

Company Registration No. 5392552

Severn Power Limited

Report and Financial Statements

Year ended 31 March 2009

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Severn Power Limited

Report and Financial Statements 2009

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Severn Power Limited

Officers and professional advisers

Directors

Bent Christensen
Ian Crummack
Per Holmgaard
Paul Llewellyn

Registered Office

Uskmouth Power Station
West Nash Road
Nash
Newport
NP18 2BZ

Bankers

The Royal Bank of Scotland
London Corporate SC
PO Box 39952
2 1/2 Devonshire Square
London
EC2M 4XJ

Solicitors

Morgan Cole
Llys Tawe
Kings Road
Swansea
SA1 8PG

Auditors

Deloitte LLP
Cardiff

Severn Power Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2009.

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 417(1) of the Companies Act 2006.

Activities and business review

The company's primary activity continues to be the development of an 850Mw Combined Cycle Gas Turbine (CCGT) in Newport, South Wales. Financial close for the project was completed on 28 March 2008 and the funding required to complete the construction project has been secured. Activities during the year have focused wholly on construction with the following key milestones being achieved:

- Piling works associated with the construction of the power plant have been successfully completed, on schedule and within cost expectations.
- Mechanical erection work has commenced for the construction of the power plant and remains on schedule.

On 6 March 2009, Severn Power Holdings Limited was acquired by DONG Energy Power A/S who acquired 100% of the share capital from Welsh Power Group Limited.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to complete its construction works and continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in note 1 to the financial statements.

Dividends

No dividend has been paid or is proposed for the year to 31 March 2009 (2008: £nil).

Future prospects

The company will continue to progress the development of the CCGT power station. The power station continues to progress well and is expected to commence generation during quarter four 2010.

Directors

The following directors held office during the period:

Name of director	Appointed	Resigned
Bent Christensen	06/03/2009	
Ian Crummack	06/03/2009	
Per Holmgaard	06/03/2009	
Paul Llewellyn	28/08/2008	
Alastair Fraser	02/10/2008	06/03/2009
Alexander Lambie	15/03/2005	06/03/2009
Frank Shed	07/02/2008	06/03/2009
Stephen Foster	02/08/2007	02/08/2008

Severn Power Limited

Directors' report continued

Auditors

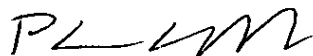
In the case of each of the persons who are directors of the company at the date when this report was approved:

- 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.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte 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



Paul Llewellyn
Director

15 SEPTEMBER
2009

Severn Power Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

United Kingdom company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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. In preparing these 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 UK 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.

Severn Power Limited

Independent Auditors' report

We have audited the financial statements of Severn Power Limited for the year ended 31 March 2009 which comprise the balance sheet, the reconciliation of movement in shareholders' funds and the related notes 1 to 14. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we 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 consider the implications for our report if we become aware of any apparent misstatements within it.

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, of the state of the company's affairs as at 31 March 2009 and of its result 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 LLP

Chartered Accountants and Registered Auditors

Cardiff, United Kingdom

24 September 2009

Severn Power Limited

Balance sheet 31 March 2009

	Note	2009 £	2008 £
Fixed assets			
Tangible assets	4	254,820,736	91,007,272
Investments in subsidiaries	5	<u>1</u>	<u>1</u>
		254,820,737	91,007,273
Current assets			
Debtors:			
-due within one year	6	20,586,943	22,441,779
-due after one year	7	1,105,288	-
Cash at bank and in hand		<u>1,522,027</u>	<u>-</u>
		23,214,258	22,441,779
Creditors:			
amounts falling due within one year	8	(237,048,941)	(108,467,595)
Net current liabilities		<u>(213,834,683)</u>	<u>(86,025,816)</u>
Total assets less current liabilities		40,986,054	4,981,457
Creditors:			
amounts falling due after more than one year	9	(35,829,659)	-
Net assets		<u>5,156,395</u>	<u>4,981,457</u>
Capital and reserves			
Called up share capital		5,000,002	5,000,002
Profit and loss account	2	156,393	(18,545)
Shareholders' funds		<u>5,156,395</u>	<u>4,981,457</u>

These financial statements were approved by the Board of Directors on 15 SEPTEMBER 2009

Signed on behalf of the Board of Directors



Paul Llewellyn
Director

Severn Power Limited

Reconciliation of movement in shareholders' funds Year ended 31 March 2009

	2009 £	2008 £
Capital contribution arising from release from inter-company creditor	174,938	-
Shares issued	-	5,000,001
	<hr/>	<hr/>
Net increase in shareholders' funds	174,938	5,000,001
Opening shareholders' funds/(deficit)	4,981,457	(18,544)
	<hr/>	<hr/>
Closing shareholders' funds	5,156,395	4,981,457
	<hr/>	<hr/>

Severn Power Limited

Notes to the financial statements Year ended 31 March 2009

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 current and the prior financial year, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Assets under construction are recorded at cost and are not depreciated until brought into use.

