

# Baglan Generating Limited

## Directors' report and financial statements

For the year ended 31 December 2006

Registered number 03689741

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# Baglan Generating Limited

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# Baglan Generating Limited

## Directors' report

The directors present their report and the financial statements for the year ended 31 December 2006

### Principal activities

The principal activity of the company is the leasing of power plant assets

### Business review

The results for the company show a pre-tax profit of £28.8m (2005: £25.7m) for the year and sales of £36.0m (2005: £37.1m)

The company has net assets of £361.7m (2005: £336.7m) of which £156.8m (2005: £112.3m) is due from fellow GE group companies

### Future outlook

The external commercial environment is expected to remain positive in 2007, as the demand for energy and associated power plant assets continues to be strong within the UK. Therefore we remain confident that we will maintain our current level of performance in the future.

A planned maintenance shutdown of the power station during the first half of 2008 will cause a reduction in turnover during that period. During the shutdown, work will be undertaken that will improve both the output and efficiency of power generation from the third quarter of 2008 onwards.

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from within the UK power plant rental sector, rising fuel prices, and legislative changes regarding power generation emissions.

	2006	2005	Definition, method of calculation
(Decrease) / Growth in Sales (%)	(2.0)%	0.8%	Year on year sales (decrease) / growth expressed as a percentage. The decrease is in line with our expectations.
Gross Margin (%)	56.4%	55.4%	Gross margin is the ratio of operating profit before exceptional items and goodwill amortization to sales expressed as a percentage. Gross margin is slightly improved on last year and was consistent with expectations per the existing leasing contract.
Return on invested capital (%)	5.7%	6.1%	Operating profit expressed as a percentage of net assets. Return on invested capital is in line with our expectations and broadly consistent with last year.

### Results and dividends

The profit for the year, after taxation, amounted to £25,023,000 (2005: £20,036,000)

The directors do not recommend the payment of a dividend (2005: nil)

# Baglan Generating Limited

## Directors' report

### Directors and directors' interests

The directors who served during the year and up to the date of the directors' report were

A M Clark  
M D Digby (resigned 3 October 2006)  
B M Heppenstall (appointed 24 March 2006)  
D P Mulholland (appointed 3 October 2006)  
H A Wake  
S W Probert

Since the company meets the definition in s736 (2)(3) of the Companies Act 1985 of a wholly owned subsidiary of a body corporate incorporated outside Great Britain, the company has taken advantage of regulation 3 (1)(a) of Statutory Instrument 1985/802 exempting the company from the requirement to disclose directors' share interests and options in group companies

### Provision of information to auditors

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

### Auditors

The auditors KPMG Audit Plc, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 21 December 2001

This report was approved by the board on *6 November* and signed on its behalf



Director

The Arena  
Downshire Way, Bracknell  
Berkshire  
RG12 1PU

# Baglan Generating Limited

## Statement of directors' responsibilities For the year ended 31 December 2006

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

# Baglan Generating Limited

## Independent Auditors' report to the members of Baglan Generating Limited

We have audited the financial statements of Baglan Generating Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

# Baglan Generating Limited

## Independent Auditors' report to the members of Baglan Generating Limited

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

**KPMG Audit Plc**

Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

Date 7 NOVEMBER 2007

# Baglan Generating Limited

## Profit and loss account For the year ended 31 December 2006

	<b>Note</b>	<b>2006 £000</b>	<b>2005 £000</b>
<b>Turnover</b>	<b>1</b>	<b>36,450</b>	37,096
Cost of sales		<b>(15,899)</b>	(16,543)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>20,551</b>	20,553
Administrative income/(expenses)		<b>71</b>	(46)
		<hr/>	<hr/>
<b>Operating profit</b>	<b>2</b>	<b>20,622</b>	20,507
Interest receivable and similar income	<b>5</b>	<b>8,158</b>	5,218
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>28,780</b>	25,725
Tax on profit on ordinary activities	<b>6</b>	<b>(3,757)</b>	(5,689)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>	<b>13</b>	<b>25,023</b>	20,036
		<hr/>	<hr/>

All amounts relate to continuing operations

There were no recognised gains and losses for 2006 or 2005 other than those included in the profit and loss account

The notes on pages 8 to 13 form part of these financial statements



# Baglan Generating Limited

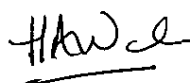
## Balance sheet As at 31 December 2006

	Note	£000	2006 £000	£000	2005 £000
<b>Fixed assets</b>					
Tangible fixed assets	7		257,014		272,425
Fixed asset investments			-		-
<b>Current assets</b>					
Debtors	9	156,894		112,331	
Creditors amounts falling due within one year	10	(8,100)		(5,249)	
<b>Net current assets</b>			148,794		107,082
<b>Total assets less current liabilities</b>			405,808		379,507
 Provision for liabilities	11		(44,075)		(42,797)
<b>Net assets</b>			361,733		336,710
<b>Capital and reserves</b>					
Called up share capital	12		313,259		313,259
Profit and loss account	13		48,474		23,451
<b>Shareholders' funds - All equity</b>	14		361,733		336,710

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

6 November 2007

Director



The notes on pages 8 to 13 form part of these financial statements

# Baglan Generating Limited

## Notes to the financial statements

### 1 Accounting policies

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is a wholly owned subsidiary undertaking of International General Electric (USA), a company incorporated in England and Wales. Under the provisions of S228 of the Companies Act 1985 the company is exempt from the requirement to prepare consolidated group financial statements

#### 1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS1

#### 1.3 Turnover

Turnover represents the amounts (excluding value added tax) derived from intercompany operating lease rentals. All income arose in the United Kingdom

#### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Land is not depreciated

Depreciation is provided at rates calculated to write off the cost of fixed assets less their estimated residual value over their expected useful lives on the following bases

