

SembCorp Utilities (UK) Limited

Directors report and financial statements for the year ended 31 December 2005

Registered number: 4636301



Directors' Report for the year ended 31 December 2005

The directors present their report on the affairs of the company, together with the financial statements for the year of trading from 1 January 2005 to 31 December 2005.

The company is a wholly owned subsidiary of SembCorp Utilities Pte Limited, a major international integrated services provider.

Principal activities and business review

The company provides industrial solutions to its customers by delivering a range of integrated services of which the principle elements are:

Utilities	Generation and supply of heat and power and the supply of water and industrial gases
Protection	Protection of customer's assets, reputation and people through services such as emergency response, security, community response and environmental and analytical services
Fulfilment	Integrated stores, warehousing, infrastructure and contact centre services
Solutions	Total engineering solutions through project management, engineering, inspection and design support services

Results and dividends

The results for the year are as follows:

	2005	2004 (restated)
	£'000	£'000
Profit on ordinary activities after taxation	20,653	12,545
Equity dividends on ordinary shares	(4,609)	-
Retained profit for the year	16,044	12,545
Actuarial loss on pension scheme (net of tax)	(2,957)	(2,313)
Total recognised gains in the year after dividends	13,087	10,232

The directors are satisfied with the results of the year and recommend a further dividend on the ordinary shares of the company of £2.5 million.

During the year the Company refinanced its bank loans which in part enabled it to build a wood burning biomass boiler – to be known as Wilton 10. The £60million project, which will be completed in 2007, will reinforce the current strategy to increase the amount of energy made from renewable fuel sources in line with the Government's strategy for power generation. As at the time of this report, the project is on track to be completed in 2007.

The directors have adopted FRS 25 "Financial Instruments : Disclosure and Presentation" during the year. This has resulted in a portion of the company's preference shares being recorded as a financial liability rather than as equity.

The prior year results have been restated to reflect this change. The change is more fully explained in note 19 to the accounts.

Treasury policies

The Company finances its activities with a combination of bank loans and cash. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company also enters into derivative transactions, including interest rate swaps and forward currency contracts, as well as transactions to fix commodity prices. The purpose of these transactions is to manage the commodity, interest rate and currency risks arising from the Company's operations and its sources of finance. The Company does not trade in financial instruments or enter into speculative commodity transactions.

The main risks associated with the Company's financial assets and liabilities are set out below.

Foreign currency risk

The Company's operations are materially exclusive to the United Kingdom. However, as a result of the Company's capital programme, and Wilton 10 in particular, a significant element of capital purchases are denominated in US Dollars and Euros.

The Company seeks to mitigate the effect of its currency exposures by fixing the exchange rates of foreign currencies at the time contracts are entered into for all material foreign currency contracts. As a result the Company believes that it has effectively managed its exposure to foreign currency risks to a minimal level as at the balance sheet date.

Interest rate risk

The Company's policy is to manage its cost of borrowing predominantly through fixed rate debt.

The Company uses interest rate swaps agreed with other parties to generate the desired interest profile, agreeing to exchange, at specified intervals, the difference between fixed rate and variable interest amounts calculated by reference to an agreed-upon notional principal. At the year end, 97% of the Company's borrowings were at fixed rates after taking account of interest rate swaps.

Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the Company enters into derivative or fixed price contracts requiring settlement by the other party.

Company policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the Company's exposure to bad debts is not significant.

Treasury Policies (continued)

Levels of overdue debts are monitored closely by management. A process for alerting management to operations failing to meet monthly cash collection targets serves to reduce the likelihood of an unmanaged concentration of credit risk.

Company policies also restrict the counterparties with which derivative transactions or fixed price commodity transactions can be contracted. Management ensures that exposure is spread across a number of approved financial institutions.

Liquidity risk

The Company aims to mitigate liquidity risk by applying cash collection targets. Investment is carefully controlled, with authorisation limits operating up to board level and cash payback periods applied as part of the investment appraisal process. In this way the Company aims to maintain a good credit rating to facilitate fund raising.

