

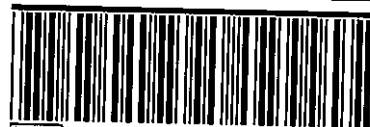
Coopers
& Lybrand

Registration no. 2511241

HUMBER POWER LIMITED

Annual report

**for the period from 1 January 1994 to
22 September 1994**



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HUMBER POWER LIMITED

Annual report for the period from 1 January 1994 to 22 September 1994

Registered no: 2571241

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HUMBER POWER LIMITED

Report of the directors for the period from 1 January 1994 to 22 September 1994

Registered no: 2571241

The directors present their report and the audited financial statements for the period from 1 January 1994 to 22 September 1994.

Principal activities

The profit and loss account for the period is set out on page 6.

The principal activity of the company is the development of a project for the construction and operation of a power station, and the ownership of land at Stallingborough, South Humberside and in this regard to take care of all related licences, permissions and agreements.

Review of business and future developments

During the period the company successfully continued its principal activity.

Terms of project agreements for plant construction, fuel supply and other plant and services required for the business, have been prepared with appropriate suppliers. Terms of hedging contracts, related to the sale of electricity to the pool, have also been prepared in cooperation with prospective partners to the project.

A group of three companies have confirmed their willingness to join IVO as partners in Humber Power Limited, for the purposes of financing, constructing and operating the power station as a generating business within the terms of the Electricity Act 1989.

The company has purchased 71 acres of land at Stallingborough.

Pre-contract agreements have been signed with the operators of the station, IVO Generation Services (UK) Limited and also the construction management company, IVO CM Services Limited.

At a directors board meeting on 23 May 1994 it was agreed that the guarantee in favour of The National Grid Company plc should be raised to £5,200,000. This was effected on 1 July 1994.

An agreement has been entered into between Humber Power Limited and Babcock and Brown (financial advisors), setting out the formula to be used to calculate the success fee to be paid to Babcock and Brown when the project reaches financial close.

The company has given a mandate to National Westminster Bank plc and Union Bank of Switzerland to arrange debt finance for the South Humber Bank Power Station. It also selected Natwest Leasing Industries Limited to arrange the lease facility in respect of the plant and machinery to be installed at the station.

HUMBER POWER LIMITED

The project reached financial close on 22 September 1994.

In the period to 22 September 1994 Humber Power Limited received £1,346,654 from ABB Energy Ventures Jersey Limited and £564,173 from Tomen Power Corporation in loans.

Post balance sheet events

On 22 September 1994 the power station project, the principal activity of the company, reached financial close. The accounts at 22 September 1994 are drawn up to the time immediately preceding this event.

Upon reaching financial close, the immediate parent company, IVO Energy Limited sold 70% of its shares in the company to three equity participants, namely Central Power (HPL) Limited, Tomen Power Corporation (UK) Limited and ABB Energy Ventures BV. The resulting shareholdings are:

IVO Energy Limited	30%
Central Power (HPL) Limited	25%
Tomen Power Corporation (UK) Limited	25%
ABB Energy Ventures BV	20%

The company and its subsidiary (the group) entered into agreements on financial close including a facility agreement with four banks for a loan facility totalling £520,000,000 to finance the project. Other agreements undertaken by the group include those necessary for the construction and operation of a power station.

Loans due to group undertakings and equity participants at 22 September 1994 were repaid in full shortly after financial close.

A parcel of land (65 acres) was transferred to the subsidiary undertaking Humberland Limited on financial close for a consideration of £1,000,001. The company, anticipating the loss of £841,662 on the transfer of this land has recognised a permanent diminution in value in the financial statements for the period ended 22 September 1994.

The company has commenced major construction works on its site in Stallingborough, South Humberside. The power station is expected to be commissioned and commence electricity generation for supply to the National Grid on 1 April 1997.

Dividends

The directors do not recommend the payment of a dividend.

HUMBER POWER LIMITED

Directors

The directors of the company at 22 September 1994, all of whom have been directors for the whole of the period ended on that date unless otherwise stated, were as follows:-

K J Huopalahti	(Finnish)	(Chairman)
E I Salosaari	(Finnish)	
J Deane	(British)	

Changes in fixed assets

The movements in fixed assets during the period are set out in notes 6 to 8 to the financial statements.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for the period.