Freehold property	-	20 years
Plant & machinery	-	20 years

#### 1.5 Investments

Investments in subsidiary undertakings are stated at cost less amounts written off

#### 1.6 Operating leases

Rentals under operating leases are charged to the profit and loss account as incurred

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

# Baglan Generating Limited

## Notes to the financial statements

### 17 Taxation

The charge for taxation is based on the profit or loss for the year

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

### 18 Transactions with related parties

The company, as a wholly owned subsidiary undertaking of General Electric Company, has taken advantage of an exemption contained in FRS 8, "Related Party Disclosures", in preparing its financial statements. This exemption allows the company not to disclose details of transactions with other group companies or investees of the group qualifying as related parties, as the consolidated financial statements of General Electric Company, in which the company is included, are publicly available

## 2 Operating profit

The operating profit is stated after charging

	2006 £000	2005 £000
Depreciation of tangible fixed assets - owned by the company	15,411	15,411
Operating lease rentals- land and buildings	467	1,132

## 3. Auditors' remuneration

	2006 £000	2005 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	14	37

## 4 Staff costs

The company has no employees other than the directors, who did not receive any remuneration (2005 - £NIL)

## 5 Interest receivable and similar income

	2006 £000	2005 £000
Interest receivable from group companies	8,158	5,218

# Baglan Generating Limited

## Notes to the financial statements

### 6 Taxation

	2006 £000	2005 £000
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profits for the year	7,633	5,154
Adjustments in respect of prior periods	(5,154)	(2,256)
<b>Total current tax</b>	<u>2,479</u>	<u>2,898</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,229	2,791
Adjustment in respect of prior years	49	-
<b>Total deferred tax</b> (see note 11)	<u>1,278</u>	<u>2,791</u>
<b>Tax on profit on ordinary activities</b>	<u>3,757</u>	<u>5,689</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2006 £000	2005 £000
Profit on ordinary activities before tax	<u>28,780</u>	<u>25,725</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	8,634	7,718
<b>Effects of</b>		
Expenses not deductible for tax purposes	228	227
Capital allowances for year in excess of depreciation	(1,229)	(2,791)
Adjustments to tax charge in respect of prior periods	(5,154)	(2,256)
<b>Current tax charge for the year</b> (see note above)	<u>2,479</u>	<u>2,898</u>

Any future tax charges may be impacted by the announced change in the rate of corporation tax from 30% to 28% effective from 1 April 2008. The impact of this has not been quantified in the financial statements, as the directors do not consider it practicable to do so.

# Baglan Generating Limited

## Notes to the financial statements

### 7 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Total £000
<b>Cost</b>			
At 1 January 2006 and 31 December 2006	8,163	300,057	308,220
<b>Depreciation</b>			
At 1 January 2006	797	34,998	35,795
Charge for the year	408	15,003	15,411
At 31 December 2006	1,205	50,001	51,206
<b>Net book value</b>			
At 31 December 2006	6,958	250,056	257,014
At 31 December 2005	7,366	265,059	272,425

### 8. Fixed asset investments

	Shares in subsidiary undertaking £000
<b>Cost and net book value</b>	
At beginning and end of year - 1 ordinary share of £1	-

#### Subsidiary undertaking

Details of the company's subsidiary are set out below. The subsidiary is incorporated in England and Wales.

Name and nature of business	Class of shares held	Percentage of shares held
Baglan Pipeline Limited <i>Operate and own gas pipeline</i>	Ordinary	100%

### 9. Debtors

	2006 £000	2005 £000
Amounts owed by group undertakings	156,894	112,331

# Baglan Generating Limited

## Notes to the financial statements

### 10 Creditors Amounts falling due within one year

	2006 £000	2005 £000
Amounts owed to group undertakings	-	58
Corporation tax	7,633	5,154
Accruals and deferred income	467	37
	<u>8,100</u>	<u>5,249</u>

### 11 Provision for liabilities - deferred taxation

	2006 £000	2005 £000
At 1 January 2006	42,797	40,006
Charge for the year	1,278	2,791
	<u>44,075</u>	<u>42,797</u>
At 31 December 2006		

The provision for deferred taxation is made up as follows

	2006 £000	2005 £000
Differences between accumulated depreciation and capital allowances	<u>44,075</u>	<u>42,797</u>

### 12 Share capital

	2006 £000	2005 £000
<b>Authorised</b>		
500,000,000 'A' redeemable shares of £1 each	500,000	500,000
500,000,000 'B' ordinary shares of £1 each	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
313,258,688 'B' ordinary shares of £1 each	<u>313,259</u>	<u>313,259</u>

# Baglan Generating Limited

## Notes to the financial statements

### 13 Reserves

	Profit and loss account £000
At 1 January 2006	23,451
Profit retained for the year	25,023
	<hr/>
At 31 December 2006	48,474
	<hr/>

### 14 Reconciliation of movement in shareholders' funds

	2006 £000	2005 £000
Opening shareholders' funds	336,710	316,674
Profit for the year	25,023	20,036
	<hr/>	<hr/>
Closing shareholders' funds	361,733	336,710
	<hr/>	<hr/>

### 15 Operating lease commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	2006 £000	2005 £000
<i>Expiry date.</i>		
Between 2 and 5 years	2,300	-
After more than 5 years	-	3,212
	<hr/>	<hr/>

### 16 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is International General Electric (USA), a company incorporated in England and Wales

The smallest and the largest group in which the results of the company are consolidated is that headed by its ultimate parent undertaking, General Electric Company, a company incorporated in the United States of America. The consolidated financial statements of this company are available to the public and may be obtained from 3135 Easton Turnpike, Fairfield, Connecticut, 06828, USA or at [www.ge.com](http://www.ge.com)