IPM Energy Limited

Directors' report and financial statements for the year ended
31 December 2011

Registered number 2704476

COMPANIES HOUSE

Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2011

Principal activities

The principal activity of the Company is to provide staffing and support services on behalf of other group undertakings This activity is continuing

During the year the company relocated its operations from Bala House, North Wales, to Senator House, London In addition, the company began to provide its services to International Power plc's wider generation portfolio rather than solely to First Hydro Company Staff were given the option to relocate or take voluntary redundancy

With effect from 3rd February 2011, following the reverse acquisition of International Power Plc by GDF Suez SA on that date, IPM Energy Limited's ultimate parent is GDF Suez SA, which is incorporated in France, and is headquartered in Paris, France

Business review

In 2011 the Company continued to provide staffing and support services to other group undertakings at cost plus a mark up of 7 5% (2010 – 7 5%)

As shown in the Company's profit and loss account on page 7, the Company's turnover increased by 26 5% compared to the prior year The increase is due to the increase in operating expenses, all of which are recharged

Operating expenses increased by 17% from 2010 to 2011 Reasons for this include an increase in salary related expenditure and a significant rise in travel & subsistence requirements derived from the integration process with GDF Suez in London

During 2011, there were exceptional items of £434,000 relating to severance pay and pension deficiency costs With the relocation of electricity trading activities from Bala House, North Wales, to Senator House, London, a number of staff chose to accept voluntary redundancy rather than relocation

Net interest receivable increased by 5% (£14,000) due to the increase in interest rates applicable to loans to group entities from 3 32 (2010) to 3 60 (2011)

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end The increase of shareholder's funds from £5,725,000 to £5,960,000 at end of the year was due to the profit arising during the year of £64,000 (2010 – Profit £123,000) along with an equity share based payment contribution from International Power plc of £171,000 (2010 – £205,000)

The directors do not recommend the payment of a dividend (2010 - £Nil)

Future developments

The Company will continue to provide staffing and support services on behalf of other group undertakings

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements

Directors' Report (continued)

Principal risks and uncertainties

The business provided services to IPM Marketing and Services Limited, which derives income from First Hydro Company From 1 January 2012 the business provides these services to International Power plc As a result, IPM Energy Limited ultimately depends on the financial strength of International Power plc for its continuing activities International Power plc is cash generative and is expected to continue to generate profits going forwards therefore minimal risks are associated with this customer base The company's functional currency is sterling

Going concern

The Company expects to be able to meet its liabilities as they fall due, as discussed in Note 1, and has therefore prepared these financial statements on the going concern basis

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements

Directors and directors' 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

D G Alcock	
S Pinnell	
T Takahashi	(resigned 8 Aug 2011)
S Smith	(resigned 31 Jan 2012)
A Garner	(appointed 31 Jan 2012)
I Kajimura	(appointed 8 Aug 2011)

Charitable contributions

The Company made no charitable contributions in the year (2010 – £Nil)

Political Donations

The Company made no political contributions in the year (2010 - £Nil)

Statement regarding the disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006

Directors' Report (continued)

Auditor

Deloitte LLP were appointed as auditor in the year ended 31 December 2011 Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office

By order of the Board

Director YUSAO KAJIMURA

Date 26 September 2012

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

Directors' Responsibilities Statement

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 United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

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

We have audited the financial statements of IPM Energy Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash flow Statement and the related notes 1 to 17 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Robert Knight FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans
United Kingdom
26 September 2012

Profit and Loss Account

	Notes	2011 £'000	2010 £'000
Turnover	1(c)	3,884	3,070
Operating expenses		(3,359)	(2,872)
Operating profit		525	198
Exceptional Items	5	(434)	-
Interest receivable	2	318	304
Interest payable	3	(253)	(241)
Foreign exchange loss		-	(6)
Profit on ordinary activities before taxation	4	156	255
Tax on profit on ordinary activities	7	(92)	(132)
Profit for the year	12	64	123

There are no recognised gains or losses in the year other than as stated in the profit and loss account Accordingly, a separate statement of Total Recognised Gains and Losses has not been prepared