As part of its funding strategy, the Company has entered into a twelve year bank loan facility, elements of which will be drawn down to finance the construction of Wilton 10. The repayment profile of the loan is consistent with the directors' view of the future cashflows of the Company. Excess cash used in managing liquidity is only invested in financial instruments exposed to insignificant risk of changes in market value, being placed on interest-bearing deposit with maturities fixed at no more than 6 months.

Price risk

The Company's exposure to changing market prices on the value of financial instruments has an impact on the carrying value of financial assets and liabilities. The Company seeks to manage its exposure to this risk by entering into fixed price contracts where this is appropriate and possible. As a result, exposures to changes in commodity prices such as for coal or electricity are satisfactorily managed.

It is, and has been throughout the period under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

Directors

The directors who served during the year and up to the date of the signing of these financial statements, are as shown below:

P D Gavens
A J McLeod
Tang Kin Fei
Tan Cheng Guan
Lim Suet Boey
Joseph Francis Gomez (appointed 31/5/05)
Koh Chiap Khiong (resigned 31/5/05)
A Bowden (alternate director to Lim Suet Boey)

The directors who held office at 31 December 2005 had no direct beneficial interest in the shares of the company or any other group company incorporated in Great Britain during the year (that requires disclosure under Schedule VII of the Companies Act 1985.)

Supplier payment policy

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms and conditions if they are met by the supplier.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period, which 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 those 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 whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 which 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.

Statement of directors' responsibilities (continued)

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Charitable contributions

During the year the company made various charitable contributions totalling £14,657.

Fixed assets

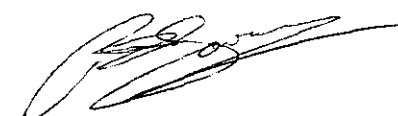
There is no significant difference between the book value and the market value of land and buildings.

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the annual general meeting.

SCU (UK) Headquarters
PO Box 1985
Wilton International
Middlesbrough
TS90 8WS

On behalf of the Board



Director
23 March 2006

Independent auditors' report

to the members of SembCorp Utilities (UK) Limited

We have audited the company's financial statements for the year ended 31 December 2005 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 24. These financial statements have been prepared under 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 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.

Independent Auditor's Report to the members of SembCorp Utilities (UK) 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Newcastle upon Tyne

23 March 2006

Profit and Loss Account for the year ended 31 December 2005

	Notes	2005 £'000	2004 (restated: note 20) £'000
Turnover	2	228,942	181,591
Cost of sales		(188,986)	(151,021)
Gross profit		39,956	30,570
Administrative expenses		(7,683)	(8,355)
Other operating income	4	1,652	1,676
Operating profit		33,925	23,891
Exceptional Item – Profit on sale of land		1,823	-
Interest receivable	3	4,736	3,997
Interest payable and similar charges	3	(10,457)	(9,083)
Profit on ordinary activities before taxation	4	30,027	18,805
Taxation on profit on ordinary activities	7	(9,374)	(6,260)
Profit on ordinary activities after taxation	19	20,653	12,545
Dividends	8	(4,609)	-
Retained profit for the year		16,044	12,545

The accompanying notes are an integral part of this profit and loss account.

The above profits were generated from continuing operations.

Statement of Total Recognised Gains and Losses for the year ended 31 December 2005

		2005	2004
			(restated: note 20)
	Notes	£'000	£'000
Net profit for the financial year	19	20,653	12,545
Actuarial loss on pension scheme	24	(3,447)	(3,304)
Deferred tax on actuarial loss		490	991
Total recognised gains and losses in the year		<u>17,696</u>	<u>10,232</u>

