

**33 FINANCIAL INSTRUMENTS – 2004** continued**Derivative financial instruments held to manage the interest rate, currency profile and exposure to energy prices**

	Year ended 31 December 2004				
	Carrying amount £m	Fair value £m	Gain/ (loss) £m	Gross gain £m	Gross (loss) £m
Interest rate swaps and similar instruments	–	(38)	(38)	–	(38)
Energy derivatives	–	16	16	90	(74)

**h) Hedges**

These policies in 2004 were the same as outlined in note 32.

Gains and losses on instruments used for hedging were not recognised until the exposure that is being hedged is itself recognised or expires. Unrecognised gains and losses on instruments used for hedging, and the movements therein, are as follows:

	Debt £m	Foreign exchange £m	Energy derivatives £m	Total net gain/(loss) £m
Unrecognised gains and (losses) on hedges at 1 January 2004	(38)	–	37	(1)
Gains and (losses) arising in previous years that were recognised in the year ended 31 December 2004	(15)	–	33	18
Gains and (losses) arising in previous years that were not recognised in the year	(23)	–	4	(19)
Gains and (losses) arising in the year ended 31 December 2004 that were not recognised in the year	(15)	–	12	(3)
Unrecognised gains and (losses) on hedges at 31 December 2004	(38)	–	16	(22)

Of which:

Gains and (losses) expected to be recognised in the year ended 31 December 2005	(2)	–	16	14
Losses expected to be recognised in the year ended 31 December 2006 or later	(36)	–	–	(36)

The hedging of structural currency exposures associated with foreign currency net investments is recognised in the consolidated balance sheet.

**i) Counterparty credit risk**

These policies in 2004 were the same as outlined for 2005 in note 32.

**34 COMMITMENTS****Lease and capital commitments**

	Year ended 31 December 2005 £m	Year ended 31 December 2004 £m
Capital commitments: contracted but not provided	82	182
Future minimum lease payments under non-cancellable operating leases:		
Within one year	6	6
Between one and five years	21	20
After five years	27	35
Offset by future minimum receipts under non-cancellable operating subleases	(8)	(12)

Operating lease payments substantially represent rentals payable by the Group for office properties and wind turbine equipment.

**Fuel purchase and transportation commitments**

At 31 December 2005, the Group's subsidiaries had contractual commitments to purchase and/or transport coal and fuel oil. Based on contract provisions, which consist of fixed prices, subject to adjustment clauses in some cases, these minimum commitments are currently estimated to aggregate £96 million (2004: £107 million) expiring within one year, £182 million (2004: £195 million) expiring between one and five years and £326 million (2004: £98 million) expiring after more than five years.