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

The accounting policies and the notes on pages 10 to 24 form part of these financial statements

IPM Energy Limited
As at 31 December 2011

Balance Sheet

	Notes	2011 £'000	2010 £'000
Current assets			
Debtors			
– due within one year	8	2,275	1,627
– due after more than one year	8	9,330	9,034
Cash at bank and in hand		2,391	2,790
		13,996	13,451
Creditors Amounts falling due within one year	9	(2,163)	(580)
Net current assets		11,833	12,871,
Total assets less current liabilities		11,833	12,871
Creditors· Amounts falling due after one year	10	(5,873)	(7,146)
Net assets		5,960	5,725
Capital and reserves			
Called-up share capital	11	-	-
Profit and loss account	12	5,960	5,725
Shareholder's funds	12	5,960	5,725

The accounting policies and the notes on pages 10 to 24 form part of these financial statements

The financial statements on pages 7 to 24 were approved by the Board of Directors on 26 September 2012 and were signed on its behalf by

A Garner

Director

Registered number 2704476

Cash flow statement

	Notes	2011 £'000	2010 £'000
Net cash (outflow)/inflow from operating activities	14	135	857
Returns on investments and servicing of finance	14	2	1
Taxation		(102)	(284)
Exceptional Items	14	(434)	-
Net cash (outflow)/inflow before financing		(399)	574
Financing		-	-
(Decrease)/increase in cash in the year		(399)	574

The accounting policies and the notes on pages 10 to 24 form part of these financial statements

Reconciliation of net cash flow movement to movement in net funds

for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
(Decrease)/increase in cash in the year	15	(399)	574
Change in net funds resulting from non cash movements			
Exchange differences		-	(6)
Other non cash movements	15	59	69
Movement in net funds in the year		(340)	637
Net funds at beginning of the year		4,555	3,918
Net funds at end of the year	15	4,215	4,555

Notes to 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

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 on the going concern basis 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 2011 but has not elected for the early adoption of other published, but not effective, reporting standards

b) *Going Concern*

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the Directors' Report The Directors have prepared a cash flow forecast which, taking into account all reasonably possible changes in trading performance and in the light of uncertainties the Company faces as a result of the current economic environment, shows that the Company should be able to meets its liabilities as they fall due The directors have concluded, having regard to a letter of support received from FHH No1 Limited, the immediate parent company of IPM Marketing & Services Ltd that they are able to rely on the recovery of amounts owed by group undertakings to meet the Company's liabilities as they fall due The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

c) *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

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

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 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

Notes to Financial Statements (continued)

1 Accounting policies (continued)

d) Taxation (continued)

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 and other post-retirement benefits

The Company is a member of a defined benefit pension scheme, but is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis As a result the Company accounts for the scheme as if it were a defined contribution scheme as required by FRS 17 'Retirement benefits', resulting in an amount charged to the profit and loss account equal to the contributions payable to the scheme in respect of the accounting period The scheme is externally funded with the assets of the scheme held separately from those of the Company in separate Trustee administered funds

For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits 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

f) 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

g) Share-based payments

International Power plc, the ultimate parent undertaking of the Company up to the 2nd February 2011, issued equity-settled share based payments to certain staff of IPM Energy Limited Equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the date of grant of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on an estimate of the numbers of shares that will eventually vest The expense settled by International Power plc is treated as a capital contribution from a parent company

Notes to Financial Statements (continued)

1 Accounting policies (continued)

h) Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the terms of such investments at a consistent rate on the carrying amount

2 Interest receivable

	2011 £'000	2010 £'000
Interest receivable on short term bank deposits	1	1
Interest receivable on loans to group entities	317	303
Total interest receivable	318	304

3 Interest payable

	2011 £'000	2010 £'000
Interest payable on loans from group entities	253	241
Total interest payable	253	241

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2011 £'000	2010 £'000
Staff costs (Note 5)	3,218	3,025
Auditor's remuneration		
- Fees payable to the company's auditor for the audit of the company's annual accounts	7	8

There were no amounts payable to the company's auditor for non audit services (2010 £nil)