Balance Sheet as at 31 December 2005

	Notes	2005 £'000	2004 (restated: note 20) £'000
Fixed assets			
Negative goodwill	9	(7,585)	(8,202)
Intangible asset	9	2	-
Tangible assets	10	136,240	124,207
Investments	11	-	-
		<u>128,657</u>	<u>116,005</u>
Current assets			
Stocks	12	3,029	3,546
Debtors	13	40,537	27,893
Cash at bank		29,403	16,178
		<u>72,969</u>	<u>47,617</u>
Creditors: amounts falling due within one year	14	(43,771)	(47,835)
Net current assets/(liabilities)		<u>29,198</u>	<u>(218)</u>
Total assets less current liabilities		<u>157,855</u>	<u>115,787</u>
Creditors: amounts falling due after more than one year	15	(70,500)	(45,773)
Provisions for liabilities and charges	17	(13,401)	(10,104)
Pension scheme deficit	24	(13,638)	(12,681)
		<u>60,316</u>	<u>47,229</u>
Capital and reserves			
Called-up equity share capital	18	30,967	30,967
Profit and loss account	19	29,349	16,262
		<u>60,316</u>	<u>47,229</u>
Shareholders' funds			
Equity		46,349	33,262
Non-Equity		13,967	13,967
		<u>60,316</u>	<u>47,229</u>

The accompanying notes are an integral part of this balance sheet.

Director.....

Date..... 23 MARCH 2006

Notes to the accounts

For the year ended 31 December 2005

Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

a) Basis of accounting

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

b) Basis of consolidation

Consolidated financial statements have not been prepared because the company's only subsidiary is dormant with no significant assets or liabilities.

c) Cash flow statement

In accordance with Financial Reporting Standard No.1 (Revised 1996) no cash flow statement has been prepared as the company's results are included in the consolidated financial statements of its ultimate parent company, which are made available to the public on an annual basis.

d) Goodwill

Negative goodwill, being the excess of the fair value of assets and liabilities acquired over the costs of their acquisition, is capitalised and classified on the balance sheet as a negative fixed asset. It is amortised over the periods in which the non-monetary assets acquired are depreciated or sold, which is currently estimated to be 15 years. Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

e) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and provision for any impairment in value. Depreciation is provided on all tangible fixed assets, other than freehold land and assets under construction, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	20 years
Plant and equipment	3 - 20 years
Vehicles	3 - 5 years

Major boiler and pipeline overhauls, which extend the economic life of the assets in question, are capitalised and depreciated over the useful economic life to which the overhaul relates, being the period up to the next scheduled major overhaul.

Notes to the accounts

For the year ended 31 December 2005

1 Accounting policies (continued)

f) Investment properties

Certain of the company's properties are held for long-term investment. Investment properties are accounted for in accordance with SSAP 19, as follows:

- investment properties are revalued annually and are not depreciated. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included, cannot be separately identified or quantified.

g) Stocks and long term contracts

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices less further costs expected to be incurred.

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in Stocks above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

h) Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Notes to the accounts

For the year ended 31 December 2005

1 Accounting policies (continued)

i) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

j) *Turnover*

Turnover represents amounts receivable for utilities and services provided in the normal course of business, net of VAT and other sales-related taxes. Revenue from long term contracts is recognised in line with the value of work performed.

k) *Levy Exemption Certificates (LECs) and Renewable Obligations Certificates (ROCs)*

Income from the sale of LECs and ROCs is credited to turnover in the profit and loss account in the period in which the certificates are sold. LECs and ROCs are recognised in the balance sheet at the date they are awarded. They are allocated a notional value at that date, unless they are to be used to meet an external liability, in which case they are valued at an amount equivalent to the associated liability.

Notes to the accounts

For the year ended 31 December 2005

1 Accounting policies (continued)

l) Pension costs

The company has continued to apply Financial Reporting Standard 17 "Retirement Benefits".

For the defined benefit scheme, the amount charged to the profit and loss account in respect of pension costs is the service cost of providing the benefits accrued in the year plus interest payable on pension scheme liabilities. The amount credited to the profit and loss account is the return on pension scheme assets.

