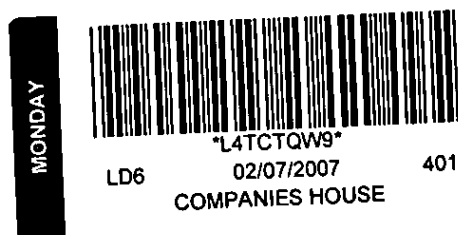


IPM Energy Limited

**Directors' report and financial statements for the year ended
31 December 2005**

Registered number 2704476



IPM Energy Limited

Directors' report

For the year ended 31 December 2005

The directors present their report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 December 2005

Principal activity, business review and future developments

The principal activity of the Company is to perform marketing, development and asset management services on behalf of other group undertakings. This activity is continuing.

IPM Energy Limited's ultimate parent is International Power plc.

Results and dividends

The retained loss for the year was £611,111 (2004- £475,653 profit)

The directors do not recommend the payment of a dividend (2004 - £Nil)

Directors and their interests

The following directors, who served during the year and subsequent to year-end, do not have any beneficial interests in the share capital of the Company requiring disclosure under Schedule 7 of the Companies Act 1985.

P. Jenkinson

S. Riley

S. Pinnell (appointed 10 January 2005)

T. Umezu

The Directors of the Company had no beneficial interest in the share capital of the Company at the date of this report.

According to the register of Directors' interests kept under Section 325 of the Companies Act 1985, the Directors had the following interests in the 50p ordinary shares and share options in International Power plc, the Company's ultimate holding Company:

IPM Energy Limited
 Directors' report (continued)
 For the year ended 31 December 2005

Directors' Interests – Paul Jenkinson

Ordinary Shares		Performance Share Plan		Executive Share Options		Sharesave Options	
<u>At 31</u>	<u>At 31</u>	<u>At 31</u>	<u>At 31</u>	<u>At 31</u>	<u>At 31</u>	<u>At 31</u>	<u>At 31</u>
<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>
<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
225	225	30,683	0	67,109	36,426	0	0

Detailed below is the Director's interest in share options held in International Power plc during the year

	<u>Grant Date</u>	<u>Number of</u>	<u>Exercise Price</u>	<u>Date Exercisable</u>
		<u>Options</u>	<u>(p)</u>	
UNAPP ESOS	02/03/2004	25,499	123 53	2007-2014
APP ESOS	02/03/2004	10,927	123 53	2007-2014
UNAPP ESOS	11/03/2005	21,478	179 25	2008-2015
APP ESOS	11/03/2005	9,205	179 25	2008-2015
Performance share				
plan	11/03/2005	<u>30,683</u>	179 25	2005-2007
Held at 31 12 2005		<u>97,792</u>		

Directors' Interests – Simon Pinnell

Ordinary Shares		Performance Share Plan		Executive Share Options		Sharesave Options	
<u>At 31</u>	<u>At 31</u>	<u>At 31</u>	<u>At 31</u>	<u>At 31</u>	<u>At 31</u>	<u>At 31</u>	<u>At 31</u>
<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>
<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
9,414	6,902	126,346	100,489	214,668	188,811	0	11,793

IPM Energy Limited
Directors' report (continued)
For the year ended 31 December 2005

Detailed below is the Director's interest in share options held in International Power plc during the year

	<u>Grant Date</u>	<u>Number of</u> <u>Options</u>	<u>Exercise</u> <u>Price (p)</u>	<u>Date</u> <u>Exercisable</u>	<u>Exercised /</u> <u>Lapsed</u>	<u>Balance</u>
UNAPP ESOS	23/12/1996	6,823	287 76	1999-2006		6,823
UNAPP ESOS	02/12/1997	6,103	343 73	2000-2007		6,103
UNAPP ESOS	01/12/1998	6,979	313 92	2001-2008		6,979
UNAPP ESOS	03/10/2000	23,274	277 55	2003-2010		23,274
APP ESOS	03/10/2000	4,106	277 55	2003-2010		4,106
UNAPP ESOS	22/03/2001	12,713	209 22	2004-2011		12,713
APP ESOS	22/03/2001	5,448	209 22	2004-2011		5,448
UNAPP ESOS	24/05/2002	18,751	174 50	2005-2012		18,751
APP ESOS	24/05/2002	4,126	174 50	2005-2012		4,126
UNAPP ESOS	10/03/2003	64,060	62 32	2006-2013		64,060
Performance share plan	10/03/2003	64,061	62 32	2006		64,061
UNAPP ESOS	02/03/2004	36,428	123 53	2007-2014		36,428
Performance share plan	02/03/2004	36,428	179 25	2007		36,428
Sharesave (3 yr)	01/10/2002	11,793	80 12	2005-2006	11,793	-
UNAPP ESOS	11/03/2005	25,857	179 25	2008-2015		25,857
Performance share plan	11/03/2005	25,857	179 25	2008		25,857
Held at 31 12 2005						341,014

