

RUGELEY POWER LIMITED

RUGELEY POWER LIMITED

Company number 4212554

DIRECTORS' ANNUAL REPORT AND ACCOUNTS

For year ended 31 December 2010



RUGELEY POWER LIMITED

DIRECTORS' REPORT

The Directors present their report on the affairs of Rugeley Power Limited, the "Company", together with the financial statements and auditor's report for the year ended 31 December 2010

All references to financial performance in this commentary exclude the impact of exceptional items

Principal Activity

The principal activities of the Company are the generation of electricity and the provision of associated grid services from Rugeley Power Station to the UK market

The Company owns a coal fired power station located in Rugeley, Staffordshire. It was commissioned in 1970 and has a total capacity of 1,050 MW, which includes two 25 MW open cycle gas-oil fuelled turbines

Business Review

Although wholesale prices in the UK have been affected by a high reserve margin and low gas prices during 2010 the Company's performance exceeded that of 2009. Profit before tax (excluding exceptional items) rose £17m to £72m

The 2010 results include £19,350,000 (2009 £11,500,000) in final settlement of an insurance claim relating to the high pressure turbine failure which occurred in 2008

During the year, the Company sold 3.8 TWh of its own generated electricity (2009 5.3 TWh)

The average price of power sales achieved during 2010 was £76.83/MWh (2009 £66.01/MWh)

The Flue Gas Desulphurisation (FGD) plant continued to meet full performance expectations and with the Boosted Over-Fire Air (BOFA) project and the precipitator upgrades, Rugeley Power Station continues to be fully compliant with the latest environmental legislation

For 2011, 75% of the Company's expected output has been contracted. Reduced demand and higher supply has resulted in weak forward prices in the UK. However, expected plant retirements, unpredictable levels of plant reliability, intermittent wind generation, and an uncertain timetable for new-build plant will increase pressure on the reserve margin. The UK government has proposed a set of reforms (Electricity Market Reform (EMR)) and Rugeley Power Limited, through International Power plc, is actively engaged with the government on this process

Following a reduction in observable prices for forward dark spreads and the impact of the Industrial Emissions Directive on Rugeley Power Limited, the carrying value of the fixed assets has been impaired by an exceptional charge of £68m. This is reduced by an associated deferred tax credit of £18m

With effect from 3 February 2011, following the acquisition of International Power plc by GDF SUEZ S.A. on that date, the Directors consider the Company's ultimate holding company to be GDF SUEZ S.A. which was incorporated in France and is headquartered in Paris, France

The power market remains weak with continued oversupply of generation depressing market prices. The government is in consultation on energy market reform and the company continues to lobby the UK Government on the importance of coal fired generation within the generation mix. In addition to the weak power market, the regulatory environment remains challenging for coal fired generation with significant subsidies for low carbon generation. On 23rd March 2011 the government announced its plans to introduce a carbon floor price support mechanism from 1 April 2013. The carbon floor price support mechanism will increase the cost of thermal generation and it is unlikely Rugeley will be able to fully recover these additional costs through the power market

Results and Dividend

Interim dividends of £30,103,000 were paid during 2010 (2009 £nil). The Directors do not recommend the payment of a final dividend (2009 £nil). The retained loss of £25,788,000 was transferred to reserves (2009 retained profit of £40,807,000)

RUGELEY POWER LIMITED

DIRECTOR'S REPORT (CONTINUED)

Principal risks and uncertainties

The key business risk faced by the Company is the volatility in the market price for power sales. This is mitigated by the Company taking out forward contracts to sell power at a fixed price and also by selling gas forward as a correlated hedge for power.

The volatility in the price of coal, the US Dollar and Euro exchange rates and the price of carbon emission credits is also a risk to the Company. Again, this volatility risk is mitigated by taking out forward contracts.

The Company is principally financed by a bank loan which is secured against all the assets and shares of the Company. The rate of interest on this loan is currently 1.5% per annum above the LIBOR rate for the period. Environmental legislation is one of the key drivers in the long term development of the electricity industry and continues to be closely monitored to ensure the Company remains compliant.

Currency risk

The Company purchases most of its coal in US Dollars and EU Emissions Trading Scheme Carbon emission permits in Euros. It mitigates the risk of movements in exchange rates by taking out forward contracts to purchase foreign currency when contracts using that currency are entered into.