Defined benefit schemes are funded with the assets of the scheme held in a separate trustee administered fund. The surplus or deficit on the defined benefit scheme is shown on the balance sheet as either an asset or liability respectively. The actuarial loss or gain is the movement of the surplus or deficit in the year (adjusted for the profit and loss account items) and is recognised in the statement of total recognised gains and losses.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

m) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

n) Leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

o) Related party transactions

Under the provisions of Financial Reporting Standard No. 8 the company has not disclosed details of related party transactions with group companies as its ultimate parent undertaking prepares consolidated financial statements which include the results of the company and are made available to the public on an annual basis.

p) Onerous contracts

Provision for the estimated unavoidable future costs of fulfilling contracts in excess of the benefits expected to accrue is calculated at each year end based on the directors' view of forward commodity market prices. The effect of the time value of money is material and, therefore, any provision is discounted using a rate based on the company's weighted average cost of capital.

Notes to the accounts

For the year ended 31 December 2005

1 Accounting policies (continued)

q) *Classification of shares as debt or equity*

FRS 25 "Financial Instruments : Disclosure and Presentation" has been adopted during the year. This requires that when shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not remeasured in subsequent years.

The prior year results have been restated to reflect this change. The change is more fully explained in note 19 to the financial statements.

r) *Debt issue costs*

Debt issue costs are recognised in the profit and loss account over the term of the relevant debt at a constant rate on the carrying amount. Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the debt issue costs charged to the profit and loss account in respect of the accounting period.

s) *Carbon trading*

Carbon allowances received by the company are accounted for using the 'net liability' method. This means that any surplus quantities of allowances above those which are forecast to be required for the company's own use are accounted for as an intangible asset together with a related deferred income balance in the balance sheet at their nominal amount of £0.01 per carbon allowance. A liability would only crystallise when emissions are greater than the allowances granted.

t) *Government grant*

Grants received for capital expenditure are included in the balance sheet as deferred income. The grant relates to an asset under construction. Once the asset has been constructed and is operational, the grant will be credited to the profit and loss account by instalments over the expected useful life of the related asset.

Notes to the accounts

For the year ended 31 December 2005

2 Turnover

All turnover and profit arises from the principal activities of the company, which are carried out in the United Kingdom.

3 Interest payable and similar charges

	2005	2005	2004	2004 (restated: note 19)
	£'000	£'000	£'000	£'000
Bank loan interest (see below)		5,948		4,292
Amortisation of discounted provisions and assets		237		1,357
Inter company interest paid		472		-
Interest on pension scheme liabilities (note 24)		3,651		3,285
Interest on preference shares recognised as a financial liability		149		149
		<u>10,457</u>		<u>9,083</u>
Interest receivable	(898)		(645)	
Expected return on pension scheme assets (note 24)	<u>(3,838)</u>	<u>(4,736)</u>	<u>(3,352)</u>	<u>(3,997)</u>
Net interest payable		<u>5,721</u>		<u>5,086</u>

The bank loan interest above includes amortisation of deferred fees of £1.582 million relating to the bank loan (2004: £0.167 million), of which £1.370 million relates to the writing off of fees from the original business financing, which was refinanced in the year.

Notes to the accounts

For the year ended 31 December 2005

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2005 £'000	2004 £'000
Depreciation and amounts written off tangible fixed assets		
- owned	9,962	7,455
Impairment of fixed assets	612	-
Hire of plant and machinery	504	240
Operating lease rentals	76	22
Auditors' remuneration – audit services	60	50
	<hr/>	<hr/>
And after crediting:		
Operating lease rentals receivable – Land and buildings	1,652	1,676
Remeasurement of onerous contract (note 17)	5,447	5,797
Amortisation of negative goodwill	617	610
	<hr/>	<hr/>

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was:

	2005 Number	2004 Number
Operating	548	527
Administration	85	79
	<hr/>	<hr/>
	633	606
	<hr/>	<hr/>

Notes to the accounts

For the year ended 31 December 2005

5 Staff numbers and costs (continued)

The aggregate remuneration comprised:

	2005 £'000	2004 £'000
Salaries	16,835	15,102
Pension costs	2,310	2,192
Social Security costs	1,496	1,316
	<u>20,641</u>	<u>18,610</u>

6 Directors' remuneration

The total amounts for directors' remuneration and other benefits were as follows:

	2005 £'000	2004 £'000
Emoluments	222	235
Company contributions to defined benefit pension schemes	28	25
Amounts paid to third parties	-	4
	<u>250</u>	<u>264</u>

	Number	Number
Members of a defined benefit pension scheme	<u>1</u>	<u>1</u>

The above amounts for remuneration include the following in respect of the highest paid director:

	2005 £'000	2004 £'000
Emoluments	192	172
Company contributions to defined benefit pension schemes	<u>28</u>	<u>25</u>

Notes to the accounts

For the year ended 31 December 2005

7 Taxation

	2005 £'000	2004 £'000
(a) Analysis of charge in the year		
Current tax:		
UK corporation tax: Current tax on profit for year (7(b))	<u>869</u>	<u>-</u>
Deferred tax:		
Origination of timing differences	<u>8,505</u>	<u>6,260</u>
Total deferred tax (note 17)	<u>8,505</u>	<u>6,260</u>
Tax on profit from ordinary activities	<u>9,374</u>	<u>6,260</u>

	2005 £'000	2004 £'000
(b) Factors affecting tax charge for the year		
Profit on ordinary activities before tax	<u>30,027</u>	<u>18,805</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 %	9,008	5,641
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	486	487
Capital allowances for year in excess of depreciation	(2,135)	(4,239)
Other short term timing differences	(6,535)	(1,934)
Preference share interest expense not allowable for tax	<u>45</u>	<u>45</u>
Current tax on profit for the year (7(a))	<u>869</u>	<u>-</u>

(c) Factors that may affect future tax charges

There are no factors expected to significantly affect future tax charges.

Notes to the accounts

For the year ended 31 December 2005

7 Taxation (continued)

The tax charge for the year has been increased by £602,000 as a result of the exceptional item relating to the sale of land.

No provision has been made for deferred tax on gains potentially arising on the initial revaluation of acquired property to its fair value and market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided at the year end is £4,834,000 (2004 £6,054,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

8 Dividends

	2005 £'000	2004 £'000
Equity dividends on ordinary shares paid - £0.27 per share (2004 £nil)	4,609	-

A final dividend of £2,500,000 (2004 £nil) has been proposed by the Directors.

9 Intangible Assets

	Carbon trading £'000	Negative goodwill £'000
Cost		
At 1 January 2005	-	(9,241)
Additions	2	-
At 31 December 2005	2	(9,241)
Amortisation		
At 1 January 2005	-	1,039
Released during the year	-	617
At 31 December 2005	-	1,656
Net book value		
At 31 December 2005	2	(7,585)
At 1 January 2005	-	(8,202)

Notes to the accounts

For the year ended 31 December 2005

10 Tangible fixed assets

The movement in the year was as follows:

	Investment property	Land and buildings	Plant and equipment	Vehicles	Assets under construction	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2005	5,992	13,751	112,687	690	3,342	136,462
Additions	-	-	3,828	93	19,162	23,083
Reclassifications	-	142	-	-	(142)	-
Disposals	(476)	-	-	-	-	(476)
At 31 December 2005	<u>5,516</u>	<u>13,893</u>	<u>116,515</u>	<u>783</u>	<u>22,362</u>	<u>159,069</u>
Depreciation						
At 1 January 2005	-	519	11,557	179	-	12,255
Charge for the year	-	333	9,512	117	-	9,962
Impairment	-	246	366	-	-	612
At 31 December 2005	<u>-</u>	<u>1,098</u>	<u>21,435</u>	<u>296</u>	<u>-</u>	<u>22,829</u>
Net book value						
At 31 December 2005	<u>5,516</u>	<u>12,795</u>	<u>95,080</u>	<u>487</u>	<u>22,362</u>	<u>136,240</u>
At 1 January 2005	<u>5,992</u>	<u>13,232</u>	<u>101,130</u>	<u>511</u>	<u>3,342</u>	<u>124,207</u>

Included within land and buildings is long leasehold land of £3.46 million. The remaining land and buildings are freehold. Assets under Construction as at 31 December 2005 include capitalised interest of £0.093million.

