

REGIONAL POWER GENERATORS LIMITED
DIRECTORS' REPORT & FINANCIAL STATEMENTS
PERIOD ENDED 31ST DECEMBER 1999
REGISTERED NUMBER 2352390



**Regional Power
Generators Limited**

(Company Number: 2352390)

**Directors' Report And
Financial Statements**

Period Ended 31 December 1999

Regional Power Generators Limited

Report for the Period Ended 31 December 1999
(Registered Number: 2352390)

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Regional Power Generators Limited

Directors' Report For The Period Ended 31 December 1999

The directors present their report and audited financial statements for the period from 27 November 1998 to 31 December 1999.

Principal Activities

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

Review Of The Business

Transition to 100% Fortum ownership was completed in the early part of the year. The station operated on a base load basis throughout the year and achieved high levels of output and efficiency compared with previous years.

Result And Dividend

The results of the company for the period are set out in detail on page 5. The company paid an interim dividend amounting to £4,000,000 in the period (period ended November 1998: £10,078,000). The directors' do not recommend the payment of a final dividend.

Directors

The directors of the company at 31 December 1999, all of whom have been directors for the whole period ended on that date except as noted, were:

MC Mannion	
JA Deane	
E Auranne	(Appointed on 19 May 1999)
P Österlund	(Appointed on 11 March 1999)
J Cox	(Appointed on 11 March 1999)
O Lähelmä	(Alternate Director, Appointed on 11 March 1999)

Directors' Interests

No directors held beneficial interests in the shares of the company as at 31 December 1999 (26 November 1998: nil), or at any time during the period, which would require disclosure under the Companies Act 1985.

Year 2000 Issues

Work was completed during the year at a cost of £25,000 to ensure Year 2000 compliance. The company's operations and financial results have not been adversely affected by Year 2000 compliance failures.

No problems are anticipated at the other dates identified within the BS2000-1 classification.

Charitable Donations

During the period the Company made charitable donations with a total value £3,599 (period ended November 1998: £3,983).

Regional Power Generators Limited

Directors' Report For The Period Ended 31 December 1999 (Continued)

Directors' Responsibility Statement

Company law requires the directors to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 1999 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

By order of the Board



Lauri Peltola
Company Secretary

4 February 2000

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 Annual 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 Annual 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.

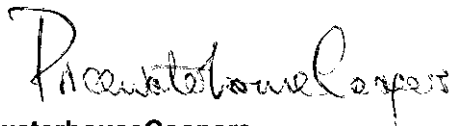
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

CONT...

**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 31 December 1999 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

4 February 2000

London

Regional Power Generators Limited

Profit And Loss Account For The Period Ended 31 December 1999

	<i>Notes</i>	13 months ended 31 December 1999 £'000	8 months ended 26 November 1998 As re-stated £'000
Turnover	2	58,154	36,467
Cost of sales		(22,754)	(16,902)
Gross profit		35,400	19,565
Administrative expenses		(15,558)	(6,848)
Other operating income	3	179	26,921
Operating profit		20,021	39,638
Interest receivable and similar income	4	1,315	1,789
Interest payable and similar charges	5	(5,335)	(5,316)
Profit on ordinary activities before taxation	7	16,002	36,111
Taxation	8	(4,025)	(22,739)
Profit on ordinary activities after taxation		11,976	13,372
Equity dividends	9	(4,000)	(10,078)
Retained profit for the period	18, 19	7,976	3,294

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.

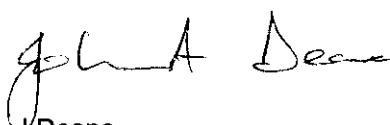
The notes on pages 7 to 14 form an integral part of these accounts.

