



FINANCIAL REVIEW

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DIRECTORS' REPORT

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 March 2005.

DIRECTORS

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

Goh Geok Ling
 Ng Kwan Meng
 Tan Hien Meng
 Gabriel Teo Chen Thye
 Wong Kim Yin (Appointed on 21 October 2004)
 Alvin Yeo Khirn Hai

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Goh Geok Ling		
CapitalLand Limited – Ordinary shares of \$1 each	12,000	12,000
Chartered Semiconductor Manufacturing Ltd – Ordinary shares of \$0.26 each	* 25,000	* 25,000
Raffles Holdings Limited – Ordinary shares of \$0.32 each [^]	50,000	50,000

[^] The par value of each ordinary share has been adjusted from \$0.50 to \$0.32 following the capital distribution of \$0.18 for each issued and paid-up ordinary share of Raffles Holdings Limited. Arising from the said capital distribution, adjustments have also been made to the exercise prices of unexercised share options under the Raffles Holdings Share Option Plan, as well as to the number of performance shares under conditional award.

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Goh Geok Ling		
SembCorp Industries Ltd		
– Ordinary shares of \$0.25 each	190,000	265,000
– Options to subscribe for ordinary shares of \$0.25 each	180,000	205,000
Singapore Airport Terminal Services Limited		
– Ordinary shares of \$0.10 each	10,000	10,000
Singapore Food Industries Limited		
– Ordinary shares of \$0.05 each	100,000	100,000
Singapore Technologies Engineering Ltd		
– Ordinary shares of \$0.10 each	55,000	55,000
Singapore Telecommunications Limited		
– Ordinary shares of \$0.15 each	33,280	30,910
STATS ChipPAC Ltd		
– Ordinary shares of \$0.25 each	** 27,000	** 27,000
– Ordinary shares of \$0.25 each	3,000	3,000
CapitaMall Trust Management Limited		
– Unit holdings in CapitaMall Trust	330,000	363,000
CapitaCommercial Trust Management Ltd		
– Units holdings in CapitaCommercial Trust	–	2,400
Neptune Orient Lines Ltd		
– Ordinary shares of \$1 each	–	83,494
Ng Kwan Meng		
CapitaLand Limited		
– Ordinary shares of \$1 each	10,000	–
Chartered Semiconductor Manufacturing Ltd		
– Ordinary shares of \$0.26 each	10,000	10,000
SembCorp Industries Ltd		
– Ordinary shares of \$0.25 each	40,000	15,000

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Ng Kwan Meng		
CapitaCommercial Trust Management Ltd – Units holdings in CapitaCommercial Trust	–	2,000
Singapore Press Holdings Ltd – Ordinary shares of \$0.20 each	–	10,000
SembCorp Marine Ltd – Ordinary shares of \$0.10 each	10,000	–
SIA Engineering Company Limited – Ordinary shares of \$0.10 each	15,000	15,000
Singapore Technologies Engineering Ltd – Ordinary shares of \$0.10 each	20,000	20,000
Singapore Telecommunications Limited – Ordinary shares of \$0.15 each	20,000	8,580
SMRT Corporation Ltd – Ordinary shares of \$0.10 each	4,000	4,000
Tan Hien Meng		
CapitaLand Limited – Ordinary shares of \$1 each	6,000	6,000
Chartered Semiconductor Manufacturing Ltd – Ordinary shares of \$0.26 each	1,000	1,000
Singapore Airlines Limited – Ordinary shares of \$0.50 each	5,000	5,000
Singapore Telecommunications Limited – Ordinary shares of \$0.15 each	2,080	1,960
STATS ChipPAC Ltd – Ordinary shares of \$0.25 each	2,000	2,000

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Gabriel Teo Chen Thye		
Singapore Technologies Engineering Ltd – Ordinary shares of \$0.10 each	5,000	5,000
Singapore Telecommunications Limited – Ordinary shares of \$0.15 each	3,620	3,370
Wong Kim Yin		
Singapore Telecommunications Limited – Ordinary shares of \$0.15 each	1,100	1,100
Chartered Semiconductor Manufacturing Ltd – Ordinary shares of \$0.26 each	20,000	20,000
Alvin Yeo Khirn Hai		
Singapore Airlines Limited – Ordinary shares of \$0.50 each	5,000	5,000
Singapore Telecommunications Limited – Ordinary shares of \$0.15 each	400	400

* Shares listed in NASDAQ, USA and converted from 2,500 American Depository Shares.

