

**Regional Power Generators Limited
(Company Number: 2352390)**

**Directors' Report And Financial
Statements**

Period Ended 26 November 1998



Regional Power Generators Limited

Report for the Period Ended 26 November 1998
(Registered Number: 2352390)

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Regional Power Generators Limited

Directors' Report For The Period Ended 26 November 1998

The directors present their report and audited financial statements for the period from 1 April 1998 to 26 November 1998.

Principal Activities

The principal activity of the company is the operation of a power station at Brigg, South Humberside, and associated energy purchases and sales.

Review Of The Business

The station operated successfully in the period. At the end of the period, 75% of the shares were sold by Yorkshire Electricity Group plc to IVO Energy Limited who thus became the station's 100% owner. At the same time, the financial arrangements and the energy contracts were restructured. Thereafter the production profile of the plant has continued and no significant changes are expected.

Result And Dividend

The results of the Company for the period are set out in detail on page 5. The company paid a dividend amounting to £10,078,000 in the period (Year to March 1998: £6,000,000).

Directors

The Directors of the company at 26 November 1998, all of whom have been directors for the whole period ended on that date except as noted, were:

K Eddington	(Resigned 29 May 1998)
MC Mannion	
TG Townsend	(Resigned 25 November 1998)
GJ Hall	(Resigned 25 November 1998)
SD Guy	(Appointed 8 June 1998, Resigned 25 November 1998)

The Alternate Directors who served during the year were:

JA Deane	(Appointed 25 November 1998)
AS Reed	(Resigned 30 June 1998)

Directors' Interests

No directors held beneficial interests in the shares of the company as at 26 November 1998, or at any time during the period, which would require disclosure under the Companies Act 1985.

Year 2000 Issues

The directors' discussion of the risks associated with the Year 2000 issues and related costs is given on page 15 of this report and financial statements.

Charitable Donations

During the period the Company made charitable donations with a total value £3,983 (March 1998: £2,685).

Regional Power Generators Limited

Directors' Report For The Period Ended 26 November 1998 (Continued)

Directors' Responsibility Statement

The directors are required by UK company law to prepare financial statements for each financial period 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 its profit or loss for the period then ended.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 26 November 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible 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.

Auditors

PricewaterhouseCoopers were appointed to fill the casual vacancy caused by the resignation of Deloitte and Touche as a result of the change in ownership of the company. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Lauri Peltola
Company Secretary

7 May 1999

Auditors' Report To The Members Of Regional Power Generators Limited

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Report, including, as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you 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 is not disclosed.

We read the other information contained in the Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

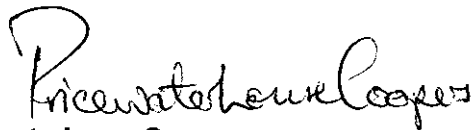
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

**Auditors' Report To The Members Of
Regional Power Generators Limited (Continued)**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 26 November 1998 and of the profit of the Company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

7 May 1999

Regional Power Generators Limited

Profit And Loss Account For The Period Ended 26 November 1998

	Notes	26 November 1998 £'000	31 March 1998 £'000
Turnover	2	36,467	62,423
Cost of sales		(16,902)	(31,521)
Gross profit		19,565	30,902
Administrative expenses		(9,382)	(16,409)
Other operating income	3	26,921	234
Operating profit		37,104	14,727
Interest receivable and similar income	4	1,789	2,422
Interest payable and similar charges	5	(5,316)	(8,084)
Profit on ordinary activities before taxation	7	33,577	9,065
Taxation	8	(22,739)	(1,442)
Profit on ordinary activities after taxation		10,838	7,623
Equity dividends	9	(10,078)	(6,000)
Retained profit for the period	18, 19	760	1,623

All figures included in the profit and loss account are derived from continuing operations.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

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

The notes on pages 7 to 14 form an integral part of these accounts.

Regional Power Generators Limited

Balance Sheet As At 26 November 1998

	Notes	26 November 1998 £'000	31 March 1998 £'000
Fixed assets			
Tangible assets	10	92,686	96,073
Current assets			
Stocks	11	1,957	2,837
Debtors	12	10,362	11,141
Investments	13	23,170	22,430
Cash at bank and in hand		1,614	328
		37,103	36,736
Creditors – amounts falling due within one year	14	(31,724)	(32,037)
Net current assets		5,379	4,699
Total assets less current liabilities		98,065	100,772
Creditors – amounts falling due after more than one year	15	(74,834)	(77,544)
Provisions for liabilities and charges	16	(20,835)	(21,592)
Net assets		2,396	1,636
Capital and reserves			
Called up share capital	17	10	10
Profit and loss account	18	2,386	1,626
Equity shareholders' funds	19	2,396	1,636

Approved by the board of directors on 7 May 1999 and signed on their behalf by:

MC Mannion

MC Mannion
Director

The notes on pages 7 to 14 form an integral part of these accounts.

