

**COTTAM DEVELOPMENT CENTRE LIMITED**

**REPORT**

**for the 17 Months ended 29 March 1998**



**Registered No: 3273552**

# **COTTAM DEVELOPMENT CENTRE LIMITED**

## **Report of the directors for the period ended 29 March 1998**

The directors submit their report and audited financial statements of the Company for the 17 months ended 29 March 1998.

### **Review of activities and future developments**

Systemengage Limited was incorporated on 4 November 1996 and changed its name on the 20 December 1996 to Cottam Development Centre Limited.

The principal activity of the company is currently the construction of a generator turbine testing and power generation facility.

The retained loss for the period ended 29 March 1998 was £2,438,000.

Construction of the station progresses satisfactorily and the directors expect station commissioning to be on time.

All computer systems used by the company have been confirmed as Year 2000 compliant.

### **Dividends**

The directors do not recommend the payment of a dividend

### **Directors**

The directors of the Company at 29 March 1998 were N P Baldwin, P R Hughes, Dr F Ruess and H-J Schulz. All directors were appointed on 21 November 1996.

The Company also had a director called Instant Companies Limited, appointed on the 4 November 1996 and resigned on 21 November 1996.

### **Policy on payment of creditors**

Where appropriate in relation to specific contracts, the Company's practice is to:

- a) settle the terms of payment with the supplier when agreeing the terms of each transaction;
- b) ensure that those suppliers are made aware of the terms of payment by inclusion of relevant terms in the contract; and
- c) pay in accordance with its contractual and other legal obligations.

For all other cases the Company supports the Prompt Payers' Code of the Confederation of British Industry and has in place well developed arrangements with a view to ensuring that this is observed.

Trade creditor days of the Company for the period ended 29 March 1998 were 31 days

## COTTAM DEVELOPMENT CENTRE LIMITED

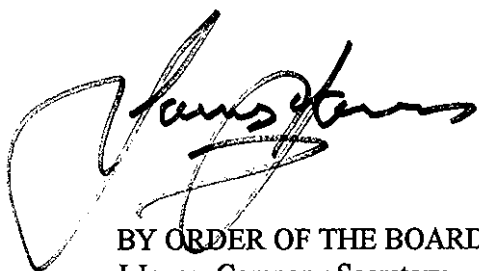
### Auditors

On 26<sup>th</sup> June 1997 the Company passed a resolution appointing Deloitte & Touche as auditors.

### Statement of directors' responsibilities

The directors:

- acknowledge the legal requirement for the preparation of 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 and loss for that period;
- acknowledge their responsibility for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities;
- confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements;
- confirm that applicable accounting standards have been followed;
- confirm that the financial statements have been prepared on a going concern basis.



BY ORDER OF THE BOARD  
J Jones, Company Secretary  
53 New Broad Street  
London  
EC2M 1JJ  
21<sup>st</sup> July 1998

# COTTAM DEVELOPMENT CENTRE LIMITED

## Report of the auditors to the members of Cottam Development Centre Limited

We have audited the financial statements on pages 5 to 14.

### Respective responsibilities of directors and auditors

As described on page 3, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 29 March 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Deloitte & Touche  
Chartered Accountants and Registered Auditors  
1 Woodborough Road  
Nottingham  
21<sup>st</sup> July 1998

**COTTAM DEVELOPMENT CENTRE LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED 29 March 1998**

	Note	1998 £'000
Operating costs	3	(2,285)
Operating (loss) : continuing activities		(2,285)
Interest payable	6	(153)
Loss on ordinary activities before taxation		(2,438)
Tax on loss on ordinary activities	7	-
Retained loss for the financial year		<u>(2,438)</u>

**STATEMENT OF RETAINED LOSSES**  
**FOR THE PERIOD ENDED 29 March 1998**

	£'000
Loss for the period	(2,438)
Retained loss at 29 March 1998	<u>(2,438)</u>

The Company has no recognised gains or losses during the period, other than the losses above and therefore no separate statement of total recognised gains and losses is presented.

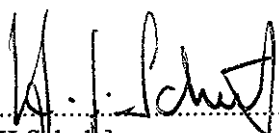
There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above, and their historical cost equivalents.

