

Company registration number 5392552

Severn Power Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2010



Severn Power Limited

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Severn Power Limited
Company Information

Directors	Anna-Lena Jeppsson Jens Erik Pedersen Peter Gedbjerg
Registered office	Uskmouth Power Station West Nash Road Nash Newport NP18 2BZ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Kingsway Cardiff CF10 3PW

Severn Power Limited
Directors' Report
for the Year Ended 31 December 2010

The directors present their annual report and the audited financial statements of Severn Power Limited for the year ended 31 December 2010

Principal activity

The principal activity of the company is the generation of electricity from the gas fired Severn Power Station which has a net capacity of 824MW

Dividends

The directors do not recommend a payment of a final dividend (2009 £nil)

Directors of the company

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows

Anna-Lena Jeppsson (appointed 17 May 2011)

Jens Erik Pedersen (appointed 12 March 2010)

Peter Gedbjerg (appointed 17 May 2011)

Bent Chrstensen (resigned 17 May 2011)

Ian Crummack (resigned 17 May 2011)

Paul Llewellyn (resigned 17 May 2011)

Per Holmgaard Andersen (resigned 12 March 2010)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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

Severn Power Limited
Directors' Report (continued)
for the Year Ended 31 December 2010

Statement of disclosure of information to auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware.

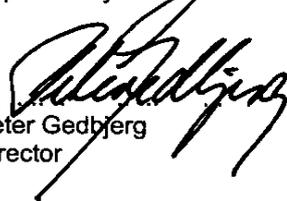
Independent auditors

During the year, KPMG resigned as auditors of the company and the directors have appointed PricewaterhouseCoopers LLP as auditors to the company in accordance with section 485 of the Companies Act 2006. A resolution proposing that they be re-appointed will be put at a General Meeting.

Small company provisions

This report has been prepared in accordance with special provisions relating to small companies within part 15 of the the Companies Act 2006.

Approved by the Board on 08/07/11 and signed on its behalf by


Peter Gedbjerg
Director

Independent Auditors' Report to the Members of Severn Power Limited

We have audited the financial statements of Severn Power Limited for the year ended 31 December 2010, which comprise the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as applicable to financial statements prepared in accordance with the small companies regime of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report (continued)
to the Members of Severn Power Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements in accordance with the small company regime and take advantage of the small companies' exemption in preparing the Directors' Report

K E Finn

Katharine Finn (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
Cardiff

Date *13 July 2011*

Severn Power Limited
Profit and Loss Account
for the Year Ended 31 December 2010

	Note	Year ended 31 December 2010 £	1 April 2009 to 31 December 2009 £
Turnover		19,299,598	-
Cost of sales		<u>(4,839,258)</u>	-
Gross profit		14,460,340	-
Administrative expenses		(4,463,166)	-
Other operating income		<u>3,670,704</u>	-
Operating profit	2	13,667,878	-
Interest receivable and similar income	4	8,667	-
Interest payable and similar charges	5	<u>(5,446,653)</u>	-
Profit on ordinary activities before taxation		8,229,892	-
Tax on profit or loss on ordinary activities	6	<u>(2,234,209)</u>	-
Profit for the financial year		<u><u>5,995,683</u></u>	<u><u>-</u></u>

All activities relate to continuing operations

The company has no recognised gains or losses for the year other than the results above, and therefore no separate statement of recognised gains and losses has been presented

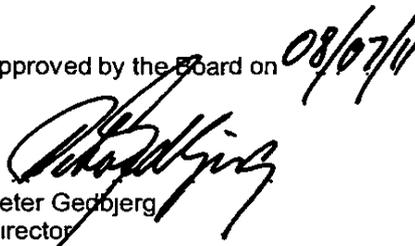
The notes on pages 8 to 21 form a part of these financial statements

