

INTERNATIONAL POWER FUEL COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2009

THURSDAY



AWWJQM30

A35

29/07/2010

424

COMPANIES HOUSE

Directors' Report

The Directors present their report on the affairs of International Power Fuel Company Limited, the "Company", together with the financial statements and auditor's report for the year ended 31 December 2009

Principal Activity

The principal activity of the Company is the procurement of fuel for resale together with associated logistical requirements

Business Review

As can be seen from the Company's profit and loss account on page 7, turnover has increased by 267% The Company is showing a loss before tax of £2,290k compared to a loss before tax in 2008 of £25k The increase in turnover compared to 2008 is a result of more coal being procured for the on sale to Rugeley Power Limited (2008 was an outage year for Rugeley Power Limited)

During May 2008 the Company started to hold stock on its books rather than immediately selling all coal purchased on to Rugeley Power Limited

Results and Dividends

No dividend was paid during the year and the Directors do not recommend the payment of a final dividend (2008 £nil)

Directors

The following Directors, who held office during the year and subsequent to the year end were

G Griffiths
R I Kendrick
S Riley (Resigned 25 March 2010)
P M Sanderson
S Smith (Appointed 25 March 2010)
T Takahashi

Employees

As disclosed in note 2 to the financial statements the Company has no employees Staff costs are borne by another group company

Supplier Payment Policy

The policy of the Company is to agree the payment terms with suppliers at the time of entering into contracts for supply In the main the payment terms are based on industry wide standards The Company's average number of days outstanding in respect of trade creditors as at 31 December 2009 was 20 days (2008 14 days)

Directors' Report (continued)

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 office

By order of the Board



G Griffiths
Director
22 July 2010

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 and applicable law (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 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 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 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report to the members of International Power Fuel Company Limited

We have audited the financial statements of International Power Fuel Company Limited for the year ended 31 December 2009, set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' 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 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

**Independent auditors' report to the members of International Power Fuel Company Limited
(Continued)**

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

Richard Pinckard

Richard Pinckard (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

28 July 2010

Profit and Loss Account
For the Year Ended 31 December 2009

	Notes	2009 £000	2008 £000
Turnover	3	236,494	64,406
Cost of sales		<u>(235,048)</u>	<u>(64,111)</u>
Gross profit		1,446	295
Administrative expenses		<u>(186)</u>	<u>(92)</u>
Operating profit		1,260	203
Net interest payable and similar charges	5	<u>(3,550)</u>	<u>(228)</u>
Loss on ordinary activities before taxation		(2,290)	(25)
Tax on (loss)/profit on ordinary activities	6	<u>(340)</u>	<u>360</u>
(Loss)/Profit for the financial year		<u>(2,630)</u>	<u>335</u>

The Company had no other recognised gains or losses in either the current or preceding financial year. All results arose from continuing operations.

The notes on pages 11 to 16 form part of these financial statements.

INTERNATIONAL POWER FUEL COMPANY

COMPANY NO 3867156

Balance Sheet
As at 31 December 2009

	Notes	2009 £000	2008 £000
Current assets			
Stock	7	34,144	96,729
Debtors amounts falling due within one year	8	6,165	25,985
Cash at bank and in hand		488	324
Total current assets		40,797	123,038
Creditors amounts falling due within one year	9	(42,471)	(122,082)
Net current assets and total assets less current liabilities		(1,674)	956
Net (liabilities)/assets employed		(1,674)	956
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	(1,674)	956
Equity shareholders' (deficit)/funds		(1,674)	956

The notes on pages 11 to 16 form part of these financial statements

These financial statements were approved by the Board of Directors on 22 July 2010 and signed on its behalf by



