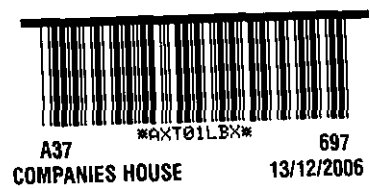


**Power From Waste Limited**

**Directors report and Accounts for the year ended 31 December 2005**



<b>Directors</b>	A. R. Ellis J. Pebworth
<b>Secretary</b>	J. R. Probert FCIS
<b>Registered Office and Head Office</b>	234 Bath Road, Slough SL1 4EE
<b>Registered Number</b>	2902302

**Directors' Report**

The directors submit their annual report together with the audited financial statements for the year ended 31st December 2005 which were approved by the board on 11th December 2006.

**Business of the Company**

The principal activities of the company are as an investment company for waste to energy projects and fuel manufacturing ventures. The company has performed in line with expectations. The directors are satisfied with the year end position.

**Results and Dividends**

The results for the year ended 31 December 2005 are set out on page 4. The directors do not recommend the payment of a dividend (2004: £NIL).

**Directors**

The present directors of the Company all of whom served throughout the year, unless otherwise stated, are as shown above.

**Directors' Interests**

None of the directors who were in office at 31 December 2005 had an interest in the shares of the company during the year.

The interests of J. Pebworth and A.R. Ellis in the shares of Slough Estates plc are disclosed in the financial statements of Slough Heat & Power Limited.

**Charitable, political and other donations**

The Company made no charitable, political or other donations during the year.

**Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at a General Meeting.

On behalf of the Board



J R Probert  
Secretary

**Power From Waste Limited**  
**Statement of Directors' responsibilities**

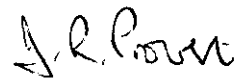
UK company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that year. In preparing the financial statements the directors are required to:

- \* select suitable accounting policies and then apply them consistently;
- \* make judgements and estimates that are reasonable and prudent;
- \* state that the financial statements comply with IFRS;
- \* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



J.R. Probert  
Secretary

11th December 2006

**Power From Waste Limited****Independent Auditor's Report to the members of Power From Waste Limited**

We have audited the financial statements Power From Waste Limited for the year ended 31 December 2005 which comprise the Income statement, Balance Sheet, Cash Flow Statement, Statement of Recognised Income and Expenses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2005 and of its loss and cashflows for the year then ended;

the financial statements have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Reading  
11th December 2006

**Power From Waste Limited**  
**Income statement for the year ended 31 December 2005**

	Note	2005 £000's	2004 £000's
Administrative expenses		( 20 )	( 20 )
<b>Operating expense</b>		<b>( 20 )</b>	<b>( 20 )</b>
Finance costs	5	( 85 )	( 86 )
<b>Loss before tax</b>		<b>( 105 )</b>	<b>( 106 )</b>
Taxation			
- current	6	13	32
		13	32
<b>Loss for the period after tax</b>		<b>( 92 )</b>	<b>( 74 )</b>
<b>Attributable to equity shareholders</b>		<b>( 92 )</b>	<b>( 74 )</b>

**Power From Waste Limited****Statement of recognised income and expense for the year ended 31 December 2005**

	2005 £000's	2004 £000's
Loss for the period	( 92 )	( 74 )
Total recognised income / (expense) for the period	( 92 )	( 74 )
Attributable to equity holders	( 92 )	( 74 )

**Power From Waste Limited**  
**Balance Sheet as at 31 December 2005**

	Note	2005 £000's	2004 £000's
<b>Non-current assets</b>			
Amounts due from group companies	7	23,997	23,997
Total non-current assets		23,997	23,997
Total assets		23,997	23,997
<b>Non-current liabilities</b>			
Borrowings	8	27,252	27,160
Total non-current liabilities		27,252	27,160
Total liabilities		27,252	27,160
<b>Net deficit</b>		<b>( 3,255 )</b>	<b>( 3,163 )</b>
<b>Equity</b>			
Called up ordinary share capital	9	-	-
Revenue reserve	11	( 3,255 )	( 3,163 )
<b>Total equity</b>	10	<b>( 3,255 )</b>	<b>( 3,163 )</b>

The financial statements on pages 4 to 14 were approved by the Board of directors and authorised for issue on 11th December 2006 and signed on its behalf by:



**J Pebworth**  
*Director*

**Power From Waste Limited**  
**Cash Flow Statement for the year ended 31 December 2005**

	<b>Note</b>	<b>2005 £000's</b>	<b>2004 £000's</b>
<b>Cash outflow generated from operations</b>	12	( 20 )	( 20 )
Interest paid		( 85 )	( 86 )
Tax refund		13	32
<b>Net cash outflow from operating activities</b>		<b>( 92 )</b>	<b>( 74 )</b>
<b>Cash flows from financing activities</b>			
Net increase in borrowings from fellow subsidiaries		92	74
<b>Net cash used in financing activities</b>		<b>92</b>	<b>74</b>
<b>Net (Decrease)/increase in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>-</b>	<b>-</b>