**COTTAM DEVELOPMENT CENTRE LIMITED**

**BALANCE SHEET**  
**AS AT 29 March 1998**

	Note	29 March 1998 £'000
<b>Tangible fixed assets</b>	8	3,719
<b>Current assets</b>		
Debtors	9	154
Short term deposits		245
Cash at bank and in hand		1
		<hr/>
		400
<b>Creditors: amounts falling due within     one year</b>	10	(895)
		<hr/>
<b>Net current liabilities</b>		(495)
		<hr/>
<b>Total assets less current liabilities</b>		3,224
<b>Creditors: amounts falling due     after more than one year</b>	11	(4,564)
		<hr/>
<b>Net liabilities</b>		(1,340)
		<hr/> <hr/>
<b>Capital and reserves</b>		
Called up share capital	12	1,098
Profit and loss account		(2,438)
		<hr/>
<b>Equity shareholders' funds</b>	13	(1,340)
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The accounts were approved by the Board on 21<sup>st</sup> July 1998 and were signed on its behalf by:

 Director  
[ HJ Schulz ]

# COTTAM DEVELOPMENT CENTRE LIMITED

## CASHFLOW STATEMENT

Period ended 29 March 1998

	Note	1998 £'000
Net cash outflow from continuing activities	below	(1,532)
<b>Returns on investment &amp; servicing of finance:</b>		
Interest received		28
Interest paid		(1)
		<hr/>
Net cash inflow from returns on investment & servicing of finance:		27
<b>Capital Expenditure</b>		
Purchase of tangible fixed assets		(3,731)
		<hr/>
Net cash outflow from capital expenditure		(3,731)
		<hr/>
Net cash outflow before management of liquid resources and financing		(5,236)
<b>Management of liquid resources</b>		
Cash placed on short term deposit		(245)
		<hr/>
<b>Financing</b>		
Issue of ordinary equity		1,098
Receipts from loan drawdowns		4,384
		<hr/>
		5,482
		<hr/>
Net cash inflow from liquid resources & financing		5,237
		<hr/>
Increase in cash in the period	15	<u>1</u>
<b>Reconciliation of operating loss to net cash outflow from continuing operating activities</b>		
Operating loss		(2,285)
Depreciation on tangible fixed assets		12
(Increase) in debtors		(154)
Increase in creditors		895
		<hr/>
Net cash outflow from continuing operating activities		<u>(1,532)</u>

# COTTAM DEVELOPMENT CENTRE LIMITED

## Notes to the financial statements for the period ended 29 March 1998

### 1 Accounting policies

#### (a) Basis of accounting

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

#### (b) Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation. In the case of assets constructed on behalf of the Company, related project management and commissioning costs are included in cost. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date.

#### (c) Depreciation

Provision for depreciation is made so as to write off, on a straight line basis, the cost of tangible fixed assets. Assets are depreciated over their estimated useful lives. Generation assets are depreciated from final Takeover. The estimated useful lives for the principal categories of fixed assets are:

Asset	Life in years
Operating plant and buildings	25
Office equipment and other short term assets	3

#### (d) Leases

Rents payable under operating leases are charged to the profit and loss account evenly over the term of the lease.



## COTTAM DEVELOPMENT CENTRE LIMITED

### (c) Deferred taxation

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision for deferred taxation using the liability method, is made to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### 2 Turnover

Turnover relates to continuing activities and will principally derive from the sale of energy entirely within the UK when trade commences.

### 3 Operating costs

Operating costs relate to continuing activities and are made up as follows:

	1998 £'000
Operational expenses	1,930
Administration expenses	355
	<hr/>
	2,285
	<hr/> <hr/>

Operating costs include auditors' remuneration for audit of £7,750 and depreciation of £12,247. The auditors received £1,500 remuneration for provision of non-audit services to the Company during the period.

### 4 Employee information

The Company has no employees other than the 4 Directors and the Company Secretary.

### 5 Directors' emoluments

No directors received remuneration for services to the Company during the period. However, expenses incurred by the directors are recharged to the Company by the shareholders.

## COTTAM DEVELOPMENT CENTRE LIMITED

6     Interest payable

	1998 £'000
Interest payable on loans < 5 yrs	181
Interest receivable on deposits	(28)
	<hr/>
	153
	<hr/> <hr/>

Interest payable is all payable to the ultimate parent undertakings PowerGen plc and Siemens AG

7     Tax on loss on ordinary activities

There is no taxation in the accounts as the Company has not commenced trading.