Regional Power Generators Limited

Balance Sheet As At 31 December 1999

	Notes	31 December 1999 £000	26 November 1998 As re-stated £000
Fixed assets			
Tangible assets	10	89,980	95,528
Current assets			
Stocks	11	2,078	1,957
Debtors	12	9,677	10,362
Investments	13	14,589	23,170
Cash at bank and in hand		-	1,614
		26,344	37,102
Creditors – amounts falling due within one year	14	(20,973)	(32,032)
Net current assets		5,371	5,071
Total assets less current liabilities		95,351	100,599
Creditors – amounts falling due after more than one year	15	(61,667)	(74,834)
Provisions for liabilities and charges	16	(20,778)	(20,835)
Net assets		12,906	4,930
Capital and reserves			
Called up share capital	17	10	10
Profit and loss account	18	12,896	4,920
Equity shareholders' funds	19	12,906	4,930

Approved by the board of directors on 4 February 2000 and signed on their behalf by:


Deane
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 31 December 1999

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) Adoption of new accounting standard

Financial Reporting Standard 12 "Provisions for liabilities and charges" ("FRS12"), has been adopted in the 1999 financial statements.

Previously, the company made annual charges against profits to provide for the accrued proportion of the estimated costs of generating station cyclical statutory overhauls.

The company now capitalises the costs of such outages when they are incurred and amortises them over the period to the next overhaul. The effects of the change in accounting policy are disclosed in notes 10 and 18.

c) 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	25
Computer hardware and software	5
Building	25
Outage costs	Period to next planned outage

d) Stock

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

e) 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.

Regional Power Generators Limited

Notes To The Financial Statements For the Period Ended 31 December 1999

2 Turnover

Turnover represents sales of electricity, net of electricity Contract for Difference payments.

3 Other Operating Income

	13 months ended 31 December 1999 £'000	8 months ended 26 November 1998 £'000
Income in respect of adjustment to the Power Purchase Agreement	-	26,379
Ancillary services income	179	542
	<hr/> 179	<hr/> 26,921

4 Interest Receivable

	13 months ended 31 December 1999 £'000	8 months ended 26 November 1998 £'000
Interest receivable	1,315	1,789

5 Interest Payable And Similar Charges

	13 months ended 31 December 1999 £'000	8 months ended 26 November 1998 £'000
Interest payable on bank loans	4,391	2,779
Interest payable on Group loans	944	2,537
	<hr/> 5,335	<hr/> 5,316

Regional Power Generators Limited

Notes To The Financial Statements For the Period Ended 31 December 1999

6 Directors And Employees

The directors received no emoluments during the period (period ended 26 November 1998: £nil). The company had no employees other than the directors (period ended 26 November 1998: nil).

7 Profit On Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	13 months ended 31 December 1999 £'000	8 months ended 26 November 1998 £'000
Depreciation of tangible fixed assets	5,584	4,091
Auditors' remuneration		
- audit	12	10
- other services	7	25

8 Taxation On Profit On Ordinary Activities

	13 months ended 31 December 1999 £'000	8 months ended 26 November 1998 £'000
Corporation tax payable on profits at 30% (November 1998: 31%)	3,263	10,472
Amounts payable to a fellow subsidiary in respect of tax saved by group relief	819	-
Decrease in provision for deferred tax	(57)	(757)
	4,025	9,715
Adjustment in respect of prior years	-	13,024
Charge for the period	4,025	22,739

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

Regional Power Generators Limited

Notes To The Financial Statements For the Period Ended 31 December 1999

9 Dividends

	13 months ended 31 December 1999 £'000	8 months ended 26 November 1998 £'000
£400 dividend per share paid in December 1999 (period to November 1998: £1,008 per share)	4,000	10,078

10 Tangible Fixed Assets

	Freehold land £'000	Building £000	Computer equipment £'000	Plant and equipment £'000	Outage Costs £000	Re-stated Total £'000
Gross capital cost						
As at 26 November 1998	364	-	-	121,370	3,192	124,926
Disposals	-	-	-	(210)	-	(210)
Transfers	-	4,151	852	(5,443)	440	-
Additions	-	18	51	25	152	246
As at 31 December 1999	364	4,169	903	115,742	3,784	124,962
Depreciation						
As at 26 November 1998	-	-	-	29,048	350	29,398
Transfers	-	989	804	(1,793)	-	-
Charge for period	-	156	58	4,881	489	5,584
As at 31 December 1999	-	1,145	862	32,136	839	34,982
Net book amount						
As at 31 December 1999	364	3,024	41	83,606	2,945	89,980
As at 26 November 1998	364	-	64	92,258	2,842	95,528

Capitalised interest of £10,921,000 (26 November 1998: £10,921,000) is included in the cost of the generating station within plant and equipment.