Notes to Financial Statements (continued)

5 Staff costs

The average monthly number of employees was

	2011 Number	2010 Number
Administration	10	10
Marketing	24	29
	34	39

Their aggregate remuneration comprised	2011 £'000	2010 £'000
Wages and salaries	2,631	2,488
Social security costs	273	254
Pension costs (note 14)	314	283
	3,218	3,025

	2011 £'000	2010 £'000
Exceptional Items		
Severance costs of restructuring	306	-
Pension deficiency costs	128	-
Total exceptional items	434	-
Tax on exceptional items	(115)	-

Due to the relocation of the electricity trading activities from Bala House in North-East Wales to Senator House in London, personnel were given the option to either relocate or accept voluntary redundancy The exceptional costs above are the result of staff opting for redundancy rather than relocation The costs associated with this restructuring project are only expected to occur during 2011 and early 2012

Notes to Financial Statements (continued)

6 Directors' remuneration

No remuneration was paid by IPM Energy Limited to directors during the year in respect of services to the Company (2010 – £nil) The aggregate emoluments of the Directors, in respect of services to the Company, paid by other International Power plc Group entities are as follows

	2011 £'000	2010 £'000
Directors Emoluments	-	5

Pensions

The number of directors who were members of the pension scheme by virtue of their employment was as follows

	2011 Number	2010 Number
Defined Benefit schemes	-	1

Share Options

The number of directors who exercised share options in International Power plc

	2011 Number	2010 Number
Number of Directors	-	2

7 Tax on profit on ordinary activities

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

	2011 £'000	2010 £'000
UK corporation tax – current tax - current period	71	109
Total current tax charge	71	109
Deferred – origination/reversal of timing differences	21	23
Total deferred tax charge	21	23
Total tax charge	92	132

The tax charge for the year is higher (2010 higher) than the standard rate of corporation tax in the UK (2011 26 5%, 2010 28%) as detailed below

Notes to Financial Statements (continued)

7 Tax on profit on ordinary activities (continued)

	2011 £'000	2010 £'000
Profit on ordinary activities	156	255
Profit on ordinary activities multiplied by the standard rate in the UK of 26 5% (2010 – 28%)	42	71
Effects of		
Non-deductible share-based payments contribution	45	58
Capital allowances for the year greater than depreciation	(16)	(20)
Current tax charge for the year	71	109

A deferred tax asset of 25% has been recognised in respect of deferred capital allowances at 31 December 2011 of £58,029 (2010 - £79,000) The rate applied to the deferred tax asset is that expected to apply when the timing difference reverses

On 29 March 2011, the Finance (No 3) Bill 2011 was introduced into the House of Commons which substantially enacted the change in the corporate tax rate in the UK to 26% from 1 April 2011 On 19 July 2011, Finance Act 2011 received Royal Assent which enacted the change in the corporate tax rate in the UK to 25% from 1 April 2012

8 Debtors.

	2011 £'000	2010 £'000
Amounts due within one year		
Amounts owed by group undertakings	2,275	1,626
Prepayments and accrued income	-	1
	2,275	1,627
Amounts due after more than one year		
Deferred tax asset (see note 7)	58	79
Amounts owed by group undertakings – loan capital	9,027	8,737
Amounts owed by group undertakings – loan interest	245	218
	9,330	9,034
	11,605	10,661

Notes to Financial Statements (continued)

8 Debtors: (continued)

Deferred Taxation at 25% (2010 – 27%)

	2011 £'000	2010 £'000
Balance brought forward	79	102
Net movement during the year for timing differences in respect of capital allowances	(21)	(23)
Balance carried forward	58	79

During 2008, intercompany current account debtor balances that were not expected to be repaid within 12 months, were replaced with long term intercompany interest bearing loans from the 1st January 2008

9 Creditors Amounts falling due within one year

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

	2011 £'000	2010 £'000
Corporation tax	30	60
Social security and PAYE	84	74
Accruals and deferred income	523	446
Amounts owed to group undertakings – loan capital	1,486	-
Amounts owed to group undertakings – loan interest	40	-
	2,163	580