**COTTAM DEVELOPMENT CENTRE LIMITED**

**8      Tangible fixed assets**

	Plant and buildings	Other short term assets	Total
	£'000	£'000	£'000
<b>Cost</b>			
Additions	3,617	114	3,731
<b>At 29 March 1998</b>	<b>3,617</b>	<b>114</b>	<b>3,731</b>
<b>Depreciation</b>			
Charge for year	-	(12)	(12)
<b>At 29 March 1998</b>	<b>-</b>	<b>(12)</b>	<b>(12)</b>
<b>Net book value</b>			
<b>At 29 March 1998</b>	<b>3,617</b>	<b>102</b>	<b>3,719</b>

Of the additions during the period on operating plant and buildings £ 2,346,000 are in respect of assets under construction.

## COTTAM DEVELOPMENT CENTRE LIMITED

9 Debtors

	29 March 1998 £'000
<b>Due within one year</b>	
Taxation and Social Security	<u>154</u>

10 Creditors: amounts falling due within one year

	29 March 1998 £'000
Trade creditors	3
Amounts owed to parent undertakings	774
Accruals and deferred income	118
	<u>895</u>

11 Creditors: amounts falling due after more than one year

	29 March 1998 £'000
Amounts owed to ultimate parent undertakings	<u>4,564</u>

The amounts owed are split equally between the ultimate parent undertakings. They represent an unsecured loan repayable in June 2002. The ultimate parent undertakings are obliged to provide or procure funding for a further 5 years as contained in the Finance Plan under the same terms and conditions as defined in the current loan agreements. Interest is payable on the loan at commercial rates but the Company can elect to roll-up the interest into the principal.

## COTTAM DEVELOPMENT CENTRE LIMITED

### 12. Called up share capital

The share capital of the company comprises:

	29 March 1998 £'000
<b>Authorised</b>	
10,000,000 ordinary shares of £1 each	10,000
	10,000
<b>Allotted, called up and fully paid</b>	
1,098,000 ordinary shares of £1 each	1,098
	1,098

### 13 Reconciliation of movements in shareholders' funds

	1998 £'000
Loss for the year	(2,438)
Equity issued in year	1,098
	(1,340)
Closing shareholders' funds	(1,340)
	(1,340)

### 14 Reconciliation of net cashflow to movement in net debt

	1998 £'000
<b>Increase in cash in the period</b>	1
Cash inflow from increase in debt	(4,384)
Cash outflow from increase in liquid resources	245
	(4,138)
<b>Change in net debt from cashflows</b>	(4,138)
Rolled up interest	(180)
	(4,318)
<b>Movement in net debt</b>	(4,318)
	(4,318)
<b>Closing net debt</b>	(4,318)
	(4,318)

## COTTAM DEVELOPMENT CENTRE LIMITED

### 15 Analysis of net debt

	Cashflow	Non cash items	29 March 1998
	£000	£000	£'000
Cash in hand at bank	1	-	1
Short Term Deposits	245		245
Loans due < 5 years	(4,384)	(180)	(4,564)
<b>Total debt</b>	<b>(4,138)</b>	<b>(180)</b>	<b>(4,318)</b>

### 16 Capital commitments

At 29 March 1998, the Company had commitments of £167,280,000 for capital expenditure and other project related expenditure, of which £160,630,000 related to expenditure to be incurred after one year. The commitments relate to contracted payments required under the Plant Development agreement for Generation plant and payments for the Gas pipeline.

### 17 Ultimate parent undertaking

The Company is a wholly owned joint venture undertaking between Siemens Project Ventures GmbH, a wholly owned subsidiary of Siemens AG (a Company registered in Berlin and Munich, Germany) and PowerGen plc (a Company registered in England and Wales)

### 18 Related party transactions

The Company has a significant number of transactions with the shareholders the majority of which are all defined within individual contracts between the Company and PowerGen plc, and the Company and members of the Siemens AG Group.

During the year, the Company had operational transactions totalling £5,958k from PowerGen plc, primarily for the operations and maintenance and the project management contracts, legal and salary charges. All charges are based on arms length terms. Of these costs, £718k was outstanding at the 29 March 1998.

During the year, the Company had operational transactions totalling £602k from companies within the Siemens AG group mainly for legal costs and salary charges. All charges are based on arms length terms. Of these costs, £56k was outstanding at the 29 March 1998.