

Company Registration No. 200816718E

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Annual Financial Statements

22 August 2008 (date of incorporation) to 31 December 2008



Lion Power Holdings Pte. Ltd. and its Subsidiaries

General Information

Directors

Hirohisa Miyata	(Appointed on 20 September 2008)
Eiji Hijikata	(Appointed on 20 September 2008)
Moroo Shino	(Appointed on 2 September 2008)
Akira Suda	(Appointed on 25 February 2009)
Guy Richelle	(Appointed on 20 September 2008)
Johan De Saeger	(Appointed on 2 September 2008)
Brendan Wauters	(Appointed on 20 September 2008)
Lucas Hautvast	(Appointed on 5 November 2008)
Hidehiko Yukawa	(Appointed on 20 September 2008)
Teruaki Hoshi	(Appointed on 20 September 2008)
Eiji Iwashige	(Appointed on 20 September 2008)
Kazuhiro Izaki	(Appointed on 20 September 2008)
Yutaka Funada	(Appointed on 20 September 2008)
Suresh Pullat Bhaskar	(Appointed on 11 September 2008; resigned on 6 March 2009)
Peter V. G Termote	(Appointed on 20 September 2008, resigned on 5 November 2008)
Koji Kuroda	(Appointed on 22 August 2008; resigned on 25 February 2009)

Secretary

Soon Choo Hock	(Appointed on 29 August 2008)
Regina Liew Mei Yen	(Appointed on 29 August 2008)

Registered Office

111 Somerset Road, #05-06
Singapore 238164

Auditors

Ernst & Young LLP

Index

	Page
Directors' report	1
Statement by directors	3
Independent auditors' report	4
Consolidated income statement	6
Balance sheets	7
Statements of changes in equity	8
Consolidated cash flow statement	9
Notes to the financial statements	10

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Lion Power Holdings Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial period from 22 August 2008 (date of incorporation) to 31 December 2008.

Directors

The names of the directors in office at the date of this report are:

Hirohisa Miyata
Eiji Hijikata
Moroo Shino
Akira Suda
Guy Richelle
Johan De Saeger
Brendan Wauters
Lucas Hautvast
Hidehiko Yukawa
Teruaki Hoshi
Eiji Iwashige
Kazuhiro Izaki
Yutaka Funada

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

No director who held office at the end of the financial period had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial period, or date of appointment if later, or at the end of the financial period.

Directors' contractual benefits

Since the date of incorporation, no director of the Company has received or has become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

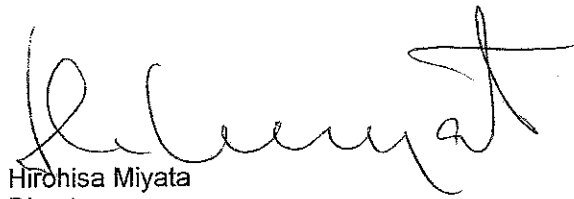
Lion Power Holdings Pte. Ltd. and its Subsidiaries

Directors' Report

Auditors

Ernst & Young LLP have expressed their willingness to accept appointment as auditors.

On behalf of the Board of Directors,



Hirohisa Miyata
Director



Guy Richelle
Director

Singapore
20 MAR 2009

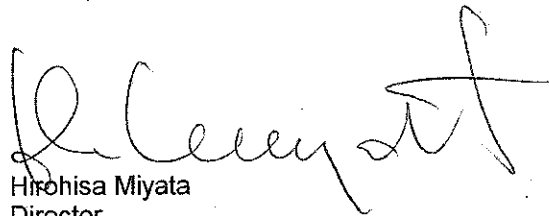
Lion Power Holdings Pte. Ltd. and its Subsidiaries

Statement by Directors

We, Hirohisa Miyata and Guy Richelle, being two of the directors of Lion Power Holdings Pte. Ltd. do hereby state that, in the opinion of the directors:

- (i) the accompanying balance sheets, consolidated income statement, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial period from 22 August 2008 (date of incorporation) to 31 December 2008; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,



Hirohisa Miyata
Director



Guy Richelle
Director

Singapore

20 MAR 2009

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Independent Auditors' Report To the Members of Lion Power Holdings Pte. Ltd.

We have audited the accompanying financial statements of Lion Power Holdings Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 6 to 46, which comprise the balance sheets of the Group and the Company as at 31 December 2008, the statements of changes in equity of the Group and the Company and the income statement and cash flow statement of the Group for the financial period from 22 August 2008 (date of incorporation) to 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

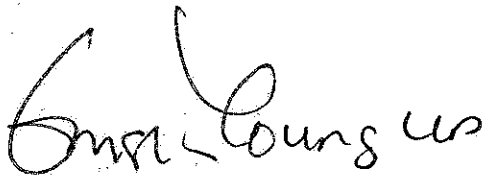
Lion Power Holdings Pte. Ltd. and its Subsidiaries

**Independent Auditors' Report
To the Members of Lion Power Holdings Pte. Ltd.**

Opinion

In our opinion,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial period from 22 August 2008 (date of incorporation) to 31 December 2008; and
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
20 March 2009

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Consolidated Income Statement

for the financial period from 22 August 2008 (date of incorporation) to 31 December 2008

