

8 EXCEPTIONAL ITEMS

	Year ended 31 December 2001 £m	Continuing Nine months ended 31 December 2000 £m	Discontinued Nine months ended 31 December 2000 £m	Group Nine months ended 31 December 2000 £m
Net operating exceptional items charged/(credited):				
Plant closure provision	–	–	21	21
Buy-out of PPA contract	–	–	206	206
Release of provision in respect of onerous property lease	(8)	–	–	–
Bank guarantee charge in respect of a trade investment (note 30)	10	–	–	–
Net operating exceptional items	2	–	227	227
Non operating exceptional items (credited)/charged:				
Profit on disposal of fixed asset investment (note 26)	(30)	–	–	–
Sale/termination of Chinese operations	(2)	25	–	25
Demerger costs	–	49	4	53
Restructuring costs	–	25	2	27
Non operating exceptional items	(32)	99	6	105
Exceptional interest charges:				
Australian refinancing charges	29	–	–	–
Exceptional interest payable and similar charges	29	–	–	–
Total exceptional items	(1)	99	233	332

The exceptional items had no material effect on the tax charge for either the year ended 31 December 2001 or the nine months ended 31 December 2000.

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2001 £m	Nine months ended 31 December 2000 £m
UK taxation		
Corporation taxation	1	(2)
Foreign taxation		
Overseas subsidiary taxation	29	9
Share of joint ventures' taxation	2	–
Share of associates' taxation	26	14
Total taxation on profit on ordinary activities	58	21

The tax charge has been reduced by utilisation of brought forward tax losses and the availability of certain overseas tax concessions.

10 PROFIT OF THE PARENT COMPANY

The profit of the parent company for the financial year amounted to £86 million (nine months ended 31 December 2000: loss of £116 million). By virtue of Section 230 of the Companies Act 1985, the Company is exempt from presenting a separate profit and loss account.

11 DIVIDENDS

	Year ended 31 December 2001 £m	Nine months ended 31 December 2000 £m
Demerger dividend	–	392

The Group demerger dividend represents the book value of the net assets of the UK energy business as at the date of demerger, which were distributed to shareholders in the form of Ordinary Shares in Innogy Holdings plc.

Notes to the accounts continued

International Power

12 EARNINGS PER SHARE

	Year ended 31 December 2001 Group	Nine months ended 31 December 2000 Continuing operations	Nine months ended 31 December 2000 Group
Earnings/(loss) per share	pence	pence	pence
Basic			
Before exceptional items	12.8	5.5	13.5
Exceptional items	0.1	(8.9)	(29.7)
After exceptional items	12.9	(3.4)	(16.2)

Diluted

Before exceptional items	12.5	5.5	13.5
Exceptional items	0.1	(8.9)	(29.7)
After exceptional items	12.6	(3.4)	(16.2)

Basis of calculation

Earnings	£m	£m	£m
Profit attributable to shareholders before exceptional items	143	61	151
Exceptional items	1	(99)	(332)
Profit attributable to shareholders after exceptional items	144	(38)	(181)
Reduction in interest charge assuming conversion of the Convertible US Dollar Bonds 2005	7	–	–
Earnings after exceptional items and taking into account applicable dilutive instruments	151	(38)	(181)

Number of ordinary shares

	Million	Million	Million
Basic weighted average number of ordinary shares	1,117.5	1,116.9	1,116.9
Dilutive potential ordinary shares:			
Employee share schemes	0.3	–	–
Convertible US Dollar Bonds 2005	83.8	–	–
Weighted average number of ordinary shares taking account of applicable dilutive instruments	1,201.6	1,116.9	1,116.9

13 INTANGIBLE ASSETS

The Group	Goodwill £m	Negative goodwill £m	Total £m
Cost			
At 1 January 2001	8	(34)	(26)
Additions	–	(3)	(3)
Exchange rate differences	–	2	2
At 31 December 2001	8	(35)	(27)
Amortisation			
At 1 January 2001	(1)	1	–
Credited in the year	–	1	1
At 31 December 2001	(1)	2	1
Net book value at 31 December 2001	7	(33)	(26)
Net book value at 31 December 2000	7	(33)	(26)

Goodwill arising on the acquisition of joint ventures and associated undertakings is set out in note 15 – fixed asset investments.