Regional Power Generators Limited

Notes To The Financial Statements For the Period Ended 31 December 1999

11 Stocks

	31 December 1999 £'000	26 November 1998 £'000
Raw materials and consumables	2,078	1,957

12 Debtors

	31 December 1999 £'000	26 November 1998 £'000
Trade debtors	117	110
Amounts owed by group undertakings	95	-
Prepayments and accrued income	9,465	8,295
ACT recoverable	-	1,957
	9,677	10,362

13 Investments

	31 December 1999 £'000	26 November 1998 £'000
Money market deposits	14,589	23,170

14 Creditors: Amounts Falling Due Within One Year

	31 December 1999 £'000	26 November 1998 Re-stated £'000
Trade creditors	49	628
Bank overdraft	263	-
Bank loans	5,236	2,687
Amounts owed to group undertakings	710	2,450
Loans due to group undertakings	7,481	2,618
Loans - due to Yorkshire Electricity Group plc	-	2,755
Taxation	1,360	12,802
VAT	890	404
Accruals and deferred income	4,984	6,106
ACT payable	-	1,582
	20,973	32,032

Regional Power Generators Limited

Notes To The Financial Statements For the Period Ended 31 December 1999

15 Creditors: Amounts Falling Due After More Than One Year

	31 December 1999 £'000	26 November 1998 £'000
Bank loans	44,848	41,696
Subordinated loan stock – IVO Group	16,000	-
Loans due to group undertakings	-	33,138
Amounts payable to fellow subsidiaries in respect of tax saved by group relief	819	-
	<hr/> 61,667	<hr/> 74,834

Borrowings are repayable as follows:

Within one year	12,717	5,305
Between one and two years	3,701	5,794
Between two and five years	13,302	20,779
After five years	43,845	48,261
	<hr/> 73,565	<hr/> 80,139

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

Loans due to group undertakings bear interest at a floating rate of LIBOR + 0.85%. Bank loans bear interest at 8.05% per annum.

16 Provisions For Liabilities And Charges

Full provision has been made for deferred taxation as follows:

	31 December 1999 £'000
Accelerated Capital Allowances	<hr/> 20,778
As at 26 November 1998	20,835
Increase in provision in respect of current period	<hr/> 57
As at 31 December 1999	<hr/> 20,778

Regional Power Generators Limited

Notes To The Financial Statements For the Period Ended 31 December 1999

17 Called Up Share Capital

	31 December 1999 £'000	26 November 1998 £'000
Authorised: 15,000,000 Ordinary Equity Shares of £1 each	15,000	15,000
Allotted and fully paid up: 10,000 Ordinary Equity Shares of £1 each	10	10

18 Profit And Loss Account

	1999 Re-stated £'000
As at 26 November 1998	2,386
FRS 12 prior year adjustment	2,534
Re-stated reserves as 26 November 1998	4,920
Retained profit for the period	7,976
As at 31 December 1999	12,896

19 Reconciliation Of Movements In Shareholders' Funds

	31 December 1999 £'000	26 November 1998 Re-stated £'000
Profit attributable to members of the company	11,976	13,372
Dividends paid	(4,000)	(10,078)
Net addition to shareholders' funds	7,976	3,294
Opening shareholders' funds at 26 November 1998	4,930	1,636
Closing shareholders' funds at 31 December 1999	12,906	4,930

Regional Power Generators Limited

Notes To The Financial Statements For the Period Ended 31 December 1999

20 Related Party Transactions

As a wholly owned subsidiary of the Fortum Corporation, 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 12, 14 and 15 of the financial statements.

21 Immediate and Ultimate Parent Company

The directors regard Fortum Corporation, a company incorporated in Finland, as the ultimate controlling parent company. The immediate parent company is IVO Energy Limited, a company registered in England and Wales. Copies of the ultimate parent's consolidated financial statements may be obtained from Patentti- ja Rekisterihallitus Kaupparekisteriosasto, Albertinkatu 25, 00180 Helsinki, Finland. Copies of the immediate parent's consolidated financial statements may be obtained from IVO Energy Limited, 101 Wigmore Street, London W1H 9AB.