

8 EXCEPTIONAL ITEMS

Following the implementation of IFRS, the Group has decided to continue with its separate presentation of certain items as exceptional. These are items which, in the judgement of the Directors, need to be disclosed separately by virtue of their size or incidence in order for the reader to obtain a proper understanding of the financial information.

	Year ended 31 December 2005 £m	Year ended 31 December 2004 £m
Cost of sales credited:		
Impairment reversal of Rugeley plant	52	–
Exceptional items recognised in cost of sales	52	–
Other operating income credited:		
Compensation in respect of the tolling agreement with TXU	58	–
Exceptional items recognised in other operating income	58	–
Other operating expense credited:		
Release of a guarantee on sale of Elcogas	–	11
Exceptional items recognised in other operating expenses	–	11
Disposal of investments:		
Profit on disposal of Tri Energy	4	–
Profit on disposal of shares in Interconnector UK	3	–
Profit on disposal of land in Thailand	3	–
Profit on partial disposal of a holding in HUBCO	–	4
Exceptional items recognised in disposal of investments	10	4
Finance costs:		
US swap termination costs	–	(15)
Other refinancing costs	–	(16)
Exceptional items recognised in finance costs	–	(31)
Attributable taxation:		
Taxation on Rugeley plant impairment reversal	(16)	–
Taxation on compensation in respect of the tolling agreement with TXU	(17)	–
Taxation on disposal of shares in Interconnector UK and on disposal of land in Thailand	(1)	–
Taxation on exceptional items	(34)	–
Total exceptional items after attributable taxation	86	(16)

During 2005 Rugeley received £68 million from the TXU administrators in relation to its contract termination claim. An exceptional item of £58 million has been recorded, with the remaining £10 million reflecting the recovery of debtor balances, costs associated with the claim that had previously been incurred and administrator fees. Further details regarding the impairment reversal of the Rugeley plant are provided in note 14.

9 TAX

	Year ended 31 December 2005 £m	Year ended 31 December 2004 £m
a) Income tax expense for the year		
Current tax		
UK corporation tax charge	25	1
Foreign tax	27	18
Adjustments for prior years	2	(3)
Total current tax charge for the year	54	16
Deferred tax charge		
Origination and reversal of temporary differences	43	9
Benefits of tax losses recognised	(8)	–
Total deferred tax charge for the year	35	9
Total income tax expense for the year	89	25

9 TAX continued

	Year ended 31 December 2005 £m	Year ended 31 December 2004 £m
Income tax charged to:		
Income statement	89	25
Equity	(46)	(2)
	43	23

The deferred tax charge is derived as follows, £11 million from UK operations (2004: £nil) and £24 million from foreign operations (2004: £9 million).

Included in the income tax expense are the following amounts relating to exceptional items:

Cost of sales exceptional items (deferred tax)	16	–
Operating income exceptional items (current tax)	17	–
Disposal of investments exceptional items (current tax)	1	–
Tax charge on exceptional items	34	–

Income tax expense for the year on ordinary activities varied from the standard rate of UK corporation tax as follows:

	Year ended 31 December 2005 £m	Year ended 31 December 2004 £m
b) Reconciliation of income tax expense to accounting profit		
Profit before tax (before exceptional items)	299	145
Tax at domestic income tax rate of 30% (2004: 30%)	90	44
Tax effect of:		
Different tax rates of subsidiaries operating in other jurisdictions	23	(7)
Share of results of joint ventures and associates	(39)	(12)
Tax holidays	(12)	(12)
Expenses that are not deductible in determining taxable profit	15	15
Utilisation of tax losses not previously recognised	(24)	–
Over/(under) provided in prior years	2	(3)
Income tax expense for the year before exceptional items	55	25
Income tax expense for the year on exceptional items	34	–
Income tax expense for the year	89	25

Included in profit before tax (before exceptional items) is a tax charge of £56 million relating to the Group's share of results of joint ventures and associates. The £39 million shown above represents 70% of this tax charge. The remaining 30% is already included within the tax charge calculated at the domestic income tax rate.

10 DIVIDENDS

At the Company's Annual General Meeting (AGM) held on 17 May 2005, shareholders approved the payment of a final dividend of 2.5p per Ordinary Share to members on the register as at 27 May 2005. This dividend amounted to £37 million and was previously reported in the Company's UK GAAP consolidated profit and loss account for the year ended 31 December 2004. Under IFRS, it is not treated as an appropriation of equity until shareholder approval has been received. Accordingly, the £37 million dividend paid in 2005 in respect of the 2004 year has been recorded as a distribution in 2005. The dividend was paid to shareholders on 8 July 2005.

In respect of the current year, the Directors propose a dividend of 4.5p per Ordinary Share, to be paid on 23 June 2006. The dividend is subject to approval by shareholders at the Group's next AGM and has not been included as a liability at 31 December 2005. There are no income tax consequences from the estimated total dividend to be paid of £66 million.

No dividend was paid in 2004 in respect of the year ended 31 December 2003.