

Company Registration No. 5104786

Uskmouth Power Company Limited

Report and Financial Statements

Year ended 31 March 2006



Uskmouth Power Company Limited

Report and Financial Statements 2006

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Uskmouth Power Company Limited

Officers and professional advisers

Directors

S Abedi	Commercial Director
S Foster	Finance Director
A Lambie	Chief Executive Officer

Secretary

P Llewellyn

Registered Office

Uskmouth Power Station
West Nash Road
Newport
South Wales
NP18 2BZ

Bankers

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

Solicitors

Wragge & Co
55 Colmore Row
Birmingham
B3 2AS

Auditors

Deloitte & Touche LLP
Cardiff

Uskmouth Power Company Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2006. (With comparatives for the period from 19 April 2004 to 31 March 2005.)

Activities and business review

The principal activity of the company is the generation of electricity from the coal-fired Uskmouth Power Station which has a net capacity of 363MW.

During the financial year, the company benefited from an improvement in reliability and availability. Generating unit 14 was returned to service during November 2005 having been unavailable for nine months, enabling the station to run all three units through the winter period when market prices were higher than the previous year. This meant that the company was profitable with net profit for the financial year of £7.5m, compared with a loss of £10.5m in the previous period.

The key performance indicators underlying the improved results were as follows:

		31 March 2006	31 March 2005
Output	GWh	1,097	295
Average sales price	£/MWh	54	32
Thermal efficiency	%	29.9	28.7

On 18 October 2005, the company raised additional funding totalling £35 million. The facility was provided by KBC Bank and comprised a £15 million term loan, repayable over five years, and a £20 million revolving credit facility. £14 million from the revolving credit facility was used to provide a letter of credit as security against a forward power hedge. The hedge covered 110MW output for winter baseload and summer peaks for a period of three years commencing October 2005, together with a winter baseload hedge on a further 110MW during the period January to March 2006. The power hedge contributed revenues of £31 million during the year. The hedge was closed out as part of the acquisition of Carron Energy Limited by Carron Acquisition Company Limited on 25 April 2006 (see note 23) and the letter of credit was withdrawn.

Financial risk management

The company has a trading strategy in place which covers trading in power, coal and EU Allowances (EUAs - for carbon dioxide). Under the strategy, the company reduces its exposure to movements in commodity prices by entering into a long-term hedge which covers the output from one unit (110MW) for winter baseload and summer peak periods. Shorter term hedges are entered into for up to another 110MW, one unit being kept merchant with its output sold on a day ahead basis.

The key financial risks of the company are as follows:

- commodity price - the markets for power, coal and EUAs are currently very volatile and the company's exposure is reduced by the trading strategy described above;
- credit - all of the company's trading counterparties are of high financial standing whose credit risk is assessed before entering into Master Agreements;
- liquidity - cash forecasts are regularly produced to ensure that the company has adequate headroom under its financial facilities; and
- foreign exchange - purchases of coal are in US dollars and EUAs are in Euros and the company ensures hedges are in place to cover the currency exposure on committed transactions.

Uskmouth Power Company Limited

Directors' report (continued)

Dividends

No dividend has been paid or is proposed for the period to 31 March 2006 (2005: £nil).

Future prospects

The directors consider the prospects for the company to be good following the successful return to service of all three units and a period of stable winter running. Prices in the forward market for electricity remain strong and the margin above coal prices is healthy.

Directors and their interests

The directors of the company, who served throughout the financial year, are as shown on page 1. No directors holding office during the period had interests in the ordinary shares of the company at 31 March 2006 or 1 April 2005. The interests of the directors in Carron Energy Limited are given in the financial statements of that company.

Post balance sheet event

On 25 April 2006, the Rutland Fund disposed of its controlling interest in Carron Energy Limited to Carron Acquisition Company Limited. Carron Acquisition Company Limited funded the purchase by raising equity of £35 million and debt of £90 million. The proceeds were used to acquire 100% of the share capital in Carron Energy Limited. As part of the transaction, the facility provided by KBC Bank to Uskmouth Power Company Limited was assigned to Deutsche Bank. The three-year power hedge was also closed out at a cost of £26.5 million (including a premium on exit of approximately £4 million), funded by an extension to the company's revolving credit facility. The £14m letter of credit issued in support of the power hedge was withdrawn.

On 27 July 2006 the Company entered into a forward power hedge for a period of three years from 1 October 2006 covering 110 MW output for winter baseload and summer peaks.

On 2 August 2006, the company raised funding totalling £120 million. The secured facility was provided by Deutsche Bank and is repayable over five years. The funds raised were used to repay the facility originally provided by KBC Bank and to partially refinance the £90 million debt in Carron Acquisition Company Limited.