Interest rate risk

The Company's bank facility has variable interest rates which are based on LIBOR plus a margin of 1.5%.

Directors

The following Directors, who served during the period and subsequent to the year end, do not have any beneficial interests in the share capital of the Company requiring disclosure under the Companies Act 2006.

G Griffiths

S Pinnell

S Smith

T Takahashi

H Koga

Resigned 23rd May 2011

Appointed 23rd May 2011

Disclosure of information to the 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

RUGELEY POWER LIMITED

DIRECTOR'S REPORT (CONTINUED)

Employment policy

The Company is a registered Disability Symbol user, demonstrating its commitment to the employment of disabled Persons every year to an independent Disability Advisor

The Company recognises the importance of consulting staff so their views can be included in the Company's decision making processes. Actions taken include utilising staff surveys, involving appraisers in developing the bonus scheme, arranging regular team briefs and utilising the Local Business Council and Company Business Council as part of the consultative process. The Company is accredited with the IIP Standard demonstrating its commitment to staff development and training.

Directors' liability insurance

As permitted by the Companies Act 2006, the Company has purchased third party indemnity insurance cover for certain Directors of the Company.

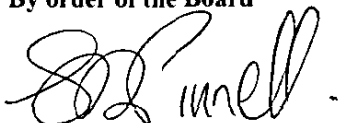
Prompt payment policy

The Company aims to observe the highest standards of business practice as both a buyer and seller of products and services. The Company's average number of days outstanding in respect of trade creditors at 31 December 2010 was 37 days (2009 39 days).

Political and charitable contributions

The Company made no political donations in 2010 or 2009. The Company made charitable donations in 2010 of £805 (2009 £2,858).

By order of the Board



S Pinnell
Director

21 June 2011

RUGELEY POWER 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 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 judgments 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 AUDITOR'S REPORT TO THE MEMBERS OF RUGELEY POWER LIMITED

We have audited the financial statements of Rugeley Power Limited for the year ended 31 December 2010, set out on pages 8 to 21. 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 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 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 5, 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 (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/private.cfm

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 2010 and of its profit 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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUGELEY POWER
LIMITED (CONTINUED)**

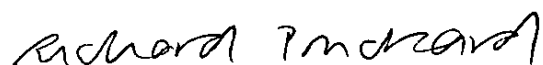
Opinion on other matter prescribed by the Companies Act 2006

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



Richard Pinckard (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom
21 June 2011

RUGELEY POWER LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

	Note	2010 £000	2009 £000
Turnover		317,952	370,809
Cost of sales		(176,762)	(246,743)
Gross profit		141,190	124,066
Net operating costs		(54,852)	(55,536)
Operating costs - exceptional	8	(67,968)	-
Operating profit	1	18,370	68,530
Interest payable	2	(15,118)	(14,476)
Interest receivable	3	418	682
Profit on ordinary activities before taxation		3,670	54,736
Taxation on profit on ordinary activities	6	645	(13,929)
Profit after taxation		4,315	40,807

The Company had no other recognised gains or losses for the period. All results arose from continuing operations.

The notes on pages 11 to 21 form part of these financial statements.

RUGELEY POWER LIMITED

BALANCE SHEET As at 31 December 2010

	Note	2010 £000	2009 £000
Fixed assets			
Tangible assets	8	266,962	338,225
		<u>266,962</u>	<u>338,225</u>
Current assets			
Stocks	9	82,621	60,384
Debtors	10	90,446	115,119
Investments	11	22,992	70,027
Cash at bank and in hand		1,025	1,740
		<u>197,084</u>	<u>247,270</u>
Creditors amounts falling due within one year	12	(136,058)	(180,063)
Net current assets		<u>61,026</u>	<u>67,207</u>
Total assets less current liabilities		<u>327,988</u>	<u>405,432</u>
Creditors amounts falling due after more than one year	13	(252,222)	(284,553)
Provisions for liabilities	14	(238)	(19,894)
Net assets		<u>75,528</u>	<u>100,985</u>
Capital and reserves			
Called up share capital	16	1	1
Share premium account	17	10,000	10,000
Special reserve	17	20,439	20,439
Share based payment reserve	17	827	496
Profit and loss account	17	44,261	70,049
Equity shareholders' funds		<u>75,528</u>	<u>100,985</u>

The notes on pages 11 to 21 form part of these financial statements

The financial statements were approved by the Board of Directors on 21st June 2011 and signed on its behalf by