Severn Power Limited
Balance Sheet
as at 31 December 2010

	Note	31 December 2010 £	31 December 2009 £
Fixed assets			
Tangible assets	7	662,178,706	446,963,530
Investments	8	7,000,001	1
		<u>669,178,707</u>	<u>446,963,531</u>
Current assets			
Debtors amounts falling due within one year	9	14,888,274	21,867,009
Debtors amounts falling due after one year	9	35,033,710	39,249,115
Cash at bank and in hand		6,690,628	4,362,861
		<u>56,612,612</u>	<u>65,478,985</u>
Creditors Amounts falling due within one year	10	<u>(19,905,720)</u>	<u>(222,466,222)</u>
Net current assets/(liabilities)		<u>36,706,892</u>	<u>(156,987,237)</u>
Total assets less current liabilities		705,885,599	289,976,294
Creditors Amounts falling due after more than one year	11	(405,622,388)	(284,819,899)
Provisions for liabilities	12	<u>(4,111,133)</u>	<u>-</u>
Net assets		<u>296,152,078</u>	<u>5,156,395</u>
Capital and reserves			
Called up share capital	13	290,000,002	5,000,002
Profit and loss account	14	6,152,076	156,393
Total shareholders' funds		<u>296,152,078</u>	<u>5,156,395</u>

The financial statements have been prepared in accordance with the small companies regime of the Companies Act 2006

Approved by the Board on 08/07/11 and signed on its behalf by


Peter Gedberg
Director

(Company registration number: 5392552)

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

1 Accounting policies

Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies adopted, which have been applied consistently throughout the current financial period and prior financial period, are described below.

Exemption from preparing a cash flow statement

The company is a wholly owned subsidiary of a group headed by DONG Energy A/S, and is included in the consolidated financial statements of that company, which are publicly available. Consequently the company has taken advantage of the exemption within FRS 1 (revised 1996) 'Cash flow statements' from preparing a cash flow statement.

Exemption from preparing group accounts

The Company directors have taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements on the basis that the company is included in the consolidated accounts of its ultimate parent company, DONG Energy A/S, registered in the European Union, which are publicly available.

Turnover

Turnover represents amounts receivable for providing capacity to generate electricity and for generating electricity, net of Value Added Tax.

Income is recognised when it is probable that the benefits from the transaction will be received by the Company and can be reliably quantified.

Where specific services are invoiced after the service has been provided then the turnover will be accrued as accrued income, and recognised as the service is provided.

All revenue is generated from one line of business and from one geographical location.

Severn Power Limited
Notes to the Financial Statements
for the Year Ended 31 December 2010

Fixed assets and depreciation

Tangible fixed assets are included on the balance sheet at historical cost, less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition. Interest relating to borrowings to fund specific assets is also capitalised as part of the cost of the asset during the period of construction.

Capitalisation begins when expenditure for the asset is being incurred and activities that are necessary to prepare the asset for use are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the asset for use are complete. Depreciation commences at the point of commercial deployment. No depreciation is charged on assets under construction.

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

Asset class	Useful economic life
Plant and machinery	25 years

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

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.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Exchange gains or losses on translation are included in the profit and loss account as a financial income or expense.

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

Leasing

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Pensions

The company operates a defined contribution pension scheme. These costs were capitalised as part of the cost of staff associated with project management up to the point that substantially all the activities necessary to prepare the asset for were complete, after which the contributions payable were charged to the profit and loss account.

2 Operating profit

Operating profit is stated after charging

	Year ended 31 December 2010 £	1 April 2009 to 31 December 2009 £
Auditor's remuneration	27,331	-
Depreciation of owned assets	4,328,373	-
Depreciation of assets held under finance lease and hire purchase contracts	<u>115,779</u>	<u>-</u>

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

3 Employee information and directors' remuneration

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 possible to allocate their remuneration between their services as directors of different group companies.

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	Year ended 31 December 2010 No.	1 April 2009 to 31 December 2009 No.
Administration and support	3	3
Production	-	1
	<u>3</u>	<u>4</u>

The aggregate payroll costs were as follows:

	Year ended 31 December 2010 £	1 April 2009 to 31 December 2009 £
Wages and salaries	101,976	157,655
Social security costs	15,093	17,629
Staff pensions	7,751	7,014
Other benefits	1,250	16,537
	<u>126,070</u>	<u>198,835</u>

The directors' remuneration for the year was as follows:

	Year ended 31 December 2010 £	1 April 2009 to 31 December 2009 £
Remuneration (including benefits in kind)	<u>100,090</u>	<u>73,493</u>

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

4 Interest receivable and similar income

	Year ended 31 December 2010 £	1 April 2009 to 31 December 2009 £
Bank interest receivable	8,667	-

5 Interest payable and similar charges

	Year ended 31 December 2010 £	1 April 2009 to 31 December 2009 £
Amortisation of debt issue costs	427,100	-
Interest on loans from group undertakings	4,109,807	-
Exchange losses	909,746	-
	<u>5,446,653</u>	<u>-</u>

