

COTTAM DEVELOPMENT CENTRE

COTTAM DEVELOPMENT CENTRE LIMITED

REPORT

for the 12 Months ended 31 December 2001

Registered No: 3273552



A13
COMPANIES HOUSE

ATUBCDLF

0883
23/08/02

COTTAM DEVELOPMENT CENTRE LIMITED

Report of the directors for the period ended 31 December 2001

The directors submit their report and audited financial statements of the Company for the 12 months ended 31 December 2001.

Review of activities and future developments

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

The retained profit for the year ended 31 December 2001 was £3,574,000 (retained profit of £6,914,000 for the year ended 31 December 2000).

Capacity Fee income of £17.0m (2000 - 21.9m) from availability of the station for generation was in line with planned figures until commencement of the overhaul in September, after which the station was unavailable for the last quarter of the financial year with a consequent impact on revenues. Operating profits of £9.9m reflect the impact of revenue shortfall in the last quarter, however operational costs and overheads were 10% below plan during the year mitigating the impact of revenue shortfall on operating profits by 1.3m.

The testing and monitoring phase of the V94.3a(2) gas turbine was duly completed in September 2001. Since return to service from overhaul in February 2002, the station has been operating successfully and was taken over on 1 May 2002 into the commercial operations phase.

Dividends

The directors do not recommend the payment of a dividend.

Directors

With effect from 23 October 2001, GJ Bartlett was replaced as director of the company by MR Draper. The directors of the Company at 31 December 2001 were, Dr F Ruess, Dr AD Cocker, H-J Schulz and MR Draper.

None of the directors had any interest in the share capital of the company.

COTTAM DEVELOPMENT CENTRE LIMITED

Auditors

On 26 June 2001 Deloitte & Touche were re-appointed as auditors of the company.

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.

Signed on behalf of the Board of Directors



Dr. AD Cocker

25 July 2002

COTTAM DEVELOPMENT CENTRE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COTTAM DEVELOPMENT CENTRE LIMITED

We have audited the financial statements of Cottam Development Centre Ltd. for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Signature of auditors

De Jorke & Tomlin

Chartered Accountants and Registered Auditors

1 Woodborough Road

Nottingham

Date: *July 25th 2002*

COTTAM DEVELOPMENT CENTRE LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2001

		12 months ended 31 Dec 2001	As Restated 12 months ended 31 Dec 2000
	Note	£'000	£'000
Turnover: continuing activities	2	32,126	85,578
Cost of Sales	3	<u>(10,916)</u>	<u>(59,366)</u>
Gross Profit		21,210	26,212
Operating costs	4	<u>(11,345)</u>	<u>(11,681)</u>
Operating profit : continuing activities		9,865	14,531
Interest payable	7	<u>(5,050)</u>	<u>(5,464)</u>
Profit on ordinary activities before taxation		4,815	9,067
Tax on profit on ordinary activities	8	<u>(1,241)</u>	<u>(2,153)</u>
Retained profit for the financial year	15	<u>3,574</u>	<u>6,914</u>

The profit and loss account for the year ended 31 December 2000 has been restated for the adoption of FRS 19 (see note 13)

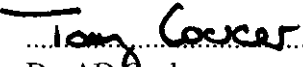
COTTAM DEVELOPMENT CENTRE LIMITED

BALANCE SHEET
AS AT 31 December 2001

	Note	31 Dec 2001 £'000	As restated 31 Dec 2000 £'000
Tangible fixed assets	9	88,609	89,643
Current assets			
Debtors	10	2,390	3,381
Short term deposits		1,900	-
Cash at bank and in hand		294	1,197
		4,584	4,578
Creditors: amounts falling due within one year	11	(1,937)	(2,204)
		2,647	2,374
Net current (liabilities) / assets			
Total assets less current liabilities		91,256	92,017
Creditors: amounts falling due after more than one year	12	(60,119)	(66,081)
Provisions for liabilities and charges	13	(5,421)	(3,794)
Net Assets		25,716	22,142
Capital and reserves			
Called up share capital	14	19,978	19,978
Profit and loss account	15	5,738	2,164
Total Equity Shareholders' Funds	16	25,716	22,142

The balance sheet as of 31 December 2000 has been restated for the adoption of FRS 19 (see note 13).

