

**KEPPEL SEGHERS UK LIMITED**

**Report and Financial Statements**

**For the year ended 31 December 2012**



**REPORT AND FINANCIAL STATEMENTS 2012**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

I M E Christiaens  
W E A Vanderpoorten  
H C M Chia  
S S J Goh  
L H Tay  
K L Ho

**REGISTERED OFFICE**

Percival Lane  
Runcorn  
Cheshire  
WA7 4XE

**INDEPENDENT AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester  
United Kingdom

## **DIRECTORS' REPORT**

The directors present their report with the financial statements of the company for the year ended 31 December 2012

### **PRINCIPAL ACTIVITIES**

The principal activities of the company in the year under review were those of the design and construction of waste-to-energy and the prospection of new business globally with our parent company

### **REVIEW OF BUSINESS**

During the year under review, Keppel Seghers UK Limited ("KSUK"), working together with its immediate parent company Keppel Seghers Belgium NV ("KSBE"), encountered significant challenges in relation to the Engineering, Procurement and Construction (EPC) contract for Phase 1 of the Greater Manchester Waste (GMW) Energy-from-Waste (EfW) project

Additional efforts and resources have been employed to complete Phase 1 of the project. In addition, operational and senior management conducted a thorough review of project activities and contingency plans which concluded with the implementation of an approved revised program in Q3 2012. Despite the challenges, the company remains committed to fulfilling its obligations under the contract.

As a result of the above, a loss after tax of GBP 4,496,304 has been reported in the current year versus a profit before tax last year of GBP 4,197,754. Consequently, net assets have fallen from GBP 5,497,166 last financial year to GBP 1,000,862 this financial year.

At year end, Phase 2 was almost 50% complete and is expected to be delivered on time. However, the directors are unable to reliably estimate the outcome of this construction contract at this time. Consequently, contract costs have been recognised as an expense in the period in which they were incurred and revenue has been recognised to the extent that contract costs incurred are recoverable.

During 2012, landfill tax increased from GBP56 to GBP64 per tonne and will continue to increase to GBP80 per tonne in 2014. In addition, the UK Government remains committed to further diverting residual waste from landfill. These factors drive the need for alternative waste treatment facilities and provide KSUK with opportunities to secure further EfW contracts. Despite the challenges experienced this year, the directors remain convinced that the EfW solution acts as a viable alternative to landfill and shall continue to review opportunities in this sector.

### **RISK**

The company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

#### **Cash flow risk**

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

The company operates foreign currency bank accounts and aims to match payables and receivables to minimise transaction risk. The cash flow forecast predicts that no foreign currencies will need to be bought to meet foreign currency liabilities of the projects. However, if needed, the company can engage Group Treasury to employ foreign exchange forward contracts and interest rate swap contracts to hedge exposure. No such hedges were entered into in the year under review (2011: none).

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

#### **Credit risk**

The company's principal financial assets are bank balances and cash, and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables although no allowance for doubtful receivables has been made to the amounts presented in the balance sheet. Due to the nature and scale of the projects currently under execution there is a significant concentration of credit risk with only two clients. However, the

## **DIRECTORS' REPORT**

directors perceive this risk to be minimal as, in their opinion, both clients have sufficient strength to meet their commitments under the contracts

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

### **Liquidity risk**

Currently the company has no debt finance. The directors will continue to assess corporate funding requirements in order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments

Notwithstanding these risks, the directors believe that the principal risks facing the company fall outside the areas identified above

### **Principal risks**

The principal risks and uncertainties facing the company remain unchanged and include, but are not limited to failing to deliver the GMW contract on time, key sub-contractor failure, rising costs, and further deterioration in the economic outlook placing increased pressure on PFI funding of capital investment projects and reducing credit lines for privately funded projects

Delay damages become payable to the clients should the plant not be operational by the contract Planned Operation Dates. As highlighted in the preceding sections, the company has committed additional resources in order to complete Phase 1 as soon as possible. In addition, parallel focus is being maintained on Phase 2. The project programs continue to be reviewed on a weekly basis by senior project staff with higher level discussion and review at monthly project steering committee meetings attended by senior management and the majority of KSUK Directors. Critical path activities are closely monitored and sensitivity analyses are conducted to identify possible future program risks allowing formulation of contingency plans. Additionally, knowledge gained in Phase 1 execution is being applied to ensure on time delivery of Phase 2.

