

**NATIONAL POWER (KOT ADDU) LIMITED**

**Company No: 3184309**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2005**

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## NATIONAL POWER (KOT ADDU) LIMITED

### Directors' report

The Directors present their report and audited financial statements for the year ended 31 December 2005.

### Principal activities and business review

The Company has a 36% interest in Kot Addu Power Company Ltd ("KAPCO"), which owns a 1600MW oil and gas fired combined cycle plant in Pakistan. The Company acts as a holding company for this investment.

### Directors

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

A S J Ramsay  
M D Williamson

### Directors' interests

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

	Ordinary Shares		Executive Share Options		Sharesave Options	
	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04
A S J Ramsay	26,727	17,226	324,341	282,500	20,499	20,499

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

A S J Ramsay	Grant Date	Number of Options	Exercisable Price	Date Exercisable
Unapproved ESOS	02.12.1997	6,317	343.73p	2000-2007
Unapproved ESOS	01.12.1998	7,579	313.92p	2001-2008
Unapproved ESOS	03.10.2000	32,155	277.55p	2003-2010
Approved ESOS	03.10.2000	5,674	277.55p	2003-2010
Unapproved ESOS	22.03.2001	18,282	209.22p	2004-2011
Approved ESOS	22.03.2001	6,810	209.22p	2004-2011
Unapproved ESOS	24.05.2002	38,681	174.50p	2005-2012
Unapproved ESOS	10.03.2003	108,311	62.32p	2006-2013
Unapproved ESOS	02.03.2004	58,691	123.53p	2007-2014
Unapproved ESOS	11.03.2005	41,841	179.25p	2008-2015
Sharesave (5 yr)	01.10.2002	20,499	80.12p	2007-2008
<b>Held at 31.12.05</b>		<b>344,840</b>		

The daily market quotation for an Ordinary Share of International Power plc during the period ranged from 153.50p to 252.25p. The mid market price as at 31 December 2005 was 239.50p.

# NATIONAL POWER (KOT ADDU) LIMITED

## Directors' report (continued)

### Shares held in trust

As at 31 December 2005, 2,081,573 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 those shares. Details of the International Power employee share plans, for which these shares may be utilised, are disclosed in the International Power plc Annual Report 2005.

### 2002 Performance Share Plan

The following Conditional Awards were made to the Directors under the Rules of the International Power 2002 Performance Share Plan:

	No. of shares under award as at 1 January 2005	Conditional awards made/(lapsed) 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 December 2004
A S J Ramsay	38,681	(38,681)	24.05.2002	174.50p	31.12.04	-
	108,312	-	10.03.2003	62.32p	31.12.05	108,312
	58,691	-	02.03.2004	123.53p	31.12.06	58,691
	-	41,841	11.03.2005	179.25p	31.12.07	41,841
<b>Total Options</b>	<b>205,684</b>	<b>3,160</b>				<b>208,844</b>

### Future prospects

KAPCO generates power for the Water and Power Development Authority of Pakistan (WAPDA), under a 25-year agreement.

### Results and dividends

The results of the Company are as follows:

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Profit for the financial year	22,123	11,535

The Directors approved dividends of £13,000,000 and £12,500,000 on 30 June 2005 and 30 November 2005 respectively (2004: £9,000,000).

### Capital reserve

Pursuant to a letter dated 9 August 2005, International Power plc decided to make a capital contribution (the "Capital Contribution") to the Company, by capitalising the balance as at 31 December 2004 of the intercompany sterling loan owed by the Company to International Power plc. The Capital Contribution is non-repayable and non-refundable, and constitutes a non-distributable reserve. The effective date of the Capital Contribution is 1 January 2005.

**NATIONAL POWER (KOT ADDU) LIMITED**

**Directors' report (continued)**

**Auditor**

In accordance with section 386 of the Companies Act 1985, the Directors of the Company have passed an elective resolution, in order to dispense with the obligation to appoint auditors annually. KPMG Audit Plc will continue to act as auditor of the Company.

**By order of the Board**

A handwritten signature in black ink, appearing to read 'A S J Ramsay', written in a cursive style.

**A S J Ramsay**  
**Company Secretary**

**23 June 2006**

## **NATIONAL POWER (KOT ADDU) LIMITED**

### **Statement of Directors' responsibilities**

*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.*

## **Independent auditor's report to the members of National Power (Kot Addu) Limited**

We have audited the financial statements of National Power (Kot Addu) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds 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**

As described in the Statement of Directors' Responsibilities on page 5, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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.

### **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 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

26 June 2006

8 Salisbury Square  
London  
EC4Y 8BB

**NATIONAL POWER (KOT ADDU) LIMITED****Profit and loss account  
for the year ended 31 December 2005**

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Operating expenses		(38)	-
<b>Operating loss from ordinary activities</b>		(38)	-
Investment income	4	23,958	12,470
<b>Profit on ordinary activities before taxation</b>		23,920	12,470
Tax on profit on ordinary activities	5	(1,797)	(935)
<b>Profit for the financial year</b>		22,123	11,535

The Company had no other recognised gains or losses in either the current or preceding year.

The notes on pages 10 to 13 form part of these financial statements.