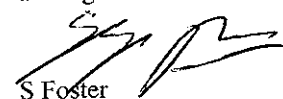
Auditors

In the case of each of the persons who are directors of the company at the date when this report was approved:

- * so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- * each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them 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 2nd AUGUST 2006

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 year ended 31 March 2006 which comprise the profit and loss account, the reconciliation of movement in shareholders' deficit, the balance sheet and the related notes 1 to 25. 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and other information contained in the annual report for the above year as described in the contents section 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Cardiff, United Kingdom

2 August 2006

Uskmouth Power Company Limited

Profit and loss account Year ended 31 March 2006

Year ended 31 March 2006					
	Note	Before exceptional items £	Exceptional items (Note 7) £	Total £	Period ended 31 March 2005 £
Turnover	2	59,519,866	-	59,519,866	9,503,399
Cost of sales		(30,174,820)	-	(30,174,820)	(10,291,850)
Gross profit/(loss)		29,345,046	-	29,345,046	(788,451)
Administrative expenses		(18,262,256)	(662,471)	(18,924,727)	(8,468,471)
Other operating income		1,139,409	-	1,139,409	544,803
Operating profit/(loss)	4	12,222,199	(662,471)	11,559,728	(8,712,119)
Interest receivable		66,582	-	66,582	7,612
Interest payable and similar charges	5	(4,119,268)	-	(4,119,268)	(1,826,331)
Profit/(loss) on ordinary activities before taxation		8,169,513	(662,471)	7,507,042	(10,530,838)
Tax on profit/(loss) on ordinary activities	6	-	-	-	-
Profit /(loss) for the financial year	18	8,169,513	(662,471)	7,507,042	(10,530,838)

All activities derive from continuing operations. There were no gains and losses except as recognised in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses has been presented.

Uskmouth Power Company Limited

Reconciliation of movement in shareholders' deficit Year Ended 31 March 2006

	Year ended 31 March 2006 £	Period ended 31 March 2005 £
Profit / (loss) for the financial year	7,507,042	(10,530,838)
Issue of share capital	-	100
Net increase / (reduction) to shareholders' funds/ (deficit)	7,507,042	(10,530,738)
Opening shareholders' deficit	(10,530,738)	-
Closing shareholders' deficit	(3,023,696)	(10,530,738)

Uskmouth Power Company Limited

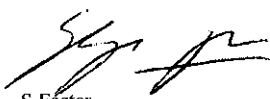
Balance sheet

31 March 2006

	Note	2006 £	2005 £
Fixed assets			
<i>Intangible assets</i>	8	5,054,573	5,331,592
Tangible assets	9	16,956,053	18,083,877
		<u>22,010,626</u>	<u>23,415,469</u>
Current assets			
Stocks	10	5,411,616	1,574,406
Debtors	11	28,234,857	8,887,098
Cash at bank and in hand	12	5,262,868	150,245
		<u>38,909,341</u>	<u>10,611,749</u>
Creditors: amounts falling due within one year	13	(54,074,083)	(42,696,385)
Net current liabilities		<u>(15,164,742)</u>	<u>(32,084,636)</u>
Total assets less current liabilities		<u>6,845,884</u>	<u>(8,669,167)</u>
Creditors: amounts falling due after more than one year	14	(8,082,727)	(27,571)
Provisions for liabilities and charges	16	(1,786,853)	(1,834,000)
Net Liabilities		<u>(3,023,696)</u>	<u>(10,530,738)</u>
Capital and reserves			
Called up share capital	17	100	100
Profit and loss account	18	(3,023,796)	(10,530,838)
Total shareholders' deficit		<u>(3,023,696)</u>	<u>(10,530,738)</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors


S Foster
Director

Uskmouth Power Company Limited

Notes to the financial statements

Year ended 31 March 2006

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 financial year and prior 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
Motor vehicles	5 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.

Notes to the financial statements Year ended 31 March 2006

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

The company uses derivative financial instruments to reduce exposure to foreign exchange risk and commodity price movements for power, coal and carbon dioxide allowances. The company does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency as the hedged item and must also reduce the risk of foreign currency exchange movements on the company's operations.

For a forward purchase contract for a commodity, such as power, coal or carbon dioxide allowances, to be treated as a hedge, the interest must relate to an actual production requirement or actual output (or a probable production or output commitment).

Gains and losses arising on the contracts are deferred and recognised in the profit and loss account only when the hedged transaction has itself been reflected in the company's financial statements.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

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 profit/ (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 Year ended 31 March 2006

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.

