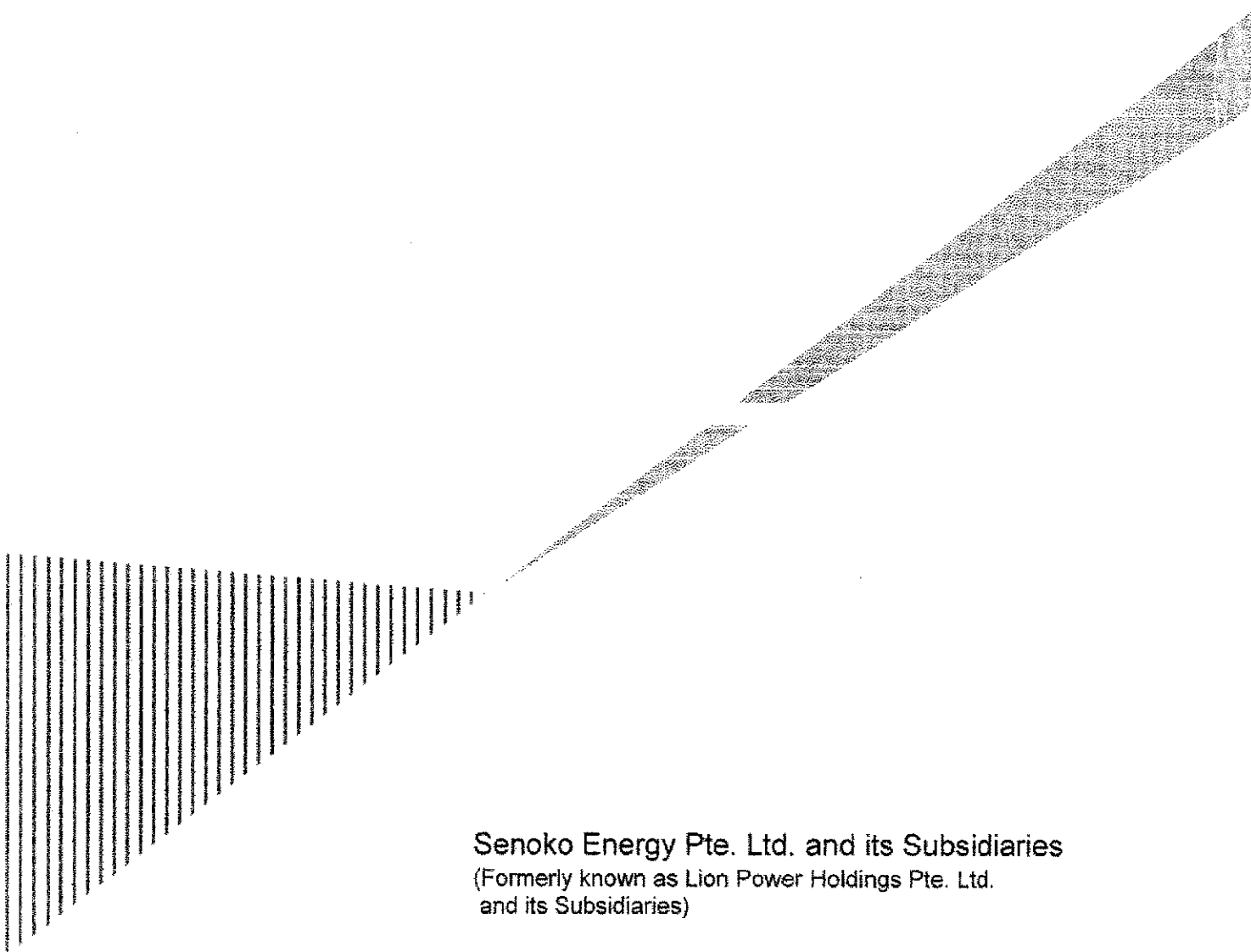


Company Registration No. 200816718E



Senoko Energy Pte. Ltd. and its Subsidiaries
(Formerly known as Lion Power Holdings Pte. Ltd.
and its Subsidiaries)

Annual Financial Statements
31 December 2009



Senoko Energy Pte. Ltd. and its Subsidiaries
(Formerly known as Lion Power Holdings Pte. Ltd. and its Subsidiaries)

General Information

Directors

Hajime Tsuda	(appointed on 14 July 2009)
Hirohisa Miyata	
Seijiro Chiba	(alternate to Hirohisa Miyata, appointed on 14 January 2010)
Moroo Shino	
Akira Suda	
Guy Richelle	
Michel Gantois	(alternate to Guy Richelle, appointed on 26 October 2009)
Pierre Clavel	(appointed on 14 January 2010)
Johan de Saeger	(resigned on 14 January 2010 and appointed as Alternate Director to Pierre Clavel on 14 January 2010)
Brendan Wauters	
Lucas Hautvast	
Hidehiko Yukawa	
Yoshihiro Yamabayashi	(alternate to Hidehiko Yukawa, appointed on 14 January 2010)
Teruaki Hoshi	
Makoto Kakebayashi	(appointed on 1 July 2009)
Eiji Iwashige	(resigned on 14 January 2010 and appointed as Alternate Director to Makoto Kakebayashi on 14 January 2010)
Takuji Takahashi	(appointed on 14 January 2010)
Kaoru Nagata	
Yuichiro Yoi	(alternate to Kaoru Nagata, appointed on 10 March 2010)
Hiroki Sekine	(alternate to Kaoru Nagata, resigned on 21 October 2009)
Eiji Hijikata	(resigned on 14 July 2009)
Kazuhiro Izaki	(resigned on 1 July 2009)
Yutaka Funanda	(resigned on 11 May 2009)

Secretary

Sim Mei Ling

Registered Office

111 Somerset Road, #05-06
Singapore 238164

Auditors

Ernst & Young LLP

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Consolidated cash flow statement	9
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Senoko Energy 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 Senoko Energy Pte. Ltd. (formerly known as 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 year ended 31 December 2009.

