

228/663

PWR POWER PROJECTS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1996



PWR POWER PROJECTS LIMITED

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 1996.

ACTIVITIES AND REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Company is engaged in the design, procurement and construction of the nuclear steam supply system for Pressurised Water Reactors (PWRs).

Work on the Company's original contracts on the Sizewell 'B' project is now complete.

During 1996 the Company undertook work on new short term contracts awarded on the Sizewell Project, to be completed in 1997.

The future prospects of the Company are seriously impaired by the lack of any follow on units following the completion of the Sizewell 'B' project.

PROFITS AND DIVIDENDS

The profit for the year after tax amounted to £838,646 (1995 - £4,396,500). An interim dividend of £2,197,421 (1995 - £2,000,000) has been paid and the Directors proposed a final dividend of £ Nil (1995 - £2,400,000).

RESEARCH AND DEVELOPMENT

The Company is involved in the application of known technologies and therefore is not at present engaged on any research and development activities.

SIGNIFICANT CHANGES IN FIXED ASSETS

Changes in fixed assets during the year are as disclosed in note 7 to the accounts.

PWR POWER PROJECTS LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The Directors who served during the year were:

B V George	Chairman	Resigned	31.12.96
P R Kershaw	Managing Director	Resigned	31.8.96
A T Parker		Resigned	31.12.96
J G Durston			
F L Ashman		Resigned	31.12.96
R J Sero		Resigned	31.12.96
J S Marlor			
S Park		Resigned	31.12.96
L G Iller		Appointed	31.12.96
T Mistler		Appointed	31.12.96

None of the Directors had any beneficial interest in any of the shares of the Company at either the beginning or the end of the year.

None of the Directors has a beneficial interest, other than in the ordinary course of business, in any contract which the Company was a party to during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 1985 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 for the financial year.

The Directors consider that in preparing the financial statements on pages 5 to 14, they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

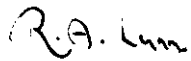
The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT (continued)

AUDITORS

Pursuant to Section 386 of the Companies Act 1985 the Company has elected to dispense with the obligation to appoint auditors annually. Price Waterhouse, who have indicated their willingness to continue in office, will be deemed to be re-appointed each year unless a resolution to terminate their appointment is made under Section 393.

By Order of the Board



R A Lunn
Secretary

Registered Office:

Booths Hall
Chelford Road
Knutsford
Cheshire
WA16 8QU

Registered No. 2281663 England

11 August 1997

AUDITORS' REPORT TO THE SHAREHOLDERS OF PWR POWER PROJECTS LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention using the accounting policies set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on page 2, 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.

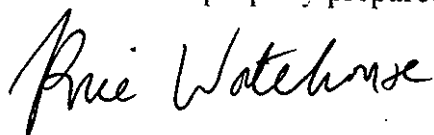
Basis of Opinion

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 mis-statement, whether caused by fraud or other irregularities 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 1996 and of its profit and cash flows for the year then ended and have properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors

York House
York Street
Manchester
M2 4WS

11 August 1997

PWR POWER PROJECTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
TURNOVER	2	1,650,114	12,336,033
Cost of sales		(624,676)	(5,934,533)
OPERATING PROFIT		<u>1,025,438</u>	<u>6,401,500</u>
Interest receivable and similar income	3	138,208	180,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>1,163,646</u>	<u>6,581,500</u>
Taxation	6	(325,000)	(2,185,000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>838,646</u>	<u>4,396,500</u>
Dividends paid and proposed	12	(2,197,421)	(4,400,000)
PROFIT/(LOSS) RETAINED FOR THE YEAR		<u><u>(1,358,775)</u></u>	<u><u>(3,500)</u></u>

There are no gains or losses other than those recognised in the profit and loss account.

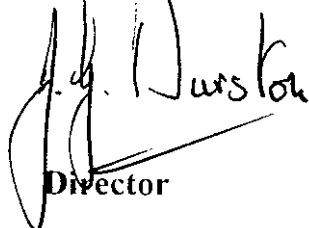
The notes on pages 9 to 14 form part of these accounts.

PWR POWER PROJECTS LIMITED

BALANCE SHEET AT 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
FIXED ASSETS			
Tangible assets	7	30,000	63,320
CURRENT ASSETS			
Debtors	8	990,388	5,476,718
Cash at bank and other investments		1,250,553	3,323,004
		<u>2,240,941</u>	<u>8,799,722</u>
CREDITORS: Amounts falling due within one year	9	(2,259,956)	(7,493,282)
NET CURRENT (LIABILITIES)/ASSETS		<u>(19,015)</u>	<u>1,306,440</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,985</u>	<u>1,369,760</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,000	1,000
Profit and loss account and other reserves	12	9,985	1,368,760
		<u>10,985</u>	<u>1,369,760</u>

The accounts were approved by the Board of Directors on 11 August 1997


Director

The notes on pages 9 to 14 form part of these accounts.