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 22 September 1994. 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 taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Directors' interests in shares of the company

No director held beneficial interests in the shares of the company at 22 September 1994, or at any time during the period.

Close company provisions

As far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company. There has been no change in this respect since the end of the financial period.

HUMBER POWER LIMITED

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

For and on behalf of LEGIBUS SECRETARIES LTD.

Legibus Secretaries Limited
Company Secretary

Authorised Signatory

Report of the auditors to the members of HUMBER POWER LIMITED

We have audited the financial statements on pages 6 to 17.

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 the company's affairs at 22 September 1994 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
London 19 July 1995

HUMBER POWER LIMITED

Profit and loss account for the period ended 22 September 1994

	Notes	Period from 1 January to 22 September 1994 £	Year ended 31 December 1993 £
Administrative expenses		(100,738)	(113,933)
Operating loss	2	(100,738)	(113,933)
Permanent diminution in value of fixed assets		(841,662)	-
Loss on ordinary activities before interest		(942,400)	(113,933)
Interest receivable and similar income		12,453	9,044
Loss on ordinary activities before taxation		(929,947)	(104,889)
Tax on loss on ordinary activities	4	-	(2,985)
Loss absorbed during the period		(929,947)	(107,874)
Statement of accumulated losses			
Accumulated losses at 1 January		(178,027)	(70,153)
Loss absorbed during the period		(929,947)	(107,874)
Accumulated losses at 22 September		(1,107,974)	(178,027)

All figures in the profit and loss account relate to continuing operations.

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

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

HUMBER POWER LIMITED

Balance sheet 22 September 1994

	Notes	22 September 1994 £	31 December 1993 £
Fixed assets			
Intangible assets	6	4,209,214	1,904,237
Tangible assets	7	1,154,473	855,517
Investments	8	100	-
		<u>5,363,787</u>	<u>2,759,754</u>
Current assets			
Debtors	9	122,460	38,890
Cash at bank and in hand		400,254	96,259
		<u>522,714</u>	<u>135,149</u>
Creditors: amounts falling due within one year	10	<u>(6,594,275)</u>	<u>(2,764,928)</u>
Net current liabilities		<u>(6,071,561)</u>	<u>(2,629,779)</u>
Total assets less current liabilities		<u><u>£(707,774)</u></u>	<u><u>£129,975</u></u>
Capital and reserves			
Called up share capital	11	400,200	308,002
Profit and loss account		<u>(1,107,974)</u>	<u>(178,027)</u>
Shareholders' funds	12	<u><u>£(707,774)</u></u>	<u><u>£129,975</u></u>

The financial statements on pages 6 to 17 were approved by the board of directors on
12 July 1995 and were signed on its behalf by

K.J. Huopalahti
Director

Kari J. Huopalahti

HUMBER POWER LIMITED

Notes to the financial statements for the period ended 22 September 1994

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of non consolidation

Consolidated financial statements have not been prepared for the group as it qualifies as a small group and has taken exemption from the requirement to prepare consolidated financial statements under Section 248(1) of the Companies Act 1985.

Fixed assets

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

Depreciation is calculated 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 annual rates used for this purpose are:

Office furniture	14%
Office equipment	33 $\frac{1}{3}$ %

Freehold land is not depreciated.

Development costs

Expenditure incurred in the development of projects, including the financing costs of loans for such projects, is capitalised and carried forward at cost. Costs are amortised at the earlier of the commencement of revenue streams or termination of the projects.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

HUMBER POWER LIMITED

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Assets and liabilities in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating results.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Cash flow statement

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

2 Operating loss

Operating loss is stated after charging:

	Period from 1 January to 22 September 1994 £	Year ended 31 December 1993 £
Loss on disposal of fixed assets	-	4,935
Auditors' remuneration		
- current year for audit work	6,000	3,775
- for non audit work	21,960	-
Operating lease charges:		
Hire of plant and machinery	4,359	5,396
Other operating leases	14,267	29,928
Depreciation of tangible fixed assets	2,585	2,424
	<u> </u>	<u> </u>

3 Directors' emoluments

	Period from 1 January to 22 September 1994 £	Year ended 31 December 1993 £
Emoluments (including pension contributions and benefits in kind)	43,148	29,880
	<u> </u>	<u> </u>

Of the above emoluments £43,148 (1993: year £7,787) were borne by the immediate parent company.