G Griffiths
Director

Company number: 04212554

RUGELEY POWER LIMITED

CASHFLOW STATEMENT

For the year ended 31 December 2010

	Note	2010 £000	2009 £000
Net cash inflow from operating activities		66,211	58,616
Returns on investments and servicing of finance	18	(14,078)	(11,042)
Taxation	18	(21,556)	(245)
Capital expenditure and financial investment	18	(18,178)	(18,158)
Net cash outflow before financing		12,399	29,171
Dividend		(30,103)	-
Financing	18	(30,046)	28,737
(Decrease) / increase in cash during the year		(47,750)	57,908

Reconciliation of operating profit to operating cash flows

Operating profit	18,370	68,530
Depreciation on tangible fixed assets	19,359	16,194
Loss on disposal of tangible fixed assets	-	591
Impairment of fixed assets	67,968	-
Increase in stocks	(22,237)	(50,853)
Decrease / (increase) in debtors	4,673	(2,459)
(Decrease) / increase in creditors	(22,253)	26,458
Share based payment charge	331	155
Net cash inflow from operating activities	66,211	58,616

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2010

	2010 £000	2009 £000
Profit after taxation for the year	4,315	40,807
Dividends paid	(30,103)	-
	(25,788)	40,807
Capital contribution in respect of share based payments	331	155
	(25,457)	40,962
Opening shareholders' funds	100,985	60,023
Closing shareholders' funds	75,528	100,985

The notes on pages 11 to 21 form part of these financial statements

RUGELEY POWER LIMITED

NOTES TO THE ACCOUNTS

Accounting policies

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

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the prior year is set out below

a Basis of preparation

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

b. Turnover

Turnover principally comprises sales of electricity to the wholesale trading market for power in England and Wales. Turnover is expressed on a net basis after taking account of energy purchased from the market to fulfil sales contracts when plant was not operating at a level sufficient to fulfil such contracts for technical or commercial reasons

c Interest

Interest on borrowings relating to major capital projects with long periods of development is capitalised during their construction and written-off as part of the total cost over the useful life of the asset. All other interest is charged to the profit and loss account as incurred

d. Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

	<u>Years</u>
Power stations and associated freehold buildings (from date of acquisition)	30
Strategic plant spares (over useful economic life of the power station)	30
Fixtures, fittings, tools and equipment	4 to 5
Computer equipment and software	3 to 5
Major unit outage costs	4
No depreciation is provided on freehold land	

e. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the exchange rate prevailing at that date. Foreign exchange gains or losses are included in the gross margin

Typically, orders for coal are normally made in US dollars between one and two years in advance of the coal being delivered and paid for. Contracts to buy or sell carbon emission credits are made in Euros and can also be made several years in advance of payment being required

When contracts are made to purchase coal (in US dollars) or carbon (in Euros), a specific contract to buy the foreign currency to cover the future purchase may be taken out. In this case, when it is paid for, the purchase is booked at the same rate as the contract to buy the foreign currency

If purchases are made in foreign currencies and there is no specific contract to buy the foreign currency, then the purchase is booked at the spot rate on the day payment is made

f. Stocks

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

RUGELEY POWER LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

g. Current asset investments

Current asset investments are cash placed on deposit and are stated at the lower of cost and market value

h. Post-retirement benefits

The Company has no direct employees. All staff are employed by International Power plc (IPR) and their post-retirement costs are recharged to the Company. International Power plc operates a group-wide pension scheme providing benefits based on final pensionable pay and recharges the Company. The assets of the scheme are held separately from those of the Company and from those of IPR. The Company accounts for the post-retirement recharges as if it was a defined contribution scheme as required by FRS 17 (retirement benefits). This is because the IPR group is unable to identify the share of the underlying assets and liabilities of the scheme (which relate to the Company's recharge) on a consistent and reasonable basis. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme by IPR and recharged to the Company in respect of the accounting period.

i. 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.

j. Debt

Debt is initially stated at the amount of net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Unless the interest is being capitalised, finance costs of debt are recognised in the profit and loss account based on the rates of interest applicable to the debt.

k. Share-based payments

International Power plc, the ultimate parent undertaking of Rugeley Power Limited at 31 December 2010, issues equity-settled share-based payments to certain staff of Rugeley Power 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 International Power plc.

l. Derivative financial instruments

The Company enters into forward commodity contracts and other derivative instruments for trading purposes. Derivative contracts are financial instruments, such as forwards and futures, utilised in connection with trading activities. All the contracts taken out by the Company are designed to hedge risks of moving market prices.

