

2 SEGMENT REPORTING

The Group is a global energy business that operates solely in one business segment, that of electricity generation. The international operations are managed on a geographical basis, reflecting the different characteristics within each geographical market. These geographic segments are the basis on which the Group reports its primary segment information. In presenting information on the basis of geographical segments, segment revenues and segment assets are based in the geographical location of both customers and assets. There is no inter-segmental revenue.

	Year ended 31 December 2005			Year ended 31 December 2004		
	Subsidiaries	Share of joint ventures and associates	Total	Subsidiaries	Share of joint ventures and associates	Total
	£m	£m	£m	£m	£m	£m
a) Revenue						
North America	523	171	694	188	72	260
Europe	990	397	1,387	308	212	520
Middle East	24	43	67	24	30	54
Australia	369	51	420	223	8	231
Asia	27	341	368	25	177	202
	1,933	1,003	2,936	768	499	1,267
b) Profit/(loss) from operations (excluding exceptional items)						
North America	20	29	49	(29)	8	(21)
Europe	205	55	260	52	45	97
Middle East	12	12	24	13	7	20
Australia	119	6	125	96	2	98
Asia	6	96	102	9	51	60
	362	198	560	141	113	254
Corporate costs	(59)	–	(59)	(32)	–	(32)
	303	198	501	109	113	222
Operating exceptional items			110			11
Profit from operations (including operating exceptional items)			611			233
Disposal of investments – exceptional			10			4
Financing costs – operating			(202)			(77)
Financing costs – exceptional			–			(31)
Profit before tax			419			129
Income tax expense – operating			(55)			(25)
Income tax expense – exceptional			(34)			–
Profit for the year			330			104

The segmental profit from operations after exceptional items for the year ended 31 December 2005 is £370 million for Europe (31 December 2004: Europe profit from operations of £108 million).

An impairment reversal of £52 million (2004: £nil) was recognised in Europe during the year. An analysis of exceptional items is given in note 8.

On 28 July 2005, International Power completed the acquisition of Saltend. During the year ended 31 December 2005 revenue of £187 million and profit from operations of £50 million are included within the consolidated income statement.

Further details of acquisitions are outlined in note 30.

	Year ended 31 December 2005 £m	Year ended 31 December 2004 £m
c) Depreciation and amortisation expenses		
North America	35	21
Europe	84	22
Middle East	3	3
Australia	62	36
Asia	2	2
	186	84
Corporate costs	2	1
	188	85

Depreciation and amortisation expenses are included within profit from operations (excluding exceptional items).

	Year ended 31 December 2005 £m	Year ended 31 December 2004 £m
d) Additions to property, plant and equipment		
North America	26	20
Europe	24	26
Middle East	159	108
Australia	53	81
Asia	4	2
	266	237
Corporate	1	2
	267	239

	Year ended 31 December 2005			Year ended 31 December 2004		
	Goodwill £m	Commodity contracts £m	Emission allowances £m	Goodwill £m	Commodity contracts £m	Emission allowances £m
e) Expenditure on goodwill and other intangible assets						
Europe	2	234	25	190	9	–

The table above includes both purchased goodwill and intangible assets recognised on the acquisition of subsidiaries during the year in addition to expenditure incurred on other intangible assets.

	Year ended 31 December 2005			Year ended 31 December 2004		
	Segment assets £m	Investments in joint ventures and associates £m	Total £m	Segment assets £m	Investments in joint ventures and associates £m	Total £m
f) Segment assets						
North America	773	199	972	632	182	814
Europe	2,972	341	3,313	2,118	325	2,443
Middle East	383	71	454	163	45	208
Australia	2,196	39	2,235	2,127	33	2,160
Asia	93	725	818	92	584	676
	6,417	1,375	7,792	5,132	1,169	6,301
Corporate	258	–	258	307	–	307
Total assets	6,675	1,375	8,050	5,439	1,169	6,608

	Segment liabilities £m	Investments in joint ventures and associates £m	Total £m	Segment liabilities £m	Investments in joint ventures and associates £m	Total £m
	g) Segment liabilities					
North America	588	–	588	494	–	494
Europe	2,102	–	2,102	1,415	–	1,415
Middle East	335	–	335	153	–	153
Australia	1,676	–	1,676	1,557	–	1,557
Asia	95	–	95	78	–	78
	4,796	–	4,796	3,697	–	3,697
Corporate	879	–	879	853	–	853
Total liabilities	5,675	–	5,675	4,550	–	4,550