Charitable contributions

The Company made no charitable contributions in the year (2004 – Nil)

Political Donations

The Company made no political contributions in the year (2004 - £nil)

Disclosure of information to Auditors

As at the date of approval of this Directors' Report, each of the Directors of the Company confirm that

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information, and to establish that the Company's auditors are aware of that information

Liability Insurance for Company officers

As permitted by the Companies Act 1985, the Company has purchased insurance cover for the directors and officers of the Company against liabilities in relation to the Group

IPM Energy Limited
Directors' report (continued)
For the year ended 31 December 2005

Auditors

On 6 July 2006 PricewaterhouseCoopers LLP resigned as auditor and the directors appointed KPMG Audit Plc as the Company's auditor for the year ended 31 December 2005. Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditor annually and KPMG Audit Plc will therefore continue in office.

By order of the Board



Simon Pinnell

Director

Date 28/6/2007.

Registered Office
Senator House,
85 Queen Victoria Street,
London, EC4V 4DP

IPM Energy Limited
Statement of directors' responsibilities
For the year ended 31 December 2005

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They 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.

KPMG Audit Plc
Independent auditor's report to the members of IPM Energy Limited
For the year ended 31 December 2005

KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditor's report to the members of IPM Energy Limited

We have audited the financial statements of IPM Energy Limited (the "financial statements") for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page five.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

KPMG Audit Plc

Independent auditor's report to the members of IPM Energy Limited (Continued)

For the year ended 31 December 2005

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

29 June 2007

IPM Energy Limited
Profit and loss account
For the year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover	1(b)	3,474,278	9,122,273
Operating expenses	2	(3,851,584)	(8,444,089)
Net operating exceptional items	5	(244,379)	(120,187)
Operating (loss)/profit		<u>(621,685)</u>	<u>557,997</u>
Loss on sale of tangible fixed assets		(7,672)	(88,276)
Interest received		17,384	14,037
Foreign exchange gain / (loss)		862	(8,105)
Profit /(loss) on ordinary activities before taxation		<u>(611,111)</u>	<u>475,653</u>
Tax on profit on ordinary activities	6	-	-
Profit / (loss) for the year	11	<u>(611,111)</u>	<u>475,653</u>

There are no recognised gains or losses in the year other than as stated in the profit and loss account

The operating loss for the year was solely derived from continuing activities at the balance sheet date

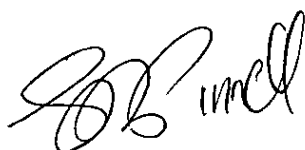
The accounting policies and the notes on pages 11 to 24 form part of these financial statements

IPM Energy Limited
Balance sheet
As at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	7	-	265,645
Current assets			
Debtors	8	9,901,529	9,195,782
Cash at bank and in hand		1,999,379	1,438,990
		11,900,908	10,634,772
Creditors: Amounts falling due within one year	9	(8,402,637)	(6,791,036)
Net current assets		3,498,271	3,843,737
Total assets less current liabilities		3,498,271	4,109,382
Net assets		3,498,271	4,109,382
Capital and reserves			
Called-up equity share capital	10	2	2
Profit and loss account	11	3,498,269	4,109,380
Equity shareholder's funds	11	3,498,271	4,109,382

The financial statements on pages 8 to 24 were approved by the Board of Directors on 28 June 2007 and were signed on its behalf by

The accompanying notes on pages 11 to 24 form part of these financial statements



Simon Pinnell

Director

IPM Energy Limited
Cash flow statement
For the year ended 31 December 2005

	Notes	2005	2004
		£	£
Net cash inflow/(outflow) from operating activities	14	542,143	(7,324,162)
Returns on investments and servicing of finance	14	18,246	5,932
Capital expenditure and financial investment	14	-	(111,895)
Financing	14	-	7,944,615
Increase/(decrease) in cash in the year		<u>560,389</u>	<u>514,490</u>