PWR POWER PROJECTS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1996**

	<u>1996</u>	<u>1995</u>
	£	£
Net cash /(outflow)/inflow from operating activities (Note 1)	(555,902)	7,849,739
Returns on investments and servicing of finance		
Interest received	138,208	180,000
Dividends paid	(4,597,421)	(4,000,000)
Net cash outflow from returns on investment and servicing of finance	(4,459,213)	(3,820,000)
Taxation		
Corporation tax paid	(2,170,411)	(2,819,899)
Tax paid	(2,170,411)	(2,819,899)
Investing activities		
Proceeds from disposal of tangible fixed assets	15,654	4,175
Payments from/(Advances to) joint owners	5,097,421	(2,000,000)
Net cash inflow/(outflow) from investing activities	5,113,075	(1,995,825)
Net cash (outflow) before financing/(decrease) in cash and cash equivalents (Note 3)	(2,072,451)	(785,985)

PWR POWER PROJECTS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

1 Reconciliation of operating profit to net cash inflow from operating activities

	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
Operating profit	1,025,438	6,401,500
Depreciation charge	33,320	23,550
Profit on disposal of fixed assets	(15,654)	(4,175)
Decrease in debtors	627,685	5,935,363
Decrease in creditors	(2,226,691)	(4,506,499)
	<u>(555,902)</u>	<u>7,849,739</u>

2 Analysis of changes in cash and cash equivalents during the year

Balance at 1 January 1996	3,323,004	4,108,989
Net cash outflow before the effect of foreign exchange rate changes	(2,071,153)	(803,190)
Effect of exchange rate changes	(1,298)	17,205
Balance at 31 December 1996	<u>1,250,553</u>	<u>3,323,004</u>

3 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>	<u>Change</u> <u>£</u>
Cash at bank and in hand	<u>1,250,553</u>	<u>3,323,004</u>	<u>(2,072,451)</u>

PWR POWER PROJECTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996

1 ACCOUNTING POLICIES

a) Basis of Accounting

The accounts have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.

b) Pension Costs

Retirement benefits to employees are funded by contributions from the company and employees. Payments are made to pension funds (see note 13 to the accounts) which are financially separate from the company, in accordance with calculations made periodically by consulting actuaries, to ensure that in the long term the assets of the funds are sufficient to meet their liabilities.

c) Tangible Assets and Depreciation

Tangible assets, excepting leasehold property, are stated at cost less accumulated depreciation. Depreciation is provided at such rates as will write off the cost of tangible fixed assets over their expected useful lives. The annual depreciation rates used are:

Computer Equipment	33.3%
Fixtures and Fittings	12.5% - 25.0%

Leasehold property has been written down in 1996 to anticipated market value, to reflect a permanent diminution in value.

d) Stocks and Long Term Contract Balances

Stocks are stated at the lower of cost and net realisable value and include overheads. In view of the nature of the company's business all overheads are attributable to stock and consequently there are no distribution costs and administrative expenses in the profit and loss account. Contracts in progress are accounted for in accordance with statement of Standard Accounting Practice 9 (as revised in September 1988). Where the outcome of contracts can reasonably be foreseen, the value of work done is included in turnover and an appropriate proportion of the anticipated contract profit is recognised in the profit and loss account. Amounts included in turnover are shown, net of payments received on account, as debtors. Long term contract balances represent costs incurred on contracts, net of amounts transferred to cost of sales in respect of work carried out and after deducting foreseeable losses and any surplus payments on account not offset against debtors.

PWR POWER PROJECTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

e) Deferred Taxation

Provision is made for deferred taxation arising from the allocation for taxation purposes of income and expenditure to periods different from those used for accounting purposes where there is a reasonable probability that such timing differences will give rise to a taxation liability in the foreseeable future.

f) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Differences on exchange are dealt with in the profit and loss account.

2 TURNOVER

Turnover comprises the value of work carried out during the year in the United Kingdom and is exclusive of value added tax.