T Takahashi
Director

Cash flow Statement
For the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Net inflow/(outflow) from operating activities		82,665	(113,471)
Returns on investments and servicing of finance	12	202	2,300
Taxation	12	186	
Net cash inflow/(outflow) before financing		83,053	(111,171)
Financing	12	(82,889)	111,289
Increase in cash during the year		164	118
Reconciliation of operating profit to operating cash flows		2009 £000	2008 £000
Operating profit		1,260	203
Decrease/(increase) in stocks		62,585	(96,729)
Decrease/(increase) in debtors		13,379	(15,273)
Increase/(decrease) in creditors		5,441	(1 672)
Net cash inflow/(outflow) from operating activities		82,665	(113,471)

Reconciliation of Movements in Shareholders' Funds For the Year Ended 31 December 2009	2009 £000	2008 £000
Shareholders' funds at start of year	956	621
(Loss/profit for the financial year	(2,630)	335
Shareholder' (deficit)/funds at end of year	(1,674)	956

The notes on pages 11 to 16 form part of these financial statements

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

a Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

The parent company have confirmed they will not call for repayment of its loan until the resources of the company permit and will continue to supply financial support to the Company for 12 months after these financial statement have been signed. Therefore, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

b. Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate 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

c. Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

d Turnover

Turnover comprises mainly of the sale of coal to a fellow group company – Rugeley Power Limited and is recognised on the basis of invoiced value, excluding Value Added Tax. Turnover is recognised when the risk and reward of ownership has passed

e. Stocks

Stocks are stated at the lower of cost and net realisable value

2. Directors' and Employees' Remuneration**a Directors' Remuneration**

The Directors did not receive any fees or emoluments during the year directly attributable to their position within the Company (2008 £nil)

Notes to the accounts (continued)**b. Employees' Remuneration and Employee Numbers**

The Company has no employees. In both 2009 and 2008 staff costs were borne by another group company.

3. Analysis of Turnover

In the opinion of the Directors, the Company has one class of business, namely the sale of coal to other group companies. All turnover and profit arose in the UK.

4. Operating Profit

	2009	2008
	£000	£000
Operating Profit is stated after charging		
Auditors' Remunerations		
Audit of these financial statements	4	4

5. Net Interest Payable and Similar Charges

	2009	2008
	£000	£000
Analysis of charge in the year		
Interest payable to other group entities	(3,548)	(2,772)
Interest receivable from other group entities	42	204
Interest payable (external)	(1)	(7)
Foreign exchange (loss)/gain on monetary items	(43)	2,347
	<u>(3,550)</u>	<u>(228)</u>

6 Taxation

	2009	2008
	£000	£000
a) Analysis of charge in the year		
UK corporation tax (charge)/credit for the year	(340)	7
Adjustments in respect of prior years	-	353
	<u>(340)</u>	<u>360</u>

Notes to the accounts (continued)**6. Taxation (continued)**

	2009 £000	2008 £000
b) Current tax reconciliation		
Loss on ordinary activities before tax	(2,290)	(25)
	<hr/>	<hr/>
Current tax credit at 28% (2008 28.5%)	641	7
Tax losses received for nil payment in respect of prior years	-	353
Tax charge on imputed interest	(981)	-
	<hr/>	<hr/>
	(340)	360
	<hr/>	<hr/>

7 Stocks

	2009 £000	2008 £000
Raw materials and consumables	34,144	96,729
	<hr/>	<hr/>

During 2008 and 2009, the Directors made the decision that the Company should carry a stock balance rather than immediately selling on to Rugeley Power Limited

8. Debtors

	2009 £000	2008 £000
Amounts falling due within one year:		
Amounts due from another group company	4,703	15,427
Amounts due from parent company	-	6,237
Interest due from parent company	-	204
Prepayments and other debtors	1,462	4,117
	<hr/>	<hr/>
	6,165	25,985
	<hr/>	<hr/>

Notes to the accounts (continued)

As at 31 December 2009 there was no outstanding loan to the parent company, however during 2008 interest was accrued at a rate of 3% per annum

Prepayments and other debtors include £1,455,000 of cash collateral held by Xoserve Limited for gas shipping purposes

9. Creditors

	2009	2008
	£000	£000
Amounts falling due within one year		
UK corporation tax	670	144
Accruals and deferred income	4,770	1,680
Amounts due to parent company	28,400	117,526
Interest due to parent company	6,280	2,732
Other creditors	2,214	-
Trade creditors	137	-
	<hr/>	<hr/>
	42,471	122,082
	<hr/>	<hr/>

Interest is accrued on the amounts due to the parent company at a rate of 6% per annum. There is no security on any of the above creditors.