Interest relating to borrowings to fund specific assets is capitalised during the period of construction. Capitalisation ceases when the asset is brought into use. Operating lease rentals are capitalised as part of the project to construct a CCGT.

Group accounts

The company has taken advantage of the exemption in FRS2 not to prepare group accounts on the grounds that the results are included in the consolidated accounts of the parent company Severn Power Holdings Limited.

Cash flow statement

In accordance with the exemption contained in FRS1 (revised), cash flow statements, the company has not presented a cash flow statement on the grounds that the cash flows of the company are included in the consolidated cash flow statement of the parent company.

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. These costs are capitalised as part of the cost of the staff associated with project management during the year. The amount charged 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.

Financial instruments

The company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes. Interest rate swaps which relate to actual liabilities and change the nature of interest by converting variable interest to fixed interest (or vice versa) are treated as economic hedges. Interest differentials under these swaps are recognised by adjusting interest payable over the periods of the contracts.

Severn Power Limited

Notes to the financial statements Year ended 31 March 2009

1 Accounting policies (continued)

Going concern

The company secured adequate funding to complete the construction of an 850Mw Combined Cycle Gas Turbine during March 2008. A proportion of the company's funding is provided through a shareholder loan agreement supplied by its parent company Severn Power Holdings Limited, which is repayable upon 30 days notice. Severn Power Holdings Limited was acquired by DONG Energy Power A/S on 6 March 2009 as part of a wider expansion programme into the UK energy market. It would not be in Severn Power Holdings Limited's interests to call the shareholder loan agreement unless the company had made arrangements to put in place a suitable alternative source of funds. The acquisition of Severn Power Holdings Limited by DONG Energy Power A/S has provided further comfort regarding the ability of the company to secure further funding if required.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to complete its construction works and continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2 Profit and loss account

No profit & loss account is presented because the company has not received income, incurred expenditure or recognised any gains or losses during the current or prior period. Accordingly, no statement of total recognised gains and losses has been presented.

£174,938 has been credited directly to the profit & loss reserve, relating to a capital contribution arising from the release from an inter-company creditor balance due to Carron Energy Limited, a member of the Welsh Power Group.

This balance was waived by the Welsh Power Group as part of the disposal of Severn Power Limited to DONG Energy Power A/S.

A fee of £8,000 is payable to the Company's auditors for the audit of the Company's annual accounts. A fellow group company Carron Energy Limited bore the audit fee for the year 2008.

Severn Power Limited

Notes to the financial statements Year ended 31 March 2009

3 Information regarding directors and employees

Certain directors are remunerated by other companies within the DONG Energy A/S group for their services to the group as a whole. It is not practicable to allocate their remuneration between their services as directors of different group companies.

	2009 £	2008 £
Directors emoluments		
Emoluments	70,022	-
Pension contributions	3,471	-
	<u>73,493</u>	<u>-</u>

One director (2008:none) is a member of a money purchase scheme.

	2009 No.	2008 No.
Average number of persons employed		
Operations	1	-
Finance	3	-
	<u>4</u>	<u>-</u>

	2009 £	2008 £
Staff costs during the year (including directors)		
Wages and salaries	157,655	-
Social security costs	17,629	-
Pension costs	7,014	-
Other benefits	16,537	-
	<u>198,835</u>	<u>-</u>

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Notes to the financial statements Year ended 31 March 2009

4 Tangible fixed assets

	Assets under construction £
Cost and net book value	
At 1 April 2008	91,007,272
Additions	163,813,464
At 31 March 2009	<u>254,820,736</u>

Included within assets under construction are capitalised interest and associated financing costs of £39,113,581 (2008: £4,579,485).

5 Investments in subsidiaries

	2009 £	2008 £
Investment in subsidiaries	<u>1</u>	<u>1</u>

The investment relates to 100% of the share capital in Severn Gas Transportation Limited, a company incorporated in England and Wales, engaged in the construction of a gas pipeline to serve the Severn Power CCGT development.