Directors

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

Hajime Tsuda
Hirohisa Miyata
Seiji Chiba
Moroo Shino
Akira Suda
Guy Richelle
Michel Gantois
Pierre Clavel
Johan de Saeger
Brendan Wauters
Lucas Hautvast
Hidehiko Yukawa
Yoshihiro Yamabayashi
Teruaki Hoshi
Makoto Kakebayashi
Eiji Iwashige
Takuji Takahashi
Kaoru Nagata
Yuichiro Yoi

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year 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 year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

Since the end of the previous financial period, 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.

Senoko Energy Pte. Ltd. and its Subsidiaries

Directors' Report

Auditors

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

On behalf of the Board of Directors,



Hajime Tsuda
Director



Brendan Wauters
Director

Singapore
10 March 2010

Senoko Energy Pte. Ltd. and its Subsidiaries

Statement by Directors

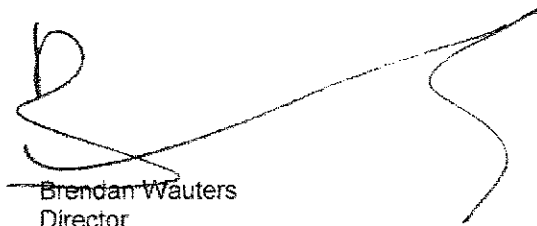
We, Hajime Tsuda and Brendan Wauters, being two of the directors of Senoko Energy Pte. Ltd. do hereby state that, in the opinion of the directors:

- (a) the accompanying balance sheets, consolidated statement of comprehensive income, 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 2009 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 year ended 31 December 2009; 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,



Hajime Tsuda
Director



Brendan Wauters
Director

Singapore
10 March 2010

Senoko Energy Pte. Ltd. and its Subsidiaries

**Independent Auditors' Report
To the Members of Senoko Energy Pte. Ltd.**

We have audited the accompanying financial statements of Senoko Energy Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 6 to 54, which comprise the balance sheets of the Group and the Company as at 31 December 2009, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year ended 31 December 2009, 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.


Senoko Energy Pte. Ltd. and its Subsidiaries

Independent Auditors' Report
To the Members of Senoko Energy 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 2009 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended 31 December 2009; 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
10 March 2010

Senoko Energy Pte. Ltd. and its Subsidiaries

Consolidated Statement of Comprehensive Income
for the financial year ended 31 December 2009

	Note	Year ended 31.12.2009 \$'000	22.8.2008 to 31.12.2008 \$'000
Revenue	4	2,524,559	997,440
Cost of sales		(2,469,595)	(934,345)
Gross profit		54,964	63,095
Other income, net	5	820	13,295
Distribution and marketing expenses		(3,339)	(721)
Administration expenses		(24,350)	(8,027)
Finance costs	6	(16,817)	(7,401)
Profit before tax	7	11,278	60,241
Income tax expense	9	15,124	(3,191)
Net profit for the financial year		26,402	57,050
Other comprehensive income:			
Net change in hedging reserve	22	309,422	(278,107)
Other comprehensive income for the year, net of tax		309,422	(278,107)
Total comprehensive income for the year		335,824	(221,057)

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

Senoko Energy Pte. Ltd. and its Subsidiaries

Balance Sheets as at 31 December 2009

	Note	Group		Company	
		2009 \$'000	2008 \$'000 Restated	2009 \$'000	2008 \$'000
Assets					
Non-current assets					
Property, plant and equipment	10	1,936,660	1,884,829	–	–
Intangible assets	11	2,455,466	2,455,469	–	–
Investments in subsidiaries	12	–	–	3,678,480	3,678,483
Other financial assets	13	92,801	108	92,735	–
Derivatives	14	3,418	1,789	–	–
		<u>4,488,345</u>	<u>4,342,195</u>	<u>3,771,215</u>	<u>3,678,483</u>
Current assets					
Inventories	15	66,189	81,025	–	–
Prepaid operating expenses		3,429	10,641	187	–
Other financial assets	13	186	1,479	–	–
Trade and other receivables	16	341,384	339,517	108,256	18,511
Derivatives	14	29,786	11,420	–	–
Cash and cash equivalents	17	108,872	99,328	74,529	8,984
		<u>549,846</u>	<u>543,410</u>	<u>182,972</u>	<u>27,495</u>
Total assets		<u>5,038,191</u>	<u>4,885,605</u>	<u>3,954,187</u>	<u>3,705,978</u>
Equity and liabilities					
Current liabilities					
Income tax payable		11,300	18,884	–	–
Bonds	18	–	11,750	–	–
Loans and borrowings	20	425,000	–	–	–
Trade and other payables	19	2,423,358	299,509	2,450,515	21,089
Derivatives	14	5,124	244,311	–	–
		<u>2,864,782</u>	<u>574,454</u>	<u>2,450,515</u>	<u>21,089</u>
Net current					
(liabilities)/assets		<u>(2,314,936)</u>	<u>(31,044)</u>	<u>(2,267,543)</u>	<u>6,406</u>
Non-current liabilities					
Deferred tax liabilities	9	319,745	272,824	–	–
Loans and borrowings	20	227,280	553,767	–	–
Derivatives	14	629	19,629	–	–
		<u>547,654</u>	<u>846,220</u>	<u>–</u>	<u>–</u>
Total liabilities		<u>3,412,436</u>	<u>1,420,674</u>	<u>2,450,515</u>	<u>21,089</u>
Net assets		<u>1,626,755</u>	<u>3,464,931</u>	<u>1,503,672</u>	<u>3,684,889</u>
Equity attributable to equity holders of the Company					
Share capital	21	1,510,988	3,685,988	1,510,988	3,685,988
Retained earnings		83,452	57,050	(7,316)	(1,099)
Hedging reserve	22	31,315	(278,107)	–	–
		<u>1,625,755</u>	<u>3,464,931</u>	<u>1,503,672</u>	<u>3,684,889</u>
Total equity and liabilities		<u>5,038,191</u>	<u>4,885,605</u>	<u>3,954,187</u>	<u>3,705,978</u>

