

Company Registration No. 5104786

Uskmouth Power Company Limited

Report and Financial Statements

Period from 19 April 2004 to 31 March 2005



Uskmouth Power Company Limited

Report and Financial Statements 2005

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Uskmouth Power Company Limited

Officers and professional advisers

Directors

S Abedi	Commercial Director
S Foster	Finance Director (appointed 02/05/2005)
A Lambie	Chief Executive Officer

Secretary

P Llewellyn

Registered Office

Uskmouth Power Station
West Nash Road
Newport
Gwent
NP18 2BZ

Bankers

Barclays Bank Plc
P O Box 674
121 Queen Street
Cardiff
CF10 2XU

Solicitors

Taylor Wessing
Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

Auditors

Deloitte & Touche LLP
Cardiff

Uskmouth Power Company Limited

Directors' report

The directors present their report and the audited financial statements for the period from incorporation on 19 April 2004 to 31 March 2005.

Activities

The company was incorporated on 19 April 2004 as Hackremco (No.2141) Limited. The company, by a resolution dated 3 June 2004 passed in accordance with the company's Articles of Association, changed its name to Uskmouth Power Company Limited and appointed Hackwood Directors Limited as the first and sole director. By a resolution dated 9 June 2004, Richard John Hill was appointed sole director and the resignation of Hackwood Directors Limited was accepted. On 18 June 2004, the company acquired the trade and assets of Uskmouth Power Station from AES Fifoots Point Limited (in administrative receivership) and acquired the freehold interest, plus associated land rights in the site occupied by the power station from AES East Usk Limited. By a resolution dated 5 July 2004, the company was acquired by Carron Energy Holdings Limited who acquired 100% of the issued share capital. By virtue of the same resolution, the resignation of Richard John Hill as sole director was accepted and the appointment of Alex Lambie and Shezad Abedi as directors was approved.

The principal activity of the company is now generation of electricity from Uskmouth Power Station. The results for the accounting period to 31 March 2005 were materially affected by the forced outage time required to rectify successfully a vibration fault in each turbine (requiring rotor refurbishment) that previously restricted the Station's output. As a result of the forced outage time, the Station was available and running for only three out of a possible nine turbine generation months during the period from August to December 2004. Consequently, revenues in the period August to December 2004 were only £1.8m against overhead expenses of £3.4m and capital expenditures of £5.0m. The loss of generation revenue, the cost of turbine repairs and the coverage of on-going fixed costs restricted cash flow and working capital availability.

During the first quarter of 2005, there has been an improvement in availability as a result of a phased return to service of turbine units 13 and 15 in January and February. Revenues have steadily increased over the three months culminating in revenues in March of approximately £3.6 million. The cash flow has also stabilised, with the business operating within its overdraft limit of £6 million.

Dividends

No dividend has been paid or is proposed for the period to 31 March 2005.

Future prospects

The directors consider the prospects for the company to be good as a result of increases in forward market prices for electricity and a widening margin above coal prices.

Directors and their interests

No directors holding office during the period had interest in the ordinary shares of the company at 31 March 2005. The interests of the directors in Carron Energy Limited are given in the financial statements of that company.

Post balance sheet event

On 18 October 2005, the company raised additional funding totalling £35 million. The facility comprises a £15 million term loan and £20 million revolving credit facility and is repayable after five years.

Auditors

Deloitte & Touche LLP were appointed as first auditors of the company. They have expressed their willingness to continue in office as auditors and a resolution to reappoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

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


S Foster
Director

18 OCTOBER 2005

Uskmouth Power Company Limited

Statement of directors' responsibilities

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Uskmouth Power Company Limited

Independent auditors' report to the members of Uskmouth Power Company Limited

We have audited the financial statements of Uskmouth Power Company Limited for the period from incorporation on 19 April 2004 to 31 March 2005 which comprise the profit and loss account, the reconciliation of movement in shareholders' deficit, the balance sheet, the cash flow statement and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 Companies Act 1985. We also report 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 with the company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

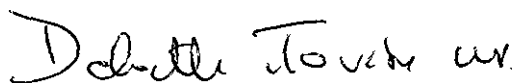
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 March 2005 and of its loss for the period from incorporation on 19 April 2004 to 31 March 2005 and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Cardiff, United Kingdom
18 October 2005