Under UK GAAP, the fair value of these derivative contracts is not recognised on the balance sheet and movements in the fair value are not recognised in the profit and loss account. Their discounted fair value at the balance sheet date (split by the maturity date of the contracts) is disclosed in note 22. Subsequent to initial recognition, the fair values of financial instruments that are quoted in an active market are based on the bid prices for assets held and offer prices for liabilities held. If the market for a financial instrument is not active, its fair value is established using valuation techniques. These valuation techniques include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

RUGELEY POWER LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

1	Operating profit / (loss)	2010	2009
		£000	£000
	Operating profit is stated after charging		
	Depreciation of tangible fixed assets	19,359	16,194
	Loss on disposal of tangible fixed assets	-	591
	Impairment losses on fixed assets	67,968	-
	Foreign exchange loss	(23,562)	(9,664)
	Auditor's remuneration		
	Audit of these financial statements	47	53
2	Interest payable	2010	2009
		£000	£000
	Total interest payable on bank loans and overdrafts	14,580	16,563
	Less interest capitalised	(217)	(3,030)
	Amortisation of capitalised facility costs	755	888
	Interest payable to group undertakings	-	55
		<u>15,118</u>	<u>14,476</u>
3	Interest receivable	2010	2009
		£000	£000
	Interest receivable from group undertakings	241	519
	Other interest receivable	177	163
		<u>418</u>	<u>682</u>
4	Directors' and employees' remuneration		
a	Directors' remuneration		
	The Directors did not receive any remuneration from the Company for their services during 2010 (2009 £nil)		
b	The Company has no direct employees. All staff are employed by International Power plc and their costs are recharged to the Company. The figures below relate to these recharges		
	Staff Remuneration	2010	2009
		£000	£000
	Wages and salaries	8,812	8,673
	Social Security costs	781	716
	Pension costs	1,131	1,148
	Charge for equity settled share-based payments	331	155
	Less amounts capitalised	(10)	(183)
	Total Staff costs	<u>11,045</u>	<u>10,509</u>

RUGELEY POWER LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

c Staff numbers

	2010 £000	2009 £000
Number of power station staff at the end of the year	183	200
Average number of power station staff during the year	190	197

5 Pension scheme funding

The majority of pensions for the staff are funded through the industry-wide scheme, the Electricity Supply Pension Scheme (ESPS), which is a defined benefit scheme with assets invested in separate trustee administered funds. The ESPS is divided into sections. The staff of Rugeley Power Limited are part of the International Power Group of the ESPS, which was opened to members on 1 April 2002. Prior to this date, staff taken on in the Rugeley acquisition participated in another section of the scheme, the Eastern Electricity section.

Following a strategic review of the Group's exposure to pension risk over the long-term the International Power section of the ESPS in the UK was closed to new members effective from 1 June 2008. Existing members continue to accrue future service benefits under this plan. Since 1 June 2008 all new UK employees have been eligible to become members of a defined contribution plan.

During the year, International Power has paid contributions to the International Power Group of the ESPS as advised by its actuary. Rugeley Power Limited contributed £1.1 million (2009: £1.1 million).

FRS17

As the Company has no direct employees, it has no direct FRS 17 liability. However, International Power plc operates a group wide pension scheme providing benefits based on final pensionable pay and recharges the Company for the costs incurred relating to the staff who work at the Company.

The Company has provided the following disclosures, which are in respect of the International Power Group of the ESPS.

The actuarial valuation of the International Power Group of ESPS at 31 March 2007 has been updated by independent qualified actuaries to take account of FRS17 reporting requirements for assessing liabilities of the scheme at 31 December 2010.

The amount of any funding deficit identified by the scheme actuary is taken into account when determining the contribution rate applying to all employers participating in the International Power Group of the ESPS. Following the 2010 funding valuation, the required future service contribution rate for the Company was 18.2% of pensionable pay. International Power plc, the employer who sponsors the International Power Group of the Electricity Supply Pension Scheme ('the Scheme'), has agreed to eliminate, through a recovery plan, the funding shortfall of the Scheme. In addition to the usual contributions to meet accruing benefits, a one-off contribution of £18 million was made during January 2011, and contributions of £6 million per annum will be made between 1 April 2011 and 31 March 2015.