The above investment properties comprise land which has been valued by the directors at open market value at the date of acquisition. In the opinion of the directors there is no significant difference in the valuation at 31 December 2005.

The impairment during the year relates to the write down of certain assets which are not currently being used by the company.

11 Investments

The company has one 100% owned subsidiary company, Wilton Energy Limited, which is a dormant company registered in the UK. The company invested £2 in 2003 in the entire share capital of Wilton Energy Limited.

Notes to the accounts

For the year ended 31 December 2005

12 Stocks

	2005	2004
	£'000	£'000
Raw materials	1,314	1,785
Engineering spares	1,715	1,761
	<u>3,029</u>	<u>3,546</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

13 Debtors

	2005	2004
	£'000	£'000
Trade debtors	36,074	21,944
Prepayments	2,840	2,228
Intercompany debtor	188	-
Other debtors	1,405	3,679
Amounts recoverable on contracts	30	42
	<u>40,537</u>	<u>27,893</u>

Notes to the accounts

For the year ended 31 December 2005

14 Creditors: amounts falling due within one year

	2005	2004 (restated: note 20)
	£'000	£'000
Bank loans (note 16)	2,742	20,582
Trade creditors	12,536	10,665
Taxation and Social Security	2,989	2,212
Payments on account	104	-
Deferred consideration	-	2,275
Accruals and deferred income	23,711	11,664
Preference dividends payable	12	255
Corporation tax	409	-
Other creditors	1,138	52
Preference shares recognised as a financial liability (note 18)	130	130
	<u>43,771</u>	<u>47,835</u>

The above bank loan is stated net of borrowing costs of £0.240 million (2004: £0.165 million).

The above deferred consideration in 2004 related to amounts payable under the agreement to purchase the assets and working capital of Enron Teesside Operation Limited. This has been settled in 2005.

15 Creditors: amounts falling due after more than one year

	2005	2004 (restated: note 20)
	£'000	£'000
Preference shares recognised as a financial liability (note 19)	803	803
Bank loan (note 16)	66,722	44,970
Deferred grant income	2,975	-
	<u>70,500</u>	<u>45,773</u>

The above bank loan is stated net of borrowing costs of £2.345 million (2004: £1.205 million).

Notes to the accounts

For the year ended 31 December 2005

16 Bank loans

The maturity profile of the company's financial liabilities at 31 December 2005 was as follows:

	2005 £'000	2004 £'000
Less than one year	2,742	20,582
Between one and two years	5,437	4,518
Between two and five years	17,695	27,183
After five years	43,590	13,269
	<u>69,464</u>	<u>65,552</u>

The loan attracts an interest charge of LIBOR plus 1% to 1.65%, is repayable in instalments by 31 December 2012, and is secured on the assets of the company.

A new loan agreement was signed with Calyon on 17 February 2005, which replaced the loan in 2004 of £65.552 million on 24 February 2005.

The company has issued letters of credit totalling £7.67 million as required under the terms of its power trading and fuel purchasing arrangements.

Notes to the accounts

For the year ended 31 December 2005

17 Provisions for liabilities and charges

Movement on provisions

	Carbon provision £'000	Onerous contract £'000	Deferred taxation £'000	Total £'000
At 1 January 2005	-	5,210	4,894	10,104
Provided during year	2	-	8,505	8,507
Increase due to the passage of time	-	237	-	237
Utilised in the period	-	-	-	-
Remeasurement	-	(5,447)	-	(5,447)
At 31 December 2005	<u>2</u>	<u>-</u>	<u>13,399</u>	<u>13,401</u>

The company has long term power purchase and site service agreements. As a result of the terms inherent within these contracts and the directors' view of future market prices, the contracts were considered to be onerous. A provision was made to reflect the future anticipated excess costs that were expected under the terms of these contracts. As a result of the movement in power prices, this provision has been remeasured as at 31 December 2005 to zero.