14 TANGIBLE FIXED ASSETS

	Freehold land and buildings £m	Plant, machinery and equipment £m	Assets in course of construction £m	Total £m
a) The Group				
Cost				
At 1 January 2001	151	1,490	919	2,560
Additions	2	21	376	399
Subsidiary undertaking acquired	14	183	–	197
Subsidiary undertakings disposed of	(17)	(40)	–	(57)
Reclassifications and transfers	(66)	583	(524)	(7)
Disposals	(2)	(3)	–	(5)
Exchange rate differences	(2)	(46)	18	(30)
At 31 December 2001	80	2,188	789	3,057
Depreciation and diminution in value				
At 1 January 2001	16	330	–	346
Provided during the year	3	88	4	95
Subsidiary undertakings disposed of	(4)	(15)	–	(19)
Disposals	–	(2)	–	(2)
Exchange rate differences	–	(11)	–	(11)
At 31 December 2001	15	390	4	409
Net book value at 31 December 2001	65	1,798	785	2,648
Net book value at 31 December 2000	135	1,160	919	2,214

Interest capitalised in the year was £23 million. On a cumulative basis, the net book value of interest capitalised is £80 million.

The total value of land that is not depreciated included within freehold land and buildings was £29 million (31 December 2000: £14 million).

	Freehold land and buildings £m	Plant, machinery and equipment £m	Total £m
b) The Company			
Cost			
At 1 January 2001	1	9	10
Additions	–	3	3
Reclassifications and transfers	1	(4)	(3)
Disposals	(1)	(3)	(4)
At 31 December 2001	1	5	6
Depreciation and diminution in value			
At 1 January 2001	1	2	3
Provided during the year	–	2	2
Disposals	(1)	(2)	(3)
At 31 December 2001	–	2	2
Net book value at 31 December 2001	1	3	4
Net book value at 31 December 2000	–	7	7

15 FIXED ASSET INVESTMENTS

	Joint ventures	Associated undertakings		Other investments £m	Total £m
	Share of net assets £m	Share of net assets £m	Goodwill £m		
a) The Group					
At 1 January 2001	92	502	136	94	824
Share of post-tax profit	11	76	(4)	–	83
Share of recognised gain	–	2	–	–	2
Distribution and loan repayments	(7)	(52)	–	–	(59)
Disposals	–	(237)	(105)	–	(342)
Exchange rate differences	5	2	(3)	3	7
As at 31 December 2001	101	293	24	97	515

Included within the Group's share of net assets of joint ventures and associated undertakings is net debt of £487 million.

	31 December 2001 £m	31 December 2000 £m
Group share of associated undertakings' net assets		
Share of fixed assets	636	1,108
Share of current assets	198	267
	834	1,375
Share of liabilities due within one year	(117)	(302)
Share of liabilities due after more than one year	(424)	(571)
	(541)	(873)
Share of net assets	293	502

The Group investments that are listed on a recognised stock market are those in Pražská Teplárenská, the Hub Power Company Limited (HUBCO) and Malakoff Berhad. The former is a joint venture, the latter two are associated undertakings.

The Group's share in Pražská Teplárenská was valued at £34 million on the Prague stock market at 31 December 2001 compared with a book value of £65 million.

The Group's share in HUBCO was valued at £54 million on the Karachi and Luxembourg stock markets at 31 December 2001 compared with a book value of £71 million.

The Group's share in Malakoff Berhad was valued at £99 million on the Kuala Lumpur stock market at 31 December 2001 compared with a book value of £131 million.

As a result of circumstances in Kazakhstan whereby International Power plc no longer exercises significant influence over the Karaganda Power Company, and there being no foreseen circumstances in the future where this is likely to change, the investment in the joint venture was reclassified as a trade investment on 1 April 2000. International Power continues to hold 50% of the shares of Karaganda.

Kot Addu Power Company Limited (Kapco), in which International Power holds 36% of the shares, was similarly reclassified as a trade investment on 1 April 2000.

	Subsidiary undertakings		Joint ventures	Associated undertakings		
	Investment in	Loans	Investment in	Investment in	Other investments	Total
b) The Company	£m	£m	£m	£m	£m	£m
At 1 January 2001	846	1,061	5	454	87	2,453
Additions	605	304	–	–	–	909
Distribution and loan repayments	(1)	(867)	–	–	–	(868)
Disposals	(23)	–	–	(361)	–	(384)
Amortisation	–	–	–	–	(1)	(1)
Impairments	(3)	–	–	–	–	(3)
Reclassifications and transfers	(80)	167	–	(1)	(84)	2
Exchange rate differences	(1)	26	–	–	–	25
As at 31 December 2001	1,343	691	5	92	2	2,133

Details of the principal subsidiary undertakings, associates and joint ventures are provided in note 33.

Within other investments are International Power plc Ordinary Shares held in Employee Share Ownership Plans (ESOPs) to meet the future requirements of the Restricted Share Plan and the Demerger Share Plan (see note 22). At 31 December 2001, the ESOPs held 909,012 International Power plc Ordinary Shares. At 31 December 2001, there were potential awards in respect of 451,710 (31 December 2000: 677,564) Ordinary Shares under the Restricted Share Plan and 269,923 (31 December 2000: 288,359) under the Demerger Share Plan.