The company's Procurement Guidelines set out the relevant procedures to be followed for the various types of purchase. Although the company cannot guarantee longevity of appointed sub-contractors, sub-contractor failure risk is mitigated as much as possible by following the clearly identified requirements in relation to technical compliance and business review of potential suppliers.

Although all major contracts have been awarded and procurement activity is almost fully complete with the majority of costs locked in for Phase 1 of the GMW project, the risk of decreased profits caused by increasing direct costs is still considered a possibility at this stage. The revised completion date may yet be impacted by risks such as Industrial Relations disputes and adverse weather conditions.

Risk and uncertainty are present in relation to the outcome of Phase 2 as discussed above.

### **GOING CONCERN**

The directors wish to draw attention to note 1 regarding the basis of preparation of the financial statements.

The directors have reviewed the company's forecasts and projections to 2014 taking into account any reasonably possible changes in the GMW contract and have concluded that, in conjunction with the financial support guaranteed from its intermediate parent company Keppel Integrated Engineering Ltd, a company incorporated in Singapore, and despite the level of uncertainty in the current economic environment, the company has adequate resources to be able to continue in operational existence for the foreseeable future.

Taking these factors into account the directors continue to adopt the going concern basis in preparing the report and financial statements.

### **DIVIDENDS**

No dividend has been declared for the year ended 31 December 2012 (2011: £1,500,000)

## DIRECTORS' REPORT

### CHARITABLE DONATIONS

During the year, the company made charitable donations of £5,000 (2011 £6,000) All donations were made to local charities serving communities in which the company operates

### DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report

I M E Christiaens

W E A Vanderpoorten

H C M Chia

S S J Goh

L H Tay

K L Ho

### DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors that were made during the year and remain in force at the date of this report

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that


- So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware,
- and, each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

### AUDITOR

A resolution to reappoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

### APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:



L H Tay – Director

Date 4 February 2013



I M E Christiaens – Director

Date 4 February 2013

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEPPEL SEGHERS UK LIMITED**

We have audited the financial statements of Keppel Seghers UK Limited for the year ended 31 December 2012 which comprise the profit and loss account the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEPPEL SEGHERS  
UK LIMITED (continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Jane Boardman (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester, UK

4 FEBRUARY 2013

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2012**

	Note	2012 £	2011 £
<b>TURNOVER</b>	2	50,937,157	74 078 107
Cost of sales		(56,250,667)	(67,617,383)
<b>GROSS PROFIT</b>		(5,313,510)	6,460,724
Administrative expenses		(914,988)	(962 241)
		(6,228,498)	5,498,483
Other operating income		78,086	45
<b>OPERATING (LOSS)/ PROFIT</b>	4	(6,150,412)	5,498,528
Interest receivable and similar income	5	122,988	218,309
		(6,027,424)	5,716,837
Interest payable and similar charges	6	-	(2,393)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(6,027,424)	5,714,444
Tax on (loss)/profit on ordinary activities	7	1,531,120	(1,516,690)
<b>(LOSS)/PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR</b>	14 17	(4,496,304)	4,197,754

All of the company's activities are classed as continuing

The company has no recognised gains or losses other than the result for the current or preceding years as set out above. Accordingly no separate statement of total recognised gains and losses is presented

**BALANCE SHEET**  
**As at 31 December 2012**

	Note	£	2012 £	£	2011 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	8		59,097		61,203
<b>CURRENT ASSETS</b>					
Debtors amounts falling due within one year	9	25,910,101		17,434,905	
Debtors amounts falling due after one year	9	6,383,550		4,610,286	
Short term investments		-		19,098,376	
Cash at bank and in hand		486,290		5,084,636	
		32,779,941		46,228,203	
<b>CREDITORS: amounts falling due within one year</b>	10	(27,818,909)		(38,039,558)	
<b>NET CURRENT ASSETS</b>			4,961,032		8,188,645
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			5,020,129		8,249,848
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	11		(4,019,267)		(2,752,682)
<b>NET ASSETS</b>			1,000,862		5,497,166
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		210,000		210,000
Profit and loss account	14		790,862		5,287,166
<b>SHAREHOLDER'S FUNDS</b>	17		1,000,862		5,497,166


