

NATIONAL POWER AUSTRALIA INVESTMENTS LIMITED

Company No: 2782480

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2001



NATIONAL POWER AUSTRALIA INVESTMENTS LIMITED

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 December 2001.

Directors

The Directors who held office during the year were as follows:-

E Metcalfe
S Riley
P G Cox
D W Crane

The following director was appointed after the financial year end:-

A S J Ramsay (appointed 7.10.02)

Directors' Interests

The Directors of the Company had no beneficial interest in the share capital of the Company at the date of this report (31 December 2000: Nil).

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 (formerly National Power PLC), the Company's ultimate holding Company:

	Ordinary Shares		Executive Share Options		Sharesave Options	
	31/12/01	31/12/00	31/12/01	31/12/00	31/12/01	31/12/00
E Metcalfe	6,915	6,915	85,846	69,251	8,976	8,079
S Riley	15,195	15,195	101,364	79,024	5,152	5,505
P G Cox	10,000	-	-	-	8,976	6,750
D W Crane	14,000	4,000	-	-	8,976	6,750

Detailed below are the directors interests in share options held in International Power plc as at 31 December 2001:

E Metcalfe	Grant Date	Number of Options	Exercisable Price	Date Exercisable
(ESOS)	2.10.2000	7,120	306p	2000-2005
(ESOS)	2.10.2000	12,821	323p	2000-2006
(ESOS)	2.10.2000	11,276	386p	2000-2007
(ESOS)	2.10.2000	13,014	353p	2001-2008
(ESOS)	3.10.2000	25,020	312p	2003-2010
(ESOS)	22.03.2001	16,595	235p	2004-2011
(Sharesave)	18.04.2001	8,976	188p	2006
Held at 31.12.01		94,822		

NATIONAL POWER AUSTRALIA INVESTMENTS LIMITED

Directors' Report (continued)

Directors' Interests (continued)

S Riley	Grant Date	Number of Options	Exercisable Price	Date Exercisable
(ESOS)	2.10.2000	11,327	306p	2000-2005
(ESOS)	2.10.2000	10,953	323p	2000-2006
(ESOS)	2.10.2000	10,685	386p	2000-2007
(ESOS)	2.10.2000	12,379	353p	2001-2008
(ESOS)	3.10.2000	33,680	312p	2003-2010
(ESOS)	22.03.2001	22,340	235p	2004-2011
(Sharesave)	18.04.2001	5,152	188p	2004

Held at 31.12.01	<u>106,516</u>
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P G Cox	Grant Date	Number of Options	Exercisable Price	Date Exercisable
(Sharesave)	1.05.2001	8,976	188p	2006

Held at 31.12.01	<u>8,976</u>
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D W Crane	Grant Date	Number of Options	Exercisable Price	Date Exercisable
(Sharesave)	1.05.2001	8,976	188p	2006

Held at 31.12.01	<u>8,976</u>
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None of the directors exercised share options in International Power plc during the year.

The daily market quotation for an Ordinary Share of the Company during the year ranged from 189.5p to 327.25p.

Principal Activities and Business Review

The Company has a 51.94% interest in Hazelwood Power Partnership (HPP) which operates a 1,600MW power station and is registered in the State of Victoria, Australia. The Company also has a 50% interest in Australian Power Partners BV and a 100% interest in European Power Holdings BV, which are both registered in the Netherlands.

Results and Dividends

The results of the Company are as follows:

	Year ended 31 December 2001 £000	Nine month period ended 31 December 2000 £000
Profit for the financial year/period	<u>15,065</u>	<u>5,523</u>

The directors do not recommend the payment of a dividend for the year.

NATIONAL POWER AUSTRALIA INVESTMENTS LIMITED

Directors' Report (continued)

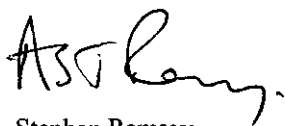
Change of Accounting Reference Date

During the prior period, the Company changed its accounting reference date from 31 March to 31 December. Therefore the comparative information represents the nine months to 31 December 2000.

Auditor

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'AS Ramsay', is written over the typed name.

Stephen Ramsay
Company Secretary
8 October 2002

NATIONAL POWER AUSTRALIA INVESTMENTS LIMITED

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that year. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining 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 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.

NATIONAL POWER AUSTRALIA INVESTMENTS LIMITED

Independent Auditor's Report to the Members of National Power Australia Investments Limited

We have audited the financial statements on pages 7 to 11.

Respective responsibilities of directors and auditor

The Directors are responsible for preparing the Directors' report and, as described on page 5, the financial statements in accordance with applicable UK law and Accounting Standards. Our responsibilities, as independent auditor, are established in the UK by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of Audit 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 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 as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London EC4Y 8BB
8 October 2002

NATIONAL POWER AUSTRALIA INVESTMENTS LIMITED

Profit and Loss Account

For the Year Ended 31 December 2001

	Notes	Year ended 31 December 2001 £000	Nine month period ended 31 December 2000 £000
Operating costs	4	(3,928)	-
Net exchange gain on retranslation		13,818	1,067
Profit on ordinary activities before interest		9,890	1,067
Interest receivable and similar income	2	5,175	4,456
Profit on ordinary activities before taxation		15,065	5,523
Tax on profit on ordinary activities	5	-	-
Profit for the financial year/period	10	15,065	5,523

The Company had no other recognised gains or losses for the year.

The notes on pages 9 to 11 form part of these financial statements.