Uskmouth Power Company Limited

Profit and loss account

Period from 19 April 2004 to 31 March 2005

Period ended 31 March 2005

	Note	Before exceptional items £	Exceptional items (Note 7)	Total
Turnover: continuing operations	2	9,503,399	-	9,503,399
Cost of sales		(10,291,850)	-	(10,291,850)
Gross loss		(788,451)	-	(788,451)
Administrative expenses		(7,749,164)	(719,307)	(8,468,471)
Other operating income		544,803	-	544,803
Operating loss: continuing operations	4	(7,992,812)	(719,307)	(8,712,119)
Interest receivable		7,612	-	7,612
Interest payable and similar charges	5	(1,826,331)	-	(1,826,331)
Loss on ordinary activities before taxation		(9,811,531)	(719,307)	(10,530,838)
Tax on loss on ordinary activities	6	-	-	-
Loss for the financial year	17	(9,811,531)	(719,307)	(10,530,838)

There were no gains and losses except as recognised in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been presented

Uskmouth Power Company Limited

Reconciliation of movement in shareholders' deficit Period from 19 April 2004 to 31 March 2005

	Period ended 31 March 2005 £
Loss for the financial year	(10,530,838)
Issue of share capital	<u>100</u>
Net reduction to shareholders' deficit	(10,530,738)
Opening shareholders' funds	-
Closing shareholders' deficit	<u><u>(10,530,738)</u></u>

Uskmouth Power Company Limited

Balance sheet

31 March 2005

	Note	31 March 2005 £
Fixed assets		
Intangible assets	8	5,331,592
Tangible assets	9	18,083,877
		<hr/> 23,415,469
Current assets		
Stocks	10	1,574,406
Debtors	11	8,887,098
Cash at bank and in hand		150,245
		<hr/> 10,611,749
Creditors: amounts falling due within one year	12	(42,696,385)
Net current liabilities		<hr/> (32,084,636)
Total assets less current liabilities		<hr/> (8,669,167)
Provisions for liabilities and charges	15	(1,834,000)
Creditors: amounts falling due after more than one year	13	(27,571)
		<hr/> (10,530,738)
Capital and reserves		
Called up share capital	16	100
Profit and loss account	17	(10,530,838)
Total equity shareholders' deficit		<hr/> (10,530,738) <hr/>

These financial statements were approved by the Board of Directors on 18 OCTOBER 2005

Signed on behalf of the Board of Directors



S Foster
Director

Uskmouth Power Company Limited

Cash flow statement

Period ended 31 March 2005

	Note	Period ended 31 March 2005 £
Net cash inflow from operating activities	20 (a)	19,528,419
Returns on investments and servicing of finance		
Interest received		7,612
Interest paid		(1,826,331)
Net cash outflow from returns on investments and servicing of finance		(1,818,719)
Capital expenditure		
Payments to acquire tangible fixed assets		(8,341,660)
Net cash outflow from investing activities		(8,341,660)
Acquisitions and disposals		
Purchase of business		(14,408,300)
Net cash outflow from acquisitions		(14,408,300)
Net cash outflow before financing		(5,040,260)
Financing		
Issue of ordinary share capital		100
Net cash inflow from financing		100
Decrease in cash and cash equivalents	20 (b),(c)	(5,040,160)

Uskmouth Power Company Limited

Notes to the financial statements Period from 19 April 2004 to 31 March 2005

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the period, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Intangible fixed assets

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given and associated costs over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. The directors regard 20 years as a reasonable estimate of the useful life of goodwill arising on the acquisitions to date. Provision is made for any impairment. On the subsequent disposal or termination, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation. This includes the necessary costs incurred to bring the fixed assets acquired on acquisition to working order. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Land & buildings	20 years
Plant and machinery	10 years
Office equipment	5 years
IT equipment	3 to 4 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Foreign currency

Transactions undertaken in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account.

All translation differences are dealt with in the profit and loss account.

Uskmouth Power Company Limited

Notes to the financial statements Period from 19 April 2004 to 31 March 2005

1 Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid, or recovered, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Commodity derivative instruments

Trading activities involve the purchase and sale of energy under physical and/or financial forward contracts at fixed and variable prices. The net revenue or loss from these transactions is included in the net trading profits.

2 Turnover and gross margin

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. The turnover and pre-tax loss, all of which arises in the United Kingdom, is attributable to the activity of electricity generation.

Reported gross margin includes net trading profits or losses which primarily consist of recognised gains and losses from the purchase and sale of energy under physical and/or financial forward contracts.

Uskmouth Power Company Limited

Notes to the financial statements

Period from 19 April 2004 to 31 March 2005

3 Information regarding directors and employees

The directors are also directors of Carron Energy Limited and their remuneration is dealt with in the financial statements of that company. It is not possible to allocate their remuneration between their services as directors to different group companies.