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

6 Taxation

Tax on profit on ordinary activities

	Year ended 31 December 2010 £	1 April 2009 to 31 December 2009 £
Current tax		
Adjustments in respect of previous years	(1,404,535)	-
Group relief receivable	(472,389)	-
UK Corporation tax	(1,876,924)	-
Deferred tax		
Origination and reversal of timing differences	4,111,133	-
Tax on profit on ordinary activities	<u>2,234,209</u>	<u>-</u>

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2009 - the same as) the standard rate of corporation tax in the UK of 28% (2009 - 28%)

The differences are reconciled below

	Year ended 31 December 2010 £	1 April 2009 to 31 December 2009 £
Profit on ordinary activities before taxation	8,229,892	-
Corporation tax at standard rate	2,304,370	-
Capital allowances in excess of depreciation	(31,464,252)	-
Permanent differences	87,296	-
Credit for prior year group relief	(1,404,535)	-
Tax losses carried forward	28,600,197	(1,404,535)
Group relief surrendered for nil payment	-	1,404,535
Total current tax	<u>(1,876,924)</u>	<u>-</u>

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

Factors affecting future tax charges

The UK Government announced on 23 March 2011 that the headline rate of corporation tax will be reduced from 28% by 2% on 1 April 2011 and 1% each year thereafter until it reaches 23%. This rate change will affect the amount of future cash tax payments to be made by the company and will also reduce the size of the company's deferred tax liability payments in the future. As at 31 December 2010, only the change to 27% announced on 22 June 2010 has been "substantively enacted" and as such, in accordance with accounting standards, the changes, other than to calculate deferred tax at a rate of 27%, have not been reflected in the company's financial statements for the year ending 31 December 2010. The effect of the proposed changes (£152,264 in 2011) will be reflected in the company's financial statements for the year ending 31 December 2011 and thereafter once future proposals have been substantively enacted.

7 Tangible assets

	Plant and machinery £	AUC £	Total £
Cost or valuation			
At 1 January 2010	-	446,963,530	446,963,530
Additions	17,366,918	202,292,410	219,659,328
Re-classification	649,255,940	(649,255,940)	-
At 31 December 2010	666,622,858	-	666,622,858
Accumulated depreciation			
Charge for the year	4,444,152	-	4,444,152
Net book value			
At 31 December 2010	<u>662,178,706</u>	<u>-</u>	<u>662,178,706</u>
At 31 December 2009	<u>-</u>	<u>446,963,530</u>	<u>446,963,530</u>

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

Finance lease assets

Included within the net book value of tangible fixed assets is £17,251,139 (2009 - £nil) in respect of assets held under finance lease agreements. Depreciation for the year on these assets was £115,779 (2009 - £nil)

During the year, the company commenced operations and consequently the transportation of gas through the pipeline constructed by Severn Gas Transportation Limited, a subsidiary undertaking. The commercial agreement with Severn Gas Transportation Limited governing this service has been classified as a finance lease. Such assets are treated as if they had been purchased outright. Consequently, the present value of the minimum lease payments of £17,366,918 has been capitalised by the company during the year and the corresponding lease commitments reported within creditors.

The power station asset was completed during the year. At completion, the asset included borrowing costs and associated finance costs of £115,075,507 (2009 - £72,947,974) and was reclassified as plant and machinery.

8 Investments held as fixed assets

	31 December 2010 £	31 December 2009 £
Shares in group undertakings and participating interests	<u>7,000,001</u>	<u>1</u>

Shares in group undertakings and participating interests

	Subsidiary undertaking s £	Total £
Cost		
At 1 January 2010	1	1
Additions	<u>7,000,000</u>	<u>7,000,000</u>
At 31 December 2010	<u>7,000,001</u>	<u>7,000,001</u>
Net book value		
At 31 December 2010	<u>7,000,001</u>	<u>7,000,001</u>

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Severn Gas Transportation Limited (incorporated in England & Wales)	Ordinary shares	100%	Gas transmission

9 Debtors

	31 December 2010 £	31 December 2009 £
Trade debtors	119,558	-
Amounts owed by group undertakings	10,553,310	15,210,828
Other debtors	39,249,116	45,905,296
	<u>49,921,984</u>	<u>61,116,124</u>

Other debtors includes unamortised debt issue costs of £39,249,116 (2009 £43,462,669)

