notice of, attend, speak and vote at a General Meeting of the Company. Out of the profits available for distribution, dividends shall be paid at the rate of 7.8% per annum in priority to any payment of dividend to the holders of any other class of shares. As indicated in note 8, there are arrears of preference dividends totalling £12,790,000 at 31 December 2000

On a winding-up, the holders of the preference shares shall be entitled in priority to any payment to the holders of any other class of shares the repayment of a sum equal to the nominal capital together with any premium paid up on the preference shares. The balance of any assets shall be distributed amongst the 'A' ordinary shareholders and 'B' redeemable ordinary shareholders on a pari passu basis in proportion to the amounts paid up.

# Killingholme Power Limited

## 15 Reserves

	Share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 29 March 2000	369,450	-	369,450
Profit for the period	-	12,869	12,869
Dividend	-	(12,869)	(12,869)
At 31 December 2000	369,450	-	369,450

## 16 Reconciliation of movements in shareholders' funds

	31 December 2000	29 March 2000
	£'000	£'000
Profit attributable to the shareholders	12,869	1,956
Dividends	(12,869)	(1,956)
Net proceeds of preference share issue	-	369,450
Opening shareholders' funds	369,450	-
Closing shareholders' funds	369,450	369,450

## 17 Capital and other commitments

### Lease and capital commitments

At 31 December 2000 the Company had capital commitments of £415,000. The Company had no lease commitments.

### Other contractual commitments

At 31 December 2000, the estimated annual minimum commitment for the supply of gas was £34.1 million for a contract expiring in 2010 and £15.5 million for a contract expiring in 2005.



# **Killingholme Power Limited**

## **18 Ultimate parent undertaking**

Killingholme Power Limited is a wholly owned subsidiary of Killingholme Generation, a company registered in England and Wales. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it is included by full consolidation in the consolidated financial statements of NR Generating International BV.

NR Generating International BV, a company registered in Holland, is the parent undertaking of the smallest group in which the accounts of the company are consolidated. Xcel Energy Inc. a company incorporated in the United States of America is the parent undertaking of the largest group in which the accounts of the company are consolidated. Xcel Energy Inc. is also the ultimate controlling party.

Copies of the accounts for both NR Generating International BV and Xcel Energy Inc. can be obtained from 901 Marquette Avenue, Minneapolis, Minnesota, MN55403, USA.

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions with other entities that are part of the Xcel Energy Inc. group.