Regional Power Generators Limited

Notes to the Financial Statements for the Period Ended 26 November 1998

1 Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The particular accounting policies that the Directors have adopted are set out below.

a) Accounting convention

The financial statements have been prepared under the historical cost convention.

b) Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is charged so as to write off the cost, or valuation, of tangible fixed assets less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The principal useful lives for this purpose are:

	Years
Generating plant	20
Computer hardware and software	5
Capital spares	6

c) Stock

Stocks are stated at the lower of cost and net realisable value.

d) 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 possible that a liability or asset will crystallise in the foreseeable future.

e) Maintenance costs

Maintenance costs are charged to the profit and loss account based on the projected average annual charge, assuming a six year planned maintenance cycle.

2 Turnover

Turnover represents sales of electricity, net of difference payments.

Regional Power Generators Limited

Notes to the Financial Statements for the Period Ended 26 November 1998 (Continued)

3 Other Operating Income

	Period ended 26 November 1998 £'000	Year ended 31 March 1998 £'000
Income in respect of adjustment to the Power Purchase Agreement	26,379	-
Ancillary services income	542	234
	<hr/> 26,921	<hr/> 234

4 Interest Receivable

	Period ended 26 November 1998 £'000	Year ended 31 March 1998 £'000
Interest receivable	1,789	2,422

5 Interest Payable And Similar Charges

	Period ended 26 November 1998 £'000	Year ended 31 March 1998 £'000
Interest payable on bank loans	2,779	4,381
Interest payable on Group loans:		
- IVO Group	2,534	-
- Yorkshire Electricity Group	-	3,703
Loan interest	<hr/> 5,316	<hr/> 8,084

6 Directors And Employees

The directors received no emoluments during the period (Year ended 31 March 1998: £nil). The company had no employees other than the directors (Year ended 31 March 1998: £nil).

Regional Power Generators Limited

Notes to the Financial Statements for the Period Ended 26 November 1998 (Continued)

7 Profit On Ordinary Activities

Profit on ordinary activities before taxation is stated after charging:

	Period ended 26 November 1998 £'000	Year ended 31 March 1998 £'000
Depreciation of tangible fixed assets	4,091	6,300
Auditors' remuneration		
- audit	10	10
- other services	25	-

8 Taxation On Profit On Ordinary Activities

	Period ended 26 November 1998 £'000	Year ended 31 March 1998 £'000
Corporation tax payable on profits at 31% (March 1998: 33%)	10,472	2,411
Decrease in provision for deferred tax	(757)	(975)
	9,715	1,436
Adjustment in respect of prior years	13,024	6
Charge for the period	22,739	1,442

The prior year adjustment results from a change to prior years' group relief.

9 Dividends

	Period ended 26 November 1998 £'000	Year ended 31 March 1998 £'000
£1,008 dividend per share paid in November 1998 (Year to March 1998: £600 per share)	10,078	6,000

Regional Power Generators Limited

Notes to the Financial Statements for the Period Ended 26 November 1998 (Continued)

10 Tangible Fixed Assets

	Freehold land £'000	Capital spares £'000	Information technology £'000	Generating stations £'000	Total £'000
Gross capital cost					
As at 31 March 1998	364	489	852	119,325	121,030
Additions	-	-	-	704	704
As at 26 November 1998	364	489	852	120,029	121,734
Depreciation					
As at 1 April 1997	-	313	676	23,968	24,957
Charge for period	-	54	112	3,925	4,091
As at 26 November 1998	-	367	788	27,893	29,048
Net book amount					
As at 26 November 1998	364	122	64	92,136	92,686
As at 31 March 1998	364	176	176	95,357	96,073

Capitalised interest of £10,921,000 (31 March 1998: £10,921,000) is included in the cost of the generating station.

11 Stocks

	26 November 1998 £'000	31 March 1998 £'000
Raw materials and consumables	1,957	2,837

Regional Power Generators Limited

Notes to the Financial Statements for the Period Ended 26 November 1998 (Continued)

12 Debtors

	26 November 1998 £'000	31 March 1998 £'000
Trade debtors	7,680	5,302
Amounts owed by Yorkshire Electricity Group plc	-	4,484
Prepayments and accrued income	725	980
ACT recoverable	1,957	375
	<hr/> 10,362	<hr/> 11,141