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

Senoko Energy Pte. Ltd. and its Subsidiaries

Statements of Changes in Equity for the financial year ended 31 December 2009

	Note	Share capital \$'000	Retained earnings \$'000	Hedging reserve \$'000	Total \$'000
Group					
At 1 January 2009		3,685,988	57,050	(278,107)	3,464,931
Other comprehensive income for the financial year		–	–	309,422	309,422
Profit for the financial year		–	26,402	–	26,402
Total comprehensive income for the financial year		–	26,402	309,422	335,824
Redemption of preference shares	21	(2,175,000)	–	–	(2,175,000)
At 31 December 2009		1,510,988	83,452	31,315	1,625,755
At 22 August 2008 (date of incorporation)		@	–	–	@
Other comprehensive income for the financial year		–	–	(278,107)	(278,107)
Profit for the financial year		–	57,050	–	57,050
Total comprehensive income for the financial year		–	57,050	(278,107)	(221,057)
Issue of shares for cash	21	3,685,988	–	–	3,685,988
At 31 December 2008		3,685,988	57,050	(278,107)	3,464,931
Company					
At 1 January 2009		3,685,988	(1,099)	–	3,684,889
Loss for the financial year		–	(6,217)	–	(6,217)
Redemption of preference shares	21	(2,175,000)	–	–	(2,175,000)
At 31 December 2009		1,510,988	(7,316)	–	1,503,672
At 22 August 2008 (date of incorporation)		@	–	–	@
Loss for the financial period		–	(1,099)	–	(1,099)
Issue of shares for cash	21	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.

Senoko Energy Pte. Ltd. and its Subsidiaries

Consolidated Cash Flow Statement for the financial year ended 31 December 2009

	Note	Year ended 31.12.2009 \$'000	22.8.2008 to 31.12.2008 \$'000
Cash flows from operating activities			
Profit before tax		11,278	60,241
Adjustments for:			
Amortisation of prepaid fuel toll charges		—	21
Depreciation of property, plant and equipment	10	101,109	29,601
Interest income	5	(155)	(418)
Interest expense	6	14,716	7,401
Net fair value gain on derivatives		(16,044)	(7,650)
Operating cash flows before changes in working capital		110,904	89,196
Changes in working capital:			
Increase in trade and other receivables		(16,346)	(4,187)
Decrease in inventories		14,836	33,030
(Decrease)/increase in other financial assets		(91,400)	57,893
Decrease in trade and other payables		153,821	(248,176)
Total changes in working capital		60,911	(161,440)
Cash flows from operations		171,815	(72,244)
Interest received		155	432
Income tax paid		(13,294)	(11,270)
Net cash flows used in operating activities		158,676	(83,082)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash	12	3	(3,499,085)
Purchase of property, plant and equipment	10	(152,940)	(132,979)
Net cash flows used in investing activities		(152,937)	(3,632,064)
Cash flows from financing activities			
Issue of shares for cash	21	—	3,685,988
Interest paid		(82,958)	(12,031)
Proceeds from loans and borrowings	20	98,513	553,767
Repayment of short term loan		—	(225,000)
Buyback of bonds		(11,750)	(186,250)
Net cash flows from financing activities		3,805	3,814,474
Net increase in cash and cash equivalents		9,544	99,328
Cash and cash equivalents at the beginning of the financial year		99,328	—
Cash and cash equivalents at the end of the financial year		108,872	99,328

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

1. Corporate information

Senoko Energy Pte. Ltd. (formerly known as 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. With effect from 22 October 2009, the Company changed its name from Lion Power Holdings Pte. Ltd. to Senoko Energy Pte. Ltd.

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 12 of the financial statements.

2. Summary of significant accounting policies

2.1 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.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted all the standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures.

The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements – Revised presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as one single statement.

2.2 *Changes in accounting policies (cont'd)*

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 14 and Note 25 to the financial statements respectively.

2.3 *Standards issued but not yet effective*

The following standards and interpretations, which are relevant to the Group, have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 27 Consolidated and Separate Financial Statements	1 July 2009
Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Item	1 July 2009
Revised FRS 103 Business Combinations	1 July 2009
Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
INT FRS 117 Distributions of Non-cash Assets to Owners	1 July 2009
improvements to FRSs issued in 2009:	
– Amendments to FRS 38 Intangible Assets	1 July 2009
– Amendments to FRS 108 Operating Segments	1 July 2009
– Amendments to INT FRS 109 Reassessment of Embedded Derivatives	1 July 2009
– Amendments to FRS 1 Presentation of Financial Statements	1 January 2010
– Amendments to FRS 7 Statement of Cash Flows	1 January 2010
– Amendments to FRS 17 Leases	1 January 2010
– Amendments to FRS 36 Impairment of Assets	1 January 2010
– FRS 39 Financial Instruments: Recognition and Measurement	1 January 2010
– Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. 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 2.7(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 statement of comprehensive income 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.

2.5 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 statement of comprehensive income.

2.6 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.

2.6 *Property, plant and equipment (cont'd)*

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
Other assets	–	3 to 50 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 statement of comprehensive income in the period the asset is derecognised.

2.7 *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 statement of comprehensive income. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2.7 *Intangible assets (cont'd)*

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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

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. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(i) *Club membership (lifetime)*

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.

2.8 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 statement of comprehensive income 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 been recognised previously. Such reversal is recognised in the statement of comprehensive income unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 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.

2.10 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 statement of comprehensive income.

2.10 *Financial assets (cont'd)*

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.

(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 statement of comprehensive income 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 statement of comprehensive income. 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 statement of comprehensive income. The cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income when the financial asset is derecognised.

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

2.11 *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 statement of comprehensive income.

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 statement of comprehensive income.

(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.

2.11 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

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 statement of comprehensive income, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of comprehensive income. Reversals of impairment losses on debt instruments are recognised in the statement of comprehensive income 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 statement of comprehensive income.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and 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.