6 Debtors:

due within one year	2009 £	2008 £
Trade debtors	37,948	170,105
Amounts owed by group undertakings	8,959,325	7,877,829
Prepayments	1,735,816	2,750,000
Other debtors	9,853,854	11,643,845
	<u>20,586,943</u>	<u>22,441,779</u>

7 Debtors:

due after one year	2009 £	2008 £
Prepayments	1,103,938	-
Other debtors	1,350	-
	<u>1,105,288</u>	<u>-</u>

Severn Power Limited

Notes to the financial statements Year ended 31 March 2009

8	Creditors:		
	amounts falling due within one year	2009	2008
		£	£
	Bank overdraft	-	15,092
	Trade creditors	54,259,540	33,255,701
	Other taxes and social security	8,274	-
	Amounts owed to group undertakings	182,673,939	70,090,518
	Accruals and deferred income	107,188	5,106,284
		<u>237,048,941</u>	<u>108,467,595</u>

9	Creditors:		
	amounts falling due after more than one year	2009	2008
		£	£
	Bank loan	<u>35,829,659</u>	-
	Borrowings are repayable as follows:		
	Bank loan		
	Between two and five years	3,457,562	-
	After five years	<u>32,372,097</u>	-
		<u>35,829,659</u>	-

The term loan facility of £400 million is repayable in instalments from October 2011 to April 2021. Interest is payable based on LIBOR plus 2% (increasing to 2.35% over the period to 2017). The facility is being used to fund the development of the CCGT power station and will be drawn down as the development progresses over the next two years.

The term loan is secured over the assets and undertaking of the Severn Power Limited business.

In addition, the company has agreed a further £75 million of facilities. A £21 million term loan facility is available to cover cost overruns on the project and a £54 million letter of credit facility has been granted to provide collateral during both the construction and operational phase of the power station. Letters of credit to the value of £32 million were issued at the year end.

10	Called up share capital		
		2009	2008
		£	£
	Authorised		
	Ordinary shares of £1 each	<u>5,001,000</u>	<u>5,001,000</u>
	Called up, allotted and fully paid		
	Ordinary shares of £1 each	<u>5,000,002</u>	<u>5,000,002</u>

Severn Power Limited

Notes to the financial statements Year ended 31 March 2009

11 Statement of movements in reserves

	Profit & loss account
At 1 April 2008	(18,545)
Capital contribution arising from the release of an inter-company creditor balance	174,938
At 31 March 2009	<u>156,393</u>

12 Derivatives

The company uses interest rate swaps to manage its exposure to interest rate movements on its borrowings. On 28 March 2008, the company raised funding totalling £475 million. The secured facility was provided by The Royal Bank of Scotland, Calyon and ING Bank N.V. and is repayable over 13 years at a rate of interest linked to LIBOR. To reduce the company's exposure to interest rate fluctuations a interest swap contract with varying notional values has been agreed which has fixed interest payments at a rate of 5.0675% for periods up to April 2021 and floating interest receipts at LIBOR. The swap notional values are profiled with a view to hedging the entire interest liability arising from the secured term loan facility during the period of construction. Upon completion of construction activities the swap notional values reduce to hedge 75% of the interest liability for the remaining period of the swap. The fair value of the swap at 31 March 2009 is estimated at a £36,543,000 liability.

13 Related party transactions

The company is a wholly owned subsidiary of DONG Energy Power A/S, a member of the DONG Energy A/S group. The company has taken advantage of the exemption contained in FRS8, Related Party Transactions, not to disclose transactions with entities within the DONG Energy A/S group. For the period prior to acquisition by DONG Energy Power A/S on 6 March 2009, the company was a member of the group headed by Welsh Power Group Limited and has taken advantage of the same exemption for transactions within this group for that period.

14 Parent company and ultimate controlling party

The company's parent is Severn Power Holdings Limited, incorporated in England and Wales, and which is a wholly owned subsidiary of DONG Energy Power A/S, a company incorporated in Denmark. DONG Energy Power A/S is a wholly owned subsidiary of DONG Energy A/S. The Danish Ministry of Finance owns 72.98% of the shares in DONG Energy A/S and is therefore considered as the ultimate controlling party.

The smallest and largest group for which consolidated statements are prepared, including the results of this company, are Severn Power Holdings Limited and DONG Energy A/S respectively.