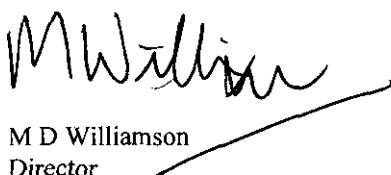
# NATIONAL POWER (KOT ADDU) LIMITED

## Balance sheet as at 31 December 2005

	Notes	31 December 2005 £'000	31 December 2004 £'000
<b>Fixed assets</b>			
Other investment	6	97,416	97,416
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	237	237
Creditors: amounts falling due within one year	8	(23,400)	(23,400)
<b>Net current liabilities</b>		(23,163)	(23,163)
<b>Total assets less current liabilities</b>		74,253	74,253
Creditors: amounts falling due after more than one year	9	(3,377)	(69,330)
<b>Net assets employed</b>		70,876	4,923
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Capital reserve	11	69,330	-
Profit and loss account	11	1,546	4,923
<b>Equity shareholders' funds</b>		70,876	4,923

The notes on pages 10 to 13 form part of these financial statements.

These financial statements were approved by the Board of Directors on 23 June 2006 and signed on its behalf by:

  
M D Williamson  
Director

# **NATIONAL POWER (KOT ADDU) LIMITED**

## **Reconciliation of movements in shareholders' funds for the year ended 31 December 2005**

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Shareholders' funds at beginning of year		4,923	2,388
Capital contribution	11	69,330	-
Profit for the financial year	11	22,123	11,535
Dividends	11	<u>(25,500)</u>	<u>(9,000)</u>
<b>Shareholders' funds at end of year</b>		<u><b>70,876</b></u>	<u><b>4,923</b></u>

The notes on pages 10 to 13 form part of these financial statements.

# NATIONAL POWER (KOT ADDU) LIMITED

## Notes to the accounts

### 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 adoption of these new standards had no material effect on the Company's results or position. 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. 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 its group.

#### b. Cash flow statement

Under FRS 1, 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.

#### c. Fixed asset investments

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

#### d. 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 the transaction takes place unless related or matching forward foreign exchange contracts have been entered into, when the rate specified in the contract is used. 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.

#### e. Dividends on shares presented with shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### 2. Directors' and employees' remuneration

None of the Directors received any fees or emoluments during the period directly attributable to their positions within the Company (2004: £nil). The Company had no employees during this financial period or the previous financial year.

### 3. Auditor's remuneration

The auditor's remuneration is borne by International Power plc, the Company's ultimate holding company.

# NATIONAL POWER (KOT ADDU) LIMITED

## Notes to the accounts (continued)

### 4. Investment income

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Dividends received from fixed asset investments	23,958	12,470

### 5. Tax on profit on ordinary activities

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Analysis of charge in period		
Foreign tax	1,797	935
Current tax reconciliation		
Profit on ordinary activities before taxation	23,920	12,470
Current tax charge at 30% (2004: 30%)	7,176	3,741
Double tax relief	(5,379)	(2,806)
Total current tax charge	1,797	935

### 6. Fixed asset investments

The Company has the following investments in associates:

Name and nature of business	Country of incorporation and registration	Type of share	Ownership
Kot Addu Power Company Limited (power generation)	Pakistan	Ordinary shares	36%
			£'000

At 1 January 2005 and 31 December 2005 97,416

On 21 February 2005, the third party holder of the remaining 64% interest in KAPCO, sold 20% of the shareholding in KAPCO via an Initial Public Offering (IPO) on the Karachi Stock Exchange at an issue price of 30 Rupees per share.

### 7. Debtors: amounts falling due within one year

	31 December 2005 £'000	31 December 2004 £'000
Amounts due from group undertakings	237	237

# NATIONAL POWER (KOT ADDU) LIMITED

## Notes to the accounts (continued)

### 8. Creditors: amounts falling due within one year

	31 December 2005 £'000	31 December 2004 £'000
Amounts due to group undertakings	62	62
Taxation	23,338	23,338
	<u>23,400</u>	<u>23,400</u>

### 9. Creditors: amounts falling due after more than one year

	31 December 2005 £'000	31 December 2004 £'000
Amounts due to group undertakings	3,377	69,330
Amounts falling due: Between one and two years	<u>3,377</u>	<u>69,330</u>

There is neither a fixed repayment schedule nor a loan service requirement on amounts due to the group undertakings.

### 10. Share capital

	31 December 2005 £	31 December 2004 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Issued and fully paid</b>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 11. Reserves

	Share capital £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
<b>Balance as at 1 January 2005</b>	-	-	4,923	4,923
Capital contribution	-	69,330	-	69,330
Profit for the year	-	-	22,123	22,123
Dividends	-	-	(25,500)	(25,500)
<b>Balance as at 31 December 2005</b>	<u>-</u>	<u>69,330</u>	<u>1,546</u>	<u>70,876</u>

Pursuant to a letter dated 9 August 2005, International Power plc decided to make a capital contribution (the "Capital Contribution") to the Company, by capitalising the balance as at 31 December 2004 of the intercompany sterling loan owed by the Company to International Power plc. The Capital Contribution is non-repayable and non-refundable, and constitutes a non-distributable reserve. The effective date of the Capital Contribution is 1 January 2005.

The Directors approved dividends of £13,000,000 and £12,500,000 on 30 June 2005 and 30 November 2005 respectively (2004: £9,000,000).

## **NATIONAL POWER (KOT ADDU) LIMITED**

### **Notes to the accounts (continued)**

#### **12. Related party disclosure**

As at 31 December 2005, 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 13.

#### **13. Controlling party and ultimate parent undertaking**

As at 31 December 2005, National Power (Kot Addu) Limited was controlled by International Power plc.

As at 31 December 2005, the smallest and largest higher group of undertakings for which group accounts are prepared was for International Power plc.

As at 31 December 2005, 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