2.13 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.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 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 statement of comprehensive income 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.

2.15 Provisions

Provisions are recognised when the Group has a present obligation legal or constructive 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.

2.16 Financial liabilities

Financial liabilities within the scope of FRS 39 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 statement of comprehensive income 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 statement of comprehensive income. Net gains or losses on derivatives include exchange differences.

2.17 Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income 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.

2.18 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.

2.19 **Leases**

(a) *As lessee*

Operating lease payments are recognised as an expense in the statement of comprehensive income 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 tank leasing and rental income is set out in Note 2.20 (c) and (g) respectively.

2.20 **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) *Fuel tank leasing*

Income arising from fuel tank leasing is accounted for on a straight-line basis over the lease terms except where an alternate basis is more representative of the pattern of benefits to be derived from the leased assets.

(d) *Supply of fuel*

Gain on disposal of fuel is recognised upon delivery.

(e) *Interest income*

Interest income is recognised using the effective interest method.

(f) *Dividend income*

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

(g) *Rental income*

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

2.21 *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 statement of comprehensive income except that tax relating to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) *Deferred tax*

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

- where the deferred income tax liability arises from the initial recognition of goodwill or 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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.

2.21 *Income taxes (cont'd)*

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 statement of comprehensive income 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.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(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.

2.22 *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.

2.23 **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 statement of comprehensive income.

Amounts taken to equity are transferred to the statement of comprehensive income when the hedged transaction affects the statement of comprehensive income, 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 statement of comprehensive income. 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.

3. **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.

3.1 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 \$11,300,000 and \$319,745,000 (2008: \$18,884,000 and \$272,824,000) respectively.

3.2 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 period 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 10 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 11 to the financial statements.

3.2 *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 16 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.

4. Revenue

	Group	
	Year ended 31.12.2009 \$'000	22.8.2008 to 31.12.2008 \$'000
Supply of electricity	2,521,234	997,341
Services rendered	3,325	99
	2,524,559	997,440

5. Other income, net

	Group	
	Year ended 31.12.2009 \$'000	22.8.2008 to 31.12.2008 \$'000
Interest income from banks	150	416
Interest income on staff loans	5	2
(Loss)/Gain on disposal of fuel	(2,274)	496
Receipt on insurance claim	–	12,350
Grant income from Job Credit scheme	1,242	–
Others	1,697	31
	820	13,295

Senoko Energy Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements – 31 December 2009

6. Finance costs

	Group	
	Year ended 31.12.2009 \$'000	22.8.2008 to 31.12.2008 \$'000
Interest expense/(income) on		
- Bonds	245	5,067
- Loans	8,664	3,367
- Interest rate swap	5,807	(1,033)
	14,716	7,401
Fees paid in relation to a bank loan	2,101	–
	16,817	7,401

7. Profit before tax

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

	Group	
	Year ended 31.12.2009 \$'000	22.8.2008 to 31.12.2008 \$'000
Amortisation of prepaid fuel toll charges	–	21
Amortisation of loan upfront fees	504	–
Cost of inventories recognised as an expense	2,176,389	846,073
Transmission and distribution charges	126,932	43,569
Depreciation of property, plant and equipment (Note 10)	101,109	29,601
Operating lease expenses	650	172
Net fair value loss/(gain) on derivatives	(16,044)	(7,650)
Employee benefits expense (Note 8)	35,243	7,844
	35,243	7,844

8. Employee benefits expense

	Group	
	Year ended 31.12.2009 \$'000	22.8.2008 to 31.12.2008 \$'000
Wages and salaries	30,330	7,054
Employer's contribution to defined contribution plans including Central Provident Fund	3,099	563
Other short term benefits	1,814	227
	35,243	7,844

9. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the financial year ended 31 December 2009 and 2008 are:

	Group	
	Year ended 31.12.2009 \$'000	22.8.2008 to 31.12.2008 \$'000
<i>Statement of comprehensive income</i>		
Current income tax	5,741	11,643
Overprovision in respect of previous years	(33)	-
	5,708	11,643
<i>Deferred income tax</i>		
- Origination and reversal of temporary differences	(4,543)	(2,763)
- Cash flow hedge reserve (Note 22)	2,732	2,533
- Effect of reduction in tax rate	(19,021)	-
- Overprovision in respect of previous periods	-	(8,222)
	(20,832)	(8,452)
	(15,124)	3,191
<i>Statement of changes in equity</i>		
Deferred income tax related to items charged directly to equity		
- Revaluation of derivatives to fair value (Note 22)	(70,484)	58,516
	(70,484)	58,516

(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 year ended 31 December 2009 and 2008 are as follows:

	Group	
	Year ended 31.12.2009 \$'000	22.8.2008 to 31.12.2008 \$'000
Profit before tax	11,278	60,241
Tax calculated at a tax rate of 17% (2008: 18%)	1,917	10,843
Expenses not deductible for tax purposes	2,093	578
Effect of partial tax exemption	(80)	(8)
Effect of reduction in tax rate	(19,021)	-
Overprovision in respect of previous periods	(33)	(8,222)
	(15,124)	3,191

9. Income tax expense (cont'd)

(b) Relationship between tax expense and accounting profit (cont'd)

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009.

