

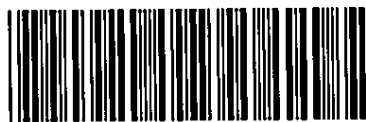
NATIONAL POWER (KOT ADDU) LIMITED

Company No: 3184309

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2008

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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 2008.

Principal activities

The Company has a 36% interest in Kot Addu Power Company Ltd ("KAPCO"), which owns the 1600MW oil and gas fired combined cycle plant in Pakistan. KAPCO generates power for the Water and Power Development Authority of Pakistan (WAPDA), under a 25-year agreement. The Company acts as a holding company for this investment.

Business review

The results of the Company are as follows:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit for the financial year	36,021	14,226

As shown in the profit and loss account on page 6, the profit before tax for the year ended 31 December 2008 has reduced due to lower investment income and intercompany loans being interest bearing from 1 January 2008. The total profit however has increased due to a prior year tax credit arising from the settlement of prior year tax returns.

The balance sheet on page 7 of the financial statements shows the Company's financial position at the year end. The net assets have increased by £23.150 million as a result of the profit for the year less dividends paid.

The Directors approved payment of interim dividends of £7.446 million and £5.425 million on 22 May 2008 and 16 December 2008 respectively (2007: £14.225 million).

Future developments

The Company has no significant future developments to report.

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

Principal risks and uncertainties

Currency risk

The company is exposed to foreign exchange risk on dividends or other funds remitted from the Company's overseas investment.

For 2008 and 2007 average and year-end sterling rates for the major currencies which are significant to the Company, were:

	Average		Year end	
	2008	2007	2008	2007
US dollar	1.8521	2.0024	1.4378	1.9906
Pakistan rupees	129.1166	121.7092	113.7620	122.6710

Directors

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

A S J Ramsay
M D Williamson

Employees

Details of the number of employees and related costs can be found in note 2 to the financial statements.

NATIONAL POWER (KOT ADDU) LIMITED

Directors' report (continued)

Directors' and officers' liability insurance

During the year ended 31 December 2008, the Company's ultimate parent company, International Power plc, maintained insurance for the Directors to indemnify them against certain liabilities which they may incur in their capacity as Directors or officers of the Company, including liabilities in respect of which the Company itself is unable to provide an indemnity.

Charitable donations

The Company made no charitable or political donations in the year (2007: £nil).

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Board



M D Williamson

Director

28 October 2009

NATIONAL POWER (KOT ADDU) LIMITED

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 applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholder's 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

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 4.

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.

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 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit 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.

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KPMG Audit Plc
Chartered accountants
Registered auditor
28 October 2009

8 Salisbury Square
London
EC4Y 8BB

NATIONAL POWER (KOT ADDU) LIMITED

Profit and loss account for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Investment income	4	13,881	15,379
Interest receivable and other income	5	42	-
Interest payable and similar charges	6	(262)	-
Profit on ordinary activities before taxation		13,661	15,379
Tax on profit on ordinary activities	7	22,360	(1,153)
Profit for the financial year		36,021	14,226

The Company had no other recognised gains or losses for the year (2007: £nil).

The notes on pages 9 to 12 form part of these financial statements.

NATIONAL POWER (KOT ADDU) LIMITED

Balance sheet as at 31 December 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
Fixed assets			
Investment in associate	8	97,416	97,416
Current assets			
Debtors: amounts falling due within one year	9	342	236
Creditors: amounts falling due within one year	10	(3,730)	(23,400)
Net current liabilities		(3,388)	(23,164)
Total assets less current liabilities		94,028	74,252
Creditors: amounts falling due after more than one year	11	-	(3,374)
Net assets		94,028	70,878
Capital and reserves			
Called up share capital	12	-	-
Capital reserve	13	69,330	69,330
Profit and loss account	13	24,698	1,548
Equity shareholders' funds		94,028	70,878

The notes on pages 9 to 12 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 28 October 2009 and signed on its behalf by:



M D Williamson
Director

NATIONAL POWER (KOT ADDU) LIMITED

Reconciliation of movements in shareholder's funds for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Shareholder's funds at beginning of year		70,878	70,877
Capital contribution	13	-	-
Profit for the financial year	13	36,021	14,226
Dividends paid	13	(12,871)	(14,225)
Shareholder's funds at end of year		94,028	70,878

The notes on pages 9 to 12 form part of these financial statements.