** Shares listed in NASDAQ, USA and converted from 2,700 American Depository Shares.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options 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.

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 in or debentures of the Company or any other body corporate.

Since the end of the last financial year, no director has received or 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 he is a member or with a company in which he has a substantial financial interest.

SHARE OPTIONS

During the financial year, there were:

- (i) no options granted by the Company or its subsidiary to any person to take up unissued shares in the Company or its subsidiary; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiary.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiary under option.

AUDITORS

The Board of Directors reviewed the independence of the auditors as required under Section 206 (1A) of the Companies Act and determined that the auditors were independent in carrying out their audit of the financial statements.

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Goh Geok Ling
Director



Gabriel Teo Chen Thye
Director

Singapore

19 May 2005

STATEMENT BY DIRECTORS

In our opinion:

- (a) the financial statements set out on pages FS2 to FS21 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 March 2005 and of the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



Goh Geok Ling
Director



Gabriel Teo Chen Thye
Director

Singapore

19 May 2005

REPORT OF THE AUDITORS TO THE MEMBER OF TUAS POWER LTD

We have audited the accompanying financial statements of Tuas Power Ltd for the year ended 31 March 2005 as set out on pages FS2 to FS21. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet, profit and loss statement and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2005 and of the results, changes in equity and cash flows of the Group and of the results and changes in equity of the Company for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by its subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



KPMG
Certified Public Accountants

Singapore

19 May 2005

BALANCE SHEETS

as at 31 March 2005

	Note	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Non-current assets					
Property, plant and equipment	3	1,259,879	1,436,432	1,258,335	1,433,755
Subsidiary	4	–	–	500	500
Prepayments	5	37,543	37,784	37,543	37,784
Club membership, at cost		189	189	189	189
Deferred tax assets	6	46,169	25,789	46,169	25,789
		<u>1,343,780</u>	<u>1,500,194</u>	<u>1,342,736</u>	<u>1,498,017</u>
Current assets					
Inventories	7	59,038	90,236	59,038	90,236
Trade and other receivables	8	147,777	123,262	61,220	53,559
Cash and cash equivalents	9	15,523	33,364	10,071	26,140
		<u>222,338</u>	<u>246,862</u>	<u>130,329</u>	<u>169,935</u>
Current liabilities					
Trade and other payables	10	142,178	166,180	94,387	128,767
Interest-bearing borrowings	11	107,500	160,000	70,000	126,000
Current tax payable		646	646	646	646
		<u>250,324</u>	<u>326,826</u>	<u>165,033</u>	<u>255,413</u>
Net current liabilities		<u>(27,986)</u>	<u>(79,964)</u>	<u>(34,704)</u>	<u>(85,478)</u>
Non-current liabilities					
Interest-bearing borrowings	11	397,136	396,535	397,136	396,535
Deferred tax liabilities	6	281	522	–	–
		<u>397,417</u>	<u>397,057</u>	<u>397,136</u>	<u>396,535</u>
Net assets		<u>918,377</u>	<u>1,023,173</u>	<u>910,896</u>	<u>1,016,004</u>
Share capital	12	1,178,050	1,178,050	1,178,050	1,178,050
Accumulated losses		<u>(259,673)</u>	<u>(154,877)</u>	<u>(267,154)</u>	<u>(162,046)</u>
		<u>918,377</u>	<u>1,023,173</u>	<u>910,896</u>	<u>1,016,004</u>

The accompanying notes form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNTS

Year ended 31 March 2005

	Note	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue	13	1,361,523	1,078,209	798,003	730,509
Other operating income		3,546	620	3,864	1,006
Fuel costs		(533,201)	(481,316)	(554,478)	(494,068)
Purchase of electricity		(579,839)	(352,373)	–	–
Operation and maintenance costs		(18,261)	(21,238)	(17,727)	(20,664)
Staff costs		(18,134)	(18,400)	(16,859)	(17,289)
Property taxes		(8,511)	(7,024)	(8,511)	(7,024)
Depreciation of property, plant and equipment	3	(63,593)	(61,960)	(62,388)	(61,062)
Impairment loss on property, plant and equipment	3	(216,000)	–	(216,000)	–
Allowance for inventory write-down	7	(25,000)	–	(25,000)	–
Other operating expenses		(6,652)	(7,537)	(5,992)	(6,763)
(Loss)/profit from operations	14	(104,122)	128,981	(105,088)	124,645
Finance costs	15	(21,295)	(19,555)	(20,728)	(19,263)
(Loss)/profit from ordinary activities before taxation		(125,417)	109,426	(125,816)	105,382
Taxation – credit/(charge)	16	20,621	(27,871)	20,708	(27,074)
Net (loss)/profit for the year		(104,796)	81,555	(105,108)	78,308

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2005

	Share Capital \$'000	Accumulated Losses \$'000	Total \$'000
Group			
At 1 April 2003	1,178,050	(236,432)	941,618
Net profit for the year	–	81,555	81,555
At 31 March 2004	1,178,050	(154,877)	1,023,173
Net loss for the year	–	(104,796)	(104,796)
At 31 March 2005	1,178,050	(259,673)	918,377
Company			
At 1 April 2003	1,178,050	(240,354)	937,696
Net profit for the year	–	78,308	78,308
At 31 March 2004	1,178,050	(162,046)	1,016,004
Net loss for the year	–	(105,108)	(105,108)
At 31 March 2005	1,178,050	(267,154)	910,896

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2005

	2005 \$'000	2004 \$'000
Operating activities		
(Loss)/profit from ordinary activities before taxation	(125,417)	109,426
Adjustments for:		
Depreciation of property, plant and equipment	63,593	61,960
Loss/(gain) on disposal of property, plant and equipment	383	(166)
Interest income	(291)	(256)
Interest expense	20,383	18,621
Amortisation of bond discount and ancillary expenses	601	558
Impairment loss on property, plant and equipment	216,000	–
Allowance for inventory write-down	25,000	–
Non-current prepayments charged to the profit and loss account	4,444	4,066
Operating profit before working capital changes	204,696	194,209
Changes in working capital:		
Prepayments	(4,203)	–
Inventories	6,198	(15,689)
Trade and other receivables	(24,520)	(38,234)
Trade and other payables	4,742	10,698
Cash generated from operations	186,913	150,984
Interest received	296	283
Interest paid	(19,981)	(18,528)
Cash flows from operating activities	167,228	132,739
Investing activities		
Proceeds from sale of property, plant and equipment	–	240
Purchase of property, plant and equipment	(132,569)	(381,929)
Cash flows from investing activities	(132,569)	(381,689)
Financing activities		
Proceeds from bank loans	107,500	160,000
Repayment of bank loans	(160,000)	(18,000)
Cash flows from financing activities	(52,500)	142,000
Net decrease in cash and cash equivalents	(17,841)	(106,950)
Cash and cash equivalents at beginning of the year	33,364	140,314
Cash and cash equivalents at end of the year (Note 9)	15,523	33,364

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 19 May 2005.

1 DOMICILE AND ACTIVITIES

Tuas Power Ltd (the "Company") is incorporated in the Republic of Singapore and has its registered office at 111 Somerset Road, #12-02 Singapore 238164.

The principal activities of the Company and its subsidiary are those relating to the production and supply of electricity and their related products, by-products and derivatives, to develop power supply resources and dealing in electricity.

The immediate and ultimate holding company is Temasek Holdings (Private) Limited, incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiary (referred to as the Group).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance.