Deferred tax assets/(liabilities)

	2005 £'000	2004 £'000
At 1 January 2005	(4,894)	1,366
Charged to profit and loss account	<u>(8,505)</u>	<u>(6,260)</u>
At 31 December 2005	<u>(13,399)</u>	<u>(4,894)</u>

Deferred tax provided in the financial statements is as follows

	2005 £'000	2004 £'000
Capital allowances for period in excess of depreciation	(13,605)	(6,333)
Others	<u>206</u>	<u>1,439</u>
At 31 December 2005	<u>(13,399)</u>	<u>(4,894)</u>

Notes to the accounts

For the year ended 31 December 2005

18 Called-up equity share capital

	2005	2004
	£'000	(restated) £'000
<i>Authorised</i>		
17,000,000 ordinary shares of £1 each	17,000	17,000
14,900,000 preference shares of £1 each	14,900	14,900
	<u>31,900</u>	<u>31,900</u>
<i>Allotted, called-up and fully-paid</i>		
17,000,000 ordinary shares of £1 each	17,000	17,000
14,900,000 preference shares of £1 each	14,900	14,900
Less: amount recognised as a financial liability	(933)	(933)
	<u>30,967</u>	<u>30,967</u>

On a distribution of assets of the company among its members on a winding up each preference shareholder will be entitled in priority to any holder of any other class of shares to receive an amount equal to the aggregate of the capital paid up on such preference shares together with any arrears of the preference dividend.

Each ordinary shareholder shall have one vote for every share of which he is the holder.

On a distribution of assets of the company among its members on a winding up each preference shareholder will be entitled in priority to any holder of any other class of shares to receive an amount equal to the aggregate of the capital paid up on such preference shares together with any arrears of the preference dividend.

The preference shares carry no votes at meetings unless the dividend thereon is six months or more in arrears or the business of the meeting includes a winding up of the company or reducing its share capital, in which event each holder will be entitled to one vote on a show of hands or one vote per share on a poll.

The preference shares are redeemable at par at any time at the option of the issuer.

The above preference shares are valued net of the fair value of the associated dividend stream of £0.933 million which has been reclassified within Creditors.

Notes to the accounts

For the year ended 31 December 2005

19 Reserves

	Profit and loss £'000
At 1 January 2005	16,262
Profit for the financial year	20,653
Dividend	(4,609)
Actuarial loss in pension fund recognised in statement of total recognised gains and losses (net of deferred tax)	(2,957)
At 31 December 2005	<u>29,349</u>

Prior year adjustment

During the year the company has adopted FRS 20 "Share based payments", FRS 21 "Events after the balance sheet date" and FRS 25 "Financial instruments: Disclosure and presentation". The only impact for the company is that a portion of the company's preference shares are required to be reclassified as a financial liability as opposed to equity, which was the historic treatment of preference shares. The prior year results have been adjusted to reflect this change and the impact on the current and prior year financial statements is set out below.

	2005 £'000	2004 £'000
Profit and loss account		
Increase in interest payable	(149)	(149)
Reduction in dividends	149	149
Net impact on retained profit	-	-

Balance sheet

	2005 £'000	2004 £'000
Increase in creditors: amounts falling due within one year	-	130
Increase in creditors: amounts falling due after more than one year	-	803
Reduction in share capital	-	(933)
Net reduction in net assets	-	(933)

20 Reconciliation of movements in equity shareholders' funds

	2005 £'000	2004 £'000
Opening shareholders' funds, as previously stated	47,229	37,930
Prior year adjustment (note 19)	-	(933)
Opening shareholders' funds as restated	47,229	36,997
Profit for the financial year	20,653	12,545
Dividend	(4,609)	-
Actuarial gain in pension fund recognised in statement of recognised gains and losses (net of deferred tax)	(2,957)	(2,313)
Closing shareholders' funds	<u>60,316</u>	<u>47,229</u>

Notes to the accounts

For the year ended 31 December 2005

21 Controlling party

The company is a subsidiary undertaking of SembCorp Utilities Pte Limited, registered in Singapore, which in turn is a subsidiary of SembCorp Industries Limited, which heads the largest group in which the results of the company are consolidated. The consolidated financial statements of this group are available to the public and may be obtained from 30 Hill Street, #05-04, Singapore 179360.