RUGELEY POWER LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

Scheme assets are stated at their market value at 31 December 2010

	2010	2009
Financial Assumptions	%	%
Discount Rate	5.3	5.7
Rate of increase in salaries	4.6	5.2
Inflation rate	3.6	3.7
Increase to deferred benefits during deferment	3.6	3.7
Increases to pension payments	3.6	3.7

The assets in the scheme and expected rates of return (weighted average) were

Long term expected rate of return	%	%
Expected long term rate of return of assets	7.1	7.1

Value	£m	£m
Equities	85	72
Bonds	15	8
Other	19	23
	<u>119</u>	<u>103</u>

The following amounts were measured in accordance with the requirements of FRS 17:

	£m	£m
Total market value of assets	119	103
Present value of scheme liabilities	<u>(180)</u>	<u>(159)</u>
Deficit in the scheme	(61)	(56)
Related deferred tax asset	17	16
Net pension liability	<u>(44)</u>	<u>(40)</u>

For full details of the International Power plc section of the ESPS, please refer to the consolidated financial statements of International Power plc, which can be obtained from the address given in note 23

RUGELEY POWER LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

6 Taxation

	2010 £000	2009 £000
a) Analysis of credit / (charge) in the year		
UK corporation tax charge current year	(18,790)	(12,696)
UK corporation tax charge prior year	(221)	(764)
Total current tax charge	(19,011)	(13,460)
Deferred tax charge current year	(2,480)	(3,176)
Deferred tax credit on exceptional item	18,351	-
Deferred tax credit / (charge) total for current year	15,871	(3,176)
Deferred tax credit prior years	3,785	2,707
Total deferred tax credit / (charge)	19,656	(469)
Total tax credit / (charge)	645	(13,929)

b) Reconciliation of current tax rate

The current tax charge for the year on ordinary activities varied from the standard rate of UK corporation tax as follows

Profit before taxation	3,670	54,736
Corporation tax at 28% (2009 28%)	(1,028)	(15,326)
Capital allowances in advance of depreciation	2,599	3,276
Other timing differences	(119)	(100)
Expenses not allowable for tax	(93)	(43)
Prior year adjustment	(221)	(764)
Tax on imputed interest	349	964
Tax on impairment @ 27%	(18,351)	-
Change in tax rates in the period	(680)	-
Permanent differences	(1,467)	(1,467)
Corporation tax charge for the year	(19,011)	(13,460)

7 Dividend Paid

	2010 £000	2009 £000
Interim dividends paid of £30,103 (2009 £nil) per share	(30,103)	-
No final dividend was paid in 2010 (2009 £nil)		

RUGELEY POWER LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

8 Tangible Fixed Assets

	Freehold Land & Buildings	Plant & Machinery	Plant Spares	Fixtures, Fittings, tools and Equipment	Assets in the course of Construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
As 1 January 2010	14,326	396,686	2,831	331	10,300	424,474
Additions	-	200	(2)	19	15,847	16,064
Disposals	-	(18,002)	-	(4)	-	(18,006)
Reclassifications	-	23,742	-	-	(23,742)	-
At 31 December 2010	14,326	402,626	2,829	346	2,405	422,532
Depreciation and diminution in value						
As 1 January 2010	(23)	(85,462)	(502)	(262)	-	(86,249)
Provided during the period	(10)	(19,231)	(103)	(15)	-	(19,359)
Disposals	-	18,002	-	4	-	18,006
Impairment losses	-	(67,968)	-	-	-	(67,968)
At 31 December 2010	(33)	(154,659)	(605)	(273)	-	(155,570)
Net Book Value						
At 31 December 2010	14,293	247,967	2,224	73	2,405	266,962
At 31 December 2009	14,303	311,224	2,329	69	10,300	338,225

At 31 December 2010, the net book value of finance costs (including capitalised interest) was £15,747,000 (2009 £16,656,000)

As at 31 December 2010 the Company carried out a review of the recoverable amount of its plant & machinery following a reduction in observable prices for forward dark spreads. The recoverable amount of the Rugeley plant was determined by its estimated value in use and resulted in an impairment to its carrying amount of £68.0 million before tax. The estimated value in use was calculated using a discounted cash flow model, based on forecast dark spreads and a discount rate of 8.9%. The time period for the model was based on the forecast operating life of the plant, with an expected closure date of 2031. Average earnings before interest and tax over the 20 year period fell on average by 0.66% per year. A tax credit of £18.4 million was also recognised.