The historical cost basis is used and amounts are expressed in Singapore dollars, unless stated otherwise.

2.2 Subsidiary

A subsidiary is a company controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investment in subsidiary is stated in the Company's balance sheet at cost less impairment losses.

2.3 Foreign Currencies

Monetary assets and liabilities in foreign currencies, except for those hedged by forward exchange contracts, are translated into Singapore dollars at rates of exchange approximate to those ruling at the balance sheet date. Transactions in foreign currencies, except for those hedged by forward exchange contracts, are translated at rates ruling on transaction dates. Translation differences are included in the profit and loss account.

2.4 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the profit and loss account unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

2.5 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

No depreciation is provided on construction-in-progress.

Depreciation is provided on a straight-line basis so as to write off the costs of items of property, plant and equipment and major components that are accounted for separately, over their estimated useful lives at the following annual rates:

Leasehold land	–	over the remaining lease period upon commencement of commercial operations
Buildings/structures	–	3.85% to 20%
Plant and equipment	–	3.85% to 20%
Motor vehicles	–	20%
Computers	–	33.3%
Office equipment	–	20%
Furniture and fixtures	–	10%

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

2.7 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

2.8 Interest-Bearing Borrowings

Interest-bearing borrowings are recognised initially at cost net of discount and ancillary expenses incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

2.9 *Deferred Tax*

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.10 *Revenue Recognition*

Revenue is recognised upon delivery of electricity. Revenue excludes goods and services taxes or other sales taxes and is arrived at after deduction of trade discount.

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

2.11 *Operating Leases*

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

2.12 *Employee Benefits*

Contributions to defined contribution plans are recognised as an expense in the profit and loss account as incurred.

2.13 *Finance Costs*

Interest expense and similar charges are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the construction of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

2.14 *Derivatives and Hedging*

Derivative financial instruments are used to manage exposure to foreign currency, fuel price and electricity price risks arising from operating and investing activities. Derivative financial instruments are not used for trading purposes.

Derivative financial instruments used for hedging purposes are accounted for under the deferral method, with gains and losses recognised when the anticipated underlying transactions occur. Where the hedged item is a recognised asset or liability, it is translated at the contracted forward rates.

2.15 *Related Parties*

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability directly or indirectly to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land \$'000	Buildings/ structures \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Computers \$'000	Office equipment \$'000	Furniture & fixtures \$'000	Construction in progress \$'000	Total \$'000
Group									
Cost									
At 1 April 2004	122,278	169,654	1,613,776	1,450	10,629	144	1,220	471,046	2,390,197
Additions	–	359	8,114	–	424	23	6	95,429	104,355
Disposals	–	(716)	–	–	(38)	(12)	–	–	(766)
Adjustments #	–	–	(49)	–	(1)	–	–	(881)	(931)
At 31 March 2005	122,278	169,297	1,621,841	1,450	11,014	155	1,226	565,594	2,492,855
Accumulated depreciation and impairment losses									
At 1 April 2004	54,997	68,800	820,605	1,401	7,254	91	617	–	953,765
Charge for the year	3,255	4,962	53,548	25	1,660	21	122	–	63,593
Impairment losses	14,419	17,281	184,300	–	–	–	–	–	216,000
Disposals	–	(332)	–	–	(38)	(12)	–	–	(382)
At 31 March 2005	72,671	90,711	1,058,453	1,426	8,876	100	739	–	1,232,976
Carrying amount									
At 31 March 2005	49,607	78,586	563,388	24	2,138	55	487	565,594	1,259,879
At 31 March 2004	67,281	100,854	793,171	49	3,375	53	603	471,046	1,436,432

