

29 SHARE CAPITAL AND RESERVES

	Attributable to equity holders of the parent							
	Share capital	Share premium reserve	Capital redemption reserve	Capital reserve	Hedging reserve	Translation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2005 (as previously stated)	737	392	145	422	–	(39)	176	1,833
Effect of adoption of IAS 32 and IAS 39	–	–	–	–	(12)	–	(20)	(32)
At 1 January 2005 (restated)	737	392	145	422	(12)	(39)	156	1,801
Profit for the year	–	–	–	–	–	–	285	285
Other recognised income and expenses relating to the year (net)	–	–	–	–	(106)	88	–	(18)
Recognition of equity component in 3.75% convertible US dollar bond	–	–	–	–	–	–	50	50
Issue of shares	–	2	–	–	–	–	–	2
Dividends	–	–	–	–	–	–	(37)	(37)
Other movements	–	–	–	–	–	–	9	9
At 31 December 2005	737	394	145	422	(118)	49	463	2,092

	Attributable to equity holders of the parent							
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Translation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2004	554	289	145	422	–	–	76	1,486
Profit for the year	–	–	–	–	–	–	98	98
Other recognised income and expenses relating to the year (net)	–	–	–	–	–	(39)	–	(39)
Rights Issue	183	103	–	–	–	–	–	286
Other movements	–	–	–	–	–	–	2	2
At 31 December 2004	737	392	145	422	–	(39)	176	1,833

The share capital represents the authorised Ordinary Shares in the Company issued at par which carry a right to participate in the distribution of dividends or capital of the Company.

The share premium account represents the difference between the issue price and the nominal value of shares issued.

The capital redemption reserve was created in March 1995 when the Company purchased and then cancelled approximately 98 million of its Ordinary Shares in conjunction with HM Treasury's sale of its remaining 40% shareholding in the Company. The reserve was subsequently increased in the years ended 31 March 1996, 31 March 2000 and 31 December 2003 when further share purchases were made and these shares were cancelled. The capital redemption reserve is not distributable.

The capital reserve was vested in the Company at 31 March 1990 under the Transfer Scheme whereby the net assets of the Central Electricity Generating Board (CEGB) were divided among the CEGB successor companies. It is not distributable.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

On 17 January 2005, the Group waived its option to cash settle the conversion option of the US dollar bond. This election transferred the embedded derivative to reserves recognising the mark to market balance as an equity component of the bond.

£124 million (2004: £124 million) of the Group's retained earnings is not distributable as it arose from unrealised gains on intra-group transfers.

Set off against retained earnings at 31 December 2005 are treasury shares of £1 million (2004: £3 million).