Reconciliation of net cash flow movement to movement in net funds/(debt)
for the year ended 31 December 2005

	Notes	2005	2004
		£	£
Increase/(decrease) in cash in the period		560,389	514,490
Change in net funds/(debt) resulting from cash flows	15	<u>-</u>	<u>(7,944,615)</u>
Movement in net funds/(debt) in the year		560,389	(7,430,125)
Net funds/(debt) at beginning of the year		<u>(6,505,625)</u>	<u>924,500</u>
Net funds/(debt) at end of the year	15	<u>(5,945,236)</u>	<u>(6,505,625)</u>

The accounting policies and the notes on pages 11 to 24 form part of these financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- FRS 28 'Corresponding amounts'
- The Company has elected not to adopt the disclosure requirements of FRS 25 'Financial instruments'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the prior year are set out below

a) *Basis of accounting*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The Company has adopted all applicable accounting and financial reporting standards effective prior to 31 December 2005 but has not elected for the early adoption of other published, but not effective, reporting standards

b) *Turnover*

Turnover comprises the value of sales (excluding VAT) of goods and services in the normal course of business and represents service fees, which are derived from recharges to group undertakings of expenditure incurred in performing marketing, development and asset management services on their behalf

c) *Tangible fixed assets and depreciation*

Tangible fixed assets are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Fixtures, fittings and equipment	3-7 years
Leasehold improvements	shorter of lease term and useful economic life

d) *Taxation*

UK Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. No charge is made for group relief

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less

d) Taxation (continued)

tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the weighted average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

e) Pension costs

The Company makes contributions to the private pension schemes of employees. The amount charged to the profit and loss account is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Further information on pensions is given in Note 11 to the financial statements.

f) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign operating leases are spread on a straight-line basis over the lease term, or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.

g) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

IPM Energy Limited
Notes to financial statements (continued)
For the year ended 31 December 2005

2 Profit/(Loss) on ordinary activities before taxation

Profit/(Loss) on ordinary activities before taxation is stated after charging

	2005	2004
	£	£
Depreciation	13,594	392,653
Operating exceptional items (note 5)	244,379	-
Staff costs (Note 3)	2,709,682	5,176,248
Operating lease rentals – land and buildings	-	716,267
Operating lease rentals – other	-	45,529
Auditors' remuneration		
- audit services	-	13,000
- non-audit services	-	23,181
	<hr/>	<hr/>

The audit fees in 2005 have been borne by First Hydro Company

3 Staff costs

The average monthly number of employees was

	2005	2004
	Number	Number
Administration	12	35
Marketing	33	30
	<hr/>	<hr/>
	45	65
	<hr/>	<hr/>

Their aggregate remuneration comprised

	2005	2004
	£	£
Wages and salaries	2,126,268	4,219,491
Social security costs	223,266	475,320
Pension costs – regular contributions	360,148	361,250
Exceptional pension costs – termination payments	-	120,187
	<hr/>	<hr/>
	2,709,682	5,176,248
	<hr/>	<hr/>

IPM Energy Limited
Notes to financial statements (continued)
For the year ended 31 December 2005

4 Directors' remuneration

Remuneration

The remuneration of the directors was as follows

	2005 £	2004 £
Emoluments	-	1,225,010
Amounts receivable under long-term incentive schemes	-	232,138
Company contributions to pension schemes	-	20,853
	<u>-</u>	<u>1,478,001</u>

Pensions

The number of directors who were members of pension schemes was as follows

	2005 Number	2004 Number
Money purchase schemes	-	2
Defined benefit schemes	-	2
	<u>-</u>	<u>4</u>

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director

	2005 £	2004 £
Emoluments and amounts receivable under long-term incentive schemes	<u>-</u>	<u>656,472</u>

No remuneration was paid by IPM Energy Limited to directors during the year in respect of services to the Company

5 Exceptional Items

	2005 £	2004 £
Net Operating exceptional items charged		
Impairment of fixed assets	244,379	-
Exceptional pension costs – termination payments	<u>-</u>	<u>120,187</u>

In December 2004, Edison Mission Energy sold its non-US assets to a 70/30 consortium of International Power plc and Mitsui and Co Limited. The exceptional pension costs arose on termination payments for the Company staff and Directors who terminated their employment with the Company at this time.