22 Capital commitments

Commitments for capital expenditure not provided for in these financial statements:

	2005 £'000	2004 £'000
Contracts placed for future capital expenditure	<u>24,198</u>	<u>361</u>

The vast majority of the above commitments relate to the Wilton 10 project.

23 Operating lease commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	2005 £'000	2004 £'000
Due to expire within one year:		
Other	<u>76</u>	<u>22</u>

Notes to the accounts

For the year ended 31 December 2005

24 Pensions

Pensions are accounted for in accordance with Financial Reporting Standard 17.

The company provides pension arrangements to the majority of full time employees through a defined benefit scheme, the SembCorp Utilities Teesside Pension Scheme, and the related costs are assessed in accordance with the advice of professionally qualified actuaries. The pension scheme is funded by the payment of contributions to separately administered trust funds.

The company also provides a defined contribution scheme to the remainder of its employees, the SembCorp Shareholder Pension Scheme.

The SembCorp Utilities Teesside Pension Scheme is a defined benefit scheme. The amounts disclosed are based on the results of the full actuarial valuation carried out as at 31 March 2005 updated for subsequent experience and adjusted for the different assumptions and methodology prescribed by FRS 17.

Employer contributions over the accounting period were paid at the rate of 24.2% of Pensionable Pay and amounted to £4.056 million. Employer contributions will continue to be paid at the rate of 24.2% of Pensionable Pay until the rate is next reviewed.

The scheme is closed to new entrants and hence the average age of the active membership is expected to increase over time. This increase in average age will lead to an increase in the current service cost. However, the increase will be mitigated by the reduction in service cost as a result of members leaving service.

The latest actuarial valuation shows a deficit as at 31 December 2005 of £19,483 million calculated as follows:

The main assumptions used in valuing the pension scheme by the actuary were:

Main assumptions (% pa):	2005	2004	2003
- rate of increase in salaries	4.4%	4.3%	4.3%
- rate of increase for pensions in payment	2.9%	2.7%	2.8%
- discount rate	4.8%	5.1%	5.4%
- inflation assumption	2.9%	2.8%	2.7%

Notes to the accounts

For the year ended 31 December 2005

24 Pensions (continued)

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 December 2005 %pa	Value at 31 December 2005 £'000	Long-term rate of return expected at 31 December 2004 %pa	Value at 31 December 2004 £'000	Long-term rate of return expected at 31 December 2003 %pa	Value at 31 December 2003 £'000
Market value of equities		57,439	7.5	47,543	7.5	41,552
Market value of bonds	4.2	7,882	4.5	5,119	4.8	4,362
Market value of property	6.2	2,851		-		-
Total market value of assets		68,172		52,662		45,914
Present value of liabilities		(87,655)		(70,698)		(60,704)
Deficit in the scheme		(19,483)		(18,036)		(14,790)
Related deferred tax asset		5,845		5,355		4,364
		<u>(13,638)</u>		<u>(12,681)</u>		<u>(10,426)</u>

Analysis of the amount charged to operating profit	2005 £'000	2004 £'000
Current service cost	2,243	2,021
Total operating charge	<u>2,243</u>	<u>2,021</u>

Analysis of the amount credited/(charged) to other finance charges	2005 £'000	2004 £'000
Expected return on pension scheme assets	3,838	3,352
Interest on pension scheme liabilities	(3,651)	(3,285)
Net credit	<u>187</u>	<u>67</u>

Movement in deficit during the year	2005 £'000	2004 £'000
Deficit at 1 January 2005	(18,036)	(14,790)
Current service cost	(2,243)	(2,021)
Contributions	4,056	2,012
Other finance income	187	67
Actuarial (loss) recognised in statement of total recognised gains and losses	(3,447)	(3,304)
Deficit in scheme at 31 December 2005	<u>(19,483)</u>	<u>(18,036)</u>

Notes to the accounts

For the year ended 31 December 2005

24 Pensions (continued)

	2005 £'000	2004 £'000
Amounts paid under a defined contribution scheme	<u>243</u>	<u>180</u>