3 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold land \$'000	Buildings/ structures \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Computers \$'000	Office equipment \$'000	Furniture & fixtures \$'000	Construction in progress \$'000	Total \$'000
Company									
Cost									
At 1 April 2004	122,278	169,654	1,613,776	1,326	7,133	138	1,219	471,046	2,386,570
Additions	–	359	8,114	–	352	23	6	95,429	104,283
Disposals	–	(716)	–	–	(38)	(12)	–	–	(766)
Adjustments #	–	–	(49)	–	(1)	–	–	(881)	(931)
At 31 March 2005	122,278	169,297	1,621,841	1,326	7,446	149	1,225	565,594	2,489,156
Accumulated depreciation and impairment losses									
At 1 April 2004	54,997	68,800	820,605	1,326	6,382	88	617	–	952,815
Charge for the year	3,255	4,962	53,548	–	481	20	122	–	62,388
Impairment losses	14,419	17,281	184,300	–	–	–	–	–	216,000
Disposals	–	(332)	–	–	(38)	(12)	–	–	(382)
At 31 March 2005	72,671	90,711	1,058,453	1,326	6,825	96	739	–	1,230,821
Carrying amount									
At 31 March 2005	49,607	78,586	563,388	–	621	53	486	565,594	1,258,335
At 31 March 2004	67,281	100,854	793,171	–	751	50	602	471,046	1,433,755

Adjustments relate to revisions to the cost of property, plant and equipment.

Included in the cost of buildings/structures and plant and equipment is cumulative interest capitalised of \$18,408,000 (2004: \$18,408,000).

During the financial year ended 31 March 2003, due to the envisaged increased usage of electricity generation plants using a more efficient technology and changes to the electricity market rules, the Group assessed the recoverable amount of certain electricity generation plant and recognised impairment losses of \$605,000,000. The recoverable amount was estimated based on the value of certain electricity generation plant in use, and determined using a pretax discount rate of 7.66%.

During the financial year, due to the envisaged further under-utilisation of this electricity generation plant, the Group re-assessed the recoverable amount of this electricity generation plant and recognised additional impairment losses of \$216,000,000. The recoverable amount was estimated based on the expected disposal value of the electricity generation plant.

4 SUBSIDIARY

	Company	
	2005	2004
	\$'000	\$'000
Unquoted equity shares, at cost	500	500

Details of the subsidiary are as follows:

Name of subsidiary	Place of incorporation/ business	Effective equity held by the Company	
		2005	2004
		%	%
Tuas Power Supply Pte Ltd	Singapore	100	100

5 PREPAYMENTS

	Group and Company	
	2005	2004
	\$'000	\$'000
Balance at 1 April	37,784	41,850
Additions	4,203	-
	41,987	41,850
Amount charged to the profit and loss account	(4,444)	(4,066)
Balance at 31 March	37,543	37,784

Prepayments relate to capacity charges, connection fees, fixed fees and other charges prepaid under the End-User Agreement for the purchase of natural gas and charges prepaid for the use of switch house.

6 DEFERRED TAX ASSETS

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	At 1 April 2004 \$'000	(Charged)/ Credited to profit and loss account \$'000	At 31 March 2005 \$'000
Group			
Deferred tax assets			
Property, plant and equipment	25,532	15,143	40,675
Inventories	–	5,000	5,000
Trade receivables	3	(3)	–
Trade payables	–	22	22
Capital items expensed off	76	(34)	42
Unabsorbed capital allowances	182	270	452
Total	<u>25,793</u>	<u>20,398</u>	<u>46,191</u>
Deferred tax liabilities			
Property, plant and equipment	<u>(526)</u>	<u>223</u>	<u>(303)</u>
Company			
Deferred tax assets			
Property, plant and equipment	25,532	15,143	40,675
Inventories	–	5,000	5,000
Capital items expensed off	75	(33)	42
Unabsorbed capital allowances	182	270	452
Total	<u>25,789</u>	<u>20,380</u>	<u>46,169</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting are as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deferred tax assets	46,169	25,789	46,169	25,789
Deferred tax liabilities	(281)	(522)	–	–
	<u>45,888</u>	<u>25,267</u>	<u>46,169</u>	<u>25,789</u>

The Company has recognised deferred tax assets after considering the projections of taxable profits which it expects to earn in future years.