(c) Deferred tax

	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2009 \$'000	2008 \$'000 Restated	Year ended 31.12.2009 \$'000	22.8.2008 to 31.12.2008 \$'000
Group				
<i>Deferred tax assets</i>				
Revaluation of derivatives to fair value	–	65,384	2,732	2,533
Others	387	–	387	–
	<u>387</u>	<u>65,384</u>		
<i>Deferred tax liabilities</i>				
Revaluation of derivatives to fair value	(5,099)	–	–	–
Differences in depreciation	(116,845)	(122,818)	(12,055)	(10,983)
Fair value adjustment of acquisition of subsidiary	(198,188)	(215,387)	(11,896)	–
Others	–	(3)	–	(2)
	<u>(320,132)</u>	<u>(338,208)</u>		
Deferred income tax expense			<u>(20,832)</u>	<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	
	Year ended 31.12.2009 \$'000	22.8.2008 to 31.12.2008 \$'000 Restated
Deferred tax liabilities	<u>319,745</u>	<u>272,824</u>

Senoko Energy Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements – 31 December 2009

10. 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								
Cost								
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
Fair value adjustment pertaining to prior year acquisition of subsidiary (note 12)	–	1,056	175	–	–	–	–	1,231
At 31 December 2008, as restated	74,319	179,345	2,764,540	2,762	8,339	348	157,958	3,187,611
Accumulated depreciation								
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
Net book value								
At 31 December 2008, as restated	39,844	76,899	1,607,465	364	2,164	135	157,958	1,884,829

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Notes to the Financial Statements – 31 December 2009

10. Property, plant and equipment (cont'd)	Leasehold land \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Mains \$'000	Computers \$'000	Other assets \$'000	Construction-in-progress \$'000	Total \$'000
Group								
2009								
Cost								
At 31 December 2008, as previously reported	74,319	178,289	2,764,365	2,762	8,339	348	157,958	3,186,380
Acquisition of subsidiary (note 12)	--	1,056	175	--	--	--	--	1,231
At 1 January 2009, as restated	74,319	179,345	2,764,540	2,762	8,339	348	157,958	3,187,611
Additions	--	--	2,294	--	--	21	150,625	152,940
Transfer from construction-in-progress	--	--	31,083	--	637	--	(31,720)	--
At 31 December 2009	74,319	179,345	2,797,917	2,762	8,976	369	276,863	3,340,551
Accumulated depreciation								
At 1 January 2009	34,475	102,446	1,157,075	2,398	6,175	213	--	1,302,782
Depreciation charge for the financial year	1,686	2,868	95,558	17	948	32	--	101,109
At 31 December 2009	36,161	105,314	1,252,633	2,415	7,123	245	--	1,403,891
Net book value								
At 31 December 2009	38,158	74,031	1,545,284	347	1,853	124	276,863	1,936,660

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 \$3,464,360 (2008: \$6,526,850).

11. Intangible assets

	Group	
	2009 \$'000	2008 \$'000 Restated
<i>Cost and net carrying amount</i>		
Gas supply agreements	293,470	293,470
Goodwill on consolidation	2,161,791	2,161,794
Club membership, at cost	205	205
	2,455,466	2,455,469

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.

In June 2009, the Group completed its purchase price allocation exercise in relation to its acquisition of Senoko Power Limited ("SPL"), acquired on 12 September 2008. The fair value attributed to the fixed assets (which was previously determined on a provisional basis) increased by \$1,231,000 in the current financial year with a corresponding increase in deferred tax liability of \$220,000. As a result of the changes in the valuation, goodwill correspondingly decreased by \$1,011,000. Such fair value adjustments are effected retrospectively and previously reported balances in the Balance Sheet for the previous year are adjusted accordingly. Comparatives as at 31 December 2008 have also been restated for this effect.

The total cost of the business combination was reduced by \$3,000, resulted from a net of a cash refund of \$99,000 and additional professional fees paid of \$96,000. In addition to the above, goodwill correspondingly decreased by \$3,000. Please refer to note 12 for further information.

Impairment testing of goodwill

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

11. Intangible assets (cont'd)

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 a growth rate of 2.5%, based on the Energy Market Authority's 2009 Statement of Opportunities for the energy industry. 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 8% applied to the cash flow projections 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 10-year government bond.

12. Investments in subsidiaries

	Company	
	2009 \$'000	2008 \$'000
Unquoted equity shares, at cost	3,678,480	3,678,483

Name	Country of incorporation	Principal activities	Cost		Proportion of ownership interest	
			2009 \$'000	2008 \$'000	2009 %	2008 %
<u>Held by the Company</u>						
* Senoko Power Limited	Singapore	Generation and sale of electricity	3,678,480	3,678,480	100	100
<u>Held through Senoko Power Limited</u>						
* Senoko Energy Supply Pte Ltd	Singapore	Purchase, sale and supply of energy related products	@	@	100	100
* Senoko Services Pte. Ltd.	Singapore	Provision of fuel tank leasing services	@	@	100	100
* Senoko Gas Supply Pte. Ltd.	Singapore	Provision of gas retail and transportation services	@	@	100	100
# SS Bioethanol International Pte Ltd	Singapore	Investment holding	-	@	-	100

12. Investments in subsidiaries (cont'd)

- * Audited by Ernst & Young LLP, Singapore
 @ denotes less than \$1,000
 # SS Bioethanol International Pte Ltd was liquidated during the financial year.

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 purchase price allocation of the acquisition of SPL in the financial period ended 31 December 2008 were provisional as the Group had sought independent valuation for the property, plant and equipment owned by SPL. The results of this valuation had not been received at the date the 2008 financial statements were authorised for issue. The valuation of the property, plant and equipment was received in June 2009 and showed that the fair value at the date of acquisition was \$1,781,451,000, an increase of \$1,231,000 compared to the provisional value of \$1,780,220,000. The 2008 comparative information has been restated to reflect these adjustments. The value of the leasehold buildings and plant and equipment increased by \$1,056,000 and \$175,000 respectively, correspondingly increased the deferred tax liability by \$220,000. There was also a corresponding reduction in goodwill of \$1,011,000, to give the provisional goodwill arising on the acquisition of \$2,161,794,000.

During the financial year ended 31 December 2009, the Company received a refund of \$99,000 for which the Company had paid on 12 September 2008 in excess of the agreed cash consideration of \$3,649,901. This refund was offset by a payment of \$96,000 for additional professional fees directly attributable to the acquisition. The cost of the business combination decreased by \$3,000, from \$3,678,483,000 to \$3,678,480,000 in 2009 and a corresponding reduction in goodwill by \$3,000 to \$2,161,791,000.