The financial statements of Keppel Seghers UK Limited, registered company number 02797705, were approved by the Board of Directors and authorised for issue on 4 February 2013 and were signed on its behalf by

Signed on behalf of the Board



L H Tay – Director

Date 4 February 2013



I M E Christiaens – Director

Date 4 February 2013

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 December 2012

#### 1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

The financial statements have been prepared under the historical cost convention.

##### **Basis of accounting**

The financial statements have been prepared in accordance with applicable United Kingdom law and Accounting Standards, which have been applied consistently throughout the year.

##### **Going concern**

The directors have reviewed the company's forecasts and projections to the year ending 2014 taking into account any reasonably possible changes in the GMW contract and have concluded that, in conjunction with the financial support guaranteed from its intermediate parent company Keppel Integrated Engineering Ltd, a company incorporated in Singapore, and despite the level of uncertainty in the current economic environment, the company has adequate resources to be able to continue in operational existence for the foreseeable future.

The directors have received confirmation of ongoing support from the directors of the intermediate parent company stating that it will provide the group with additional working capital where required to enable it to meet its liabilities as they fall due in the twelve months from the date of signing these financial statements. The directors have considered the ability of the intermediate parent company to provide this support, particularly in reference to the current economic environment, and believe the intermediate company has sufficient ability to provide this support.

Taking these factors into account the directors continue to adopt the going concern basis in preparing the report and financial statements.

##### **Cash flow statement**

Exemption has been taken from preparing a cash flow statement under Financial Reporting Standards 1 (revised) "Cash Flow Statements", on the grounds that the company is a wholly owned subsidiary of a company whose consolidated financial statements are publicly available.

##### **Turnover**

Turnover represents the value of work completed on individual contracts excluding value added tax and trade discounts. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

##### **Tangible fixed assets**

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

Fixtures and fittings	25% on cost
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Computer equipment	25% on cost
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Residual value is calculated on prices prevailing at the date of acquisition.

##### **Taxation**

Current tax including UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future has occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 December 2012

#### 1. ACCOUNTING POLICIES (continued)

inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantive enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result

#### Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

#### Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

#### Short-term investments

The company places free cash-flow on deposit in the money markets to maximise interest receivable (note 5). Typically these placements are made for a period of up to three months

#### Warranty provision

The company provides for warranty costs in line with group policy at 2.5% of contract value. Past experience and continued monitoring and analysis of warranty costs paid by projects throughout the group inform this policy

#### Long-term contracts

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. It is company policy to only recognise an element of profit on a contract once it is at least 20% complete, as this is deemed to be the earliest point at which the final outcome of the contract can be assessed with reasonable certainty

Where the outcome of a construction contract cannot be estimated reliably, contract costs have been recognised as an expense in the period in which they were incurred and turnover has been recognised only to the extent of contract costs incurred that it is probable will be recoverable

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

## 2. TURNOVER

The turnover and profit/(loss) before taxation are attributable to the principal activities of the company of which over 90% is generated in the UK

## 3 STAFF COSTS

	2012 £	2011 £
Wages and salaries	349,481	272,063
Social security costs	34,404	32,209
Other pension costs	3,985	9,657
	<u>387,870</u>	<u>313,929</u>

The average monthly number of employees during the year, excluding directors, was as follows

	2012 No.	2011 No.
Administration and design	2	3
Project management	2	2
	<u>4</u>	<u>5</u>

Directors' remuneration is borne by companies within the group and has not been recharged to the company in either year. This is because a fair apportionment is not possible as services are provided to multiple entities

## 4. OPERATING PROFIT

	2012 £	2011 £
Operating profit is stated after charging/(crediting)		
Operating lease rentals		
- Hire of plant and machinery	3,884	3,868
- Vehicle leasing	5,386	8,212
- Office and private rents	127,543	-
Depreciation of owned assets	30,450	23,686
Auditor's remuneration		
- Statutory audit of the company's annual accounts pursuant to legislation	32,200	30,000
- Non audit services – tax services	650	900
Foreign exchange losses/(gains)	81,500	(22,817)
Exceptional items		
- Redundancy and office closure costs	-	123,897
	<u>-</u>	<u>123,897</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2012**