The impairment value of £68m shown above is different to the impairment value disclosed for Rugeley fixed assets in the consolidated accounts of International Power plc, which reports under International Financial Reporting Standards. Impairment in this company includes contracted cash flows whereas market cash flows were included in the group accounts.

9 Stocks

	2010 £000	2009 £000
Raw materials and consumables	82,621	60,384
The Directors consider the estimated replacement cost of the stock is not materially different from its book value above		

10 Debtors

	2010 £000	2009 £000
Amounts receivable within one year		
Trade debtors	142	310
Amounts owed by group undertakings for credit support purposes	29,000	49,000
Other amounts owed by group undertakings	59,465	60,713
Prepayments and accrued income	1,839	5,096
	90,446	115,119

RUGELEY POWER LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

11 Current asset investments

Current asset investments comprise short-term money market deposits

12 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Bank loans	39,137	56,097
Interest payable	5,580	5,713
Trade creditors	1,866	2,497
Amounts owed to group undertakings	32,148	43,968
Fixed asset creditors	94	2,208
Corporation tax creditor	8,154	10,699
Accruals and deferred income	43,024	52,422
Other creditors	6,055	6,459
	<u>136,058</u>	<u>180,063</u>

13 Creditors: amounts falling due after more than one year

	2010 £000	2009 £000
Amounts owed to group undertakings (net of issuing costs)	18,760	18,709
Secured bank loans	236,611	269,748
Capitalised issuing costs (net of amortisation)	(3,149)	(3,904)
	<u>252,222</u>	<u>284,553</u>

Bank loans fall due as follows:

Between one and two years	31,317	13,137
Between two and five years	205,294	256,611
	<u>236,611</u>	<u>269,748</u>

On 15 September 2006, the Company entered into a £485m facility agreement with a consortium of banks, with the Royal Bank of Scotland (RBS) acting as the agent, security trustee and issuing bank

The interest rate on the drawn down part of the bank loan is currently 1.5% (2009 1.5%) above the LIBOR rate for the period. There is also a commitment fee of 0.60% (2009 0.60%) of the undrawn part of the bank loan. The loan owed to group undertakings bears no interest.

The bank loan is secured against all the shares and assets of the Company.

14 Provisions for liabilities

	£000
Deferred tax asset / (liability)	
At 1 January 2010	(19,894)
(Charge) / credit to profit and loss account	1,305
Deferred tax credit on exceptional item	18,351
At 31 December 2010	<u>(238)</u>

RUGELEY POWER LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

15 Deferred Taxation

	2010 £000	2009 £000
Full potential deferred tax asset/(liabilities)		
Accelerated capital allowance on tangible fixed assets	(1,030)	(20,567)
Other timing differences	792	673
	<u>(238)</u>	<u>(19,894)</u>

16 Share Capital

	2010 £000	2009 £000
Allotted and fully paid up		
1001 Ordinary Shares of £1 each	1	1

17 Reserves

	Share Premium	Profit and loss account	Special Reserve	Share Based Payment Reserve	Total
	£000	£000	£000	£000	£000
At 1 January 2010	10,000	70,049	20,439	496	100,984
Profit after tax	-	4,315	-	-	4,315
Dividends paid	-	(30,103)	-	-	(30,103)
Capital contribution for share based payments	-	-	-	331	331
At 31 December 2010	10,000	44,261	20,439	827	75,527

In 2001 the Company's share capital was reduced and converted into a special reserve. This special reserve is part of the Company's distributable reserves and following its creation dividends declared in 2002 and 2001 were paid from it.