10 Creditors. Amounts falling due after one year

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

	2011 £'000	2010 £'000
Amounts owed to group undertakings – loan capital	5,717	6,972
Amounts owed to group undertakings – loan interest	156	174
	5,873	7,146

During 2008, intercompany current account creditor balances that were not expected to be repaid within 12 months, were replaced with long term intercompany interest bearing loans from the 1st January 2008

Until 2010, the loan between IPM Energy and IPM Energy Co (UK) Ltd was considered a loan repayable after five years, this has now been re-classed as a loan due for payment on demand and included in note 9 creditors amounts falling due within one year

Notes to Financial Statements (continued)

10 Creditors. Amounts falling due after one year (continued)

	2011 £'000	2010 £'000
Amounts owed to group undertakings after five years	5,873	7,146
	5,873	7,146

11 Called-up share capital

	2011 £	2010 £
Allotted, called-up and fully paid		
2 ordinary shares of £1 each	2	2

12 Reconciliation of movements in shareholder's funds and reserves

	Share capital £'000	Profit and loss account £'000	Capital and reserves £'000
At 1 January 2011	-	5,725	5,725
Profit for the year	-	64	64
Equity share based payment contribution from International Power plc	-	171	171
At 31 December 2011	-	5,960	5,960

	Share capital £'000	Profit and loss account £'000	Capital and reserves £'000
At 1 January 2010	-	5,397	5,397
Profit for the year	-	123	123
Equity share based payment contribution from International Power plc	-	205	205
At 31 December 2010	-	5,725	5,725

Notes to Financial Statements (contınued)

13 Pension arrangements

FRS 17 'Retırement Benefıts'

The Company operates a defined benefit pensıon scheme, the assets of whıch are held separately from those of the Company The Company ıs a member of the pensıon scheme but ıs unable to ıdentıfy ıts share of the underlyıng assets and lıabılıtıes of the scheme on a consıstent and reasonable basıs and therefore, as requıred by FRS 17 'Retırement benefits', accounts for the scheme as ıf ıt were a defined contrıbutıon scheme As a result the amount charged to the Company's profıt and loss account represents the contrıbutıons of £178,732 (2010 – £155,502) payable to the scheme ın respect of the accountıng perıod, whıch equals to an employer contrıbutıon rate, excludıng the defıcıt repaır payments, of 18 5% of pensıonable pay (2010 – 18 5%) The employee contrıbutıon rate was 6% (2010 – 6%) The latest full actuarıal valuatıon of the Fırst Hydro Company Group of the Electrıcıty Supply Pensıon Scheme was carrıed out at 31 March 2010 by Hewıtt Bacon and Woodrow, consultıng actuarıes As at 31 December 2011 the assets amounted to £72 4m, (2010 - £61 7m) wıth lıabılıtıes of £93 3m (2010 - £85 0m), resultıng ın a fundıng defıcıt of £20 9m (2010 – £23 3m)

The valuatıon used for the FRS17 dısclosure below at 31 December 2011, has been based on a full assessment of the lıabılıtıes of the Fırst Hydro Company Group of the Electrıcıty Supply Pensıon Scheme as at 31 March 2010, updated by ındependent qualıfied actuarıes to reflect the requırements of FRS17

The followıng notes relate to the whole scheme, of whıch the IPM Energy Lımıted staff make up 17%, and reflects assumptıons updated at 31 December 2011, as ıf FRS17 had been fully adopted

Movements ın defined benefit oblıgatıon

	2011	2010
	£'000	£'000
Oblıgatıon at 1 January	**84,968**	71,021
Servıce cost	**2,049**	1,718
Interest cost	**4,450**	4,000
Actuarıal losses/(gaıns)	**3,044**	9,745
Scheme partıcıpant contrıbutıons	**432**	431
Benefits paıd, net of transfers ın	**(1,639)**	(1,947)
Oblıgatıon at 31 December	**93,304**	84,968

Analysıs of benefit oblıgatıon

	2011	2010
	£'000	£'000
Plans that are wholly funded	**93,304**	84,968
Total	**93,304**	84,968

