

## 26 TRADE AND OTHER PAYABLES (CURRENT)

	31 December 2006 £m	31 December 2005 £m
Trade payables	85	118
Other payables	226	153
Accruals	218	240
<b>Total trade and other payables</b>	<b>529</b>	<b>511</b>

The Directors consider the carrying amounts of trade and other payables approximate to their fair value.

## 27 OTHER PAYABLES (NON-CURRENT)

	31 December 2006 £m	31 December 2005 £m
Other payables	40	14
Loans from minority interests	81	81
<b>Total other payables</b>	<b>121</b>	<b>95</b>

## 28 PROVISIONS

	Retirement benefit obligations £m	Commodity contracts £m	Other £m	Total £m
At 1 January 2006	27	–	41	68
Acquisitions	–	156	3	159
Provisions made during the year	10	–	14	24
Provisions used during the year	(12)	(16)	(5)	(33)
Exchange differences	–	(7)	(2)	(9)
<b>At 31 December 2006</b>	<b>25</b>	<b>133</b>	<b>51</b>	<b>209</b>

Commodity contracts added in 2006 relate to 'out of the money' power sales contracts acquired as part of the acquisition of Coletto Creek. The provisions utilised are credited to revenue in the income statement and are expected to be fully utilised by 2014.

The majority of the 'other' provisions relate to liabilities in respect of onerous property leases, employee-related compensation, amounts provided for long service and annual leave liabilities, and for mine site restoration. These liabilities are not expected to arise in the short-term. The Directors are uncertain as to the timing of when these provisions will be utilised.

## 29 SHARE CAPITAL

	Authorised Ordinary Shares of 50p		Issued and fully paid Ordinary Shares of 50p	
	Number	£m	Number	£m
At 1 January 2006	2,266,000,000	1,133	1,474,736,637	737
Issue of shares under Executive Share Option Plan	–	–	13,073,207	6
Issue of shares under the Sharesave Plan	–	–	1,196,959	1
Issue of shares under Performance Share Plan	–	–	3,046,107	2
<b>At 31 December 2006</b>	<b>2,266,000,000</b>	<b>1,133</b>	<b>1,492,052,910</b>	<b>746</b>

	Authorised Ordinary Shares of 50p		Issued and fully paid Ordinary Shares of 50p	
	Number	£m	Number	£m
At 1 January 2005	2,266,000,000	1,133	1,473,269,066	737
Issue of shares under the Sharesave Plan	–	–	858,892	–
Issue of shares under Executive Share Option Plan	–	–	608,679	–
At 31 December 2005	2,266,000,000	1,133	1,474,736,637	737

### Ordinary Shares

Ordinary Shares rank equally between each other with regard to the right to receive dividends and also in a distribution of assets on the winding up of the Company.

## 29 SHARE CAPITAL continued

### Deferred shares

The Group has 21 Deferred Shares of 1 pence each in issue. These shares were issued to ensure the demerger was effected as efficiently as possible. The holders of Deferred Shares have no rights to receive dividends or to attend or vote at any general meeting.

### Unclassified share

Further to the redemption of the Special Share in August 2000, the Group's authorised share capital includes one unclassified share of £1.

### Employee share schemes

#### a) Number of shares and exercise prices under Share Option Plans

The Group operates the following employee share plans for which shares may be issued by the Group out of authorised but unissued share capital upon exercise of options: the UK Approved Sharesave Plans and the Global Sharesave Plans; the UK Approved and Unapproved Executive Share Option Plans, and the Global Executive Share Option Plans; and the 2002 Performance Share Plan. The total number of options outstanding at the end of the year was as follows:

	Option price range	Date exercisable	Number of Ordinary Shares	
			Year ended 31 December 2006	Year ended 31 December 2005
Sharesave Plans	70.33p-200.00p	2006-2011	<b>5,889,678</b>	4,783,486
Executive Share Option Plans	62.32p-343.73p	2000-2016	<b>21,294,173</b>	32,687,124
2002 Performance Share Plan	74.79p	2003 onwards	<b>1,230,108</b>	4,276,215
<b>Total options outstanding</b>			<b>28,413,959</b>	41,746,825

Details of each Plan are set out on the following pages:

#### i) Sharesave Plans

The UK Approved Sharesave Plan and the Global Sharesave Plan are savings related and enable employees in the UK and a number of other jurisdictions to invest up to a maximum of £250 (or foreign currency equivalent) per month for the purpose of acquiring shares in the Group. The option prices are fixed at a discount of 20% to the market value of the Group's Ordinary Shares as at the date of grant of the option. Options are exercisable at the prices set out below. The option exercise period commences either three or five years after the option has been granted (determined at the time that the employee enters into the savings agreement) and if the options remain unexercised after a period of six months following the beginning of the option exercise period, the options expire. Except for certain specific circumstances (e.g. redundancy) options lapse if the employee leaves the Group before the option exercise period commences. Details of the share options outstanding at the end of the year are as follows:

Option price	Date exercisable	Number of Ordinary Shares	
		Year ended 31 December 2006	Year ended 31 December 2005
167.37p	2006	–	10,082
178.06p	2006-2007	<b>6,631</b>	6,631
80.12p	2005-2006	–	253,314
80.12p	2007-2008	<b>2,578,756</b>	2,673,050
97.93p	2006-2007	<b>79,672</b>	104,158
97.93p	2008-2009	<b>69,582</b>	69,582
70.33p	2006	–	800,205
70.33p	2008	<b>568,855</b>	654,658
97.93p	2007	<b>94,277</b>	107,329
97.93p	2009	<b>99,331</b>	104,477
200.00p	2009	<b>1,311,675</b>	–
200.00p	2011	<b>1,080,899</b>	–
		<b>5,889,678</b>	4,783,486

The number and weighted average exercise prices of Sharesave Plan share options are as follows:

	Year ended 31 December 2006		Year ended 31 December 2005	
	Number of Ordinary Shares	Weighted average exercise price pence	Number of Ordinary Shares	Weighted average exercise price pence
Options outstanding at beginning of the year	4,783,486	78.90	5,963,482	79.18
Granted during the year	2,481,799	200.00	–	–
Exercised during the year	(1,196,959)	74.24	(858,892)	80.67
Expired during the year	(178,648)	140.10	(321,104)	79.45
<b>Options outstanding at end of the year</b>	<b>5,889,678</b>	<b>129.02</b>	4,783,486	78.90
<b>Options exercisable at end of the year</b>	<b>86,303</b>		253,314	

The weighted average share price at the date of exercise for Sharesave Plan share options exercised during the year was 287.15 pence (2005: 240.43 pence). The share options outstanding at the end of the year have exercise prices in a range from 70.33 pence to 200.00 pence as outlined in the table above.

For these share options outstanding at the end of the year the weighted average remaining contractual life is 2.36 years (2005: 2.12 years).

## ii) Executive Share Option Plans

The UK Approved and Unapproved Executive Share Option Plans and the Global Executive Share Option Plans are discretionary employee share option plans. Options are granted to those employees selected to participate in the Plan at the discretion of the Directors of the Company. The exercise price of the options is fixed at the market value of the Company's Ordinary Shares as at the date that the options are granted. The option exercise period is between the third and tenth anniversaries of the date of grant of the options and if the options are not exercised before the expiry of the tenth anniversary of the date of grant then the options lapse. Except for certain specific circumstances (e.g. redundancy) options lapse if the employee leaves the Group before the option exercise period commences or if the employee resigns from the Company. Details of the share options outstanding at the end of the year are as follows:

	Option price	Date exercisable	Number of Ordinary Shares	
			Year ended 31 December 2006	Year ended 31 December 2005
	287.76p	1999-2006	–	416,298
	343.73p	2000-2007	440,687	499,572
	313.92p	2001-2008	586,630	712,903
	277.55p	2003-2010	1,527,844	2,574,081
	209.22p	2004-2011	631,668	1,612,812
	193.19p	2004-2011	49,959	136,076
	174.50p	2005-2012	3,329,619	3,673,817
	62.32p	2006-2013	622,483	10,626,586
	123.53p	2007-2014	6,228,318	6,845,144
	179.25p	2008-2015	5,215,424	5,589,835
	281.00p	2009-2016	2,661,541	–
			<b>21,294,173</b>	32,687,124

The number and weighted average exercise prices of Executive Share Options are as follows:

	Year ended 31 December 2006		Year ended 31 December 2005	
	Number of Ordinary Shares	Weighted average exercise price pence	Number of Ordinary Shares	Weighted average exercise price pence
Options outstanding at beginning of the year	32,687,124	145.14	29,770,835	141.65
Granted during the year	2,671,718	281.00	5,589,835	179.25
Exercised during the year	(13,073,207)	104.51	(608,679)	142.02
Expired during the year	(991,462)	156.52	(2,064,867)	187.83
<b>Options outstanding at end of the year</b>	<b>21,294,173</b>	<b>186.60</b>	32,687,124	145.14
<b>Options exercisable at end of the year</b>	<b>7,188,890</b>		9,625,559	

## 29 SHARE CAPITAL continued

The weighted average share price at the date of exercise for Executive Share Options exercised during the year was 293.26 pence (2005: 232.62 pence). The share options outstanding at the end of the year have exercise prices in a range from 62.32 pence to 343.73 pence.

For these share options outstanding at the end of the year the weighted average remaining contractual life is 6.8 years (2005: 7.1 years).

### iii) 2002 Performance Share Plan

Under this Plan, Directors and certain senior managers of the Group are awarded conditional awards over Ordinary Shares in the Group. These conditional awards may vest three years after the awards have been made subject to the satisfactory performance of a performance condition (determined at the time that the conditional awards are made). In 2003 the Group granted to the Trustee of the International Power Employee Share Ownership Trust an option to acquire 3,807,057 Ordinary Shares in the Group at an option price of 84 pence per share. Following the Rights Issue in 2004, the number of shares under option was increased to 4,276,215 and the option exercise price was adjusted to 74.79 pence per share. This option can only be exercised to the extent required to satisfy conditional awards made under the Performance Share Plan. These conditional awards can only vest after the end of the relevant performance period and only to the extent to which the performance conditions have been satisfied.

During 2006 the Trustee exercised this option to the extent of 3,046,107 shares in respect of Performance Share Plan awards released in March 2006. At 31 December 2006 there remained 1,230,108 options outstanding and exercisable at an exercise price of 74.79 pence per share.

The life of this option is open-ended. It is anticipated that this share option will be utilised to satisfy the release of awards made under the 2002 Performance Share Plan from 2007 onwards. Assuming full vesting of the awards made as at 31 December 2006, it is estimated that this option will have been fully exercised by the end of 2008.

## b) Fair value of options under Share Option Plans

### i) Sharesave plans

The estimated fair value of the options granted during the year was 82 pence per share (2005: None granted).

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2006	2005
Weighted average share price	250p	n/a
Weighted average exercise price	200p	n/a
Expected volatility	30%	n/a
Expected life	4 years	n/a
Risk free rate	4.16%	n/a
Expected dividend yield	2.36%	n/a

### ii) Executive Share Options Plans

The estimated fair value of the options granted during the year was 61 pence per share (2005: 47 pence per share).

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2006	2005
Weighted average share price	269p	179p
Weighted average exercise price	281p	179p
Expected volatility	30%	30%
Expected life	4 years	4 years
Risk free rate	4.39%	4.84%
Expected dividend yield	2.36%	1.94%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous six years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### iii) 2002 Performance Share Plan

No performance share plan options were granted during the current or prior year.

### c) Managers' share bonus arrangements

During 2004, 571,710 Ordinary Shares in International Power plc were acquired in respect of a project incentive arrangement for staff for a consideration of £887,497. These shares have been placed in an Employee Share Ownership Trust. No additional purchases were made during 2006 in respect of this plan (2005: nil).

### d) Employee Share Ownership Trust

A number of International Power plc Ordinary Shares are held in Employee Share Ownership Trusts (ESOTs). These shares are held by the ESOTs to meet awards made under the Group's 2002 Performance Share Plan. At 31 December 2006, the ESOTs held a total of 1,241,452 International Power plc Ordinary Shares (2005: 2,081,573). At 31 December 2006 the market value of these shares was £4,739,243 (2005: £4,985,367). The maximum number of Ordinary Shares required to meet all outstanding awards (assuming full vesting of those awards) as at 31 December 2006 was 6,444,745 (2005: 7,522,005).