HUMBER POWER LIMITED

Directors' emoluments excluding pension contributions are as follows:

	Period from 1 January to 22 September 1994 £	Year ended 31 December 1993 £
Emoluments of the chairman	Nil	Nil
Emoluments of the highest paid director	43,148	22,093

The number of directors (including the chairman and the highest paid director) whose emoluments were within the ranges:

	Period from 1 January to 22 September 1994 Number	Year ended 31 December 1993 Number
£0 to £5,000	2	3
£20,001 to £25,000	-	1
£40,001 to £45,000	1	-

4 Taxation

	Period from 1 January to 22 September 1994 £	Year ended 31 December 1993 £
United Kingdom corporation tax at 33%: (1993: year 33%)		
Current	-	2,985

5 Employee information

The company does not employ any personnel, other than the directors.

HUMBER POWER LIMITED

6 Intangible fixed assets

	Development costs £
Cost	
At 1 January 1994	1,904,237
Additions	2,304,977
	<hr/>
At 22 September 1994	4,209,214
	<hr/>
Depreciation	
At 1 January 1994	-
Charge for period	-
	<hr/>
At 22 September 1994	-
	<hr/>
Net book value	
At 22 September 1994	4,209,214
	<hr/>
Net book value	
At 31 December 1993	1,904,237
	<hr/>

Development expenditure relates to a specific project involving the construction and operation of a power station undertaken by the company. The project is in its initial stage and construction has not yet commenced and therefore no amortisation of the expenditure has been charged to date.

Additions include interest capitalised in the period of £404,624 (1993: year £166,674). The total interest capitalised at 22 September 1994 is £620,648 (1993: £216,024).

HUMBER POWER LIMITED

7 Tangible fixed assets

	Interest in freehold land £	Office equipment £	Office furniture £	Total £
Cost				
At 1 January 1994	847,625	9,258	-	856,883
Additions	1,144,038	-	5,000	1,149,038
Diminution in value	(841,662)	-	-	(841,662)
Disposals	-	(9,258)	-	(9,258)
	<u>1,150,001</u>	<u>-</u>	<u>5,000</u>	<u>1,155,001</u>
At 22 September 1994				
Depreciation				
At 1 January 1994	-	1,366	-	1,366
Charge for period	-	2,057	528	2,585
Disposals	-	(3,423)	-	(3,423)
	<u>-</u>	<u>-</u>	<u>528</u>	<u>528</u>
At 22 September 1994				
Net book value				
At 22 September 1994	<u>1,150,001</u>	<u>-</u>	<u>4,472</u>	<u>1,154,473</u>
At 31 December 1993	<u>847,625</u>	<u>7,892</u>	<u>-</u>	<u>855,517</u>

On 22 September 1994 the company disposed of certain interests in freehold land with a cost and net book value of £1,841,663 for a total consideration of £1,000,001. Accordingly, the directors consider that there has been a permanent diminution in the value of this freehold interest of £841,662. The disposal was made to Humberland Limited, the company's subsidiary undertaking, following financial close.

8 Fixed asset investments

Investment in subsidiary undertaking

	£
Cost	
At 1 January 1994	-
Acquisitions	100
	<u>100</u>
At 22 September 1994	<u>100</u>

HUMBER POWER LIMITED

On 13 September 1994 the company acquired the whole of the issued share capital of Humberland Limited for a total consideration of £1. On 15 September 1994 a further 99 ordinary shares were allotted, issued to the company and fully paid up. Humberland Limited was incorporated as Minkbrook Limited on 18 July 1994 and was dormant during the period from incorporation to 22 September 1994.

The name Minkbrook Limited was changed to Humberland Limited on 13 September 1994.