5 Exceptional items (continued)

Due to the early termination of a property lease following the change in ownership of the Company in December 2004, the fixed assets were written down to nil net book value in January 2005. The total effect of this write down in 2005 was £244,379.

6 Tax on profit/(loss) on ordinary activities

The taxation credit is based on the result for the year and comprises

	2005 £	2004 £
UK corporation tax	-	-

The tax credit for the year is lower than the standard rate of corporation tax in the UK (30%) as detailed below

	2005 £	2004 £
Profit / (loss) on ordinary activities	(611,111)	475,653
Profit/(loss) on ordinary activities multiplied by the standard rate in the UK of 30% (2004 – 30%)	(183,333)	142,696
Effects of		
Expenses not deductible for tax purposes	614	6,472
Capital allowances for the year (greater)/less than depreciation	(329,685)	8,047
Tax losses surrendered by other UK companies for no payment	-	(157,215)
Tax losses surrendered to other UK companies for no payment	457,193	-
Prior year corporation tax adjustments	55,211	-
	183,333	(142,696)
Current tax charge for the year	-	-

There are no timing differences as at 31 December 2005 and 2004 for which a deferred tax asset or liability should be recognised or provided. No deferred tax asset has been recognised because, in the opinion of the directors, there will not be sufficient suitable taxable income in the foreseeable future. The unrecognised potential deferred tax asset in respect of deferred capital allowances at 31 December 2005 was £nil (2004 £329,685).

7 Tangible fixed assets

	Leasehold Improvements £	Fixtures, Fittings and Equipment £	Total £
Cost			
At 1 January 2005	1,380,834	2,017,038	3,397,872
Additions	-	-	-
Disposals	(1,380,834)	(2,017,038)	(3,397,872)
At 31 December 2005	-	-	-
Depreciation			
At 1 January 2005	(1,377,225)	(1,755,002)	(3,132,227)
Charge for the year	(201)	(257,771)	(257,972)
Disposals	1,377,426	2,012,773	3,390,199
At 31 December 2005	-	-	-
Net book value			
At 31 December 2004	3,609	262,036	265,645
At 31 December 2005	-	-	-

Due to the early termination of a property lease following the change in ownership of the Company during the year, the fixed assets were written down to nil net book value in January 2005. The total effect of this write down in 2005 was £244,379.

8 Debtors, amounts falling due within one year

	2005 £	2004 £
Amounts owed by group undertakings	9,049,349	8,615,490
VAT receivable	10,404	92,143
Other debtors	838,792	257,580
Prepayments and accrued income	2,984	230,569
	<u>9,901,529</u>	<u>9,195,782</u>

IPM Energy Limited
Notes to financial statements (continued)
For the year ended 31 December 2005

9 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year

	2005 £	2004 £
Trade creditors	1,230,138	41,781
Amounts owed to group undertakings	6,937,049	6,159,142
Corporation tax	197,518	197,518
Social security and PAYE	186	185
Accruals and deferred income	37,746	392,412
	<u>8,402,637</u>	<u>6,791,036</u>

10 Called-up equity share capital

	2005 £	2004 £
<i>Authorised</i>		
100 (2004 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called-up and fully paid</i>		
2 (2004 2) ordinary shares of £1 each	<u>2</u>	<u>2</u>

11 Reconciliation of movements in shareholder's funds and reserves

	Share capital £	Profit and loss account £	Capital and reserves £
At 1 January 2005	2	4,109,380	4,109,382
Shares issued in year	-	-	-
Loss for the year	-	(611,111)	(611,111)
At 31 December 2005	<u>2</u>	<u>3,498,269</u>	<u>3,498,271</u>

12 Pension arrangements

a) FRS 17 'Retirement Benefits'

The Company operates a pension scheme providing benefits based on final pensionable pay, the assets of which are held separately from those of the Company. The Company is a member of the pension scheme but is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the Company's profit and loss account represents the contributions of £360,148 (2004 – £481,437) payable to the scheme in respect of the accounting period, which equals to an employer contribution rate of 27.2% of pensionable pay (1.1.04 to 31.3.04 – 12.4%, 1.4.04 to 31.12.04 – 20%). The employee contribution rate was 6% (2004 – 6%). The latest full actuarial valuation of the First Hydro Company Group of the Electricity Supply Pension Scheme was carried out at 31 March 2004 by Hewitt Bacon and Woodrow, consulting actuaries, at which time the valuation of assets amounted to £30.1m, liabilities £38.5m, resulting in a funding deficiency of £8.4m.