	Note	Group 2008 \$'000
Revenue	5	997,440
Cost of sales		(934,345)
Gross profit		63,095
Other income	6	13,295
Distribution and marketing expenses		(721)
Administration expenses		(8,027)
Finance costs	7	(7,401)
Profit before tax	8	60,241
Income tax expense	10	(3,191)
Net profit for the financial period		57,050

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Balance Sheets as at 31 December 2008

	Note	Group 2008 \$'000	Company 2008 \$'000
Assets			
Non-current assets			
Property, plant and equipment	11	1,883,598	—
Intangible assets	12	2,456,480	—
Investments in subsidiaries	13	—	3,678,483
Other financial assets	14	108	—
Derivatives	15	1,789	—
		<u>4,341,975</u>	<u>3,678,483</u>
Current assets			
Inventories	16	81,025	—
Prepaid operating expenses		10,641	—
Other financial assets	14	1,479	—
Trade and other receivables	17	339,517	18,511
Derivatives	15	11,420	—
Cash and cash equivalents	18	99,328	8,984
		<u>543,410</u>	<u>27,495</u>
Total assets		<u>4,885,385</u>	<u>3,705,978</u>
Equity and liabilities			
Current liabilities			
Income tax payable		18,884	—
Bonds	19	11,750	—
Trade and other payables	20	299,509	21,089
Derivatives	15	244,311	—
		<u>574,454</u>	<u>21,089</u>
Net current (liabilities)/assets		<u>(31,044)</u>	<u>6,406</u>
Non-current liabilities			
Deferred tax liabilities	10	272,604	—
Loans and borrowings	21	553,767	—
Derivatives	15	19,629	—
		<u>846,000</u>	<u>—</u>
Total liabilities		<u>1,420,454</u>	<u>21,089</u>
Net assets		<u>3,464,931</u>	<u>3,684,889</u>
Equity attributable to equity holders of the Company			
Share capital	22	3,685,988	3,685,988
Retained earnings		57,050	(1,099)
Hedging reserve	23	(278,107)	—
		<u>3,464,931</u>	<u>3,684,889</u>
Total equity and liabilities		<u>4,885,385</u>	<u>3,705,978</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Statements of Changes in Equity
for the financial period from 22 August 2008 (date of incorporation) to 31 December 2008

	Note	Share capital \$'000	Retained earnings \$'000	Hedging reserve \$'000	Total \$'000
Group					
At 22 August 2008 (date of incorporation)		@	-	-	@
Net change in hedging reserve	23	-	-	(278,107)	(278,107)
Profit for the financial period		-	57,050	-	57,050
Total recognised income for the financial period			57,050	(278,107)	(221,057)
Issue of shares for cash	22	3,685,988	-	-	3,685,988
At 31 December 2008		3,685,988	57,050	(278,107)	3,464,931
Company					
At 22 August 2008 (date of incorporation)		@	-	-	@
Loss for the financial period		-	(1,099)	-	(1,099)
Issue of shares for cash	22	3,685,988	-	-	3,685,988
At 31 December 2008		3,685,988	(1,099)	-	3,684,889

@ denotes less than \$1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Consolidated Cash Flow Statement

for the financial period from 22 August 2008 (date of incorporation) to 31 December 2008

	Note	2008 \$'000
Cash flows from operating activities		
Profit before tax		60,241
Adjustments for:		
Amortisation of prepaid fuel toll charges		21
Depreciation of property, plant and equipment	11	29,601
Interest income	6	(418)
Interest expense	7	7,401
Net fair value gain on derivatives	8	(7,650)
Operating cash flows before changes in working capital		89,196
Changes in working capital:		
Increase in trade and other receivables		(4,187)
Decrease in inventories		33,030
Decrease in other financial assets		57,893
Decrease in trade and other payables		(248,176)
Total changes in working capital		(161,440)
Cash flows from operations		(72,244)
Interest received		432
Income tax paid		(11,270)
Net cash flows used in operating activities		(83,082)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash	13	(3,499,085)
Purchase of property, plant and equipment	11	(132,979)
Net cash flows used in investing activities		(3,632,064)
Cash flows from financing activities		
Issue of shares for cash	22	3,685,988
Interest paid		(12,031)
Proceeds from loans and borrowings	21	553,767
Repayment of short term loan		(225,000)
Buyback of bonds		(188,250)
Net cash flows from financing activities		3,814,474
Net increase in cash and cash equivalents		99,328
Cash and cash equivalents at 22 August 2008 (date of incorporation)		-
Cash and cash equivalents at 31 December	18	99,328

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements - 31 December 2008

1. Corporate information

Lion Power Holdings Pte. Ltd. (the "Company") is a private limited liability company incorporated in Singapore. The immediate and ultimate holding company is Lion Power (2008) Pte. Ltd., a private limited liability company incorporated in Singapore.

The registered office and principal place of business of the Company is located at 111 Somerset Road #05-06, Singapore 238164.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13 of the financial statements.

2. Fundamental accounting concept

Going concern assumption

As at 31 December 2008, the Group's current liabilities exceeded its current assets by \$31,044,000. The net working capital deficit is due mainly to derivatives liabilities of S\$244,311,000 which relates to mark-to-market losses on fuel swaps entered in view of the declining prices attributable to the global economic crisis.

The Group enters into fuel swap contracts to fix the price of the fuel used in generation of electricity (See Note 26(ii)). Even though the Group is out-of-money on the fuel swap contracts, it also meant that the Group will be paying lower fuel prices in the future, thereby achieving the margin for the contracts which the Group has secured.