**Power From Waste Limited**  
**Notes to the financial statements**

**1 General**

*Power From Waste Limited is a limited company incorporated in England. The Company's ultimate holding company is Slough Estates plc (the Group) which is also incorporated in England.*

*These financial statements are presented in thousands and in sterling since that is the currency in which the majority of the Company's transactions are denominated. The financial statements have been prepared under the historical cost convention. A summary of significant accounting policies is shown in note 15.*

**2 Transition to International Financial Reporting Standards (IFRS)**

*On 1 January 2005 the Company, like its ultimate parent company Slough Estates plc, fully adopted International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU). The standards are also collectively referred to as "IFRS". Previously, the financial statements were prepared under UK Generally Accepted Accounting Principles (UK GAAP). The comparative figures have been restated accordingly. The effects of adopting IFRS on the profit for the period and opening reserves are set out in note 16 of the financial statements.*

*Reconciliations have been provided of certain key figures to UK GAAP and these, together with an explanation of the resulting changes in accounting policies, are set out in note 16.*

*The Company's transition date for the adoption of IFRS is 1 January 2004 and its transition date for the implementation of IAS 32 and IAS 39 dealing with financial instruments is 1 January 2005. These transition dates have been selected in accordance with IFRS 1, "First-time adoption of International Financial Reporting Standards".*

*The Company is required to apply its IFRS accounting policies retrospectively to determine its opening IFRS balance sheet at the transition date of 1 January 2004 and the comparative information for the year ending 31 December 2005.*

*The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.*

**3 Accounting policy changes**

*The key difference between UK GAAP and IFRS in these Financial Statements is that the company's investments in subsidiaries are held at cost less any provision for impairment. Under UK GAAP these were held at fair value.*

**Power From Waste Limited**  
**Notes to the financial statements (continued)**

**4 Administration expenses**

**Employees**

There are no employees directly employed by the company. (2004: Nil).

**Audit Fees**

Audit fees are borne by Slough Heat & Power Limited.

**Directors' Remuneration**

*J Pebworth and A R Ellis are directors of Slough Heat and Power Limited, the company's intermediate parent company, and their remuneration is disclosed in the financial statements of that company.*

<b>5 Finance costs</b>	<b>2005 £000's</b>	<b>2004 £000's</b>
Interest payable to parent company	85	86
	<b>85</b>	<b>86</b>
<b>6 Taxation</b>	<b>2005 £000's</b>	<b>2004 £000's</b>
<b>Current tax</b>		
Provision for UK Corporation taxation based on profits for the year		
Corporation tax at 30 per cent (2004: 30 per cent)	( 32 )	( 32 )
Adjustments in respect of prior periods	19	-
Total current taxation credit	( 13 )	( 32 )
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
Total tax on profit on ordinary activities	( 13 )	( 32 )
<b>Factors affecting the tax charge for the period</b>		
The tax is higher (2004: the same) than the standard rate of corporation tax in the UK. The differences are explained below:		
	<b>2005 £000's</b>	<b>2004 £000's</b>
Loss on ordinary activities before tax	( 105 )	( 106 )
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 per cent (2004 30 per cent)	( 32 )	( 32 )
Effects of :		
Adjustment in respect of prior periods	19	-
	( 13 )	( 32 )

**Power From Waste Limited**  
**Notes to the financial statements (continued)**

<b>7 Amounts due from group companies</b>	<b>2005</b>	<b>2004</b>
	<b>£000's</b>	<b>£000's</b>
Amount owed by group undertakings	23,997	23,997
	<b>23,997</b>	<b>23,997</b>

<b>8 Borrowings</b>	<b>2005</b>	<b>2004</b>
	<b>£000's</b>	<b>£000's</b>
Amounts owed to group undertakings	27,252	27,160
	<b>27,252</b>	<b>27,160</b>

Intercompany loans have no fixed repayment terms and are interest bearing at the Group weighted average costs of funds.

The directors are of the opinion that the fair values of amounts due to Group companies and amounts due from Group companies are equal to their carrying amount.