9 Debtors

	22 September 1994 £	31 December 1993 £
Amounts falling due within one year:		
Amounts owed by ultimate parent company	374	34,914
Other debtors	119,172	1,040
Prepayments and accrued income	2,914	2,936
	<u>122,460</u>	<u>38,890</u>

10 Creditors: amounts falling due within one year

	22 September 1994 £	31 December 1993 £
Bank overdraft	41,004	-
Trade creditors	217	16,022
Amounts owed to group undertakings:		
- due to immediate parent company		
- loans	1,500,000	1,500,000
- current	142,474	213,680
- due to ultimate parent company		
- loans	1,770,000	-
- current	8,322	398
- due to fellow subsidiaries		
- loans	1,000,000	1,000,000
- current	6,118	18,124
Corporation tax	2,985	2,985
Other creditors	1,910,927	-
Accruals and deferred income	212,228	13,719
	<u>6,594,275</u>	<u>2,764,928</u>

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The loans owed to the immediate parent company are unsecured, and bear annual interest of 11% on £540,000, 11½% on £450,000, and 8% on £510,000. The loans owed to a fellow subsidiary, are unsecured, and bear annual interest of 7½% on £600,000 and 8% on £400,000. Repayment of these loans is due the earlier of: two years from the date of receipt of the funds, and commitment of project finance for the construction of the power station, which was received on 22 September 1994.

The loan of £1,770,000 owed to the ultimate parent company is unsecured, and bears annual interest of 7.5%. This loan will be repaid in accordance with the Project Development Agreement.

Other creditors comprise loans of £1,910,927, which are unsecured, interest free and are due for repayment on the commitment of project finance for the construction of the power station.

IVO Energy Limited, the immediate parent company, has confirmed that no UK group undertaking will request payment of amounts due from Humber Power Limited until such time as the company is able to make payment.

11 Called up share capital

	22 September 1994 £	31 December 1993 £
Authorised:		
500,000 ordinary shares of £1 each	-	500,000
90,000 'A' shares of £1 each	90,000	-
310,000 'B' shares of £1 each	310,000	-
200 'AB' shares of £1 each	200	-
	<hr/>	<hr/>
	400,200	500,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
308,002 ordinary shares of £1 each	-	308,002
90,000 'A' shares of £1 each	90,000	-
310,000 'B' shares of £1 each	310,000	-
200 'AB' shares of £1 each	200	-
	<hr/>	<hr/>
	400,200	308,002
	<hr/>	<hr/>

During the period the authorised capital of 500,000 ordinary shares of £1 each was reduced to 400,200 ordinary shares of £1 each.

In connection with the sale of shares to the new equity participants upon the project reaching financial close, 92,198 ordinary shares of £1 each were allotted called up and fully paid, and 400,200 ordinary shares of £1 each were reclassified as 90,000 'A' shares of £1 each, 310,000 'B' shares of £1 each and 200 'AB' shares of £1 each.

HUMBER POWER LIMITED

12 Reconciliation of movements in shareholders' funds

	1994 £	1993 £
Opening shareholders' funds	129,975	237,849
Loss for the financial period	(929,947)	(107,874)
New share capital issued	92,198	-
Closing shareholders' funds	<u>(707,774)</u>	<u>129,975</u>

13 Capital commitments

The company has approved the payment upon financial close of a success fee to Babcock & Brown as financial advisor for Part I of the project. The basic fee of £1,812,500 is to be adjusted according to the outcome of a number of factors relating to the project, as covered by the Agreement in respect of Financial Advisory Services. The total fee has been estimated at £3,160,500.

Under the terms of the Deed of Surrender dated 31 August 1994 in respect of the Hoyes Tennancy on land at Stallingborough, the company is committed to the construction of an access road and the modification of drainage facilities. The directors estimate that costs in respect of this work will not exceed £15,000.