The accounts have been approved by the Board on 25 July 2002 and were signed on its behalf by:

 Director
Dr. AD Cocker

COTTAM DEVELOPMENT CENTRE LIMITED

CASHFLOW STATEMENT
Year ended 31 December 2001

		12 months ended 31 Dec 2001 £'000	12 months ended 31 Dec 2000 £'000
Net cash inflow from continuing activities	Below	13,974	19,462
Returns on investment & servicing of finance:			
Interest received		63	122
Net cash inflow from returns on investment & servicing of finance:		63	122
Taxation (Consortium Tax Relief)		-	411
Capital Expenditure			
Purchase of tangible fixed assets		(2,240)	(211)
Net cash outflow from capital expenditure		(2,240)	(211)
Net cash inflow before management of liquid resources and financing		11,797	19,784
Management of liquid resources			
Movement in Cash placed on short term deposit		(1,900)	3,400
Financing			
Repayments of loan	17	(10,800)	(22,000)
		(10,800)	(22,000)
Net cash outflow from liquid resources & financing		(12,700)	(18,600)
(Decrease) / Increase in cash in the period	17	(903)	1,184
Reconciliation of operating profit to net cash inflow from continuing operating activities			
Operating profit		9,865	14,531
Depreciation on tangible fixed assets		3,274	4,138
Decrease in debtors	10	1,313	605
(Decrease) / Increase in creditors	11	(478)	188
Net cash inflow from continuing operating activities		13,974	19,462

COTTAM DEVELOPMENT CENTRE LIMITED

Statement of Total Recognised Gains and Losses Year ended 31st December 2001

	31 Dec 2001	As Restated 31 Dec 2000
	£'000	£'000
Profit for the year being the total recognised gains and losses for the period	3,574	6,914
Prior Year adjustment (see note 13)	1,326	-
Total recognised gains and losses since the last annual report	<u>4,900</u>	<u>6,914</u>

The statement of total recognised gains and losses for the year ended 31 December 2000 has been restated for the adoption of FRS 19.

Notes to the financial statements for the period ended 31 December 2001

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 other than the main plant are stated at original cost less accumulated depreciation. In the case of the main plant, an appropriate valuation of the current configuration (including the V94.3a(2) gas turbine) has been made by the Directors on behalf of the Company, to reflect the generation assets at Site pending negotiation of the final contractual configuration at full takeover of the plant. Related project management and commissioning costs are included at cost.

(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 have been depreciated from January 2000, but not during periods of non operation. The estimated useful lives for the principal categories of fixed assets are:

Asset	Life in years
Operating plant and buildings from Provisional Takeover	23
Office equipment and other short term assets	3

COTTAM DEVELOPMENT CENTRE LIMITED

1 Accounting policies (continued)

(d) Leases

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

(e) Deferred taxation

The Company has adopted FRS 19, Deferred Tax early. Deferred tax is provided in full on timing differences which 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 discounted.

2 Turnover

Turnover relates to continuing activities and principally derives from the sale of power generation capacity to Powergen plc in parallel with making the plant available to Siemens AG for the testing and development of related technology for which a testing fee is charged.

Turnover relating to continuing activities constitutes the following:

	31 Dec 2001	31 Dec 2000
	£'000	£'000
Generation Income*	10,363	58,922
Capacity Fees	16,963	21,856
Testing Fees	4,800	4,800
	32,126	85,578

* Generation income is assigned to Powergen plc

3 Cost of Sales

	31 Dec 2001	31 Dec 2000
	£'000	£'000
Gas deemed to have been used	10,363	58,922
Operational Efficiency Provision	553	448
Starts Fee Accrual	-	(4)
	10,916	59,366

COTTAM DEVELOPMENT CENTRE LIMITED

3 Cost of Sales (continued)

Cost of sales of £10,916,360 (2000 - £59,365,388) mainly refers to Gas deemed to have been used (£58,922,239) the value of which is always equal, but opposite, to the Generation income assigned to Powergen plc. Since the March introduction of the New Electricity Trading Arrangements, generation income assigned to Powergen plc is no longer included as turnover, neither is the cost of gas deemed to have been reflected in cost of sales.