	Period ended 31 March 2005 No.
Average number of persons employed	
Administration	<u>4</u>
	£
Staff costs during the period (including directors)	
Wages and salaries	70,451
Social security costs	32,867
Pension costs	2,476
	<u>105,794</u>

4 Operating loss

	Period ended 31 March 2005 £
Operating loss is after charging	
Depreciation	
Owned assets	973,456
Leased assets	6,441
Amortisation	208,508
Rentals under operating leases	
Other operating leases	55,842
Auditors' remuneration - other services	150
Auditors' remuneration - audit services	<u>10,000</u>

Uskmouth Power Company Limited

Notes to the financial statements

Period from 19 April 2004 to 31 March 2005

5 Interest payable and similar charges

Period ended
31 March
2005

£

Bank loans, overdrafts and other loans repayable within five years	1,823,776
Finance leases and hire purchase contracts	2,555
	<u>1,826,331</u>

6 Tax on loss on ordinary activities

Period ended
31 March
2005

£

Current taxation

United Kingdom corporation tax at 30%
Total current tax

-
-

Deferred taxation

-
-

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

Loss on ordinary activities before tax (10,530,838)

Tax on loss on ordinary activities before tax at 30% (3,159,251)

Factors affecting the tax charge for the current period

Depreciation in excess of capital allowances 334,472
Expenses not deductible for tax purposes 30,000
Unutilised tax losses 2,794,892

Current tax charge for the period

113

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately £2.8 million. The asset would be recovered if sufficient profits are made in future periods to absorb these losses.

Uskmouth Power Company Limited

Notes to the financial statements Period from 19 April 2004 to 31 March 2005

7 Exceptional items

Period ended
31 March
2005
£

The following items were included within administrative expenses

Expenses connected with turbine warranty claim	219,307
Expenses connected with Unit 14 turbine repair	500,000
	<u>719,307</u>

8 Intangible fixed assets

Goodwill
£

Cost

At 19 April 2004

-

Additions

5,540,100

At 31 March 2005

5,540,100

Accumulated depreciation

At 19 April 2004

-

Charge for the period

208,508

At 31 March 2005

208,508

Net book value

At 31 March 2005

5,331,592

Goodwill created during 2005 arises on acquisition of the trade and assets of Uskmouth Power Station from AES Fifoots Point Limited on 18 June 2004.

The assets and liabilities acquired were as follows:

	£
Tangible fixed assets	10,678,200
Stock	150,000
Provisions	<u>(1,960,000)</u>
	8,868,200
Goodwill	<u>5,540,100</u>
	<u>14,408,300</u>
Satisfied by:	
Cash	<u>14,408,300</u>

Uskmouth Power Company Limited

Notes to the financial statements

Period from 19 April 2004 to 31 March 2005

As the power station was acquired from a company in receivership, there are no pre-acquisition results available for disclosure. This business is the sole trade of the company and the post acquisition results are shown in the profit and loss account.

9 Tangible fixed assets

	Freehold land & buildings £	Plant and machinery £	IT equipment £	Office equipment £	Total £
Cost					
At 19 April 2004	-	-	-	-	-
Acquisition	3,336,680	7,341,520			10,678,200
Additions	49,113	7,738,163	563,441	34,857	8,385,574
At 31 March 2005	<u>3,385,793</u>	<u>15,079,683</u>	<u>563,441</u>	<u>34,857</u>	<u>19,063,774</u>
Accumulated depreciation					
At 19 April 2004	-	-	-	-	-
Charge for the period	(135,388)	(756,841)	(85,610)	(2,058)	(979,897)
At 31 March 2005	<u>(135,388)</u>	<u>(756,841)</u>	<u>(85,610)</u>	<u>(2,058)</u>	<u>(979,897)</u>
Net book value					
At 31 March 2005	<u>3,250,405</u>	<u>14,322,842</u>	<u>477,831</u>	<u>32,799</u>	<u>18,083,877</u>

Included within IT equipment are assets with a cost of £51,529 and a net book value of £45,087 which are held under finance leases.

10 Stocks

31 March
2005
£

Raw materials and consumables

1,574,406

11 Debtors

31 March
2005
£

Trade debtors
Amounts owed by group undertakings
Other debtors
Prepayments and accrued income

112,301
2,756,203
2,425,837
3,592,757
8,887,098

Uskmouth Power Company Limited

Notes to the financial statements

Period from 19 April 2004 to 31 March 2005

12 Creditors: amounts falling due within one year

	31 March 2005 £
Bank loans and overdrafts	5,316,405
Trade creditors	10,213,253
Obligations under finance leases	16,343
Amounts owed to group undertakings	24,952,804
Other taxes and social security	9,596
Other creditors	14,459
Accruals and deferred income	2,173,525
	<hr/> 42,696,385 <hr/>

The bank overdraft is secured by a fixed and floating charge over the company's assets.