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Bank and other interest receivable	138,208	180,000
	<u>=====</u>	<u>=====</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Depreciation	33,320	23,550
Profit on disposal of tangible assets	15,654	4,175
Hire of Plant and Equipment	-	640
Auditors' Remuneration - audit	4,000	8,000
- other fees	11,574	12,150
Directors' Remuneration (including pension contributions)	90,231	128,831

PWR POWER PROJECTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

5 DIRECTORS AND EMPLOYEES

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
a) Directors - Chairman	-	-
- Highest paid Director (excluding pension contributions including £30,000 compensation for loss of office)	88,181	126,562

Emoluments from:	<u>Numbers</u>	<u>Numbers</u>
Nil to £5,000	9	8
£85,001 to £90,000	1	-
£125,001 to £150,000	-	1

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
b) Staff Costs		
Wages and Salaries	489,356	890,749
Social Security Costs	24,434	75,386
Other Pension Costs	11,923	23,952
	<u>525,713</u>	<u>990,087</u>

The average weekly number of persons employed by the Company was

7 20

6 TAXATION

The taxation charge which has been provided at 33% is based on the profit for the year and comprises:

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
UK Corporation Tax - Current	<u>325,000</u>	<u>2,185,000</u>

PWR POWER PROJECTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

7 TANGIBLE FIXED ASSETS

	Long Leasehold Property £	Computer Equipment £	Fixtures and Fittings £	Total £
Cost				
At 1 January 1996	96,485	250,028	151,447	497,960
Disposals	-	(250,028)	(151,447)	(401,475)
At 31 December 1996	96,485	-	-	96,485
Depreciation				
At 1 January 1996	37,485	250,028	147,127	434,640
Charge for year and other amounts written off	29,000	-	4,320	33,320
Disposals	-	(250,028)	(151,447)	(401,475)
At 31 December 1996	66,485	-	-	66,485
Net Book Value				
At 31 December 1996	30,000	-	-	30,000
At 1 January 1996	59,000	-	4,320	63,320

Capital Commitments

There were no capital commitments at 31 December 1996 (1995 Nil).

8 DEBTORS

	1996 £	1995 £
Due within one year:		
Amounts advanced to joint owners	-	4,200,000
Trade debtors	41,003	267,103
Amounts owed by undertakings in which the joint owners have a participating interest	-	409,615
Advance corporation tax recoverable	941,355	600,000
Other debtors	8,030	-
	990,388	5,476,718

PWR POWER PROJECTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

9 CREDITORS

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Amounts falling due within one year:		
Payments on account in excess of turnover and contract balances	-	583,733
Amounts advanced from joint owners	897,421	-
Trade creditors	25,212	912,698
Amounts owed to undertakings in which the joint owners having a participating interest	-	251,372
Dividends payable	-	2,400,000
Corporation tax	136,938	1,190,349
Advance corporation tax payable	1,149,355	1,600,000
Other taxation and social security	-	186,077
Accruals and deferred income	51,030	369,053
	<u>2,259,956</u>	<u>7,493,282</u>

10 DEFERRED TAXATION

No provision is required for deferred taxation in respect of accelerated capital allowances.

11 CALLED UP SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Authorised: Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

12 SHAREHOLDERS' FUNDS

	Share Capital	Profit and Loss and other distributable Reserves	Shareholders' Funds
	<u>£</u>	<u>£</u>	<u>£</u>
At 1 January 1996	1,000	1,368,760	1,369,760
Profit on ordinary activities after taxation	-	838,646	838,646
Dividends paid and proposed	-	(2,197,421)	(2,197,421)
At 31 December 1996	<u>1,000</u>	<u>9,985</u>	<u>10,985</u>

PWR POWER PROJECTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

13 PENSION COMMITMENTS

The company participates in two defined benefit pension schemes, the GEC Pension Plan and the Westinghouse UK Pension Plan. Valuations for the funds are carried out approximately every three years, the last actuarial assessment being made in 1994 for GEC and Westinghouse. These reports disclosed that the funds were adequate to meet all the obligations of these schemes. Contributions to the schemes are based on pension costs to all member companies of the schemes.

14 OWNERSHIP

The Company is owned equally by NNC Limited whose ultimate holding company is The General Electric Company plc (a company incorporated in England and Wales) and Westinghouse Electric Ltd (formerly Westinghouse Power Systems (Holdings) Limited) whose ultimate holding company is Westinghouse Electric Corporation (a company incorporated in the United States of America).

A copy of General Electric Company plc's Group Accounts may be obtained from 1 Stanhope Gate, London, W1A 1EH. A copy of Westinghouse Electric Corporation's Group Accounts may be obtained from Westinghouse Building, Gateway Centre, Pittsburgh, PA15222, USA.

15 RELATED PARTY TRANSACTIONS

Turnover in 1996 includes £421,413 receivable from Westinghouse group companies and £800 from GEC group companies. Cost of sales in 1996 includes £7,269 payable to Westinghouse group companies and £362,695 to GEC group companies.