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2012 £	2011 £
Interest on short-term investments	<u>122,988</u>	<u>218,309</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2012 £	2011 £
Interest on loans from group undertakings	-	-
Interest on overdue corporation tax	-	2,393
	<u>-</u>	<u>2,393</u>

**7 TAXATION**

**(a) Analysis of the tax charge**

The tax on (loss)/profit on ordinary activities for the year was as follows

	2012 £	2011 £
<b>Current tax</b>		
United Kingdom corporation tax on (loss)/profit in the year (note 7 (b))	(1,516,249)	1,516,885
Adjustments in respect of previous periods	(635)	-
	<u>(1,516,884)</u>	<u>1,516,885</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(13,949)	71
Effect of changes in tax rate on opening liability	(287)	(266)
	<u>(14,236)</u>	<u>(195)</u>
Total deferred tax (note 11)	(14,236)	(195)
Tax (credit)/charge on (loss)/profit on ordinary activities	<u>(1,531,120)</u>	<u>1,516,690</u>

	2012 £	2011 £
<b>(b) Factors affecting the tax for the year:</b>		
The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows		
(Loss)/profit on ordinary activities before tax	(6,027,424)	5,714,444
Standard rate of corporation tax in the UK	24.5%	26.5%
	<u>(1,476,719)</u>	<u>1,514,327</u>
(Loss)/profit on ordinary activities before tax		
Effects of		
Expenses not deductible for tax purpose	12,162	3,483
Depreciation in excess of capital allowances/(capital allowances in excess of depreciation)	7,523	(757)

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 December 2012

Movements in short term timing differences	4	(168)
Adjustments in respect of prior periods	(635)	-
Unrelieved tax losses carried forward	54,852	-
Difference in tax rates on losses carried back	(114,071)	-
Current tax (credit)/charge for year (note 7(a))	<u>(1,516,884)</u>	<u>1 516,885</u>

## 8. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>			
At 1 January 2012	11,289	139,488	150,777
Additions	-	28,602	28,602
Disposals	-	(687)	(687)
At 31 December 2012	<u>11,289</u>	<u>167,403</u>	<u>178,692</u>
<b>Depreciation</b>			
At 1 January 2012	11,289	78,285	89,574
Charge for the year	-	30,450	30,450
Disposals	-	(429)	(429)
At 31 December 2012	<u>11,289</u>	<u>108,306</u>	<u>119,595</u>
<b>Net book value</b>			
At 31 December 2012	<u>-</u>	<u>59,097</u>	<u>59,097</u>
At 31 December 2011	<u>-</u>	<u>61,203</u>	<u>61,203</u>

## 9. DEBTORS

	2012 £	2011 £
Amounts recoverable on long-term contracts (note 18)	12,889,366	8,765,555
Trade debtors	9,547	6,231,711
Amounts owed by group undertakings		
- Trade balances	53,903	395,802
- Interest bearing loans	2,390,533	-
Prepayments and accrued income	18,660	11,774
Other debtors	<u>10,548,092</u>	<u>2,030,063</u>
Amounts falling due within one year	<u>25,910,101</u>	<u>17,434,905</u>
Amounts due after more than one year trade debtors	<u>6,383,550</u>	<u>4,610,286</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2012**

**10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2012 £	2011 £
Trade creditors	1,135,007	1,446,163
Amounts owed to group undertakings		
- Trade balances	316,196	411,217
- Interest bearing loans	375,000	-
Corporation tax	-	484,535
Other taxes and social security	37,534	590,247
Accrued long-term contract costs (note 18)	12,104,242	27,864,257
Long-term contract payments received on account (note 18)	13,806,060	3,268,899
Accrued expenses and deferred income	44,870	3,974,240
	<u>27,818,909</u>	<u>38,039,558</u>

