

BRITISH ELECTRICITY INTERNATIONAL (SERVICES) LIMITED

Company No: 2051371

DIRECTORS' REPORT AND ACCOUNTS

For the year ended 31 December 2004



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DIRECTORS' REPORT

The Directors present their report and unaudited accounts for the year ended 31 December 2004.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company did not trade during the period nor the preceding period and was classified as dormant.

2. DIRECTORS

Mr P G Cox (resigned 6 December 2004)
Mr A S J Ramsay
Mr M D Williamson (appointed 6 December 2004)

Mr A S J Ramsay holds one Ordinary Share in the Company as a nominee for International Power plc, the holding company. None of the other Directors had any interest in the share capital of the Company during the year.

The interest in shares of Mr M D Williamson in International Power plc, the Company's ultimate holding company is disclosed in that company's accounts.

According to the Register of Directors' interests kept under s325 of the Companies Act 1985, the Directors held the following interests in the 50p ordinary shares and share options in International Power plc, the Company's ultimate holding company, at 1 January 2004 and 31 December 2004 as follows:

	Ordinary Shares		Executive Share Options		Sharesave Options	
	31/12/04*	01/01/04*	31/12/04*	01/01/04*	31/12/04*	01/01/04*
A S J Ramsay	17,226	7,453	282,500	223,809	20,499	20,499

Detailed below are the Director's interests in share options held in International Power plc during the period:

A S J Ramsay	Grant Date	Number of Options*	Exercisable Price*	Date Exercisable
(ESOS)	2.12.1997	6,317	343.73p	2000-2007
(ESOS)	1.12.1998	7,579	313.92p	2001-2008
(ESOS)	3.10.2000	32,155	277.55p	2003-2010
(ESOS)	3.10.2000	5,674	277.55p	2003-2010
(ESOS)	22.03.2001	18,282	209.22p	2004-2011
(ESOS)	22.03.2001	6,810	209.22p	2004-2011
(ESOS)	24.05.2002	38,681	174.50p	2005-2012
(ESOS)	10.03.2003	108,311	62.32p	2006-2013
(ESOS)	02.03.2004	58,691	123.53p	2007-2014
(Sharesave)	01.10.2002	20,499	80.12p	2007-2008

Held at 31.12.04 302,999

*adjusted post rights issue

DIRECTORS REPORT (contd...)

As at 31 December 2004, 3,607,734 (2003: 3,003,312) International Power plc Ordinary shares were held in trust for the benefit of current and former employees of International Power plc and its subsidiary companies. As the Directors of the Company (together with all other employees of International Power and its subsidiaries) are potential beneficiaries of the shares held in trust they are therefore regarded as having an interest in the whole of these shares. Details of the International Power employee share plans for which these shares may be utilised are disclosed in the International Power plc Report and Accounts for the year ended 31 December 2004.

2002 Performance Share Plan

The following Conditional Awards were made to the Directors under the Rules of the International Power 2002 Performance Share Plan on 2 March 2004.

	No. of shares under award as at 01.01.04*	Conditional awards made during the year*	Date of award	Market value of an Ordinary Share as at date of award*	End of performance period	No. of shares under award as at 31.12.04*
A S J Ramsay	38,681	-	24.05.2002	174.50p	31.12.2004	38,681
	108,312	-	10.03.2003	62.32p	31.12.2005	108,312
		58,691	02.03.2004	123.25p	31.12.2006	58,691
						<u>205,684</u>

* adjusted post rights issue

3. SHARE CAPITAL

The Company was incorporated on 1 September 1986 with an authorised share capital of 1000 Ordinary Shares of £1 each all of which have been issued and fully paid up.

4. AUDITORS

For the year ended 31 December 2004 the Company was entitled to exemption under section 249aa(1) of the Companies Act 1985. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 249b(2).

By Order of the Board



I M Irvine
Company Secretary
October 2005

DIRECTORS' RESPONSIBILITIES

In respect of the preparation of the accounts Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Acts 1985. They have a general responsibility for taking such steps as are reasonably open to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

BALANCE SHEET

	Note	As at 31.12.2004 £	As at 01.01.2004 £
Current Assets			
Amount due from holding company (British Electricity International Ltd)	3	1,000	1,000
Net assets employed		1,000	1,000
Called up share capital	4	1,000	1,000
Capital and reserves		1,000	1,000

The accounting policies and notes on page 5 form an integral part of these accounts.

For the year ended 31 December 2004 the Company was entitled to exemption under section 249aa(1) of the Companies Act 1985.

No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 249b(2).

The Director's acknowledge their responsibility for: (i) Ensuring the Company keeps accounting records which comply with 221; and (ii) Preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of its financial year, and of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the Company.

The accounts were approved by the Board of Directors on October 2005.



M D Williamson
Director

October 2005

NOTES TO THE ACCOUNTS

1. Accounting Policies

Basis of preparation

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Profit and Loss Account

The Company has not traded during this financial year nor in the preceding financial year and consequently has made neither a profit nor a loss.

2. Directors' and Employees' Remuneration

The Directors received no remuneration during the financial year in respect of their services to the Company (year ended 31 December 2003: nil). No other persons were employed by the Company during the year ended 31 December 2004 (year ended 31 December 2003: nil).

3. Debtors

	31.12.2004	01.01.2004
	£	£
Due from parent undertaking	1,000	1,000

4. Share Capital

	31.12.2004	01.01.2004
	£	£
<i>Authorised:</i>		
1,000 Ordinary Shares of £1 each	1,000	1,000
<i>Issued, allotted and fully paid:</i>		
1,000 Ordinary Shares of £1 each	1,000	1,000

5. Ultimate Holding Company

The Company's ultimate holding company is International Power plc, a company incorporated and registered in England and Wales. Copies of the accounts of International Power plc may be obtained from the following address:

The Company Secretary, International Power plc
Senator House, 85 Queen Victoria Street, London, EC4V 4DP

6. Immediate Parent Undertaking

The Company's immediate parent undertaking is British Electricity International Limited, a company incorporated and registered in England and Wales.