	Year ended 31 March 2006 No.	Period ended 31 March 2005 No.
Average number of persons employed		
Administration	<u>5</u>	<u>4</u>
	£	£
Staff costs during the period (including directors)		
Wages and salaries	419,867	70,451
Social security costs	33,921	32,867
Pension costs	5,952	2,476
	<u>459,740</u>	<u>105,794</u>

4 Operating profit/(loss)

	Year ended 31 March 2006 £	Period ended 31 March 2005 £
Operating profit/(loss) is after charging		
Depreciation		
Owned assets	1,869,256	973,456
Leased assets	12,882	6,441
Amortisation	277,019	208,508
Rentals under operating leases		
Other operating leases	7,279	55,842
Auditors' remuneration - other services	-	150
Auditors' remuneration - audit services	<u>30,234</u>	<u>10,000</u>

Uskmouth Power Company Limited

Notes to the financial statements Year ended 31 March 2006

5 Interest payable and similar charges

	Year ended 31 March 2006	Period ended 31 March 2005
	£	£
Bank loans, overdrafts and other loans repayable within five years	4,115,675	1,823,776
Finance leases and hire purchase contracts	3,593	2,555
	<u>4,119,268</u>	<u>1,826,331</u>

6 Tax on profit/(loss) on ordinary activities

	Year ended 31 March 2006	Period ended 31 March 2005
	£	£
Current taxation		
United Kingdom corporation tax at 30% (2005: 30%)	<u>-</u>	<u>-</u>

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

	Year ended 31 March 2006	Period ended 31 March 2005
	£	£
Profit/(loss) on ordinary activities before tax	<u>7,507,042</u>	<u>(10,530,838)</u>
Tax on profit/(loss) on ordinary activities before tax at 30%	2,252,113	(3,159,251)
Factors affecting the tax charge for the period		
Depreciation in excess of capital allowances	520,264	334,472
Expenses not deductible for tax purposes	83,106	30,000
Other timing differences	(14,144)	-
Tax losses (utilised)/unutilised	(2,841,339)	2,794,892
Current tax charge for the period	<u>-</u>	<u>113</u>

Uskmouth Power Company Limited

Notes to the financial statements Year ended 31 March 2006

7 Exceptional items

	2006 £	2005 £
The following items were included within administrative expenses		
Expenses connected with turbine warranty claim	213,491	219,307
Expenses connected with Unit 14 turbine repair	-	500,000
Cost of settling trade dispute	448,980	-
	<u>662,471</u>	<u>719,307</u>

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 April 2005 and at 31 March 2006	<u>5,540,100</u>
Accumulated amortisation	
At 1 April 2005	208,508
Charge for the year	277,019
	<u>485,527</u>
At 31 March 2006	
Net book value	
At 31 March 2006	<u>5,054,573</u>
At 31 March 2005	<u>5,331,592</u>

Uskmouth Power Company Limited

Notes to the financial statements

Year ended 31 March 2006

9 Tangible fixed assets

	Freehold land & buildings £	Plant and machinery £	Motor vehicles £	IT equipment £	Office equipment £	Total £
Cost						
At 1 April 2005	3,385,793	15,079,683	-	563,441	34,857	19,063,774
Additions	39,001	432,211	18,291	201,603	66,708	757,814
Disposals	-	(3,962)	-	-	-	(3,962)
At 31 March 2006	3,424,794	15,507,932	18,291	765,044	101,565	19,817,626
Accumulated depreciation						
At 1 April 2005	(135,388)	(756,841)	-	(85,610)	(2,058)	(979,897)
Charge for the year	(160,901)	(1,520,420)	(2,439)	(185,727)	(12,651)	(1,882,138)
Eliminated on disposal	-	462	-	-	-	462
At 31 March 2006	(296,289)	(2,276,799)	(2,439)	(271,337)	(14,709)	(2,861,573)
Net book value						
At 31 March 2006	3,128,505	13,231,133	15,852	493,707	86,856	16,956,053
At 31 March 2005	3,250,405	14,322,842	-	477,831	32,799	18,083,877

Included within IT equipment are assets with a cost of £51,529 (2005:£51,529) and a net book value of £32,206 (2005:£45,088) which are held under finance leases.

10 Stocks

	2006 £	2005 £
Raw materials and consumables	5,072,596	1,574,406
Engineering spares	339,020	-
	5,411,616	1,574,406

11 Debtors

	2006 £	2005 £
Trade debtors	1,456,031	112,301
Amounts owed by group undertakings	6,558,726	2,756,203
Other debtors	9,441,235	2,425,837
Prepayments and accrued income	10,778,865	3,592,757
	28,234,857	8,887,098