4 Operating costs

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

	31 Dec 2001 £'000	31 Dec 2000 £'000
Operational expenses	10,414	10,956
Administration expenses	931	725
	<u>11,345</u>	<u>11,681</u>

Operational Costs include depreciation charges of £3,274,362 (2000 - £4,138,087) of which £3,235,925 (2000 - £4,067,341) is a provision for main plant depreciation and £38,437 (2000 - £70,746) for shorter term assets. Also included are auditors' remuneration of £10,000 (2000 - £10,000). The auditors received £5,725 (2000 - £2,300) of remuneration for provision of non-audit services to the Company during the period.

5 Employee information

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

6 Directors' emoluments

The directors, who represent the interests of the shareholders, received no remuneration for services to the Company during the period.

7 Interest payable

	31 Dec 2001 £'000	31 Dec 2000 £'000
Interest payable on inter-company loans < 5 yrs	5,049	5,531
Decommissioning finance charges	64	55
Interest receivable on deposits	(63)	(122)
	<u>5,050</u>	<u>5,464</u>

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

COTTAM DEVELOPMENT CENTRE LIMITED

8 Tax on profit on ordinary activities

	31 Dec 2001	As Restated 31 Dec 2000
	£'000	£'000
United Kingdom corporation tax at 30% based on profit for the year		
Current year	-	-
Consortium Relief	(322)	(180)
Total Current Tax	(322)	(180)
Deferred taxation charge		
Charge for timing differences arising in the year	2,500	3,308
(Increase) in discount	(940)	(981)
Adjustment in respect of prior years	3	6
	1,241	2,153

Adoption of FRS 19 has required a change in the method of accounting for deferred tax. As a result, the comparative figure for the tax on profit on ordinary activities for 2000 has been restated from the previously reported amount of £3,135,000 to £2,153,000. The impact of adopting FRS 19 on the 2001 results is a tax charge of £1,241,000

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and previous year exceeds the standard rate for the reasons set out in the following reconciliation:

	31 Dec 2001	31 Dec 2000
	£'000	£'000
Profit on ordinary activities before tax	4,815	9,067
Tax on profit on ordinary activities at standard rate	1,444	2,720
Factors affecting tax charge for the period		
Expenses not deductible for tax purposes	49	5
Capital allowances in excess of depreciation	(3,257)	(4,142)
Movement in short term timing differences	757	834
Consortium relief surrendered at < 30%	685	403
Current tax credit for the period	(322)	(180)

COTTAM DEVELOPMENT CENTRE LIMITED

9 Tangible fixed assets

	Plant and Buildings	Other Short term Assets	Total
	£'000	£'000	£'000
Cost			
At 31 Dec 2000	93,549	326	93,875
Additions	2,220	20	2,240
At 31 December 2001	95,769	346	96,115
Accumulated depreciation			
At 31 Dec 2000	(4,067)	(165)	(4,232)
Charge for the period	(3,236)	(38)	(3,274)
At 31 December 2001	(7,303)	(203)	(7,506)
Net book value			
At 31 December 2001	88,466	143	88,609
At 31 December 2000	89,482	161	89,643

Of the additions during the period to operating plant and buildings, £161,892 is a provision representing the discounted cost of decommissioning of operational plant and buildings at the end of its useful life. The remainder in respect of tangible fixed assets is based on cost.

COTTAM DEVELOPMENT CENTRE LIMITED

10 Debtors

	31 Dec 2001 £'000	31 Dec 2000 £'000
Due within one year		
Capacity & monitoring fees (trade debtors)	970	480
Accrued Income	-	2,232
Consortium tax relief	913	591
Prepayments and other debtors	507	78
	2,390	3,381

11 Creditors: amounts falling due within one year

	31 Dec 2001 £'000	31 Dec 2000 £'000
Trade creditors	158	27
Amounts owed to parent undertakings	799	248
Other taxation and social security	18	952
Accruals and deferred income	962	977
	1,937	2,204

12 Creditors: amounts falling due after more than one year

	31 Dec 2001 £'000	31 Dec 2000 £'000
Amounts owed to ultimate parent undertakings	60,119	66,081

The amounts owed to parent undertakings are split equally between Powergen plc and Siemens AG and represent draw-downs and rolled up interest on an unsecured loan renewable 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 rates which approximate to 7%. The Company has elected to roll-up the interest into the principal.