The Group has committed loan facility of S\$100 million to meet its working capital requirement.

3. Summary of significant accounting policies

3.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$'000) as indicated.

3.2 Future changes in accounting policies

Certain new standards, amendments and interpretations to existing standards, which are relevant to the Group have been issued but not yet effective.

		<i>Effective date (annual periods beginning on or after)</i>
FRS 1	: Presentation of Financial Statements – Revised presentation	1 January 2009
FRS 23	: Borrowing Costs	1 January 2009

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application.

3.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. Where the financial year ends of subsidiaries are not co-terminous with that of the Group, consolidation is based on the latest audited management accounts available. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 3.6(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

3.4 *Foreign currency*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement.

3.5 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	–	Over lease period of 3 to 60 years
Leasehold buildings	–	15 to 50 years
Plant and machinery	–	3 to 50 years
Mains	–	40 years
Vehicles	–	5 to 15 years
Computers	–	5 to 8 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the income statement in the year the asset is derecognised.

3.6 *Intangible assets*

(a) *Goodwill*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

(i) Club membership

Club membership is carried at cost.

(ii) Gas supply agreements

Gas supply agreements were acquired in a business combination and were valued using incremental cash flow method. It will be amortised on a straight line basis over its estimated finite useful life of 7 years as from January 2013.

3.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.8 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

3.9 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

3.9 *Financial assets (cont'd)*

(a) *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) *Financial assets at fair value through profit or loss.*

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

3.10 *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) *Assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments are recognised in the income statement if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

3.11 **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.12 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a first-in first-out basis.

3.13 **Prepaid fuel toll charges**

Prepaid fuel toll charges was paid to Power Gas Pte Ltd for the right to use the pipelines and was amortised to the income statement over the period of the gas supply contract of 20 years, based on the minimum purchase quantity specified for each period. On 15 September 2008, the Onshore Transportation Agreement with Power Gas Pte Ltd was terminated.

3.14 **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.15 **Financial liabilities**

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

3.16 *Borrowing costs*

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale

3.17 *Employee benefits*

(a) *Defined contribution plans*

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

3.18 *Leases*

(a) *As lessee*

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3.19(e).

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements - 31 December 2008

3.19 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) *Supply of electricity*

Revenue from the sale of electricity is recognised upon delivery.

(b) *Rendering of services*

Revenue from rendering of services is recognised when services are rendered.

(c) *Supply of fuel*

Gain on disposal of fuel is recognised upon delivery.

(d) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(e) *Rental income*

Rental income is accounted for on a straight-line basis over the lease terms.

3.20 *Income taxes*

(a) *Current tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised in equity.

3.20 *Income taxes (cont'd)*

(b) *Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset 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 deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.21 *Share capital*

Proceeds from issuance of ordinary and preference shares are recognised as share capital in equity.

Incremental costs directly attributable to the issuance of ordinary and preference shares are deducted against share capital.

3.22 *Hedge accounting*

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

4. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

4.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

(a) Income taxes

The Group has exposure to income taxes in Singapore. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables and deferred tax liabilities at the balance sheet date was \$18,884,000 and \$272,604,000 respectively.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

(a) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 60 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the balance sheet date is disclosed in Note 11 to the financial statements.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill and intangibles, are given in Note 12 to the financial statements.

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements - 31 December 2008

4.2 Key sources of estimation uncertainty (cont'd)

(c) *Impairment of loans and receivables*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in Note 17 to the financial statements.

(d) *Fair value estimates for certain financial assets and derivatives.*

The Group carries certain financial assets and derivatives at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence (foreign exchange rates, forecast fuel prices), the fair value would differ if the Group had used different valuation methodologies.

5. Revenue

	Group 2008 \$'000
Supply of electricity	997,341
Services rendered	99
	<hr/>
	997,440
	<hr/>

6. Other income

	Group 2008 \$'000
Interest income from banks	416
Interest income on staff loans	2
Gain on disposal of fuel	496
Receipt on insurance claim	12,350
Others	31
	<hr/>
	13,295
	<hr/>

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements - 31 December 2008

7. Finance costs

	Group 2008 \$'000
Interest expense/(income) on	
- Bonds	5,067
- Loans	3,367
- Interest rate swap (Note 15)	(1,033)
	<u>7,401</u>

8. Profit before tax

The following items have been included in arriving at profit before tax:

	Group 2008 \$'000
Amortisation of prepaid fuel toll charges	21
Cost of inventories recognised as an expense	846,073
Transmission and distribution charges	43,569
Depreciation of property, plant and equipment (Note 11)	29,601
Operating lease expenses	172
Net fair value gain on derivatives (Note 15)	(7,650)
Employee benefits expense (Note 9)	7,844
	<u>7,844</u>

9. Employee benefits expense

	Group 2008 \$'000
Wages and salaries	7,054
Employer's contribution to defined contribution plans including Central Provident Fund	563
Other short term benefits	227
	<u>7,844</u>

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements - 31 December 2008

10. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the financial period from 22 August 2008 (date of incorporation) to 31 December 2008 are:

	Group 2008 \$'000
<i>Income statement</i>	
Current income tax	11,643
<i>Deferred income tax</i>	
- Origination and reversal of temporary differences	(2,763)
- Cash flow hedge reserve (Note 23)	2,533
- Overprovision in respect of previous years	(8,222)
	<u>3,191</u>
<i>Statement of changes in equity</i>	
Deferred income tax related to items charged directly to equity	
- Revaluation of derivatives to fair value (Note 23)	58,516
	<u>58,516</u>

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial period from 22 August 2008 (date of incorporation) to 31 December 2008 is as follows:

	Group 2008 \$'000
Profit before tax	<u>60,241</u>
Tax calculated at a tax rate of 18%	10,843
Expenses not deductible for tax purposes	578
Effect of partial tax exemption	(8)
Overprovision in respect of previous years	(8,222)
	<u>3,191</u>

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements - 31 December 2008

10. Income tax expense (cont'd)

(c) *Deferred tax*

	Group	
	Consolidated balance sheet \$'000	Consolidated income statement \$'000
<i>Deferred tax assets</i>		
Revaluation of derivatives to fair value	65,384	2,533
	<u>65,384</u>	
<i>Deferred tax liabilities</i>		
Differences in depreciation	(122,818)	(10,983)
Fair value adjustment of acquisition of subsidiary	(215,167)	-
Others	(3)	(2)
	<u>(337,988)</u>	
Deferred income tax expense		<u>(8,452)</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against tax liabilities and when the deferred taxes relate to the same tax authority. The net amount determined after appropriate offsetting, is shown in the balance sheet as follows:

	Group 2008 \$'000
Deferred tax liabilities	<u>272,604</u>

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements - 31 December 2008

11. Property, plant and equipment

Group	Leasehold land \$'000	Leasehold Buildings \$'000	Plant and machinery \$'000	Mains \$'000	Computers \$'000	Other Assets \$'000	Construction-in-progress \$'000	Total \$'000
2008								
<i>Cost</i>								
At date of incorporation	—	—	—	—	—	—	—	—
Acquisition of subsidiary	74,319	178,289	2,763,690	2,762	8,339	348	25,817	3,053,564
Additions	—	—	133	—	—	—	132,846	132,979
Transfer from construction-in-progress	—	—	705	—	—	—	(705)	—
Disposals	—	—	(163)	—	—	—	—	(163)
At 31 December 2008	74,319	178,289	2,764,365	2,762	8,339	348	157,958	3,186,380
<i>Accumulated depreciation</i>								
At date of incorporation	—	—	—	—	—	—	—	—
Acquisition of subsidiary	33,969	101,593	1,129,284	2,393	5,897	208	—	1,273,344
Depreciation charge for the financial period	506	853	27,954	5	278	5	—	29,601
Disposals	—	—	(163)	—	—	—	—	(163)
At 31 December 2008	34,475	102,446	1,157,075	2,398	6,175	213	—	1,302,782
<i>Net book value</i>								
At 31 December 2008	39,844	75,843	1,607,290	364	2,164	135	157,958	1,883,598

Capitalisation of borrowing costs

The Group's plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of a plant. During the financial year, the borrowing costs capitalised as cost of plant and equipment amounted to \$6,526,850.

12. Intangible assets

	Group 2008 \$'000
<i>Cost and net carrying amount</i>	
Gas supply agreements	293,470
Goodwill on consolidation	2,162,805
Club membership, at cost	205
	2,456,480

Gas supply agreements

The Group has two piped natural gas (PNG) supply agreements with Gas Supply Pte Ltd and Petronas which expire in 2023 and 2018 respectively. From 2012 onwards, power generation companies are required to purchase liquefied natural gas ("LNG") upon expiry of the existing PNG supply agreements. During this period, the Group would enjoy a economic price advantage for its ability to purchase lower cost PNG.

These gas supply agreements have been valued at \$293,470,000 using the incremental cash flow method, specifically the cost saving approach.

The Group will commence amortisation of this intangible asset when the proposed LNG terminal commences operation in 2012 and for a period until such time the existing gas moratorium is reviewed or when the LNG terminal reaches full utilisation of 3 million tonnes per annum, whichever is earlier.

Goodwill on consolidation

Goodwill on consolidation is determined based on the purchase consideration less fair value of net assets.

Goodwill is allocated for impairment testing purposes to the individual entity, which is also the cash generating unit ("CGU"). The recoverable amount of the CGU including goodwill is determined based on value-in-use calculations.

The value-in-use calculation applies a discounted cash flow model using cash flow projections based on financial forecasts approved by management. Management have considered and determined the factors applied in these financial forecasts. Cash flows beyond the terminal year are extrapolated using an estimated growth rate of 4%. The terminal growth rate used does not exceed the long-term average growth rate of the industry in which the entity operates and is consistent with the forecast included in the industry reports. The pre-tax discount rate of 7.2% applied to the cash flow projects are derived from the cost of capital plus a reasonable risk premium. In determining the appropriate discount rate, regard has been given to the yield on a 15-year government bond.

In accordance with FRS 103 Business Combinations, the carrying amounts of gas supply agreements and goodwill on consolidation are provisional values accounted initially and are subject to adjustments within 12 months of the acquisition date, if required.