The notes below relate to the whole scheme, of which the IPM Energy Limited staff makes up 18%, and reflects assumptions updated by Hewitt Bacon and Woodrow as at 31 December 2005.

The major assumptions used by the actuary were

	2005	2004	2003
	(% p a)	(% p a)	(% p a)
Inflation assumption	2.9	2.9	2.8
Rate of increase in salaries	4.4	3.9	3.8
Rate of increase of pensions in payment	2.8	2.7	2.9
Rate of increase of deferred pensions	2.9	2.7	2.9
Rate used to discount plan liabilities	4.7	5.3	5.5

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

IPM Energy Limited
Notes to financial statements (continued)
For the year ended 31 December 2005

12 Pension arrangements (continued)

The assets in the scheme and the expected rates of return were

	2005		2004		2003	
	Long term rate of return %	Value £'000	Long term rate of return %	Value £'000	Long term rate of return %	Value £'000
Equities	7.1	24,100	7.5	20,970	7.8	24,389
Bonds	4.6	1,484	5.0	5,600	5.1	-
Gilts	4.1	5,734	4.5	3,100	4.8	2,427
Property	6.1	3,970	6.5	3,500	6.8	2,687
Other	5.8	4,812	-	-	-	-
Total market value of assets		40,100		33,170		29,503
Present value of scheme liabilities		(58,900)		(46,240)		(39,608)
Deficit in scheme		(18,800)		(13,070)		(10,105)
Related deferred tax asset		5,640		3,921		3,032
Net pension liability		(13,160)		(9,149)		(7,073)

Analysis of amounts which would be charged to operating profit under FRS17

	2005 £'000	2004 £'000
Current service cost	1,300	975
Curtailment cost	-	709
Total operating cost	1,300	1,684

Analysis of amounts which would be credited to other finance income under FRS17

	2005 £'000	2004 £'000
Expected return on pension plan assets	2,200	2,175
Interest on pension plan liabilities	(2,400)	(2,177)
Net return	(200)	(2)

IPM Energy Limited
Notes to financial statements (continued)
For the year ended 31 December 2005

12 Pension arrangements (continued)

Analysis of amounts that would be recognised in statement of total recognised gains and losses under full presentation of FRS17

	2005	2004
	£'000	£'000
Actual return less expected return on pension scheme assets	3,830	516
Experience (losses)/gains arising on the scheme liabilities	(760)	(1,433)
Changes in assumptions underlying the present value of the scheme liabilities	(9,000)	(2,307)
	<hr/>	<hr/>
Actuarial loss that would be recognised in statement of total recognised gains and losses	(5,930)	(3,224)
	<hr/>	<hr/>

Analysis of movement in surplus/deficit during the year

	2005	2004
	£'000	£'000
Deficit in scheme at beginning of year	(13,070)	(10,105)
Current service cost	(1,300)	(975)
Curtailment cost	-	(709)
Contributions	1,700	1,945
Other financial income	(200)	(2)
Actuarial (loss)/gain	(5,930)	(3,224)
	<hr/>	<hr/>
Deficit in scheme at end of year	(18,800)	(13,070)
	<hr/>	<hr/>

History of experience gains and losses

	2005	2004	2003
	£'000	£'000	£'000
Difference between the expected and actual return on pension scheme assets			
Amount	3,830	516	3,253
Percentage of scheme assets	9.6	1.6	11.0
Experience (losses)/gains arising on the scheme liabilities			
Amount	(760)	(1,433)	2,356
Percentage of the present value of scheme liabilities	1.3	3.1	5.9
Total amount recognised in statement of total recognised gains and losses			
Amount	(5,930)	(3,224)	2,894
Percentage of the present value of scheme liabilities	10.1	7.0	7.3
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IPM Energy Limited
Notes to financial statements (continued)
For the year ended 31 December 2005

12 Pension arrangements (continued)

Reconciliation to balance sheet that would have been prepared under full presentation of FRS17

	2005	2004
	£'000	£'000
Total market value of assets	40,100	33,170
Scheme liabilities	(58,900)	(46,240)
Deficit in scheme	(18,800)	(13,070)
Deferred tax asset	5,640	3,921
Net pension liability	(13,160)	(9,149)