13 Creditors: amounts falling due after more than one year

	31 March 2005 £
Obligations under finance leases and hire purchase	<hr/> 27,571 <hr/>

14 Borrowings

	31 March 2005 £
Obligations under finance leases and hire purchase contracts	
Minimum lease payments due:	
Within one year	16,343
Within two to five years	27,571
	<hr/> 43,914 <hr/>

Finance leases are secured on the related assets.

Uskmouth Power Company Limited

Notes to the financial statements

Period from 19 April 2004 to 31 March 2005

15 Provisions for liabilities and charges

	Removal of inherited fly ash pile £
At 19 April 2004	-
Acquisition	1,960,000
Utilised	(126,000)
At 31 March 2005	<u>1,834,000</u>

The provision for the removal of inherited fly ash relates to the likely cost of disposing of inherited fly ash to landfill. The fly ash pile was acquired along with the rest of the AES Fifoots point assets that were acquired on 18 June 2004 (see note 8). This provision has been prepared on the basis that the fly ash will largely be disposed to landfill, with a proportion being used for landscaping purposes. This was considered by the directors to be the most likely outcome at the time of acquisition. Should it prove necessary to dispose of all fly ash to landfill, the estimated potential liability would be £2.8 million, of which £1.96 million is provided above. The directors are continuing to investigate lower cost options for disposal of the fly ash, but no firm plans have yet been agreed.

16 Called up share capital

	31 March 2005	
	No.	£
Authorised		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

On 19 April 2004, 100 ordinary shares were issued at par for cash consideration

17 Statement of movement on reserves

	Profit and loss account £
At 19 April 2004	-
Loss for the financial year	(10,530,838)
At 31 March 2005	<u>(10,530,838)</u>

18 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Other £
Leases which expire:	
Within two to five years	<u>101,057</u>

Uskmouth Power Company Limited

Notes to the financial statements

Period from 19 April 2004 to 31 March 2005

19 Pension commitments

The company, in partnership with its parent Carron Energy Limited, established a Group Personal Pension Plan in December 2004. The plan is open to all employees and is administered by AXA. During the nine months to 31 March 2005 contributions of £2,476 were paid. There were no outstanding contributions payable to the pension plan as at 31 March 2005.

20 (a) Reconciliation of operating loss to net cash inflow from operating activities

	Period ended 31 March 2005 £
Operating Loss	(8,712,119)
Depreciation	979,897
Amortisation of goodwill	208,508
Increase in stocks	(1,424,406)
Increase in debtors	(8,887,098)
Increase in creditors	37,363,637
Net cash inflow from operating activities	<u>19,528,419</u>

20 (b) Analysis of changes in net debt

	At 19 April 2004	Cashflow	Other non cash transactions	At 31 March 2005
	£	£	£	£
Cash at bank and in hand	-	150,245	-	150,245
Bank loans and overdrafts	-	(5,316,405)	-	(5,316,405)
	-	(5,166,160)	-	(5,166,160)
Finance leases	-	-	(43,914)	(43,914)
Net debt	-	(5,166,160)	(43,914)	<u>(5,210,074)</u>

20 (c) Reconciliation of net cashflow to movement in net debt

	Period ended 31 March 2005
Net cash outflow for the period	(5,166,160)
New finance leases	(43,914)
	<u>(5,210,074)</u>
Net debt at 19 April 2004	-
Net debt at 31 March 2005	<u>(5,210,074)</u>

21 Related party transactions

The company has taken advantage of the exemption contained in FRS8, Related Party Transactions, not to disclose transactions with entities within the Carron Energy Limited group.

Uskmouth Power Company Limited

Notes to the financial statements

Period from 19 April 2004 to 31 March 2005

22 Contingent liabilities

The assets and undertaking of the business are subject to a charge in respect of certain liabilities of a fellow group company, Carron Energy Holdings Limited, to Rutland Partners LLP. The amount outstanding at 31 March 2005 was £23,000,000.

23 Post balance sheet event

On 18 October 2005, the company raised additional funding totalling £35 million. The facility comprises a £15 million term loan and £20 million revolving credit facility and is repayable after five years.

24 Ultimate parent company

The company's parent is Carron Energy Holdings Limited who are a wholly owned subsidiary of Carron Energy Limited. Both companies are incorporated in England and Wales. A controlling interest in Carron Energy Limited is held by four UK Limited Partnerships which are collectively known as The Rutland Fund. This controlling interest takes the form of holding all of the issued 'A' ordinary shares in Carron Energy Limited. By virtue of its controlling interest and the majority voting power held by the directors appointed by the 'A' ordinary shareholders, the Company considers the Partnerships comprising the Rutland Fund to be the ultimate controlling party. Rutland Partners LLP provides management services to Carron Energy Limited. Wholly owned subsidiaries of Rutland Partners LLP are the General Partners of the Partnerships comprising The Rutland Fund.