Notes to Financial Statements (continued)

13 Pension arrangements (continued)

Movements in fair value of assets

	2011	2010
	£'000	£'000
Assets at 1 January	61,705	53,787
Expected return on assets	4,813	3,907
Actuarial (losses)/gains	(3,667)	3,839
Employer contributions	10,785	1,688
Scheme participant contributions	432	431
Benefits paid, net of transfers in	(1,639)	(1,947)
Assets at 31 December	72,429	61,705

Funded status

	2011	2010
	£'000	£'000
Funded status – deficit	(20,875)	(23,263)
Net amount unrecognised	(20,875)	(23,263)

Components of pension cost

The amounts charged to profit from operations, recorded in the income statement, in relation to the defined benefit pension plans were as follows

	2011	2010
	£'000	£'000
Service cost	2,049	1,718
Expected return on scheme's assets	(4,813)	(3,907)
Interest on scheme liabilities	4,450	4,000
Total pension cost recognised in the profit and loss account	1,686	1,811
Actuarial losses immediately recognised	6,711	5,906
Total pension cost recognised in statement of total recognised gains and losses	6,711	5,906

Notes to Financial Statements (continued)

13 Pension arrangements (continued)

Plan assets

	2011 £'000	2010 £'000
Equities	**33,897**	42,145
Bonds	**14,457**	10,181
Other	**24,075**	9,379
	72,429	61,705

To develop the expected long term return on assets assumption, the Company considered the current level of expected returns on government bonds, the historical level of the risk premium associated with the other asset classes in which the pension fund is invested and the expectations for future returns for each asset class The expected return for each asset class was then weighted based on the scheme's asset allocation to develop the expected long term return on assets assumption This resulted in the selection of an expected long term return on assets assumption of 7 03% to determine the pension cost for the year ended 31 December 2011 (7 23% for the year ended 31 December 2010) The expected long term return on assets assumption to determine the pension cost for the year ended 31 December 2012 is 5 17%

Assumptions used to determine benefit obligations

	2011 (% p a)	2010 (% p a)
Discount rate	**4.8**	5 3
Rate of increase in salaries	**4 7**	4 9
Inflation	**3 4**	3 6
Rate of increases to pensions in payment	**3.4**	3 6
Rate of increase in deferred pensions	**3.4**	3 6

Notes to Financial Statements (contınued)

13 Pensıon arrangements (contınued)

Assumptıons used to determıne pensıon cost for year ended

	2011 (% p.a.)	2010 (% p a)
Dıscount rate	5 3	5 7
Rate of ıncrease ın salarıes	4.9	5 2
Inflatıon	3 6	3 7
Rate of ıncreases to pensıons ın payment	3.6	3 7
Rate of ıncrease ın deferred pensıons	3.6	3 7
Expected long term rate of return on plan assets	7.0	7 2

Lıfe expectancy assumptıon used to determıne benefit oblıgatıons

	2011 (Years)	2010 (Years)
Lıfe expectancy for a member aged 60 at year end		
Men	27	26 8
Women	28 3	28 5
Lıfe expectancy for member aged 60 ın 20 years tıme		
Men	29	29 3
Women	30 3	30 1

Hıstory of experıence gaıns and losses for the whole of the scheme

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Dıfference between the expected and actual return on pensıon scheme assets					
Amount	3,667	3,839	5,235	(13,534)	1,030
Percentage of scheme assets	5 1%	6 2%	9 7%	30 0%	1 9%
Experıence (losses)/gaıns arısıng on the scheme lıabılıtıes					
Amount	(3121)	3	(657)	(186)	1,075
Percentage of the present value of scheme lıabılıtıes	3.3%	0 0%	0 9%	0 3%	1 9%
Total amount recognısed ın statement of total recognısed gaıns and losses					
Amount	6,711	5,906	5,262	8,877	(4,223)
Percentage of the present value of scheme lıabılıtıes	7 2%	6 95%	7 4%	15 5%	7 2%

Notes to Financial Statements (continued)

