11 EARNINGS PER SHARE (EPS)

	Year ended 31 December 2005 pence	Year ended 31 December 2004 pence
a) Earnings per share (basic)		
Before exceptional items	**13.5**	8.6
After exceptional items	**19.4**	7.5
b) Earnings per share (diluted)		
Before exceptional items	**13.0**	8.5
After exceptional items	**18.5**	7.4
c) Basis of calculation (basic) – earnings	**£m**	£m
Profit attributable to equity holders of the parent before exceptional items	**199**	112
Exceptional items	**86**	(14)
Profit attributable to equity holders of the parent after exceptional items	**285**	98
d) Basis of calculation (diluted) – earnings	**£m**	£m
Profit attributable to equity holders of the parent before exceptional items	**199**	112
After tax effect of interest on convertible bond	**7**	–
Profit attributable to equity holders of the parent before exceptional items	**206**	112
Exceptional items	**86**	(14)
Profit attributable to equity holders of the parent after exceptional items	**292**	98
e) Basis of calculation (basic) – number of Ordinary Shares	**Million**	Million
Weighted average number of issued Ordinary Shares for the purposes of basic EPS	**1,473.5**	1,308.3
Weighted average number of shares held by Employee Share Ownership Plans (ESOPs)	**(2.8)**	(2.8)
Weighted average number of shares	**1,470.7**	1,305.5
f) Basis of calculation (diluted) – number of Ordinary Shares	**Million**	Million
Weighted average number of shares – total	**1,470.7**	1,305.5
Dilutive potential Ordinary Shares:		
Employee share schemes	**19.8**	10.9
Convertible bond	**89.1**	3.0
Weighted average number of Ordinary Shares for the purposes of diluted EPS	**1,579.6**	1,319.4

12 GOODWILL

	31 December 2005 £m	31 December 2004 £m
Cost		
At 1 January	**197**	7
Acquired through business combinations	**2**	190
Eliminated on partial disposal of a subsidiary	**(9)**	–
Exchange differences	**(1)**	–
At 31 December	**189**	197

The addition of £2 million and the reduction of £9 million to goodwill during the year relates to the acquisition and disposal of 5% and 20% of Turbogás respectively (refer to note 30 (a)).

12 GOODWILL continued

Given the geographical diversity of the Group's power plants and the nature of their operations, the Directors consider that each power plant owning subsidiary is a separate cash generating unit. The following cash generating units have significant carrying amounts of goodwill:

	31 December 2005 £m	31 December 2004 £m
First Hydro (UK)	**153**	153
Turbogás (Portugal)	**27**	35
IPO (Czech Republic)	**7**	7
Others	**2**	2
At 31 December	**189**	197

The Group tests goodwill for impairment annually or when there is an indication that goodwill might be impaired. The cash generating units' recoverable amounts are determined from value in use calculations which have key assumptions relating to discount rates and market prices for electricity and fuel costs over the lives of the assets. These market prices are considered in the light of forecast demand and supply growth over the lives of the assets. Pre-tax risk adjusted discount rates take into account current market assessments of the time value of money and risks specific to the respective cash generating unit.

13 OTHER INTANGIBLE ASSETS

	31 December 2005 £m	31 December 2004 £m
Intangible assets		
Commodity contracts	**194**	9
Emission allowances	**–**	–
Carrying amount at 31 December	**194**	9

The above intangible assets balance can be analysed as follows:

Intangible assets – commodity contracts		
Cost		
At 1 January	**9**	–
On adoption of IAS 32 and IAS 39	**(9)**	–
At 1 January	**–**	–
On acquisition of subsidiaries	**234**	9
At 31 December	**234**	9
Accumulated amortisation		
At 1 January	**–**	–
Charge for the year	**40**	–
At 31 December	**40**	–
Carrying amount		
At 1 January (following adoption of IAS 32 and IAS 39)	**–**	–
At 31 December	**194**	9
Intangible assets – emission allowances		
Carrying amount		
At 1 January	**–**	–
Additions	**25**	–
Disposals	**(25)**	–
At 31 December	**–**	–

Commodity contracts are amortised over the period in which benefits are expected to arise. The addition in 2005 relates to commodity contracts acquired as part of the acquisition of Saltend Cogeneration Company Limited. The contracts were valued at £234 million on acquisition. The amortisation of these contracts is charged to cost of sales in the income statement.

The Group has recognised any allocated emission allowances net of the fair value of the grant. As a result, no net asset or liability is shown on the balance sheet at initial recognition. The amortisation of any emission allowances purchased to meet emission requirements generated in the current year are charged to cost of sales in the income statement.

As part of the European Union (EU) Emissions Trading Scheme (EUETS), designed to reduce greenhouse gas emissions in the EU over the medium term, the Group was granted emission allowances amounting to £55 million in respect of the year ended 31 December 2005. The EUETS commenced in 2005 and accordingly no allowances were received in 2004.