13. Investments in subsidiaries

	Company 2008 \$'000
Unquoted equity shares, at cost	<u>3,678,483</u>

Name	Country of incorporation	Principal activities	Cost 2008 \$'000	Proportion of ownership interest 2008 %
<u>Held by the Company</u>				
* Senoko Power Limited	Singapore	Generation and sale of electricity	3,678,483	100
<u>Held through Senoko Power Limited</u>				
* Senoko Energy Supply Pte Ltd	Singapore	Purchase, sale and supply of energy related products	@	100
* Senoko Services Pte. Ltd.	Singapore	Provision of training and consultancy services in relation to power generation activities	@	100
* Senoko Gas Supply Pte. Ltd.	Singapore	Provision of gas retail and transportation services	@	100
SS Bioethanol International Pte Ltd	Singapore	Investment holding	@	100

* Audited by Ernst & Young LLP, Singapore
@ denotes less than \$1,000

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements – 31 December 2008

13. Investments in subsidiaries (cont'd)

Acquisition of subsidiary

On 12 September 2008, the Company acquired Senoko Power Limited ("SPL"). Upon the acquisition, SPL became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of SPL as at the date of acquisition were:

	Recognised on date of acquisition \$'000	Carrying amount before combination \$'000
Intangibles	293,675	205
Loans receivables and prepayments	70,156	70,156
Property, plant and equipment	1,780,220	878,319
Derivative assets	38,617	38,617
Trade and other receivables	335,330	335,330
Inventories	114,055	114,055
Cash and cash equivalents	179,398	179,398
	<u>2,811,451</u>	<u>1,616,080</u>
Borrowings	425,000	425,000
Trade and other payables	411,280	411,280
Derivative liabilities	98,878	98,878
Deferred tax liability	342,106	126,938
Income tax payable	18,509	18,509
	<u>1,295,773</u>	<u>1,080,605</u>
Net identifiable assets	<u>1,515,678</u>	<u>535,475</u>

Total cost of business combination

The total cost of the business combination is as follows:

	\$'000
Consideration for 100% equity interest:	
- Cash paid	3,650,000
- Directly attributable professional fees	28,483
	<u>3,678,483</u>

The effect of acquisition on cash flows is as follows:

	\$'000
Fair value of net assets acquired	1,515,678
Goodwill on consolidation	2,162,805
Consideration settled in cash	3,678,483
Less: Cash and cash equivalents of subsidiary acquired	(179,398)
Net cash outflow on acquisition	<u>3,499,085</u>

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements – 31 December 2008

14. Other financial assets

	Group 2008 \$'000
<i>Current</i>	
Staff loans – current portion	52
Loans receivable	1,427
	<u>1,479</u>
<i>Non-current</i>	
Staff loans – non-current portion	<u>108</u>
<u>Staff loans</u>	
Not later than one year	52
Later than one year but not later than five years	100
More than 5 years	8
	<u>160</u>

The staff loans are denominated in Singapore Dollars, unsecured, interest-bearing and repayable in accordance with the relevant contracts. As at 31 December 2008, the weighted average effective interest rate is 4.16% per annum.

The loans receivable are denominated in US Dollars.

15. Derivatives

	Group 2008 \$'000
At date of incorporation	–
Acquisition of subsidiary	(60,261)
Fair value gains/(losses)	
- Included in income statement (Note 7 and 8)	8,683
- Included in hedging reserve (Note 23)	(199,153)
At 31 December 2008	<u>(250,731)</u>

15. Derivatives (cont'd)

Analysed as:

	Group			
	Contract/Notional amount		Fair value	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
2008				
Charged to income statement				
- Interest rate swaps (current)	-	200,000	-	1,402
Cash flow hedges				
- Fuel swaps	-	482,145	-	249,063
- Foreign currency forwards	724,460	56,554	13,209	1,816
- Interest rate swaps	-	275,383	-	11,659
Total	724,460	1,014,082	13,209	263,940
Less: Current portion	(667,464)	(666,397)	(11,420)	(244,311)
Non-current portion	56,996	346,685	1,789	19,629

At the balance sheet date, the Group held fuel swaps, foreign currency forwards and interest rate swaps designated as hedges of expected future payments denominated in US Dollars, EURO and CHF.

The fuel swaps are used to manage the risk arising from fluctuations in fuel cost. Under the fuel swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate amounts calculated by reference to the agreed notional purchase quantity.

The foreign currency forwards are used to manage the risk arising from fluctuations in foreign exchange rates. Under the foreign currency forwards, the Group agrees with other parties to exchange, at the maturity date the foreign currency amounts at the agreed exchange rates. The fair value of foreign currency forwards is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The interest rate swaps are used to manage the risk arising from fluctuations in interest rates. Under the interest rate swaps, the Group agrees with other parties to exchange at the maturity date the difference between the fixed interest rates and floating interest rate of the notional amount. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

These contracts qualify for hedge accounting and changes in the fair value are recognised in the hedging reserve within the equity.

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements – 31 December 2008

16. Inventories

	Group 2008 \$'000
Fuel	78,730
Spare parts and accessories	2,295
	<u>81,025</u>

17. Trade and other receivables

	Group 2008 \$'000	Company 2008 \$'000
Trade receivables - non-related parties	302,816	-
Other receivables - holding company	17,585	17,507
GST receivables	19,116	1,004
	<u>339,517</u>	<u>18,511</u>

The carrying amounts of current trade and other receivables are reasonable approximation of fair values due to their short-term nature.

Trade and other receivables are denominated in Singapore Dollars.

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables - holding company

Other receivables due from holding company are unsecured, non-interest bearing and are repayable upon demand.