**9 Share capital**

	<b>Authorised</b>		<b>Issued and fully paid</b>	
	<b>Shares</b>	<b>£</b>	<b>Shares</b>	<b>£</b>
<b>Ordinary shares of £1 each</b>				
At 1 January 2005 and 31 December 2005	100,000	100,000	100	100
		100,000		100

**10 Statement of changes in equity**

	<b>Balance 1</b>	<b>Retained</b>	<b>31</b>
	<b>January</b>	<b>loss for</b>	<b>December</b>
	<b>2005</b>	<b>the period</b>	<b>2005</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Ordinary share capital	-	-	-
Revenue reserve	( 3,163 )	( 92 )	( 3,255 )
Total equity attributable to equity shareholders	( 3,163 )	( 92 )	( 3,255 )

	<b>Balance 1</b>	<b>Retained</b>	<b>31</b>
	<b>January</b>	<b>loss for</b>	<b>December</b>
	<b>2004</b>	<b>the period</b>	<b>2004</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Ordinary share capital	-	-	-
Revenue reserve	( 3,089 )	( 74 )	( 3,163 )
Total equity attributable to equity shareholders	( 3,089 )	( 74 )	( 3,163 )

**11 Revenue reserve**

	<b>2005</b>	<b>2004</b>
	<b>£000's</b>	<b>£000's</b>
Balance at 1 January	(3,163)	(3,089)
Loss for the year	(92)	(74)
Balance at 31 December	(3,255)	(3,163)

**Power From Waste Limited**  
**Notes to the financial statements (continued)**

<b>12 Reconciliation of cash generated from operations</b>	<b>2005 £000's</b>	<b>2004 £000's</b>
Net operating loss	(20)	(20)
<b>Net cash outflow generated from operations</b>	<b>(20)</b>	<b>(20)</b>

**13 Going concern**

The ultimate holding company has indicated its willingness to continue to support the company for the foreseeable future.

**14 Related party transactions**

Transactions between the Company and Slough Estates plc group companies are disclosed below.

Group Company	Nature of transaction	<b>2005 £'000</b>	Total 2004 £'000
Slough Heat and Power Limited	Administration recharge	20	20

Significant balances outstanding between the Company and Slough Estates plc group companies are shown below:

Group Company	Amounts receivable		Amounts payable	
	<b>2005 £'000</b>	2004 £'000	<b>2005 £'000</b>	2004 £'000
Fibre Power (Slough) Limited	<b>23,997</b>	23,997	-	-
Slough Heat and Power Limited	-	-	<b>(27,252)</b>	(27,160)

None of the above balances are secured. All of the above transactions are made on terms equivalent to those that prevail in arms length transactions. The loan balance and finance charge whilst strictly coming from the immediate parent company, ultimately flow from the ultimate parent company.

**Power From Waste Limited**  
**Notes to the financial statements (continued)**

**15 Summary of significant accounting policies**

**Basis of accounting**

Prior to the introduction of IFRS, the Company had prepared its financial statements under United Kingdom accounting standards. As a result of adopting IFRS it has been necessary to change many of the Company's accounting policies and these are shown below.

*The Company's investments in subsidiaries are held at cost or provided against where the net worth of the investment falls below this balance.*

**Impairment**

The Company's assets are, other than investment properties, reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised in income whenever the carrying amount of an asset exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows.

The recoverable amount of an asset is the greater of its net selling price and its value-in-use. The value-in-use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment of financial assets is based on the original effective interest rate attributable to the financial asset on acquisition.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

**Borrowings**

Borrowings other than bank overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

**Provisions**

A provision is recognised in the balance sheet when the Company has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are *lower than the unavoidable cost of meeting its obligations under the contract.*

Provision is made for dilapidations that will crystallise in the future where, on the basis of the present condition of the property, an obligation exists at the reporting date and can be reliably measured. The estimate is revised over the remaining period of the lease to reflect changes in the condition of the building or other changes in circumstances. The estimate of the obligation takes account of relevant external advice.

**Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets are not recognised if the temporary differences arise from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

No provision is made for temporary differences arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

*The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company is entitled to settle its current tax assets and liabilities on a net basis.

**Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those other business segments

**Share capital**

Ordinary shares are classed as equity. External costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**Exceptional items**

**Power From Waste Limited****Notes to the financial statements (continued)**

These are significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance.

**New standards**

IFRS 6 and 7 and IFRIC 4,5,6,7,8 and 9 have been issued but are not effective for the year ended 31 December 2005. It is believed that they will not have a material impact on the financial statements on initial application.

16 Restatement for International Financial Reporting Standards  
Equity - reconciliation between UK GAAP and IFRS as at 31 December 2004

	IFRS Adjustments		
	UK GAAP	Investment in subsidiaries	IFRS
	£000's	£000's	£000's
<b>Non-current assets</b>			
Group loans	23,997	-	23,997
Investment in subsidiaries	1,288	(1,288)	-
Total Non-current assets	25,285	(1,288)	23,997
<b>Total assets</b>	25,285	(1,288)	23,997
<b>Capital and reserves</b>			
Share capital - ordinary	-	-	-
Retained earnings	(1,875)	(1,288)	(3,163)
<b>Shareholders' funds</b>	(1,875)	(1,288)	(3,163)
<b>Total equity</b>	(1,875)	(1,288)	(3,163)
<b>Non-current liabilities</b>			
Borrowings	27,160	-	27,160
Total Non-current liabilities	27,160	-	27,160
<b>Total equity and liabilities</b>	25,285	(1,288)	23,997