

## 22 DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2006		31 December 2005	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Energy derivatives	236	362	267	661
Interest rate swaps	15	9	1	26
Options over equity	30	59	–	–
	<b>281</b>	<b>430</b>	268	687
Current	243	204	268	496
Non-current	38	226	–	191
	<b>281</b>	<b>430</b>	268	687

The Group utilises interest rate swaps to manage its interest rate exposures by swapping an element of its borrowings from floating rates to fixed rates. As at 31 December 2006, the total notional value of interest rate swaps was £2,007 million (2005: £1,416 million).

The Group utilises foreign currency exchange contracts to manage its foreign exchange rate exposures. As at 31 December 2006, the total notional value of these contracts was £45 million (2005: £6 million) and the mark to market was £nil (2005: £nil).

The Group owns purchased call options over the equity of various energy related businesses. The Group already has an equity interest in some of these businesses. The Group has convertible bonds which can convert into Ordinary Shares of International Power plc. The conversion feature in the 3.25% convertible euro bond is accounted for as an embedded derivative (refer note 25).

## 23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances and cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

	31 December 2006 £m	31 December 2005 £m
<b>Cash and cash equivalents in the cash flow statement</b>	<b>980</b>	620

The total cash and cash equivalents balance includes £211 million (2005: £71 million) of cash which is considered to be 'restricted' as it is primarily to secure amounts required for debt repayments and letters of credit.

## 24 ASSETS HELD FOR SALE

On 22 December 2006, the shareholders of Malakoff Berhad approved the sale of their wholesale power generating business to MMC, another Malaysian corporate, for 10.35 Malaysian ringgits per share. The sale process is expected to be completed in the first half of 2007. The estimated proceeds, from the sale of International Power's shareholding in Malakoff Berhad, are significantly more than the 31 December 2006 carrying amount of £128 million. As at 22 December 2006, the carrying amount was reclassified from investments in joint ventures and associates to non-current assets classified as held for sale. The asset held for sale is included within the Asia region segmental assets shown in note 2. International Power's share of Malakoff's earnings are included within the Asia region segmental results.

## 25 LOANS AND BONDS

	31 December 2006 £m	31 December 2005 £m
<b>a) Interest-bearing loans and bonds (current)</b>		
Current portion of secured bank loans	231	187
Secured bonds	10	–
	<b>241</b>	187
<b>b) Interest-bearing loans and bonds (non-current)</b>		
Secured bank loans	3,209	2,721
Secured bonds	668	445
Preferred equity facility	152	173
3.75% Convertible US dollar bonds 2023	113	125
3.25% Convertible euro bonds 2013	124	–
	<b>4,266</b>	3,464
<b>Total interest-bearing loans and bonds</b>	<b>4,507</b>	3,651