16 DEBTORS

	Group		Company	
	31 December 2001 £m	31 December 2000 £m	31 December 2001 £m	31 December 2000 £m
Amounts recoverable within one year:				
Trade debtors	73	41	1	3
Due from subsidiary undertakings	–	–	141	130
Other debtors	44	59	22	28
Other prepayments and accrued income	31	17	3	2
Total amounts recoverable within one year	148	117	167	163
Amounts recoverable after more than one year:				
Other debtors	10	15	–	–
Total amounts recoverable after more than one year	10	15	–	–
Total debtors	158	132	167	163

17 CURRENT ASSET INVESTMENTS

	Group		Company	
	31 December 2001 £m	31 December 2000 £m	31 December 2001 £m	31 December 2000 £m
Current asset investments	47	–	–	–

Current asset investments are primarily short-term money market deposits used for fund management and treasury purposes.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 December 2001 £m	31 December 2000 £m	31 December 2001 £m	31 December 2000 £m
Trade creditors	65	51	2	8
Amounts due to subsidiary undertakings	–	–	358	418
Other creditors	59	57	14	5
Other taxation and social security	6	3	1	1
Corporation taxation	57	28	21	21
Accruals and deferred income	316	131	198	98
Bank loans (secured)	112	37	–	–
7½% Euro Dollar Bonds 2001	–	51	–	51
Total creditors: amounts falling due within one year	615	358	594	602

The bank loans are secured by fixed and floating charges over the assets of certain subsidiary undertakings.

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31 December 2001 £m	31 December 2000 £m	31 December 2001 £m	31 December 2000 £m
Accruals and deferred income	5	6	–	–
Other creditors	3	5	–	1
Bank loans (secured):				
between one and five years	801	331	–	308
over five years	338	484	–	–
Total bank loans	1,139	815	–	308
6¼% Euro Dollar Bonds 2003	41	40	41	40
2% Convertible US Dollar Bonds 2005	248	235	–	–
Total bonds	289	275	41	40
Total creditors: amounts falling due after more than one year	1,436	1,101	41	349

The bank loans are secured by fixed and floating charges over the assets of certain subsidiary undertakings.

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR continued**Convertible bonds**

On 24 November 2000, International Power (Cayman) Limited, a wholly-owned subsidiary company incorporated in the Cayman Islands, issued US\$357 million 2% convertible notes due 2005, convertible into preference shares of International Power (Cayman) Limited at the holder's option, exchangeable for Ordinary Shares of, and unconditionally guaranteed on a senior unsecured basis, by International Power plc.

The notes are convertible into Ordinary Shares of International Power plc at a conversion price of 300p at any time between 4 January 2001 and 23 November 2005. On 12 June 2001, full pre-emption disapplication rights were passed at the 2001 Annual General Meeting. In addition, the convertible bond indenture was amended to eliminate the cash redemption feature such that each bond is now fully convertible into Ordinary Shares. Each US\$1,000 principal amount of notes will entitle the holder to convert into an US\$1,000 paid up value of preference shares of International Power (Cayman) Limited. Investors may elect to receive their Ordinary Shares in the form of American Depositary Receipts.

The notes may be redeemed at the holder's option at a redemption price of 107.1% of its principal amount, together with accrued and unpaid interest, on 24 November 2003.

If the conversion option is not exercised, the convertible unsecured notes will be redeemed on 24 November 2005 at a redemption price of 112.4% of its principal amount.

Provision is made for the possible premium on redemption and included within the carrying amount of the bonds. At 31 December 2001, the amount accrued was £6 million (31 December 2000: £nil). The finance cost charged in the profit and loss account comprises the aggregate of the coupon on the convertible unsecured notes and the proportion of the premium on redemption that relates to the financial year.

20 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £m	Rationalisation and restructuring £m	Liability and damage claims £m	Other £m	Total £m
a) The Group					
At 1 January 2001	27	27	4	20	78
Charged to profit and loss	–	–	–	2	2
(Credited) to profit and loss	–	(8)	–	–	(8)
Provisions utilised	–	(8)	(4)	–	(12)
At 31 December 2001	27	11	–	22	60

The majority of the rationalisation and restructuring provision relates to liabilities in respect of onerous property leases and employee-related compensation. These liabilities are not expected to arise in the short-term. Other provisions primarily comprises amounts provided for long service and annual leave liabilities, and for mine site restoration.

	Deferred tax £m	Rationalisation and restructuring £m	Liability and damage claims £m	Total £m
b) The Company				
At 1 January 2001	27	23	4	54
(Credited) to profit and loss	–	(8)	–	(8)
Provisions utilised	–	(4)	(4)	(8)
At 31 December 2001	27	11	–	38