13 Investments

	26 November 1998 £'000	31 March 1998 £'000
Money market deposits	23,170	22,430

14 Creditors: Amounts Falling Due Within One Year

	26 November 1998 £'000	31 March 1998 £'000
Trade creditors	628	1,417
Bank loans	2,687	2,571
Amounts owed to group undertakings	2,450	2,487
Loans due to group undertakings	2,618	-
Loans - due to Yorkshire Electricity Group plc	2,755	12,616
Taxation	12,802	2,680
VAT	404	1,515
Accruals and deferred income	5,798	8,376
ACT payable	1,582	375
	<hr/> 31,724	<hr/> 32,037

Regional Power Generators Limited

Notes to the Financial Statements for the Period Ended 26 November 1998 (Continued)

15 Creditors: Amounts Falling Due After More Than One Year

	26 November 1998 £'000	31 March 1998 £'000
Bank loans	41,696	
Loans from group undertakings:		43,069
- IVO Group	33,138	-
Other loans:		
- Yorkshire Electricity Group	-	34,475
	74,834	77,544

Loans outstanding are repayable as follows:

Within one year	5,305	5,077
Between one and two years	5,794	5,544
Between two and five years	20,779	19,884
After five years	48,261	52,116
	80,139	82,621

Interest rates (Including loans due in less than one year)

Floating rate – LIBOR plus 0.85% -0.95%	35,756	36,981
Fixed rate – 8.05%	44,383	45,640
	80,139	82,621

The bank loans have been guaranteed by the ultimate parent company.

16 Provisions For Liabilities And Charges

Full provision has been made for deferred taxation as follows:

	26 November 1998 £'000	31 March 1998 £'000
Accelerated Capital Allowances	20,835	21,592
		£'000
As at 1 April 1998		21,592
Decrease in provision in respect of current period		(757)
As at 26 November 1998		20,835

Regional Power Generators Limited

Notes to the Financial Statements for the Period Ended 26 November 1998 (Continued)

17 Share Capital

	26 November 1998 £'000	31 March 1998 £'000
Authorised:		
15,000,000 Ordinary Shares of £1 each	15,000	15,000
Alotted and fully paid up:		
10,000 Ordinary Shares of £1 each	10	10

18 Profit And Loss Account

	1998 £'000
As at 1 April 1998	1,626
Retained profit for the period	760
As at 26 November 1998	2,386

19 Reconciliation Of Movements In Shareholders' Funds

	26 November 1998 £'000	31 March 1998 £'000
Profit attributable to members of the company	10,838	7,623
Dividends paid	(10,078)	(6,000)
Net addition to shareholders' funds	760	1,623
Opening shareholders' funds at 1 April 1998	1,636	13
Closing shareholders' funds at 26 November 1998	2,396	1,636

20 Related Party Transactions

As a wholly owned subsidiary of the Fortum Corporation group, whose accounts are publicly available, the Company has taken advantage of the exemption under Financial Reporting Standard No. 8 not to disclose separately intra-group transactions and balances with other members of the IVO Group, except as disclosed in notes 14 and 15 of the financial statements.

Regional Power Generators Limited

Notes to the Financial Statements for the Period Ended 26 November 1998 (Continued)

21 Immediate and Ultimate Parent Company

During the year 75% of the company's shares were sold by Yorkshire Electricity Group plc to IVO Energy Limited, a company registered in England and Wales, who then became the 100% immediate parent company and whose consolidated financial statements may be obtained from IVO Energy Limited, 101 Wigmore Street, London W1H 9AB.

The directors regard Fortum Corporation, incorporated in Finland, as the ultimate controlling parent company, whose consolidated financial statements may be obtained from Patentti ja Rekisterihallitus Kaupparekisteriosasto, Albertinkatu 25, 00180 Helsinki, Finland.

Regional Power Generators Limited

Year 2000

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting wide-spread commercial disruption. The operation of our business depends not only on our computer systems, but also to some degree on those of our suppliers and customers. There is, therefore, an exposure to further risk in the event that there is a failure by others parties to remedy their own year 2000 issues.

The company is participating in the IVO UK group programme designed to address the impact of the year 2000 on all the group's businesses. The company has nominated a number of personnel to this group project and the board of directors is regularly updated on progress by the teams controlling the exercise.

As part of the group exercise, an analysis of significant risks has been performed to determine the impact of the issue on our activities. From this, prioritised action plans have been developed that are designed to address the key risks in advance of critical dates and without disruption to the underlying business process. Priority is being given to those systems that could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of all critical systems.

The risk analysis also considers the impact on our business of year 2000 related failures by our significant suppliers and customers. In appropriate cases formal assurance is being sought from these other parties.

The total remaining cost to complete modifications to our computer hardware and software is estimated at £200,000 of which some £150,000 is for new equipment and systems enhancements that will be capitalised and the remainder will be expensed as incurred. This will be incurred in the first half of 1999.