

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging, and the movements therein, are as follows:

	Debt £m	Foreign exchange £m	Energy derivatives £m	Total net gain/(loss) £m
Unrecognised gains and (losses) on hedges at 1 January 2001	(31)	–	(2)	(33)
Gains and (losses) arising in previous periods that were recognised in the year ended 31 December 2001	(22)	2	–	(20)
Gains and (losses) arising in the year ended 31 December 2001 that were not recognised in the year	(8)	(2)	8	(2)
Unrecognised gains and (losses) on hedges at 31 December 2001	(17)	(4)	6	(15)
Of which:				
Gains and (losses) expected to be recognised in the year ended 31 December 2002	–	(3)	9	6
Gains and (losses) expected to be recognised in the year ended 31 December 2003 or later	(17)	(1)	(3)	(21)

The hedging of structural currency exposures associated with foreign currency net investments are recognised in the balance sheet.

29 COMMITMENTS

	Group		Company	
	31 December 2001 £m	31 December 2000 £m	31 December 2001 £m	31 December 2000 £m
a) Lease and capital commitments				
Capital commitments: contracted but not provided	166	314	–	–
Property leases (annual commitment): expiring within one year	1	1	–	–
expiring between one and five years	1	1	–	–
expiring after five years	5	5	5	5

b) Fuel purchase and transportation commitments

The Group has contracts with fuel suppliers for the supply and transportation of fuel to its power stations. The expiry of these contracts ranges from 2002 to 2021.

30 CONTINGENT LIABILITIES

a) Legal proceedings against the Company

The Company is aware of the following matters, which involve or may involve legal proceedings against the Group:

- i) Claims and potential claims by or on behalf of current and former employees, including former employees of the Central Electricity Generating Board (CEGB), and contractors in respect of industrial illness and injury.

Innogy has agreed to indemnify the Company on an after-tax basis to the extent of 50% of any liability that we may incur whether directly or indirectly as a consequence of those proceedings to the extent such liability is not insured by Electra Insurance Limited.

- ii) In June 1994 a complaint was made by the National Association of Licensed Opencast Operators (NALOO) to the European Commission against the Company, PowerGen plc, British Coal Corporation and HM Government. The complaint alleges violations of EU Competition law arising out of the coal purchasing arrangements entered into by the CEGB prior to 1 April 1990 and requests the Commission to find that the CEGB's practices violated EU law. NALOO alleges that such a finding would be grounds for a claim for damages in the English courts by members of NALOO. The European Court has ruled that the Commission is under an obligation to investigate the complaint by NALOO. The Company, PowerGen plc, British Coal Corporation and the Commission are appealing against the ruling. It is not practicable to estimate legal costs or possible damages, at this stage.

Innogy has agreed to indemnify the Company on an after-tax basis to the extent of 50% of any liability that the Company may incur whether directly or indirectly as a consequence of those proceedings.

The Directors are of the opinion, having regard to legal advice received, the Group's insurance arrangements and provisions carried in the balance sheet, that it is unlikely that the matters referred to above will, in aggregate, have a material effect on the Group's financial position, results of operations, and liquidity.

b) Bonds and guarantees

Various growth and expansion projects are supported by bonds and letters of credit issued by the Company totalling £384 million.

The Company has issued guarantees totalling £74 million. £10 million of this is in respect of the loan facilities of its Elcogas investment. This facility is repayable by Elcogas in 2003. The guarantee relating to Elcogas was provided for in the year ended 31 December 2001.

31 RELATED PARTY TRANSACTIONS**Operations and maintenance contracts**

In the course of normal operations, International Power Global Developments Limited, a wholly-owned subsidiary undertaking, has contracted on an arms length basis to provide power station operation and maintenance services to joint ventures and associated undertakings. During the year the Group derived income of £16 million (nine month period ended 31 December 2000: £12 million) from these arrangements. Included in creditors is £3 million in relation to these contracts.

32 POST BALANCE SHEET EVENTS

There were no material post balance sheets events to the date of this report.

33 DETAILS OF PRINCIPAL SUBSIDIARY UNDERTAKINGS, ASSOCIATES AND JOINT VENTURES

Subsidiary undertakings

Name and nature of business	Country of incorporation and registration	Percentage shareholding
Hazelwood Finance Limited Partnership (financing company) *	Australia	Partners' Capital 75%
Hazelwood Power Partnership (power generation) *	Australia	Partners' Capital 92%
Elektrárny Opatovice AS (power generation) *	Czech Republic	Ordinary Shares 99%
International Power Global Developments Limited (project development – overseas)	England and Wales	Ordinary Shares 100%
Pelican Point Power Limited (power generation)	England and Wales †	Ordinary Shares 100%
Rugeley Power Limited (power generation)	England and Wales	Ordinary Shares 100%
Deeside Power Development Company Limited (power generation)	England and Wales	Ordinary Shares 100%
National Power International Holdings BV (investment holding company) *	The Netherlands **	Ordinary Shares 100%
Synergen Power Pty Limited (power generation) *	Australia	Ordinary Shares 100%
Thai National Power Company Limited (power generation) †*	Thailand	Ordinary Shares 100%
Midlothian Energy Limited Partnership (power generation) *	US	Partners' Capital 100%
Milford Power Limited Partnership (power generation) *	US	Partners' Capital 100%
ANP Funding I LLC (financing company) *	US	Ordinary Shares 100%
International Power (Cayman) Limited (financing company)	Cayman Islands **	Ordinary Shares 100%
International Power (Europe) Limited (financing company)	England and Wales	Ordinary Shares 100%
ANP Blackstone Energy Company, LLC (power generation) *	US	Ordinary Shares 100%
ANP Bellingham Energy Company, LLC (power generation) *	US	Ordinary Shares 100%
Hays Energy Limited Partnership (power generation) *	US	Partners' Capital 100%
Al Kamil Power Company SAOC (power generation) *	Oman	Ordinary Shares 100%

All subsidiary undertakings operate in their country of incorporation, except as indicated below.

All subsidiary undertakings have December year ends except as indicated below.

* Held by an intermediate subsidiary undertaking.

† Subsidiary undertakings with March year ends.

‡ Operates in Australia.

** Operates in the UK.

Associates

Name and nature of business	Country of incorporation, registration and operation	Accounting period end	Percentage shareholding
Malakoff Berhad (power generation)	Malaysia	31 August	Ordinary Shares 19%
The Hub Power Company Limited (power generation) *	Pakistan	30 June	Ordinary Shares 26%
Carbopego – Abastecimento de Combustíveis, SA (fuel supplies) *	Portugal	31 December	Ordinary Shares 33%
Pegop-Energia Electrica, SA (power station operations) *	Portugal	31 December	Ordinary Shares 45%
Tejo Energia – Producao e Distribuicao de Energia Electrica, SA (power generation) *	Portugal	31 December	Ordinary Shares 45%
Shuweiha CMS International Power Company (power generation) *	UAE	31 December	Ordinary Shares 20%
Uni-Mar Enerji Yatirimlari AS (power generation)	Turkey	31 December	Ordinary Shares 33%

* Held by an intermediate subsidiary undertaking.

Joint ventures

Name and nature of business	Country of incorporation, registration and operation	Accounting period end	Percentage shareholding
Pražská Teplárenská AS (power generation) *	Czech Republic	31 December	Ordinary Shares 47%
Hartwell Energy Limited Partnership (power generation) *	US	31 December	Partners' Capital 50%
Oyster Creek Limited Partnership (power generation) *	US	31 December	Partners' Capital 50%

* Held by an intermediate subsidiary undertaking.