Uskmouth Power Company Limited

Notes to the financial statements Year ended 31 March 2006

12	Cash and deposits	2006	2005
		£	£
	Cash at bank and in hand	<u>5,262,868</u>	<u>150,245</u>
13	Creditors: amounts falling due within one year	2006	2005
		£	£
	Bank loans and overdrafts	-	5,316,405
	Trade creditors	10,789,913	10,213,253
	Obligations under finance leases	17,947	16,343
	Amounts owed to group undertakings	30,514,331	24,952,804
	Other taxes and social security	32,764	9,596
	Other creditors	344,064	14,459
	Accruals and deferred income	9,082,564	2,173,525
	Term loan	3,292,500	-
		<u>54,074,083</u>	<u>42,696,385</u>
14	Creditors: amounts falling due after more than one year	2006	2005
		£	£
	Term loan	8,073,102	-
	Obligations under finance leases and hire purchase contract	9,625	27,571
		<u>8,082,727</u>	<u>27,571</u>
15	Borrowings	2006	2005
		£	£
	Obligations under finance leases and hire purchase contracts		
	Minimum lease payments due:		
	Within one year	17,947	16,343
	Between two and five years	9,625	27,571
		<u>27,572</u>	<u>43,914</u>

The bank overdraft facility was repaid in full on 20 October 2005 from the proceeds of a new loan facility. The facility comprises a £15 million term loan and £20 million revolving credit facility and is repayable over five years, the first repayment being made during the year. The capitalised costs of refinancing were £1,594,397 which are being written off over the term of the loan in accordance with FRS 4. £14 million from the revolving credit facility was used to provide a letter of credit as security against forward power sales. The balance of the revolving credit facility was undrawn at the year-end. The facility is secured on the assets of the company.

Finance leases are secured on the related assets.

Uskmouth Power Company Limited

Notes to the financial statements Year ended 31 March 2006

16 Provisions for liabilities and charges

	Removal of inherited fly ash pile £
At 1 April 2005	1,834,000
Utilised	(47,147)
At 31 March 2006	<u>1,786,853</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. 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 and remains the case.

17 Called up share capital

	2006	2005
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>

18 Statement of movement on reserves

	Profit and loss account £
At 1 April 2005	(10,530,838)
Profit for the financial year	7,507,042
At 31 March 2006	<u>(3,023,796)</u>

19 Operating lease commitments

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

	2006 £	2005 £
Leases which expire:		
Between two and five years	<u>117,542</u>	<u>101,057</u>

Uskmouth Power Company Limited

Notes to the financial statements Year ended 31 March 2006

20 Pension arrangements

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 year to 31 March 2006, contributions of £5,952 were paid (2005 £2,476). Contributions of £1,769 were outstanding as at 31 March 2006 (2005: £nil).

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.

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 2006 was £23,000,000. (2005: £23,000,000.)

23 Post balance sheet event

On 25 April 2006, the Rutland Fund disposed of its controlling interest in Carron Energy Limited to Carron Acquisition Company Limited. Carron Acquisition Company Limited funded the purchase by raising equity of £35 million and debt of £90 million. The proceeds were used to acquire 100% of the share capital in Carron Energy Limited. As part of the transaction, the facility provided by KBC Bank to Uskmouth Power Company Limited was assigned to Deutsche Bank. The three-year power hedge was also closed out at a cost of £26.5 million (including a premium on exit of approximately £4 million), funded by an extension to the company's revolving credit facility. The £14m letter of credit issued in support of the power hedge was withdrawn.

On 27 July 2006 the Company entered into a forward power hedge for a period of three years from 1 October 2006 covering 110 MW output for winter baseload and summer peaks.

On 2 August 2006, the company raised funding totalling £120 million. The secured facility was provided by Deutsche Bank and is repayable over five years. The funds raised were used to repay the facility originally provided by KBC Bank and to partially refinance the £90 million debt in Carron Acquisition Company Limited.

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 was held by four UK Limited Partnerships which are collectively known as The Rutland Fund, up until 25 April 2006. This controlling interest took 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 at the year-end. Rutland Partners LLP provided management services to Carron Energy Limited. Wholly owned subsidiaries of Rutland Partners LLP are the General Partners of the Partnerships comprising The Rutland Fund.

Notes to the financial statements
Year ended 31 March 2006

25 Derivatives

The company uses derivative financial instruments to reduce exposure to foreign exchange risk and commodity price movements for power, coal and carbon dioxide allowances. The company does not hold or issue derivative financial instruments for speculative purposes.

At the balance sheet date, the total notional amount outstanding for which the group has committed are as below:

	Year ended	Period ended
	31 March	31 March
	2006	2005
	£	£
Forward foreign exchange purchase contracts	(6,957,701)	-
Forward power sales	49,249,596	-
Forward carbon credit purchases	(7,123,021)	-

As at 31 March 2006, the fair value adjustments of the financial instruments outstanding at the balance sheet date were as follows. The amounts shown in the table below represent the company's estimate of the market value of the contracts at the year end dates shown. No adjustment has been made to the financial statements in respect of the market valuation.

	Year ended	Period ended
	31 March	31 March
	2006	2005
	£	£
Forward foreign exchange contracts	(34,033)	-
Forward power sales	(19,642,826)	-
Forward carbon credit purchases	3,724,072	-