18 Analysis of Cash flow

	2010 £000	2009 £000
Returns on investments and servicing of finance		
Interest received	418	682
Interest paid	(14,496)	(11,724)
Net cash movement	(14,078)	(11,042)
Taxation		
UK Corporation tax paid	(21,556)	(245)
Capital Expenditure		
Purchase of tangible fixed assets	(18,178)	(18,158)
Sale of tangible fixed assets	-	-
	<u>(18,178)</u>	<u>(18,158)</u>
Financing		
Net repayment of external debt (net of amortisation of financing fees)	(50,097)	(22,263)
Reduction in credit support loan to group companies	20,000	51,000
Increase in loan from group companies	51	-
	<u>(30,046)</u>	<u>28,737</u>

RUGELEY POWER LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

19 Analysis and reconciliation of debt

	At 1 January 2010 £000	Cash flows £000	Financing £000	Non Cash movement £000	At 31 December 2010 £000
Investments	70,027	(47,035)	-	-	22,992
Cash at bank & in hand	1,740	(715)	-	-	1,025
Group credit support balances	49,000	-	(20,000)	-	29,000
Debt due after one year	(265,844)	-	(51)	32,433	(233,462)
Debt due within one year	(56,097)	-	50,097	(33,137)	(39,137)
	(201,174)	(47,750)	30,046	(704)	(219,582)

20 Capital commitments

	2010 £000	2009 £000
Capital commitments contracted but not provided for	1,770	2,809

21 Related Party Transactions

International Power Plc is the ultimate controlling party of Rugeley Power Limited with an indirect 75% interest. During the course of the year IPM Energy Trading Limited 'IPMETL', was under common control with Rugeley Power Limited and was therefore a related party. In the normal course of business and on arms length terms, Rugeley Power Limited sold £584.7m (2009 - £691.1m) of electricity, coal swaps and gas swaps through a series of contracts to IPMETL in 2010, and made purchases of £341.5m (2009 - £387.7m) from IPMETL. These sales and purchases of power contracts are netted off in the profit and loss account. The Company purchased £28.2m of carbon credits from IPMETL (2009 - purchased £0.6m). In respect of all of these sales and purchases, a figure of £59.5m (£2009 - £65.3m) was included in the Rugeley Power Limited debtors and £28.3m (2009 - £42.1m) in the Rugeley Power Limited creditors. The Company made Credit Support loans to IPMETL during the year and charged interest on these loans. A total of £0.2m of interest was charged during the year (2009 - £0.5m). A figure of £29m (2009 - £49m) in relation to Credit Support was included in the Rugeley Power Limited debtors at 31 December 2010.

During the course of the year International Power Fuel Company Limited 'IPFC', a 75% subsidiary of International Power plc, was under common control with Rugeley Power Limited and was therefore a related party. Rugeley Power Limited purchased £145.7m (2009 - £323.4m) of fuel from IPFC. Rugeley Power Limited also sold £0m (2009 - £89.8m) of fuel to IPFC. In respect of these purchases and sales, a figure of £2m (2009 - £4.6m) was included in Rugeley Power Limited creditors at 31 December 2010.

International Power plc 'IPR' is the ultimate controlling party of Rugeley Power Limited with an indirect 75% interest and is therefore a related party. In the normal course of business, Rugeley Power Limited purchased services amounting to £11.7m (2009 - £12.3m) from IPR. In respect of these purchases a net figure of £1.8m (2009 - £1.9m) was included in the Rugeley Power Limited creditors at 31 December 2010. The Company has an interest free loan from IPR of £18.8m (2009 - £18.7m) which is included in the Rugeley Power Limited long term creditors at 31 December 2010.

RUGELEY POWER LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

22 Fair Value of assets and liabilities

The Company has derivative financial instruments that it has not recognised at fair value as follows

	2010 £000	2009 £000
Derivative contracts in/(out) of the money		
Future/Forward contracts to sell Power or gas (correlated hedge for power)	17,934	165,299
Coal swaps	5,328	(50,279)
Contracts to buy carbon	(6,057)	(8,517)
Interest rate swaps	(277)	(6,400)
	<u>16,928</u>	<u>100,103</u>

23 Controlling party and ultimate parent undertaking

At 31 December 2010, International Power plc was the ultimate controlling party of Rugeley Power Limited with a 75% interest

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

During the year ended 31 December 2010 the Company was a subsidiary undertaking of International Power plc, which was the ultimate parent company incorporated in the United Kingdom

The largest group in which the results of the Company were consolidated for the year ended 31 December 2010 was that headed by International Power plc, incorporated in the United Kingdom. No other group financial statements include the results of the Company. 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

With effect from 3 February 2011, following the acquisition of International Power plc by GDF SUEZ S A on that date, the Directors consider the Company's ultimate holding company to be GDF SUEZ S A which was incorporated in France and is headquartered in Paris, France. Copies of its consolidated financial statements are available from its registered office at 1 Place Samuel de Champlain, 92400 Courbevoie, Paris, France