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements – 31 December 2008

17. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

	Group 2008 \$'000
Lesser than 30 days	1,653
30 to 60 days	100
61 to 90 days	23
	<u>1,776</u>

Receivables that are impaired

	Group 2008 \$'000
Trade receivables – nominal amount	135
Less: Allowance for impairment	(135)
	<u>–</u>

Movement in allowance account:

	Group 2008 \$'000
At 22 August 2008 (date of incorporation)	–
Acquisition of subsidiary	135
At 31 December	<u>135</u>

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. Collateral from these debtors are insufficient to mitigate outstanding balance owing by these debtors.

18. Cash and cash equivalents

	Group 2008 \$'000	Company 2008 \$'000
Cash at bank and on hand	81,544	8,984
Short term deposits	17,784	–
	<u>99,328</u>	<u>8,984</u>

Included in cash at bank is an amount of \$3,711,000 denominated in Japanese Yen of which the Company have assigned and charge to The Security Agent, Mizuho Bank.

The short term deposits mature on varying dates within 3 months from the end of the financial period with the following weighted average effective interest:

	Group 2008	Company 2008
Singapore Dollar	1.56	–
United States Dollar	1.28	–
Euros	2.56	–
Japanese Yen	0.58	–

Cash and cash equivalents were denominated in the following currencies:

Singapore Dollar	41,439	8,984
United States Dollar	40,876	–
Euros	3,472	–
Japanese Yen	13,541	–
	<u>99,328</u>	<u>8,984</u>

19. Bonds

	Group	
	Carrying amount \$'000	Fair value \$'000
Unsecured quoted bonds	<u>11,750</u>	<u>11,820</u>

On 14 October 2003, SPL issued \$200 million non-convertible 4.51% fixed rate Singapore Dollar bonds. The bonds are repayable on 14 October 2013. The weighted average effective interest rate at the balance sheet date is 4.51% per annum.

Fair value is determined directly by reference to their published market bid price at the balance sheet date

19. Bonds (cont'd)Event of default

The divestment of SPL by Temasek Holdings (Private) Limited to the Company on 12 September 2008 has resulted in an Event of Default. This is because the divestment was undertaken without prior written consent from the Bond Trustee. Clause 14.27 of the Trust Deed dated 14 October 2003 provides that SPL shall not, unless required by law or prior written consent of the Trustee, undertake or permit any amalgamation, takeover, merger or consolidation with any other company or person or any re-organisation, re-construction or other scheme of compromise of arrangement affecting its present constitution. In an event of default, the Trustee may give notice to the Issuer to repay the principal amount together with the accrued interest.

SPL has not remedied the default but it has bought back more than 90% of the bonds during the financial period and has redeemed the remaining bonds in January 2009.

20. Trade and other payables

	Group	Company
	2008	2008
	\$'000	\$'000
Trade payables	87,125	–
Accrued operating expenses	208,010	3,279
Accrued capital expenditure	3,705	–
Accrued interest payable	669	–
Other payables - subsidiary	–	17,810
	<u>299,509</u>	<u>21,089</u>

The carrying amounts of current trade and other payables are reasonable approximation of fair values due to their short-term nature.

Trade and other payables were denominated in the following currencies:

Singapore Dollar	116,790	18,197
United States Dollar	177,365	2,839
Others	5,354	53
	<u>299,509</u>	<u>21,089</u>

Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30-day terms.

21. Loans and borrowings

	Maturity	Group 2008 \$'000
Bank loan	2010	413,000
Repowering loan	2012	140,767
		<u>553,767</u>

Bank loan

As at 31 December 2008, \$413 million had been drawn down under a Syndicated Loan Facility of \$425 million which matures in March 2010. The weighted average effective interest rate of the loan was 2.33% per annum. The loan was secured by a charge over the Group's assets. The loan is arranged at floating rates plus margin. The Group has entered into interest-rate swaps to hedge the interest rate risk for two-third of the outstanding loan balance.

Repowering loan

The repowering loan is procured to fund the repowering of three 250 MW oil-fired Stage II steam plants into two 430MW gas-fired combined cycle plants. As at 31 December 2008, \$140,767,000 had been drawn down under a Syndicated Loan Facility of JPY 67 billion which matures in September 2012. Under the Deed of Assignment and Charge, SPL charges its interests in a bank account into which all loan proceeds are deposited and withdrawn from to the Repowering Loan lenders. The weighted average effective interest rate of the loan was 1.55% per annum.

The loan is supported by:

- (a) sponsor guarantees provided by each of Electrabel S.A.; Kyushu Electric Power Co, Inc.; Marubeni Corporation; and The Kansai Electric Power Co., Inc; and
- (b) an agreement to make additional equity contributions by the Japan Bank for International Corporation.

The sponsor guarantees and the Japan Bank for International Corporation's agreement to make additional equity contributions are capped at JPY 70.5 million in aggregate and each is provided on a several basis pro rata to the applicable sponsor's effective equity share in the Company.