13. Other financial assets

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Current</i>				
Loans receivable	1,387	1,427	–	–
Less: Impairment of loan receivable	(1,387)	–	–	–
	–	1,427	–	–
Staff loans – current portion	42	52	–	–
Loan upfront fees	144	–	–	–
	186	1,479	–	–
<i>Non-current</i>				
Loan upfront fees	92,735	–	92,735	–
Staff loans – non-current portion	66	108	–	–
	92,801	108	92,735	–

Senoko Energy Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements – 31 December 2009

13. Other financial assets (cont'd)

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<u>Staff loans</u>				
Not later than one year	42	52	–	–
Later than one year but not later than five years	66	100	–	–
More than 5 years	–	8	–	–
	<u>108</u>	<u>160</u>	<u>–</u>	<u>–</u>

The staff loans are denominated in Singapore Dollars, unsecured, interest-bearing and repayable in accordance with the relevant contracts. As at 31 December 2009, the weighted average effective interest rate is 4.18% per annum (2008: 4.16%).

The loans receivable are denominated in US Dollars.

14. Derivatives

	Group	
	2009 \$'000	2008 \$'000
At 1 January/date of incorporation	(250,731)	–
Acquisition of subsidiary	–	(60,261)
Fair value gains/(losses)		
- Included in statement of comprehensive income	(16)	8,683
- Included in hedging reserve (Note 22)	278,198	(199,153)
At 31 December	<u>27,451</u>	<u>(250,731)</u>

14. Derivatives (cont'd)

Analysed as:

	Contract/Notional amount		Group	
	Assets \$'000	Liabilities \$'000	Fair value Assets \$'000	Liabilities \$'000
2009				
Cash flow hedges				
- Fuel swaps	414,613	-	31,398	-
- Foreign currency forwards	663,158	25,173	1,806	629
- Interest rate swaps	-	275,383	-	5,124
Total	1,077,771	300,556	33,204	5,753
Less: Current portion	(908,652)	(275,383)	(29,786)	(5,124)
Non-current portion	169,119	25,173	3,418	629
2008				
Charged to statement of comprehensive income				
- 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 Group classify its fair value measurement of financial instruments using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

14. Derivatives (cont'd)

The fair value measurement of the derivatives of the Group is classified under Level 2.

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.

15. Inventories

	Group	
	2009 \$'000	2008 \$'000
Fuel	62,561	78,730
Spare parts and accessories	3,628	2,295
	66,189	81,025

Senoko Energy Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements – 31 December 2009

16. Trade and other receivables

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables - non-related parties	230,704	302,816	94	–
Other receivables - holding company	75,623	17,585	107,788	17,507
Other receivables - a minority shareholder	32,274	–	–	–
GST receivables	2,783	19,116	374	1,004
	<u>341,384</u>	<u>339,517</u>	<u>108,256</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 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 and a minority shareholder

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

Receivables that are past due but not impaired

	Group	
	2009 \$'000	2008 \$'000
Lesser than 30 days	1,500	1,653
30 to 60 days	129	100
61 to 90 days	5	23
	<u>1,634</u>	<u>1,776</u>

Receivables that are impaired

	Group	
	2009 \$'000	2008 \$'000
Trade receivables – nominal amount	22	135
Less: Allowance for impairment	(22)	(135)
	<u>–</u>	<u>–</u>

16. Trade and other receivables (cont'd)

Movement in allowance account:

	Group	
	2009 \$'000	2008 \$'000
At beginning of financial period	135	–
Acquisition of subsidiary	–	135
Allowance (written back)/made	(113)	–
At end of financial year	22	135

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.

17. Cash and cash equivalents

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank and on hand	108,872	81,544	74,529	8,984
Short term deposits	–	17,784	–	–
	108,872	99,328	74,529	8,984

Included in cash at bank is an amount of \$78,000 (2008: \$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	
	2009	2008
Singapore Dollar	–	1.56
United States Dollar	–	1.28
Euros	–	2.56
Japanese Yen	–	0.58

Senoko Energy Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements – 31 December 2009

17. Cash and cash equivalents (cont'd)

Cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Singapore Dollar	108,776	41,439	74,529	8,984
United States Dollar	18	40,876	–	–
Euro	–	3,472	–	–
Japanese Yen	78	13,541	–	–
	<u>108,872</u>	<u>99,328</u>	<u>74,529</u>	<u>8,984</u>

18. Bonds

	Group		Group	
	Carrying amount	Fair value	Carrying amount	Fair value
	2009 \$'000	2009 \$'000	2008 \$'000	2008 \$'000
Unsecured quoted bonds	–	–	11,750	11,820

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.

SPL has redeemed the bonds by January 2009.

Senoko Energy Pte. Ltd. and its Subsidiaries

Notes to the Financial Statements – 31 December 2009

19. Trade and other payables

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade payables	195,206	87,125	-	-
Accrued operating expenses	45,690	208,010	6,089	3,279
Accrued capital expenditure	6,475	3,705	-	-
Accrued interest payable	787	669	-	-
Amounts due to related parties	200	-	200	-
Other payables - preference shares	2,175,000	-	2,175,000	-
Other payables - subsidiary	-	-	269,226	17,810
	<u>2,423,358</u>	<u>299,509</u>	<u>2,450,515</u>	<u>21,089</u>

The carrying amounts of 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:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Singapore Dollar	2,304,342	116,790	2,449,800	18,197
United States Dollar	115,145	177,365	670	2,839
Others	3,871	5,354	45	53
	<u>2,423,358</u>	<u>299,509</u>	<u>2,450,515</u>	<u>21,089</u>

Trade payables

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

20. Loans and borrowings

	Maturity	Group	
		2009 \$'000	2008 \$'000
Bank loan	2010	425,000	413,000
Repowering loan	2012	227,280	140,767
		<u>652,280</u>	<u>553,767</u>
Less: Current portion		(425,000)	–
Non-current portion		<u>227,280</u>	<u>553,767</u>

Bank loan

As at 31 December 2009, \$425 million had been drawn down under a Term Loan Facility of \$425 million which matures in March 2010. The weighted average effective interest rate of the loan was 2.99% per annum (2008: 2.33%). The loan was secured by a charge over all 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 2009, \$227,280,100 had been drawn down under a Syndicated Loan Facility of JPY 67 billion which matures in September 2012. The weighted average effective interest rate of the loan was 0.94% per annum (2008: 1.55%).