14 Financial commitments

The company has financial commitments in respect of non-cancellable operating leases of plant and machinery. The rentals payable under these leases in the next year are as follows:

	22 September 1994 £	31 December 1993 £
Expiring within one year	3,044	-
Expiring between two and five years inclusive	-	6,088
	<u>3,044</u>	<u>6,088</u>

HUMBER POWER LIMITED

In addition the company leases certain land and buildings on short term leases. The rents payable under these leases, which are subject to renegotiation at various intervals specified in the leases and in respect of which the company pays all insurance, maintenance and repairs of these properties, in the next year are as follows:

	22 September 1994 £	31 December 1993 £
Expiring in less than one year	5,722	17,207
	<u>5,722</u>	<u>17,207</u>

15 Contingent liabilities

A guarantee for £5,200,000 is held by Postipankki Limited, London in respect of the company's liabilities under a supplemental agreement between the company and The National Grid Company plc for electrical grid reinforcement work. The expiry date of the guarantee is 30 September 1994. The ultimate parent company, Imatran Voima Oy, has also provided a guarantee for the company's liabilities under the above agreement.

A counter indemnity for £19,500 is held by Postipankki Limited, London in respect of a guarantee given by the bank for £19,500 relating to the company's leasehold premises. The counter indemnity expires on 30 September 1994.

ABB Energy Ventures Jersey Limited, Tomen Power Corporation (UK) Limited and Imatran Voima Oy, have incurred costs in respect of the Humber power station project totalling £6,158,702 to 22 September 1994. These costs are to be recharged to the company upon the project reaching financial close.

Under the terms of the shareholders' agreement, the group is required to pay a development fee to the equity participants and their affiliates after financial close as follows:

	£
IVO Energy Limited and affiliated undertakings	2,200,000
Tomen Power Corporation (UK) Limited and affiliated undertakings	2,200,000
ABB Energy Ventures BV and affiliated undertakings	1,600,000
	<u>6,000,000</u>

In addition, under the terms of the shareholders' agreement, an interest free loan of £2,000,000 is payable to Central Power (HPL) Limited following financial close. This loan is made in consideration for their role in the development of the power station project. The loan is repayable within 30 years of the date of the commencement of the loan.

HUMBER POWER LIMITED

During the period, the company entered into an option agreement with Associated British Ports giving the company the right to secure an underlease over land to allow installation of cooling water pipes. The rental under the lease is £15,000 for the first two and a half years and £30,000 for each subsequent five year period. The lease is for a total period of forty years.

Under the terms of the underlease with Associated British Ports the company is responsible for the removal of accumulations of silt built up as a result of the development of the power station for a period from the date of commencement of construction to a date ten years after completion of the construction works. It is not possible to quantify the cost of the removal of silt at present.

On 31 August 1994 the company entered into a Supplemental Agreement with The National Grid Company plc. Under the terms of this agreement, connection, infrastructure and other charges are payable. The agreement may be terminated by the company prior to the date that the works specified in the agreement are completed and commissioned by The National Grid Company plc.

Under the agreement the following payments are required:

	£
Payable within one year	14,045,000
Payable between two and five years	8,318,000
	<hr/>

In addition to these amounts, infrastructure charges are payable and are determined upon the level of electricity demand and generation. It is not possible to quantify these charges.

16 Post balance sheet events

Details of post balance sheet events are disclosed in the directors' report.

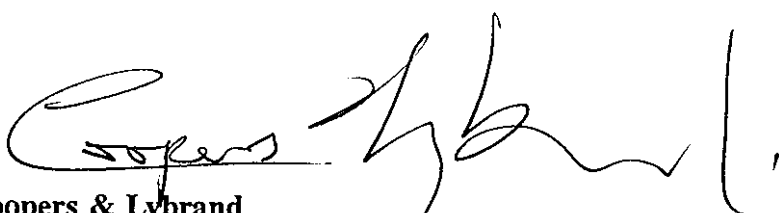
17 Ultimate and immediate parent companies

The directors regard Imatran Voima Oy, a company incorporated in Finland, as the ultimate 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.

**Report of the auditors to the directors of
HUMBER POWER LIMITED
under Section 248(3) of the
Companies Act 1985**

We have examined the financial statements of the company and its subsidiary for the period ended 22 September 1994. The scope of our work for the purpose of this report was limited to confirming that the company is entitled to the exemption conferred by Section 248 of the Companies Act 1985 from preparing group accounts.

In our opinion the company is entitled to the exemption from preparing group accounts conferred by Section 248 of the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

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