22. Share capital

	Group and Company 2008 '000
Issued and fully paid:	
At 22 August 2008 (date of incorporation)	@
Issued during the financial period	3,685,988
At 31 December 2008	<u>3,685,988</u>

22. Share capital (cont'd)

	Group and Company 2008	
	No. of shares '000	\$'000
(a) <u>Ordinary shares</u>		
At 22 August 2008 (date of incorporation)	@	@
Issued during the financial period	1,159,988	1,159,988
At 31 December 2008	<u>1,159,988</u>	<u>1,159,988</u>
(b) <u>Preference shares</u>		
At 22 August 2008 (date of incorporation)	–	–
Issued during the financial period	2,526,000	2,526,000
At 31 December 2008	<u>2,526,000</u>	<u>2,526,000</u>

@ denotes less than \$1,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The holders of the preference shares shall have the right in the event of the winding up of the Company to have the surplus assets of the Company applied in priority to any payment to the holders of any other class of shares, first, in paying off the capital paid up on the preference shares and secondly, in paying off any accrued but unpaid dividends. Thereafter, the holders of the preference shares shall not have any further right to share in any surplus assets of the Company.

The preference shares may be redeemed by the Company at any time by giving to the holders of the preference seven days notice of such redemption. The redemption amount in respect of each preference share shall be the amount paid for such preference share.

The preference shares shall not have voting rights save as permitted by the Companies Act.

Consent of the holders of the preference shares representing three-fourths of the votes cast at a meeting of the holders of the preference shares duly convened in accordance with the Articles shall be required for any proposals by the Company and/or the holders of the ordinary shares for any action that alters, changes or removes the rights, preferences or privileges of the preference shares.

The right to dividends of holders of preference shares shall rank pari passu with the rights of the holders of ordinary shares, up to any amount of 3 per cent. per annum based on the issue price of the preference shares. Thereafter, the holders of the preference shares shall not have any further right to share in any dividends. Dividends shall be payable at the discretion of the Company.

Lion Power Holdings Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements – 31 December 2008

23. Hedging reserve

Hedging reserve records the portion of the fair value changes on derivatives that are designated as hedging instruments in cash flow hedges that is determined to be effective:

	Group 2008 \$'000
At 22 August 2008 (date of incorporation)	—
Net loss on fair value changes (Note 15)	(199,153)
Net loss on matured derivatives	(113,918)
Net loss transferred to income statement	(26,085)
Tax effect on cash flow hedge (Note 10)	61,049
	<u>(278,107)</u>
At 31 December 2008	<u>(278,107)</u>

24. Related party transactions

(a) *Sale and purchase of goods and services*

There were no significant transactions between the Group and related parties during the financial period.

(b) *Compensation of key management personnel*

	Group 2008 \$'000
Salaries and other short-term employee benefits	905
Central Provident Fund contributions	12
	<u>917</u>
<i>Comprise amounts paid to:</i>	
Other key management personnel	<u>917</u>

25. Commitments

(a) *Capital commitments*

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows:

	Group 2008 \$'000
Long term maintenance agreement	51,993
Property, plant and equipment	822,291
	<u>874,284</u>

(b) *Operating lease commitments - as lessee*

The Group leases office space and office equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group 2008 \$'000
Not later than one year	295
Later than one year but not later than five years	21
	<u>316</u>

(c) *Operating lease commitments - as lessor*

The Group leases out office space to non-related parties under non-cancellable operating lease agreements.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group 2008 \$'000
Not later than one year	47
Later than one year but not later than five years	33
	<u>80</u>

26. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, foreign currency risk, price risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to United States dollar, Swiss francs, Euros and Japanese Yen for its capital and major operating purchases.

The Group hedges the foreign currency exposure of its capital and major operating expenses.

The Group's currency exposure is as follows:

	SGD \$'000	USD \$'000	CHF \$'000	EUROS \$'000	YEN \$'000	Others \$'000	Total \$'000
At 31 December 2008							
Financial assets							
Cash and cash equivalents (Note 18)	41,439	40,876	–	3,472	13,541	–	99,328
Trade and other receivables (Note 17)	339,517	–	–	–	–	–	339,517
Other financial assets (Note 14)	160	1,427	–	–	–	–	1,587
	<u>381,116</u>	<u>42,303</u>	<u>–</u>	<u>3,472</u>	<u>13,541</u>	<u>–</u>	<u>440,432</u>
Financial liabilities							
Borrowings (Note 21)	413,000	–	–	–	140,767	–	553,767
Trade and other payables (Note 20)	116,790	177,365	3,816	1,420	91	27	299,509
	<u>529,790</u>	<u>177,365</u>	<u>3,816</u>	<u>1,420</u>	<u>140,858</u>	<u>27</u>	<u>853,276</u>
Net financial (liabilities)/assets	(148,674)	(135,062)	(3,816)	2,052	(127,317)	(27)	(412,844)
Firm commitments and highly probable forecast transactions in foreign currencies	(181,506)	(549,488)	(39,545)	(56,554)	(529,336)	–	(1,356,429)
Currency forwards	–	679,760	44,700	56,554	–	–	781,014
Currency exposure	<u>(330,180)</u>	<u>(4,790)</u>	<u>1,339</u>	<u>2,052</u>	<u>(656,653)</u>	<u>(27)</u>	<u>(988,259)</u>

26. Financial risk management objectives and policies (cont'd)

The Company's currency exposure is as follows:

	SGD \$'000	USD \$'000	CHF \$'000	EUROS \$'000	YEN \$'000	Others \$'000	Total \$'000
At 31 December 2008							
Financial assets							
Cash and cash equivalents	8,984	–	–	–	–	–	8,984
Trade and other receivables	18,511	–	–	–	–	–	18,511
	<u>27,495</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>27,495</u>
Financial liabilities							
Trade and other payables	18,197	2,839	–	26	–	27	21,089
	<u>18,197</u>	<u>2,839</u>	<u>–</u>	<u>26</u>	<u>–</u>	<u>27</u>	<u>21,089</u>
Net financial (liabilities)/ assets							
	9,298	(2,839)	–	(26)	–	(27)	6,406
Currency exposure	<u>9,298</u>	<u>(2,839)</u>	<u>–</u>	<u>(26)</u>	<u>–</u>	<u>(27)</u>	<u>6,406</u>

If the foreign currencies change against SGD by 3% with the other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

Group	2008	
	Profit after tax \$'000	Equity \$'000
USD against SGD		
- strengthened	(3,342)	16,722
- weakened	3,342	(16,722)
Yen against SGD		
- strengthened	(3,132)	–
- weakened	3,132	–
Company		
USD against SGD		
- strengthened	(54)	–
- weakened	54	–

26. Financial risk management objectives and policies (cont'd)

(ii) *Price risk*

Price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to price fluctuations arising from the purchase of fuel stocks. The Group manages such risk using fuel oil swaps where the price of the fuel is indexed to a benchmark fuel price index, for example Singapore High Sulphur Fuel Oil ("HSFO") 180 CST.

The quantum of commitments is based on actual or forecast requirements.

Fuel swaps

The Group has entered into fuel swap contracts that oblige it to make payments for fuel at fixed rates on notional purchase quantity and receive payments for fuel at floating rates on the same amounts.

Under the fuel swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate amounts calculated by reference to the agreed notional purchase quantity. The floating rates are linked to prices listed on Platt.

The notional amount and purchase quantity of outstanding fuel swap contracts at 31 December 2008 of the Group is as follow:

	Group	
	Notional quantity 2008 MT	Notional amount 2008 \$'000
Outstanding fuel swap contracts	716,580	482,145

If the fuel price change by 13% with the other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	2008 \$'000
Group	
Equity	
- increased by	95,057
- decreased by	(95,057)

26. Financial risk management objectives and policies (cont'd)

(iii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group managed its exposure on interest in interest bearing assets and liabilities by entering into fixed rate interest arrangements, where applicable.

The Group's borrowings at variable rates on which hedges have not been entered into is \$137.6 million for SGD denominated borrowings and \$140.8 million for Yen denominated borrowings. If the SGD interest rates increase / decrease by 0.1% for period ended 31 December 2008 with all other variables including tax rate being held constant, the profit after tax will be lower/higher by \$112,800 as a result of higher/lower interest expense on these borrowings. If the Yen interest rates increase / decrease by 0.1% for period ended 31 December 2008 with all other variables including tax rate being held constant, the profit after tax will be lower/higher by \$115,500 as a result of higher/lower interest expense on these borrowings.

The Group's borrowings on which hedges have been entered into is \$275.4 million. If the SGD interest rates increase/ decrease by 0.1% for the period ended 31 December 2008 with all other variables including tax rate being held constant, the equity will be higher/lower by \$275,400.

(iv) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group manages its concentration risk through putting in place policies to ensure that sales are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

(a) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings. Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

(b) Financial assets that are past due and / or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

26. Financial risk management objectives and policies (cont'd)

(v) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group adopts prudent liquidity risk management by maintaining sufficient cash, having an adequate amount of committed credit facilities and the ability to close out market positions.

The table below summarises the maturity profile of the Group and the Company financial liabilities at the balance sheet date based on contractual undiscount payments.

	Less than 1 year \$'000	Between 1 year and 3 years \$'000	More than 3 years \$'000	Total \$'000
Group				
Trade and other payables	(303,587)	–	–	(303,587)
Borrowings	(801)	(413,000)	(140,767)	(554,568)
Bonds	(12,110)	–	–	(12,110)
	<u>(316,498)</u>	<u>(413,000)</u>	<u>(140,767)</u>	<u>(870,265)</u>
Derivative financial instalments				
Net settled interest rate swap	(450)	–	–	(450)
Gross settlement-currency forward contracts				
- Receipts	681,438	110,010	4,291	795,739
- Payments	(667,464)	(109,432)	(4,117)	(781,013)
Fuel swap contracts	(466,397)	(15,748)	–	(482,145)
Company				
Trade and other payables	(21,089)	–	–	(21,089)

27. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to provide appropriate returns to shareholders and benefits to other stakeholders through pricing its products and services commensurate with the level of risks it is exposed to. The capital structure of the Group comprises of debt, which includes the loans and borrowings disclosed in Note 21 and equity attributable to equity holders of the Company, comprising of issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The only externally imposed requirement is the financial covenant required under the Syndicated Loan Facility of \$425 million (see Note 21). The Syndicated Loan Facility is part of the Bridge Credit Facilities of \$2.9 billion used to help fund the acquisition of SPL on 12 September 2008 and to refinance the borrowings of SPL. The financial covenant under the Bridge Credit Facilities requires the sum of the Earning Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") of the Group and its shareholders to be 2.25 times higher than the sum of interest expenses incurred by the Group and its shareholders for the period from 13 September to 31 December 2008. The Group and its shareholders have complied with the financial covenant.

28. Authorisation of financial statements

The financial statements for the period from 22 August 2008 (date of incorporation) to 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 20 March 2009.