31 ACQUISITIONS AND DISPOSALS

a) Coleto Creek

On 7 July 2006 American National Power Inc, a wholly-owned subsidiary of International Power, acquired the 632 MW coal fired Coleto Creek power generation facility in Texas from Topaz Power Group, a joint venture between Carlyle/Riverstone and Sempra Generation, for cash consideration, including acquisition costs, of £621 million (US$1.14 billion). The result of Coleto Creek has been consolidated as a subsidiary from this date using the acquisition method.

The details of the transaction, results and fair value adjustments arising from the change in ownership are shown below:

	Acquiree's carrying amount £m	Fair value adjustments £m	Fair value to the Group £m
Goodwill	–	40	40
Other intangible assets	20	81	101
Property, plant and equipment	199	424	623
Inventories	9	1	10
Trade and other receivables	12	–	12
Trade and other payables	(9)	–	(9)
Provisions	–	(156)	(156)
Total assets acquired	**231**	**390**	**621**

Components of cost of acquisition	
Cash	617
Directly attributable acquisition costs	4
Consideration (including acquisition costs) and cash outflow to the Group	**621**

In the period from 7 July 2006 to 31 December 2006, Coleto Creek contributed £74 million of revenue and £26 million to the Group's profit from operations (both excluding exceptional items and specific IAS 39 mark to market movements). Including exceptional items and specific IAS 39 mark to market movements, it contributed £77 million of revenue and £29 million to the Group's profit from operations. It also contributed £34 million to the Group's net operating cash flows and paid £22 million in respect of net interest and £nil in respect of tax.

The fair value adjustments are made to reflect the fair value of the net assets acquired and principally represent the recognition of the fair value of sulphur dioxide allowances, included as intangible assets; the recognition of the plant at fair value, included as property, plant and equipment; and the fair value of out of the money power purchase agreements (agreements to sell power), included as provisions. Goodwill arises on the acquisition of Coleto Creek as a result of the fair value of property, plant and equipment being restricted to the lower of depreciated replacement cost and value in use. As the depreciated replacement cost of the Coleto Creek power plant is lower than its value in use and all other assets and liabilities and contingent liabilities have been identified, then goodwill arises.

It is impracticable to state what the impact would have been on Group revenue and profit for the year had the acquisition been completed on 1 January 2006 due to the difficulty in ascertaining the valuation of commodity contracts, at that time, reflected in the fair value balance sheet acquired as intangible assets and provisions, and their respective corresponding amortisation charge and credit to the income statement during that period.

b) Levanto

On 1 November 2006, International Power plc, through its wholly-owned subsidiary International Power Levanto Holdings BV, completed the purchase of the Levanto portfolio of onshore wind farms, predominantly located in France and Germany, from Christofferson Robb & Company (CRC) for £129 million, including acquisition costs. This comprises the acquisition of 100% of the issued share capital of Levanto Structured Energy (Lux) S.a.r.l. and Levanto GSEF (Lux) S.a.r.l. Levanto GSEF (Lux) S.a.r.l. owns bonds issued by the lender of finance to one of the wind farm owning entities. At the date of acquisition the Levanto wind farms comprised 286 MW of capacity in operation, 126 MW under construction, which is due to commence operation in 2007, and 24 MW of fully permitted capacity, which is planned to commence operation in 2008. As required, the results of the Levanto group of businesses have been consolidated as subsidiaries from this date using the acquisition method.

The details of the transaction, results and provisional fair value adjustments arising from the change in ownership are shown below:

	Acquiree's carrying amount £m	Fair value adjustments £m	Fair value to the Group £m
Assets in course of construction	54	–	54
Finance lease receivables – non-current	184	94	278
Finance lease receivables – current	3	–	3
Trade and other receivables	14	–	14
Cash and cash equivalents	104	–	104
Loans and bonds – current	(34)	–	(34)
Trade and other payables	(16)	–	(16)
Loans and bonds – non-current	(243)	–	(243)
Deferred tax liabilities	–	(28)	(28)
Provisions	(3)	–	(3)
Total assets acquired	**63**	**66**	**129**

Components of cost of acquisition	
Cash	67
Vendor subordinated loan	60
Directly attributable acquisition costs	2
Consideration (including acquisition costs)	**129**

Satisfied by:	
Cash consideration paid (including acquisition costs)	69
Amount owed to vendor as a subordinated loan	60
Cash and cash equivalents acquired	(104)
Net cash outflow to the Group	**25**

In the period from 1 November 2006 to 31 December 2006, Levanto contributed immaterial amounts of revenue, profit from operations and net operating cash flows to the Group results.