**11. PROVISIONS FOR LIABILITIES AND CHARGES**

	Warranty £	Deferred taxation £	Total £
At 1 January 2012	2,738,446	14,236	2,752,682
Charged/(credited) to the profit and loss account	<u>1,280,821</u>	<u>(14,236)</u>	<u>1,266,585</u>
At 31 December 2012	<u>4,019,267</u>	<u>-</u>	<u>4,019,267</u>

The company is responsible for a warranty period of 24 months from the issue of the takeover certificate in relation to the projects under construction as at the balance sheet date. Primarily, risk exists in relation to plant engineering and design not conforming with the requirements as laid down in the contract thus requiring remedial work to meet such contractual requirements. The risk of faulty equipment has been mitigated by reflecting the warranty period in the individual contracts entered into with suppliers of the equipment.

It is difficult to be precise as to the expected timing of any resulting transfer of economic benefits. Various parties, including but not limited to, client and company engineers, inspection officers and insurers would be involved in agreeing claims raised during the warranty period. However, it is foreseeable that any payments could be made any time after the issue of the applicable takeover certificates and possibly up to a period of 18 months beyond the expiry of the warranty period.

**12. FINANCIAL COMMITMENTS**

The company is committed to long-term costs of £28,593,469 (2011: £49,815,751). Included within these costs is £12,104,242 (2011: £27,864,257) which has been provided for and is disclosed as "accrued long-term contract costs" within note 10.

Capital commitments are as follows:

	2012 £	2011 £
Contracted but not provided for	<u>16,489,227</u>	<u>21,951,494</u>

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 December 2012

Annual commitments under non-cancellable operating leases are as follows

	<b>Other operating leases</b>	
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Expiring		
Within one year	74,378	-
Between one and five years	16,526	18,821
	<u>90,904</u>	<u>18,821</u>

### 13. CALLED-UP SHARE CAPITAL

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Allotted, called-up and fully paid.		
210,000 Ordinary shares of £1 each	<u>210,000</u>	<u>210,000</u>

### 14. RESERVES

	<b>Profit and loss account £</b>
At 1 January 2012	5,287,166
Loss for the year	<u>(4,496,304)</u>
At 31 December 2012	<u>790,862</u>

### 15. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate holding company and controlling party is Keppel Seghers Belgium NV, a company registered in Belgium. The directors consider the ultimate holding company and controlling party to be Keppel Corporation Limited, a company registered in Singapore.

The largest and smallest entity into which its accounts are consolidated is Keppel Corporation Limited. Copies of group financial statements may be obtained from 1 HarbourFront Avenue, #18-D1 Keppel Bay Tower, Singapore, 098632.

### 16. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption in Financial Reporting Standards 8, "Related party disclosures" from the requirement to disclose transactions with other wholly-owned group companies on the grounds that consolidated financial statements in which this company is included are prepared by the ultimate parent company and are publicly available.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2012**

**17 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	2012 £	2011 £
(Loss)/profit for the year	(4,496,304)	4,197,754
Dividends paid	-	(1,500,000)
Net movement of shareholder's funds	(4,496,304)	2,697,754
Opening shareholder's funds	5,497,166	2,799,412
Closing shareholder s funds	<u>1,000,862</u>	<u>5,497,166</u>

**18. LONG-TERM CONTRACTS**

	2012 £	2011 £
Amounts disclosed in debtors		
Turnover recognised	119,376,007	8,765,555
Payments received on account	(106,486,641)	-
Amounts recoverable on long-term contracts (note 9)	<u>12,889,366</u>	<u>8,765,555</u>
Amounts disclosed in creditors		
Costs incurred	152,427,445	65,826,587
Amounts transferred to profit & loss	(164,531,687)	(93,690,844)
Accrued long-term contract costs (note 10)	<u>(12,104,242)</u>	<u>(27,864,257)</u>
Cumulative contract turnover recognised	29,346,775	107,151,362
Cumulative payments received on account	(43,152,835)	(101,654,705)
Amounts recoverable on long-term contracts as at 31 December	<u>-</u>	<u>(8,765,555)</u>
Long-term contract payments on account (note 10)	<u>(13,806,060)</u>	<u>(3,268,899)</u>

**19. DIVIDENDS**

No dividends have been recognised as a distribution to equity holders during the year (2011 £1,500,000 (714p per share))