

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 2005 £m	31 December 2004 £m
Bank balances	245	154
Call deposits	375	411
Cash and cash equivalents in the cash flow statement	620	565

The total cash and cash equivalents balance includes £71 million (2004: £102 million) of cash which is considered to be 'restricted' as it is primarily to secure amounts required for debt payments and letter of credit expenses.

24 LOANS AND BONDS

	31 December 2005 £m	31 December 2004 £m
a) Interest-bearing loans and bonds (current)		
Current portion of secured bank loans	187	71
2% Convertible US dollar bonds 2005	–	29
Total interest-bearing loans and bonds	187	100
b) Interest-bearing loans and bonds (non-current)		
Secured bank loans	2,721	2,525
Secured bonds	445	449
Preferred equity facility	173	154
3.75% Convertible US dollar bonds 2023	125	129
Total interest-bearing loans and bonds	3,464	3,257

Secured bank loans and secured bonds

The bank loans and bonds are secured by fixed and floating charges over the assets of certain subsidiaries with a carrying amount of £2,842 million. Substantially all of the Group's power stations, generating assets and other operating assets are financed under facilities which are non-recourse to International Power plc and secured solely on the assets of the subsidiary concerned.

Preferred equity facility

The preferred equity facility comprises US\$300 million in preference shares issued by Impala Magpie Limited to Mitsui Power Ventures Limited for the purposes of financing the acquisition of the EME portfolio.

Impala Magpie Limited is a 70% owned subsidiary of International Power plc and Mitsui Power Ventures Limited is a wholly-owned subsidiary of Mitsui & Co of Japan. Mitsui Power Ventures Limited is International Power's partner in IPM Eagle LLP, which is the owner of the assets formerly owned by Edison Mission Energy, and Saltend, which was acquired in July 2005.

The preference shares entitle the holder to a preferred dividend coupon of US dollar LIBOR plus 2%. The preference shares are redeemable from 16 December 2008 and may also be redeemed if funds become available following the sale of certain assets.

International Power (Impala) Limited, a wholly-owned subsidiary of International Power plc, has granted Mitsui Power Ventures Limited a put option to sell 70% of the Preference Shares it holds on the date of exercise. The put option is exercisable in certain circumstances, including where Impala Magpie Limited fails to redeem the Preference Shares on maturity.

International Power plc has agreed to guarantee International Power (Impala) Limited's obligations to Mitsui & Co of Japan and Mitsui Power Ventures Limited.

3.75% Convertible US dollar bonds 2023

On 22 August 2003, International Power (Jersey) Limited, a wholly-owned subsidiary company incorporated in Jersey, issued US\$252.5 million 3.75% convertible notes due 2023, convertible into preference shares of International Power (Jersey) Limited at the holder's option, immediately exchangeable for Ordinary Shares of, and unconditionally guaranteed by, International Power plc.

The notes are convertible into Ordinary Shares of International Power plc at a conversion price of 176p at any time up to 12 August 2023. Each US\$1,000 principal amount of notes will entitle the holder to convert into a US\$1,000 paid-up value of preference shares of International Power (Jersey) Limited. The notes may be redeemed at the holder's option at their principal amount, together with accrued interest, to the date fixed for redemption.

If the conversion option is not exercised, the convertible unsecured notes will be redeemed on 22 August 2023 at a redemption price equivalent to their principal amount.

	31 December 2005 £m	31 December 2004 £m
Nominal value of convertible US dollar bonds issued	144	129
Embedded derivative component	(30)	–
Liability component at date of issue	114	129
Interest charged	11	–
Liability component at 31 December	125	129

The net proceeds received from the issue of the convertible bond have been split between the debt element and an embedded derivative component. This embedded derivative component represents the fair value of the option the Group had to cash settle any conversion option exercised by the bond holders. The embedded derivative is only recognised upon adoption of IAS 32 and IAS 39 as at 1 January 2005. The Group waived this cash settlement option on 17 January 2005, at which date the embedded derivative was transferred to reserves.

The interest charged for the year is calculated by applying an effective interest rate of 3.62% to the liability component for the period since the convertible US dollar bond was issued. This is in addition to the coupon interest rate of 3.75% per annum.

The Directors estimate the fair value of the liability component of the convertible US dollar bonds at 31 December 2005 to be approximately £125 million (31 December 2004: £115 million). This fair value has been determined by reference to the market price at 31 December 2005.

25 TRADE AND OTHER PAYABLES (CURRENT)

	31 December 2005 £m	31 December 2004 £m
Trade payables	118	114
Other payables	153	105
Accruals and deferred income	240	143
Total trade and other payables	511	362

The Directors consider the carrying amount of trade and other payables approximates to their fair value.

26 TRADE AND OTHER PAYABLES (NON-CURRENT)

	31 December 2005 £m	31 December 2004 £m
Other payables	14	163
Loans from minority interests	81	7
Total trade and other payables	95	170

27 PROVISIONS

	Retirement benefit obligations £m	Rationalisation and restructuring £m	Other £m	Total £m
At 1 January 2005	29	8	27	64
Provisions made during the year	–	–	11	11
Provisions used during the year	(2)	(3)	(3)	(8)
Exchange differences	–	–	1	1
At 31 December 2005	27	5	36	68

The majority of the rationalisation and restructuring provision relates to liabilities in respect of onerous property leases and employee-related compensation. Other provisions primarily comprise 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.