Other creditors are the amount due to HM Revenue and Customs for VAT

10. Share Capital

	2009	2008
	£	£
Issued and fully paid		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

Notes to the accounts (continued)

11. Reserves

	Profit and Loss Account £000
At 1 January 2009	956
Retained loss for the financial year	(2,630)
	<hr/>
At 31 December 2009	(1,674)
	<hr/>

12. Analysis of Cash Flows

	2009 £000	2008 £000
Returns on investments and servicing of finance		
Foreign exchange (loss)/gain	(43)	2,347
External interest paid	(1)	(7)
Net interest received from/(paid to) another group company	246	(40)
Net cash inflow from returns on investments and servicing of finance	202	2,300
	<hr/>	<hr/>
Taxation		
UK Corporation tax (group relief received)	186	-
	<hr/>	<hr/>
Financing		
Loan repayable to parent company (paid)/received	(89,126)	117,526
Loan repayable from parent company received/(paid)	6,237	(6,237)
Net cash (outflow)/inflow from financing	(82,889)	111,289
	<hr/>	<hr/>

13. Analysis and reconciliation of net debt

	At 1 January 2009 £000	Cash flows £000	Financing £000	Non-Cash Movements £000	At 31 December 2009 £000
Cash at bank and in hand	324	164	-	-	488
Loan from parent company	(117,526)	-	89,126	-	(28,400)
Accrued interest on loan from parent company	(2,732)	-	-	(3,548)	(6,280)
Loan to parent company	6,237	-	(6,237)	-	-
Accrued interest on loan to parent company	204	(204)	-	-	-
Net debt	(113,493)	(40)	82,889	(3,548)	(34,192)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the accounts (continued)**14. Related Party Transactions**

International Power plc is the ultimate controlling party of International Power Fuel Company Limited with an indirect 75% interest. During the course of the year Rugeley Power Limited was under common control with International Power Fuel Company Limited and was therefore a related party.

During the year International Power Fuel Company Limited sold £323.3m (2008: £139.3m) of coal and related stocking and port costs to Rugeley Power Limited. International Power Fuel Company Limited also purchased £89.8m of coal (2008: £90.7m) from Rugeley Power Limited. The balance owed by Rugeley Power Limited at the year end was £4.6m (2008: £15.4m).

The Company was under common control with IPM (UK) Power Limited during the period and was therefore a related party. International Power Fuel Company Limited received financing from IPM (UK) Power Limited. The balance owed to IPM (UK) Power Limited at 31 December 2009 was £34.7m (2008: £120.2m). Interest was charged at a rate of 6%. The charge to the profit and loss account in the year was £3.55m (2008: £2.77m).

International Power Fuel Company Limited made a loan to IPM (UK) Power Limited, the loan was in USD and was settled before the end of 2009. The balance owed by IPM (UK) Power Limited at 31 December 2009 was £nil (2008: £6.4m). Interest was received at a rate of 3%, the income to the profit and loss account in the year was £0.04m (2008: £0.20m).

15. Controlling Party and Ultimate Parent Undertaking

As at 31 December 2009, International Power Fuel Company Limited was controlled by International Power plc.

The immediate parent company of International Power Fuel Company Limited is IPM (UK) Power Limited which owns 100% of the ordinary share capital.

As at 31 December 2009, the smallest and largest higher group of undertakings for which group accounts are prepared was for International Power plc.

As at 31 December 2009, International Power plc was the Company's immediate and 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