13 Pension arrangements (continued)

Contributions

The Group expects to make contributions of approximately £5,5m to the scheme during 2012 This figure is derived based on the schedule of contributions agreed following the 31 March 2010 actuarial valuation for funding purposes

Defined contribution scheme

The Company operates a defined contribution retirement benefit scheme for all qualifying employees who joined the Company after 1 June 2008 The assets of the scheme are held separately from those of the Company in funds under the control of trustees The total cost charged to the profit and loss account of £135,000 (2010 £155,000) represents contributions payable to the scheme by the Company at rates specified in the rules of the plan

14 Notes to the cash flow statement

Reconciliation of operating profit to net cash flow from operating activities

	2011 £'000	2010 £'000
Operating profit	525	198
Share-based payments charge	171	205
Increase in debtors	(648)	791
Increase in creditors	87	(337)
Net cash (outflow)/inflow from operating activities	135	857

Exceptional Items

	2011 £'000	2010 £'000
Exceptional Items	(434)	-
	(434)	-

Returns on investments and servicing of finance

	2011 £'000	2010 £'000
Interest received	2	1
Net cash inflow from returns on investments and servicing of finance	2	1

Notes to Financial Statements (continued)

15 Analysis of changes in net debt

	At 1 January 2011 £'000	Exchange differences £'000	Other non-cash movements £'000	Cash flow £'000	At 31 December 2011 £'000
Cash at bank and in hand	2,790	-	-	(399)	2,391
Debt due within one year	-		(1,486)		(1,486)
Debt due after one year	(6,972)	-	1,255	-	(5,717)
Amounts owed by group undertakings	8,737	-	290		9,027
Total debt financing	1,765	-	59	-	1,824
Total net debt	4,555	-	59	(399)	4,215

	At 1 January 2010 £'000	Exchange differences £'000	Other non-cash movements £'000	Cash flow £'000	At 31 December 2010 £'000
Cash at bank and in hand	2,222	(6)	-	574	2,790
Debt due after one year	(6,700)	-	(272)	-	(6,972)
Amounts owed by group undertakings	8,397	-	340		8,737
Total debt financing	1,697	-	68	-	1,765
Total net debt	3,919	(6)	68	574	4,555

The non-cash movement in respect of debt due after one year arises on the Company reclassifying the amounts owed to group undertakings from current liabilities to long term interest bearing loans

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

International Power plc
IPM Marketing and Services Limited
First Hydro Company
IPM International BV
IPM Eagle Services Limited
Deeside Power Limited
IPM Generation Holdings
IPM Victoria Generation Ltd
IPM Energy Company (UK) Ltd
IPM Hydro (UK) Limited

Notes to Financial Statements (continued)

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 2011 £'000	Year ended 31 December 2010 £'000
Transactions during the year		
Costs recharged by the Company	5,038	3,524
Costs recharged to the Company	-	26
Balances at the end of the year		
Amounts owed to the Company	11,547	10,581
Amounts owed by the Company	7,399	7,146

17 Ultimate parent company

With effect from 3 February 2011, following the reverse acquisition of International Power plc by GDF SUEZ S A on that date, the Directors consider the Company's ultimate holding company and controlling party to be GDF SUEZ S A which was incorporated in France and is headquartered in Paris, France The largest group in which the results of the Company were consolidated for the year ended 31 December 2011 was that headed by GDF SUEZ S A Copies of its consolidated financial statements are available from its registered office at 1 Place Samuel de Champlain, 92400 Courbevoie, Paris, France

The smallest group within which the company is consolidated is that headed by International Power plc

For the period from 1 January 2011 to 2 February 2011, the ultimate parent company was International Power plc, incorporated in the United Kingdom The consolidated financial statements of International Power plc may be obtained by calling or writing to International Power plc, Senator House, 85 Queen Victoria Street, London EC4V 4DP or by sending an email to ipr relations@iprplc-gdfsuez com, telephone +44 (0)20 7320 8600

The immediate parent company of IPM Energy Limited is Normantrail (UK Co 3) Limited which is incorporated in the UK and owns 100% of the ordinary share capital