The Company (together with Lion Power (2008) Pte Ltd, TWMB Holdings and Senoko Power Limited) entered into a Deed of Assignment and Charge dated 19 September 2008 with Mizuho Corporate Bank, Ltd (as the Security Agent under the Repowering Agreement) under which all the abovementioned parties assign and charge to the Security Agent all of their respective rights, title and interest in and to the JBIC Equity Contribution Deed. Under the Deed of Assignment and Charge, Senoko Power Limited charges its interests in a bank account into which all loan proceeds are deposited and withdrawn from to the Repowering Loan lenders.

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.

The carrying amounts of loan and borrowings are reasonable approximation of fair values, due to the short term nature of the bank loan and the repowering loan as a floating rate instrument that are re-priced to market interest rates on or near the balance sheet date.

21. Share capital

	Group and Company	
	2009	2008
	'000	'000
At beginning of financial year	3,685,988	@
Issued during the financial year	–	3,685,988
Payable at end of financial year	(2,175,000)	–
At end of financial year/period	<u>1,510,988</u>	<u>3,685,988</u>

	2009	Group and Company		2008
	No. of shares	2009	2008	
	'000	'000	No. of shares	'000
			'000	
(a) <u>Ordinary shares</u>				
At beginning of financial year	1,159,988	1,159,988	@	@
Issued during the financial year	–	–	1,159,988	1,159,988
At end of financial period	<u>1,159,988</u>	<u>1,159,988</u>	<u>1,159,988</u>	<u>1,159,988</u>

(b) Preference shares

At beginning of financial year	2,526,000	2,526,000	–	–
Issued during the financial year	–	–	2,526,000	2,526,000
Payable at end of financial year	(2,175,000)	(2,175,000)	–	–
At end of financial year	<u>351,000</u>	<u>351,000</u>	<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 ordinary shares have no par value.

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.

21. Share capital (cont'd)

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.

On 29 December 2009, the Board approved the redemption of 2,175,000,000 preference shares at \$2,175,000,000. This redemption payable was classified from equity and reflected as a current liability in the balance sheet.

22. 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	
	2009 \$'000	2008 \$'000
At beginning of financial year	(278,107)	–
Net gain/(loss) on fair value changes (Note 14)	278,198	(199,153)
Net gain/(loss) on matured derivatives	115,042	(113,918)
Net loss transferred to statement of comprehensive income (ineffectiveness portion)	11,222	5,628
Net gain transferred to statement of comprehensive income (others)	(27,288)	(31,713)
Tax effect on cash flow hedge (Note 9)		
- charged to statement of comprehensive income	2,732	2,533
- charged to statement of changes in equity	(70,484)	58,516
	309,422	(278,107)
At end of financial year	31,315	(278,107)

23. Related party transactions*(a) Sale and purchase of goods and services*

In addition to the related party information shown elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Year ended 31.12.2009 \$'000	Group 22.8.2008 to 31.12.2008 \$'000
Technical consultancy and advisory support services payable to shareholders of the Company	120	–
Fuel offsite reserve paid to a shareholder of the Company	288	–
	<u>408</u>	<u>–</u>

(b) Compensation of key management personnel

	2009 \$'000	Group 2008 \$'000
Salaries and other short-term employee benefits	2,647	905
Central Provident Fund contributions	53	12
Termination benefits	380	–
	<u>3,080</u>	<u>917</u>
<i>Comprise amounts paid to:</i>		
Directors of the Group	1,301	–
Other key management personnel	1,779	917
	<u>3,080</u>	<u>917</u>

24. 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	
	2009 \$'000	2008 \$'000
Long term maintenance agreement	176,067	51,993
Property, plant and equipment	728,510	822,291
	904,577	874,284

(b) *Operating lease commitments – as lessee*

The Group leases office space, office equipment and staff apartments 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	
	2009 \$'000	2008 \$'000
Not later than one year	848	295
Later than one year but not later than five years	1,154	21
	2,002	316

(c) *Operating lease commitments – as lessor*

The Group leases out office space and fuel tanks 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	
	2009 \$'000	2008 \$'000
Not later than one year	13,314	47
Later than one year but not later than five years	5	33
	13,319	80

25. 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	EURO \$'000	YEN \$'000	Others \$'000	Total \$'000
At 31 December 2009							
Financial assets							
Cash and cash equivalents (Note 17)	108,776	18	–	–	78	–	108,872
Trade and other receivables (Note 16)	339,542	1,842	–	–	–	–	341,384
Other financial assets (Note 13)	92,987	–	–	–	–	–	92,987
	541,305	1,860	–	–	78	–	543,243
Financial liabilities							
Borrowings (Note 20)	425,000	–	–	–	227,280	–	652,280
Trade and other payables (Note 19)	2,304,342	115,145	3,861	10	–	–	2,423,358
	2,729,342	115,145	3,861	10	227,280	–	3,075,638
Net financial (liabilities)/assets	(2,188,037)	(113,285)	(3,861)	(10)	(227,202)	–	(2,532,395)
Firm commitments and highly probable forecast transactions in foreign currencies	(172,538)	(471,563)	(16,535)	(25,238)	(833,217)	–	(1,319,191)
Currency forwards	–	641,797	21,360	25,173	–	–	688,330
Currency exposure	(2,360,675)	66,949	964	(75)	(860,419)	–	(3,163,256)