The fair value adjustments are made to reflect the fair value of the net assets acquired and principally represent the recognition of the fair value of the finance lease receivables and associated deferred tax on the temporary timing difference created by the fair value adjustment. Due to the proximity of the date of acquisition to the year end and the complexity of the business acquired the fair values attributed to the acquired assets and liabilities are provisional and may be revised.

Similarly, for the same reasons, it is impracticable to state what the impact would have been on Group revenue and profit for the year had the acquisition been completed on 1 January 2006 due to the difficulty in ascertaining the valuation of assets and liabilities at that time.

31 ACQUISITIONS AND DISPOSALS continued

c) Indian Queens
On 18 September 2006 International Power plc, through a wholly-owned subsidiary, completed the purchase of 100% of the share capital of Indian Queens Power Limited and Indian Queens Operations Limited, the owner and operating companies respectively of the Indian Queens oil fired OCGT peaking plant in Cornwall, England from AES for £32 million. The results of both Indian Queens businesses have been consolidated as subsidiaries from this date using the acquisition method.

The details of the transaction, results and fair value adjustments arising from the change in ownership are shown below:

	Acquiree's carrying amount £m	Fair value adjustments £m	Fair value to the Group £m
Intangible assets	–	2	2
Property, plant and equipment	24	11	35
Inventories	1	–	1
Trade receivables	2	–	2
Cash and cash equivalents	24	–	24
Finance lease payable – current	(2)	–	(2)
Trade payables	(2)	–	(2)
Finance lease payable – non-current	(26)	5	(21)
Deferred tax liabilities	(1)	(6)	(7)
Total assets acquired	**20**	**12**	**32**
Satisfied by:			
Cash consideration paid (including acquisition costs)			32
Cash and cash equivalents acquired			(24)
Net cash outflow to the Group			**8**

In the period 18 September 2006 to 31 December 2006, Indian Queens contributed £3 million of revenue and £1 million to the Group's profit from operations. It also contributed £2 million to the Group's net operating cash flows and paid £2 million in respect of net interest and nil in respect of tax.

The fair value adjustments are made to reflect the fair value of the net assets acquired and principally represent the recognition of the fair value of the property, plant and equipment, the fair value of the finance lease payable and the associated deferred tax adjustments on the temporary timing differences created.

If the acquisition of Indian Queens had taken place on 1 January 2006, Indian Queens would have contributed £13 million of revenue (and Group revenue would have been £2,594 million) for the year ended 31 December 2006 and the profit from operations contributed by Indian Queens would have been £3 million (and Group profit from operations would have been £900 million).

d) Acquisition of subsidiaries net of cash and cash equivalents acquired
In addition to the net cash outflow to the Group of £621 million on the acquisition of Coleto Creek, the cash outflows of £25 million relating to the acquisition of Levanto and £8 million relating to Indian Queens, a £1 million cash outflow arose on acquisition of the remaining 1% shareholding in International Power Opatovice, in the Czech Republic, and a £5 million cash inflow arose from amounts received from Calpine relating to the acquisition of Saltend in 2005.

e) Acquisition of investments in associates
The following acquisitions took place in 2006:

Hidd
On 22 January 2006 Hidd Power Company BSC(c), a company owned 40% by International Power, 30% by Suez-Tractebel SA and 30% by Sumitomo Corporation, signed an agreement to acquire the Hidd independent power and water project in Bahrain, and signed a 20-year power and water purchase agreement with the Ministry of Electricity and Water for its output. Hidd Power Company took over operation of the plant on 23 January 2006, which was the effective date of acquisition, and the transaction was completed on 11 July 2006.

Opus
On 10 May 2006 International Power Retail UK Limited, a wholly-owned subsidiary of International Power plc, completed the purchase of 30% of the share capital of Oxford Power Holdings Limited for £7 million. Its principal subsidiary is Opus Energy Limited, an independent supplier of electricity in the UK that focuses on the small business sector.