NATIONAL POWER (KOT ADDU) LIMITED

Notes to the financial statements for the year ended 31 December 2008

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. 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. Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

d. Interest expense

Interest expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount.

e. Fixed asset investments

Fixed asset investments are stated at cost less provision for any impairment. Dividend income from fixed asset investments is recognised in the profit and loss account when the Company's rights to receive payment have been established.

f. 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.

g. Dividends on shares presented with shareholder's 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 no 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 (2007: £nil). The Company had no employees during this financial period or the previous financial year.

NATIONAL POWER (KOT ADDU) LIMITED

Notes to the financial statements (continued) for the year ended 31 December 2008

3. Auditor's remuneration

The auditor's remuneration of £2,830 in respect of the statutory audit for 2008 (2007: £2,700) is borne by International Power plc, the Company's ultimate holding company.

4. Investment income

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Dividends received from fixed asset investments	13,881	15,379

5. Interest receivable and similar income

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Interest receivable from group undertakings	42	-

6. Interest payable and similar charges

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Interest payable to group undertakings	262	-

7. Tax on profit on ordinary activities

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Analysis of (credit)/charge in period		
Current tax	(63)	-
Prior year tax adjustment	(23,338)	-
Foreign tax	1,041	1,153
	(22,360)	1,153

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Current tax reconciliation		
Profit on ordinary activities before taxation	13,661	15,379
Current tax charge at 28.5% (2007: 30%)	3,893	4,614
Double tax relief	(3,956)	(4,614)
Prior year tax adjustment – group relief received for nil payment	(23,338)	-
Withholding tax suffered	1,041	1,153
Total current tax (credit)/charge	(22,360)	1,153

NATIONAL POWER (KOT ADDU) LIMITED

Notes to the financial statements (continued) for the year ended 31 December 2008

8. 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 2008 and 31 December 2008			<u>97,416</u>

At 31 December 2008 and 31 December 2007, the Directors are of the opinion that the fair value of the investments is not materially different to the book value.

9. Debtors: amounts falling due within one year

	31 December 2008 £'000	31 December 2007 £'000
Amounts due from group undertakings	279	236
UK corporation taxation	63	-
	<u>342</u>	<u>236</u>

10. Creditors: amounts falling due within one year

	31 December 2008 £'000	31 December 2007 £'000
Amounts due to group undertakings	3,730	62
Taxation	-	23,338
	<u>3,730</u>	<u>23,400</u>

11. Creditors: amounts falling due after more than one year

	31 December 2008 £'000	31 December 2007 £'000
Amounts due to group undertakings	-	3,374
Amounts falling due: After more than five years	-	3,374

12. Share capital

	31 December 2008 £	31 December 2007 £
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>

NATIONAL POWER (KOT ADDU) LIMITED

Notes to the financial statements (continued) for the year ended 31 December 2008

13. Reserves

	Share capital £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
Balance as at 1 January 2008	-	69,330	1,548	70,878
Profit for the year	-	-	36,021	36,021
Dividends	-	-	(12,871)	(12,871)
Balance as at 31 December 2008	-	69,330	24,698	94,028
	Share capital £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
Balance as at 1 January 2007	-	69,330	1,547	70,877
Profit for the year	-	-	14,226	14,226
Dividends	-	-	(14,225)	(14,225)
Balance as at 31 December 2007	-	69,330	1,548	70,878

The Directors approved payment of interim dividends of £7.446 million and £5.425 million on 22 May 2008 and 16 December 2008 respectively (2007: £14.225 million).

14. Related party disclosure

As at 31 December 2008 and 31 December 2007, 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 15.

15. Controlling party and ultimate parent undertaking

As at 31 December 2008 and 31 December 2007, National Power (Kot Addu) Limited was controlled by International Power plc.

As at 31 December 2008 and 31 December 2007, the smallest and largest higher group of undertakings for which group accounts are prepared was International Power plc.

As at 31 December 2008 and 31 December 2007, 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