

NOTES TO THE COMPANY BALANCE SHEET continued**11 SHARE CAPITAL AND RESERVES**

	Attributable to equity holders of the parent					
	Called up share capital	Share premium account	Capital redemption reserve	Capital reserve	Profit and loss account	Total shareholders' funds – equity
	£m	£m	£m	£m	£m	£m
At 1 January 2005	737	392	145	415	289	1,978
Prior year adjustments	–	–	–	–	32	32
At 1 January 2005 (restated)	737	392	145	415	321	2,010
Profit for the year	–	–	–	–	21	21
Issue of shares	–	2	–	–	–	2
Dividends	–	–	–	–	(37)	(37)
Other movements	–	–	–	–	2	2
At 31 December 2005	737	394	145	415	307	1,998

As stated in note 1, changes in UK GAAP have occurred and these are reflected in the above table as prior year adjustments. The adoption of FRS 20 relating to share-based payments resulted in the recognition of £3 million as an addition to shareholders' funds. In addition, the application of FRS 21 resulted in the 2004 dividends declared not paid of £37 million being added to shareholders' funds. The remaining prior year adjustment of £8 million reflects the adoption of FRS 17 (Retirement Benefits) and is a reduction in shareholders' funds.

The share premium account, capital redemption reserve and capital reserve are not distributable.

The application of FRS 20 has required the investment in International Power's own shares to be reclassified in the balance sheet as a deduction from shareholders' funds.

A number of International Power plc Ordinary Shares are held in Employee Share Ownership Trusts (ESOTs). These shares are held by the ESOTs to meet awards made under the Company's 2002 Performance Share Plan and the Bonus Share Retention Plan. At 31 December 2005, the ESOTs held a total of 2,081,573 International Power plc Ordinary Shares (2004: 3,398,444). At 31 December 2005 the market value of these shares was £4,985,367 (2004: £5,191,123). The maximum number of shares required to meet all outstanding awards (assuming full vesting of those awards) at 31 December 2005 was 7,522,005 (2004: 7,772,077).

£124 million (2004: £124 million) of the Company's profit and loss reserve is not distributable as it arose from unrealised gains on intra-group transfers.

12 COMMITMENTS**Lease and capital commitments**

	Year ended 31 December 2005 £m	Year ended 31 December 2004 £m
Property leases (annual commitment):		
Expiring within one year	–	–
Expiring between one and five years	–	–
Expiring after five years	5	5

13 CONTINGENT LIABILITIES**a) Taxation**

The Company is aware of a number of issues which are, or may be, the subject of disputes with the tax authorities. The Directors are of the opinion, having regard to the professional advice received, that adequate provision has been made for the settlement of any taxation liabilities that might arise.

b) Bonds and guarantees

Various growth and expansion projects are supported by bonds, letters of credit and guarantees issued by the Company totalling £448 million. Energy trading activities relating to merchant plant are supported by letters of credit and guarantees issued by the Company totalling £169 million.

14 RELATED PARTY DISCLOSURES

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.