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

	SGD	USD	CHF	EUROS	YEN	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2008							
Financial assets							
Cash and cash equivalents (Note 17)	41,439	40,876	–	3,472	13,541	–	99,328
Trade and other receivables (Note 16)	339,517	–	–	–	–	–	339,517
Other financial assets (Note 13)	160	1,427	–	–	–	–	1,587
	381,116	42,303	–	3,472	13,541	–	440,432
Financial liabilities							
Borrowings (Note 20)	413,000	–	–	–	140,767	–	553,767
Trade and other payables (Note 19)	116,790	177,365	3,816	1,420	91	27	299,509
	529,790	177,365	3,816	1,420	140,858	27	853,276
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	(330,180)	(4,790)	1,339	2,052	(656,653)	(27)	(988,259)

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

The Company's currency exposure is as follows:

	SGD \$'000	USD \$'000	CHF \$'000	EURO \$'000	YEN \$'000	Others \$'000	Total \$'000
At 31 December 2009							
Financial assets							
Cash and cash equivalents (note 17)	74,529	-	-	-	-	-	74,529
Trade and other receivables (note 16)	108,256	-	-	-	-	-	108,256
Other financial assets (Note 13)	92,735	-	-	-	-	-	92,735
	275,520	-	-	-	-	-	275,520
Financial liabilities							
Trade and other payables (note 19)	2,449,800	670	-	-	45	-	2,450,515
	2,449,800	670	-	-	45	-	2,450,515
Net financial (liabilities)/ assets	(2,174,280)	(670)	-	-	(45)	-	(2,174,995)
Currency exposure	(2,174,280)	(670)	-	-	(45)	-	(2,174,995)
At 31 December 2008							
Financial assets							
Cash and cash equivalents (note 17)	8,984	-	-	-	-	-	8,984
Trade and other receivables (note 16)	18,511	-	-	-	-	-	18,511
	27,495	-	-	-	-	-	27,495
Financial liabilities							
Trade and other payables (note 19)	18,197	2,839	-	26	-	27	21,089
	18,197	2,839	-	26	-	27	21,089
Net financial (liabilities)/ assets	9,298	(2,839)	-	(26)	-	(27)	6,406
Currency exposure	9,298	(2,839)	-	(26)	-	(27)	6,406

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

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:

	Profit after tax 2009 \$'000	Equity 2009 \$'000	Profit after tax 2008 \$'000	Equity 2008 \$'000
Group				
USD against SGD				
- strengthened	(2,821)	15,981	(3,342)	16,722
- weakened	2,821	(15,981)	3,342	(16,722)
Yen against SGD				
- strengthened	(5,657)	-	(3,132)	-
- weakened	5,657	-	3,132	-
Company				
USD against SGD				
- strengthened	(17)	-	(54)	-
- weakened	17	-	54	-

(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.

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

(ii) Price risk (cont'd)

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 balance sheet date of the Group is as follow:

	Group		Group	
	Notional quantity 2009 MT	Notional amount 2009 \$'000	Notional quantity 2008 MT	Notional amount 2008 \$'000
Outstanding fuel swap contracts	647,840	414,613	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:

	Group	
	2009 \$'000	2008 \$'000
Equity		
- increased by	44,737	95,057
- decreased by	(44,737)	(95,057)

25. 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 \$149.6 million (2008: \$137.6 million) for SGD denominated borrowings and \$227.3 million (2008: \$140.8 million) for Yen denominated borrowings. If the SGD interest rates increase / decrease by 0.1% for year ended 31 December 2009 with all other variables including tax rate being held constant, the profit after tax will be lower/higher by \$124,200 (2008: \$112,800) as a result of higher/lower interest expense on these borrowings. If the Yen interest rates increase / decrease by 0.1% for year ended 31 December 2009 with all other variables including tax rate being held constant, the profit after tax will be lower/higher by \$188,700 (2008: \$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 (2008: \$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 \$228,600 (2008: \$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.

25. 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	(2,423,358)	–	–	(2,423,358)
Borrowings	(425,000)	(232,203)	–	(657,203)
	<u>(2,848,358)</u>	<u>(232,203)</u>	<u>–</u>	<u>(3,080,561)</u>
Derivative financial instalments				
Net settled interest rate swap	(1,055)	–	–	(1,055)
Gross settlement-currency forward contracts				
- Receipts	567,645	120,146	834	688,625
- Payments	(567,552)	(119,955)	(824)	(688,331)
Fuel swap contracts	(341,100)	(73,531)	–	(414,631)
Company				
Trade and other payables	(2,450,515)	–	–	(2,450,515)

26. Loans and receivables

The following disclosures the Group's and Company's total loan and receivables:

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current assets					
Other financial assets	13	92,801	108	92,735	–
Current assets					
Other financial assets	13	186	1,479	–	–
Trade and other receivables	16	341,384	339,517	108,256	18,511
Cash and cash equivalents	17	108,872	99,328	74,529	8,984
		<u>543,243</u>	<u>440,432</u>	<u>275,520</u>	<u>27,495</u>

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 20 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 Term Loan Facility of \$425 million (see Note 20). The Term Loan of \$2.2 billion is used to refinance the borrowings of SPL. The financial covenant under the Senior Facilities Agreement requires the sum of the Earning Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") of the Group and its shareholders to be 1.75 times higher than the sum of interest expenses incurred on this Term Loan by the Group and its shareholders for the year ended 31 December 2009. The Group and its shareholders have complied with the financial covenant.

28. Events occurring after the balance sheet date

On 13 January 2010, the entire power generation business is transferred from Senoko Power Limited to the Company. The transfer of the power generation business is structured in the following manner:

- The Company drew down a term loan and issued bonds to acquire the entire power generation business from SPL.
- SPL repaid its existing term loan of \$425 million and paid interim dividends to the Company with the proceeds received from the sale of business.
- The Company utilised the dividends received from SPL to redeem 2,175,000,000 of its preference shares held by the shareholders.

The group restructuring is not expected to have any impact to the consolidated statement of comprehensive income.

29. Authorisation of financial statements

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 10 March 2010.