COTTAM DEVELOPMENT CENTRE LIMITED

13 Provisions for liabilities and charges

	As Restated	
	31 Dec	31 Dec
	2001	2000
	£'000	£'000
Deferred taxation	4,693	3,130
Decommissioning Provision	728	664
	5,421	3,794

The decommissioning provision reflects the total discounted cost of decommissioning the plant at the end of the station's useful life in 2023.

Deferred Taxation	31 Dec 2000
	£'000
At 31 December 2000 as restated	3,130
Current year charge	1,563
	4,693
At 31 December 2001	4,693

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	As Restated		As Restated	
	Provided	Provided	Unprovided	Unprovided
	31 Dec 2001	31 Dec	31 Dec	31 Dec
	£'000	2000	2001	2000
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	8,954	5,697	-	-
Other timing differences	(1,995)	(1,241)	-	-
Deferred Tax Provision before Discounting	6,959	4,456	-	-
Discounting	(2,266)	(1,326)	-	-
	4,693	3,130	-	-

The adoption of FRS 19, Deferred Tax, has required changes in the method of accounting for deferred tax assets and liabilities. As a result of these changes, the comparatives have been restated as follows:

	Provisions for liabilities and charges	Profit & Loss account reserve
	£'000	£'000
2000 as previously reported	4,456	838
Adoption of FRS 19 at 1 Jan 2000	(344)	344
During year ended on 31Dec 2000	(982)	982
Adoption of FRS 19 on 31Dec 2000	(1,326)	1,326
2000 restated	3,130	2,164

COTTAM DEVELOPMENT CENTRE LIMITED

14 Called up share capital

The share capital of the company comprises:

	31 Dec 2001	31 Dec 2000
	£'000	£'000
Authorised		
30,000,000 ordinary shares of £1 each (2000: 30,000,000)	30,000	30,000
Allotted, called up and fully paid		
19,978,000 ordinary shares of £1 each (2000: 19,978,000)	19,978	19,978

15 Movement on Reserves

	Profit and Loss account £'000
Balance at 1 January 2001	2,164
Profit for the Year	3,574
Balance at 31 December 2001	5,738

The balance on the profit and loss account at 1 January 2001 has been restated for the adoption of FRS 19 (see note 13)

16 Reconciliation of movements in shareholders' funds

	31 Dec 2001	As Restated 31 Dec 2000
	£'000	£'000
Opening shareholders' funds	22,142	15,228
Profit for the year	3,574	6,914
Closing shareholders' funds	25,716	22,142

The balance on the profit and loss reserve as of 1 January 2000 has been restated for the adoption of FRS 19. See note 13 for details.

COTTAM DEVELOPMENT CENTRE LIMITED

17 Reconciliation of net cashflow to movement in net debt

	31 Dec 2001	31 Dec 2000
	£'000	£'000
Opening net debt	(64,884)	(79,112)
(Decrease) / increase in cash in the period	(903)	1,184
Cash outflow from change in debt	10,800	22,000
Cash outflow / (inflow) from (decrease) / increase in liquid resources	1,900	(3,400)
Change in net debt from cashflows	11,797	19,784
Rolled up interest	(4,838)	(5,556)
Movement in net debt	6,959	14,228
Closing net debt	(57,925)	(64,884)

18 Analysis of net debt

	31 December 2000	Cashflow	Non cash items	31 December 2001
	£'000	£000	£000	£'000
Cash in hand at bank	1,197	(903)	-	294
Short Term Deposits	-	1,900	-	1,900
Loans due < 5 years	(66,081)	10,800	(4,838)	(60,119)
Net debt	(64,884)	11,797	(4,838)	(57,925)

The non-cash item relates to interest charges rolled up into the loans.

19 Capital commitments

Post year end, the company paid £9,929,000 as a final payment to fully take over the plant. Development work on the Plant has now ceased and no further capital commitments are outstanding.

20 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)

21 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 £29,577,308 (2000 - £89,374,811) with Powergen plc. £10,363,523 (2000 - £69,233,610) of this was for Gas deemed to have been supplied. The balance primarily comprised capacity fees on availability, contractual obligations for operations and maintenance staff and project management. All charges are based on arms length terms. Of this, costs of £444,823 (2000 - £247,943) was outstanding, but not overdue at the 31 December 2001.

During the year, the Company had operational transactions totalling £8,756,410 (2000 - £11,878,392) with companies within the Siemens AG group. Of this, costs of £354,306 (2000 - £0) was outstanding, but not overdue at the 31 December 2001.