Amounts falling due after more than one year and included in the debtors above are

	31 December 2010 £	31 December 2009 £
Other debtors	35,033,710	39,249,115
	<u>35,033,710</u>	<u>39,249,115</u>

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

10 Creditors: Amounts falling due within one year

	31 December 2010 £	31 December 2009 £
Trade creditors	8,969,778	6,736,351
Amounts owed to group undertakings	579,584	215,568,704
Other taxes and social security	848,290	5,289
Other creditors	<u>9,508,068</u>	<u>155,878</u>
	<u>19,905,720</u>	<u>222,466,222</u>

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

11 Creditors Amounts falling due after more than one year

	31 December 2010 £	31 December 2009 £
Amounts owed to group undertakings	<u>405,622,388</u>	<u>284,819,899</u>

Creditors amounts falling due after more than one year includes the following liabilities

	31 December 2010 £	31 December 2009 £
Loans from group undertakings	388,835,054	284,819,899
Amounts due to group undertakings under finance lease	<u>16,787,334</u>	<u>-</u>
	<u>405,622,388</u>	<u>284,819,899</u>

Loans from group undertakings are unsecured and repayable on 28 October 2020 Interest is charged at LIBOR plus a margin of 1.75%

Amounts due to group undertakings under finance lease are unsecured and carry an implicit annual interest rate of 8.8%

Obligations under finance leases

Future minimum payments under finance leases are as follows:

	31 December 2010 £	31 December 2009 £
Within one year	2,099,838	-
Between one and two years	2,099,838	-
Between two and five years	6,299,514	-
After five years	20,998,380	-
Less finance charges included in the above	<u>(14,130,652)</u>	<u>-</u>
	<u>17,366,918</u>	<u>-</u>

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

12 Provisions

	Deferred tax	Total
	£	£
At 1 January 2010	-	-
Charged to the profit and loss account	<u>4,111,133</u>	<u>4,111,133</u>
At 31 December 2010	<u>4,111,133</u>	<u>4,111,133</u>

Analysis of deferred tax

	31	31
	December	December
	2010	2009
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	(31,689,894)	-
Tax losses available	<u>27,578,761</u>	-
	<u>(4,111,133)</u>	-

13 Share capital

Allotted, called up and fully paid shares

	31 December 2010		31 December 2009	
	No.	£	No.	£
Ordinary of £1 each	<u>290,000,002</u>	<u>290,000,002</u>	<u>5,000,002</u>	<u>5,000,002</u>

New shares allotted

During the year 285,000,000 Ordinary shares having an aggregate nominal value of £285,000,000 were allotted for an aggregate consideration of £285,000,000

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

14 Reserves

	Profit and loss account £	Total £
At 1 January 2010	156,393	156,393
Profit for the financial year	5,995,683	5,995,683
At 31 December 2010	<u>6,152,076</u>	<u>6,152,076</u>

15 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2010 £	1 April 2009 to 31 December 2009 £
Profit for the financial year	5,995,683	-
New share capital allotted	285,000,000	-
Net addition to shareholders' funds	290,995,683	-
Shareholders' funds at start of period	5,156,395	5,156,395
Shareholders' funds at end of period	<u>296,152,078</u>	<u>5,156,395</u>

16 Pension schemes

Defined contributions pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £7,751 (2009 - £7,014)

Contributions totalling £nil (2009 - £nil) were payable to the schemes at the end of the year and are included in creditors

Severn Power Limited
Notes to the Financial Statements (continued)
for the Year Ended 31 December 2010

17 Related party transactions

The company has taken advantage of the exemption under paragraph 3(a) from the provisions in FRS8 "Related Party Disclosures" on the grounds that it is a wholly owned subsidiary of a group headed by DONG Energy A/S, whose accounts are publicly available

18 Ultimate parent company and controlling party

The immediate parent of the company is Severn Power Holdings Limited , a company incorporated in England and Wales

The ultimate holding company is DONG Energy A/S, incorporated in Denmark. The Danish State holds 76% of the share capital of DONG Energy A/S and therefore the company considers the Danish Ministry of Finance the ultimate controlling party

The smallest and largest group in which the results of the company are consolidated are those headed by DONG Energy A/S

The consolidated accounts of this company are available to the public from.

DONG Energy A/S
Kraftværksvej 53
Skærbæk
DK - 7000 Fredericia
Denmark .