13 Operating lease commitments

At 31 December 2005, the Company is committed to making payments under non-cancellable operating leases in the forthcoming year of £Nil (2004 - £198,248). These leases were due to expire in the following periods after 31 December 2005

	Land and buildings		Other	
	2005	2004	2005	2004
	£	£	£	£
Expiry date				
- within one year	-	-	-	-
- between two and five years	-	198,248	-	5,373
	-	198,248	-	5,373

The lease agreements provide for the lessee to pay all insurance, maintenance and repair costs

A lease for land and buildings, with an expiry date of between two and five years and lease payment of £198,248 disclosed above, was cancelled with effect from 18 April 2005. An amount of £350,000 to cover dilapidations and surrender costs was paid to the landlord in May 2005 and the relevant share of the dilapidation cost had been accrued in the 2004 financial statements.

IPM Energy Limited
Notes to financial statements (continued)
For the year ended 31 December 2005

14 Notes to the cash flow statement

Reconciliation of operating loss to net cash flow from operating activities

	2005 £	2004 £
Operating (loss)/profit	(621,685)	557,997
Depreciation	13,594	392,653
Exceptional Item – Impairment of fixed assets	244,379	-
Increase in debtors	(705,747)	(1,291,670)
Increase/(decrease) in creditors	1,611,602	(6,983,142)
Net cash inflow/(outflow) from operating activities	542,143	(7,324,162)

Returns on investments and servicing of finance

	2005 £	2004 £
Interest received	17,384	14,037
Foreign exchange gain / (loss)	862	(8,105)
Net cash inflow from returns on investments and servicing of finance	18,246	5,932

Capital expenditure and financial investment

	2005 £	2004 £
Fixtures, fittings and equipment	-	(111,895)
Net cash outflow from capital expenditure and financial investments	-	(111,895)

Financing

	2005 £	2004 £
Loans received from subsidiary undertakings	-	7,944,615
Net cash inflow from financing	-	7,944,615

IPM Energy Limited
Notes to financial statements (continued)
For the year ended 31 December 2005

15 Analysis of changes in net debt

	At 1 January 2005	Exchange differences	Other non-cash movements	Cash flow	At 31 December 2005
	£	£	£	£	£
Cash at bank and in hand	1,438,990	-	-	560,389	1,999,379
Liquid resources	-	-	-	-	-
Debt due within one year	(7,944,615)	-	-	-	(7,944,615)
Debt due after one year	-	-	-	-	-
Total debt financing	(7,944,615)	-	-	-	(7,944,615)
Total net debt	(6,505,625)	-	-	560,389	(5,945,236)

	At 1 January 2004	Exchange differences	Other non-cash movements	Cash flow	At 31 December 2004
	£	£	£	£	£
Cash at bank and in hand	924,500	-	-	514,490	1,438,990
Liquid resources	-	-	-	-	-
Bank overdraft	-	-	-	-	-
Debt due within one year	-	-	-	(7,944,615)	(7,944,615)
Debt due after one year	-	-	-	-	-
Total debt financing	-	-	-	(7,944,615)	(7,944,615)
Total net debt	924,500	-	-	(7,430,125)	(6,505,625)

16 Related party disclosure

During the period, the Company carried out a number of transactions in the normal course of business with the following related parties, all of whom are undertakings controlled by International Power plc. There were no other related party transactions.

IPM Energy Company BV
IPM Energy Limited
IPM Generation Holdings
Rapid Energy Limited
IPM Royale
IPM Hydro (UK) Limited

IPM Energy Limited
Notes to financial statements (continued)
For the year ended 31 December 2005

16 Related party disclosure (continued)

The aggregate of the transactions and the year end balances with these related parties are shown below

	Year ended 31 December	Year ended 31 December
	2005	2004
	£	£
Transactions during the year		
Costs recharged by the Company	2,170,774	10,709,375
Costs recharged to the Company	38,691	-
Loans to the Company	-	7,944,615
Balances at the end of the year		
Amounts owed to the Company	9,049,349	8,615,490
Amounts owed by the Company	6,937,049	6,159,142

17 Ultimate parent company

The Company is a subsidiary undertaking of the ultimate parent company, International Power plc. The consolidated accounts of this group are available to the public and may be obtained from Senator House, 85 Queen Victoria Street, London, EC4V 4DP.