4 FINANCE INCOME

	Year ended 31 December 2005 £m	Year ended 31 December 2004 £m
Group finance income		
Interest income	**50**	30
Net gain on remeasurement of assets held for trading	**3**	–
Total Group finance income	**53**	30

5 FINANCE EXPENSES

	Year ended 31 December 2005 £m	Year ended 31 December 2004 £m
Group finance expenses		
Interest on:		
Bank loans and overdrafts	**212**	103
Other loans and bonds	**57**	12
	269	115
Less: amounts included in the cost of qualifying assets	**(14)**	(8)
Group finance costs – ordinary	**255**	107
Exceptional finance costs (note 8)	**–**	31
Total Group finance costs	**255**	138

6 EMPLOYEE BENEFIT COSTS AND EMPLOYEE NUMBERS

	Year ended 31 December 2005 £m	Year ended 31 December 2004 £m
Employee benefit costs, including Directors' remuneration, were as follows:		
Wages and salaries	**121**	83
Share-based payments	**6**	1
Social security costs	**10**	4
Contributions to defined contribution plans	**3**	1
Increase in liability for defined benefit plans (note 7)	**7**	5
Subtotal	**147**	94
Less: amount capitalised as part of property, plant and equipment	**(2)**	–
Total employee benefit costs	**145**	94

Details of Directors' remuneration are set out on pages 64 to 75. There are no personnel, other than the Directors, who as key management have authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of International Power plc.

6 EMPLOYEE BENEFIT COSTS AND EMPLOYEE NUMBERS continued

Employee numbers

Average number of employees during the financial year, analysed by geographic segment was:	**Year ended 31 December 2005 Number**	Year ended 31 December 2004 Number
North America	**220**	201
Europe	**1,136**	804
Middle East	**615**	639
Australia	**742**	570
Asia	**633**	349
Corporate and development	**233**	187
Average number of employees	**3,579**	2,750

7 PENSION SCHEMES

Group entities operate pension arrangements in order to provide pension benefits to retired employees. Benefits granted have been developed to reflect local practice and may be provided through defined benefit or defined contribution schemes.

The main defined benefit plans are in the UK and Australia:

UK: The majority of pensions for UK employees 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, and the International Power Group of the ESPS was opened to members on 1 April 2002 and employees' past service rights were transferred into the Group later that year.

The majority of employees taken on in First Hydro, as part of the acquisition of the EME portfolio, are members of another section of the ESPS, the Edison Mission Energy Group.

The liabilities and costs shown in the disclosures for the UK schemes are based on the most recent actuarial valuations at 31 March 2004. The results of these valuations have been updated to 31 December 2005 by independent qualified actuaries to take account of the requirements of IAS 19.

AUSTRALIA: Employees at Hazelwood and Loy Yang B participate in a standard Australian superannuation fund called Equipsuper. This plan provides benefits primarily for employees in the electricity, gas and water industry, and was developed from the scheme sponsored by the State Electricity Commission of Victoria. Employees at Synergen participate in the Electricity Industry Superannuation Scheme.

The liabilities and costs shown in the disclosures for the Australian schemes are based on the most recent actuarial valuations at 30 June 2005. The results of these valuations have been updated to 31 December 2005 by independent qualified actuaries to take account of the requirements of IAS 19.

The Group operates a number of other defined benefit schemes for employees of its businesses in other countries. Full actuarial valuations of these schemes have been carried out within the last three years and results have been updated to 31 December 2005 by independent qualified actuaries.

The liabilities and costs for IAS 19 were determined using the projected unit credit method. The Group has decided to recognise gains and losses through the income statement over the expected working lifetime of active employees to the extent that gains or losses are in excess of the 'corridor' (10% of the greater of the defined benefit obligation and the plan assets).

The charge for 2005 in respect of defined contribution plans was £3 million (2004: £1 million).

The Group used the following assumptions to calculate the scheme liabilities under IAS 19:

	31 December 2005		31 December 2004		31 December 2003	
Financial assumptions	**UK %**	**Australia %**	UK %	Australia %	UK %	Australia %
Discount rate	**4.7**	**4.6**	5.3	4.5	5.4	7.5
Rate of increase in salaries	**4.4**	**4.0**	4.4	4.0	4.3	4.0
Inflation rate	**2.9**	**3.0**	2.9	3.0	2.8	3.0
Increase to deferred benefits during deferment	**2.9**	**n/a**	3.0	n/a	2.9	n/a
Increases to pensions payments	**2.9**	**n/a**	2.9	n/a	2.9	n/a