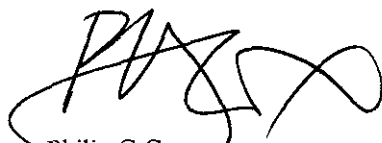
NATIONAL POWER AUSTRALIA INVESTMENTS LIMITED

Balance Sheet As at 31 December 2001

	Notes	31 December 2001 £000	31 December 2000 £000
Fixed assets			
Investment in subsidiary undertakings	6	210,642	206,335
Current assets			
Debtors	7	194,649	197,851
Net current assets		194,649	197,851
Total assets less current liabilities		405,291	404,186
Creditors: amounts due after more than one year	8	(348,707)	(362,667)
Net assets employed		56,584	41,519
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account		56,584	41,519
Equity shareholders' funds	10	56,584	41,519

The notes on pages 9 to 11 form part of these financial statements.

Approved by the Board of Directors on 8 October 2002 and signed on its behalf by:-



Philip G Cox
Director

NATIONAL POWER AUSTRALIA INVESTMENTS LIMITED

Notes To The Accounts

1. Accounting Policies

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

a. Basis of Preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable accounting standards.

Under section 228 of the Companies Act 1985, the Company is exempt from the requirement to prepare consolidated group accounts on the grounds that its results are included in the accounts of its parent undertaking International Power plc. Consequently, the financial statements present information about the Company as an individual undertaking and not about its group.

b. Foreign Currencies

Transactions denominated in foreign currencies arising in the normal course of business are translated into sterling at the exchange rate ruling on the date payment takes place. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising in the normal course of business and on the translation of monetary assets and liabilities are dealt with in the profit and loss account.

Fixed asset investments were fixed in sterling at the rate of exchange at 31 December 2000. Therefore there were no exchange differences on retranslation of the net investment for the year ended 31 December 2001.

c. Interest

Interest is charged to the profit and loss account as incurred.

d. Fixed Asset Investments

Fixed asset investments are stated at cost less provision for any impairment.

e. Cash Flow Statement

Under FRS1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking included within publicly available consolidated financial statements.

2. Interest

	Year ended 31 December 2001 £000	Nine month period ended 31 December 2000 £000
Interest receivable and similar income:		
On loans receivable after more than one year	5,175	4,456

3. Directors' and Employees' Remuneration

None of the Directors received any fees or emoluments during the year directly attributable to their positions within the Company (nine month period ended 31 December 2000: Nil). The Company had no employees during this year or the previous financial period.

NATIONAL POWER AUSTRALIA INVESTMENTS LIMITED

Notes To The Accounts (continued)

4. Operating Costs

	Year ended 31 December 2001 £000	Nine month period ended 31 December 2000 £000
Write off of intercompany balance	3,928	-

5. Tax on Profit on Ordinary Activities

	Year ended 31 December 2001 £000	Nine month period ended 31 December 2000 £000
Corporation taxation	-	-

The company has no tax payable as it currently receives group tax relief.

6. Fixed Asset Investments

The Company has a 51.94% interest in Hazelwood Power Partnership (HPP) which is registered in the State of Victoria, Australia. The Company also has a 50% interest in Australian Power Partners BV and a 100% interest in European Power Holdings BV which are both registered in the Netherlands.

Investment in subsidiary undertakings:

At 1 January 2001	206,335
Additions	4,307
At 31 December 2001	210,642

At 31 March 2000 the carrying value of International Power plc Group's fixed asset investment in HPP was impaired by £125.1million, due to an expectation of a fall in future electricity prices in its operating market. The impairment was based on estimates of future discounted cash flows arising from this investment. The impact on the Company's balance sheet was a £65 million impairment to the carrying value of its investment in HPP and was charged to the profit and loss account as an exceptional item in the year ended 31 March 2000.

At 31 December 2001, the Directors are of the opinion that the fair value of the investments are not materially different to the book value.

7. Debtors

	31 December 2001 £000	31 December 2000 £000
Amounts due after more than one year:		
Amounts due from parent company	98,295	98,946
Amounts due from subsidiary	96,354	98,905
	194,649	197,851

NATIONAL POWER AUSTRALIA INVESTMENTS LIMITED

Notes To The Accounts (continued)

8. Creditors

	31 December 2001 £000	31 December 2000 £000
Amounts due after more than one year:		
Amounts due to parent company	341,514	355,060
Amounts due to subsidiary	7,193	7,607
	<u>348,707</u>	<u>362,667</u>

There is neither a fixed repayment schedule nor a loan service requirement on amounts due to the parent and subsidiary companies.

9. Share Capital

	31 December 2001 £	31 December 2000 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

10. Reconciliation of Movement in Shareholders' Funds

	£000
At 1 January 2001	41,519
Profit for the financial year	<u>15,065</u>
At 31 December 2001	<u>56,584</u>

11. Related Party Disclosure

As at 31 December 2001, the Company was a wholly owned subsidiary of International Power plc. The Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

The consolidated financial statements of International Power plc within which this Company is included, can be obtained from the address given in note 12.

12. Controlling Party and Ultimate Parent Undertaking

As at 31 December 2001, National Power Australia Investments Limited was controlled by International Power plc.

As at 31 December 2001, the smallest and largest higher group of undertakings for which group accounts are prepared was for International Power plc.

As at 31 December 2001, International Power plc was the Company's ultimate holding company. Copies of the accounts of International Power plc may be obtained from the following address:

Senator House
85 Queen Victoria Street
London
EC4V 4DP