7 INVENTORIES

	Group and Company	
	2005	2004
	\$'000	\$'000
Fuel oil	36,593	43,151
Equipment spares	39,663	38,983
Diesel oil	7,006	7,400
Others	776	702
	<u>84,038</u>	<u>90,236</u>
Allowance for inventory write-down	(25,000)	–
	<u>59,038</u>	<u>90,236</u>

During the financial year, in conjunction with the impairment review of the electricity generation plant as described in Note 3, the Company wrote down \$25,000,000 of the value of the equipment spares relating to the electricity generation plant.

8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Trade receivables	142,170	114,867	60,542	50,738
Allowance for doubtful receivables	(10)	(16)	–	–
Net receivables	<u>142,160</u>	<u>114,851</u>	<u>60,542</u>	<u>50,738</u>
Interest receivables	1	6	1	6
Deposits	54	30	54	30
Prepayments	210	241	134	155
Amounts due from:				
– related corporations (mainly trade)	5,338	8,133	9	2,194
– subsidiary (non-trade)	–	–	466	435
Recoverables	14	1	14	1
	<u>147,777</u>	<u>123,262</u>	<u>61,220</u>	<u>53,559</u>

The non-trade amount due from subsidiary is unsecured, bears interest at 4.25% (2004: 4.25%) per annum and has no fixed terms of repayment.

9 CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Fixed deposits with banks	5,453	10,034	5,401	9,984
Cash at banks and in hand	<u>10,070</u>	<u>23,330</u>	<u>4,670</u>	<u>16,156</u>
	<u>15,523</u>	<u>33,364</u>	<u>10,071</u>	<u>26,140</u>

The weighted average effective interest rate of cash and cash equivalents is 1.14% (2004: 0.30%) and 1.48% (2004: 0.38%) per annum at the balance sheet date for the Group and the Company respectively.

Interest rates will be repriced within two months in general.

10 TRADE AND OTHER PAYABLES

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade payables and accrued operating expenses	94,239	117,264	55,763	89,082
Deposits and retention payable	37,590	39,471	30,550	32,829
Interest payable	6,617	6,215	6,598	6,202
Amounts due to related corporations:				
– non-trade	169	7	169	7
– trade	2,380	2,576	227	–
Other payables	1,183	647	1,080	647
	<u>142,178</u>	<u>166,180</u>	<u>94,387</u>	<u>128,767</u>

The non-trade amounts due to related corporations are unsecured, interest-free and have no fixed terms of repayment.

11 INTEREST-BEARING BORROWINGS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Non-current liabilities				
– 4.5% unsecured fixed rate notes due 2009	397,136	396,535	397,136	396,535
Current liabilities				
– unsecured bank loans	107,500	160,000	70,000	126,000
	<u>504,636</u>	<u>556,535</u>	<u>467,136</u>	<u>522,535</u>
Maturing of borrowings				
– within 1 year	107,500	160,000	70,000	126,000
– after 1 year but within 5 years	397,136	–	397,136	–
– after 5 years	–	396,535	–	396,535
Total borrowings	<u>504,636</u>	<u>556,535</u>	<u>467,136</u>	<u>522,535</u>

The unsecured bank loans for the Company include revolving credit facilities which expires on 30 May 2008.

On 28 May 2002, the Company issued \$400 million of 7-year Fixed Rate Notes ("FRNs") at 99.537% of the principal amounts pursuant to a \$700 million Medium Term Note Programme ("MTN Programme"). Interest on the FRNs is at 4.5% per annum and is payable every 6 months from the date of issue of the FRNs. The purpose of the MTN Programme is to finance or refinance all costs incurred in connection with the construction of power plants and related assets, and to finance capital expenditure, investments and working capital requirements of the Group.

The FRNs constitute direct unconditional and unsecured obligations of the Company. The FRNs rank pari passu without any preference or priority among themselves and pari passu with all other present and future unsecured obligations of the Company (other than subordinated obligations and priorities). Unless previously redeemed or purchased and cancelled, the FRNs will be redeemed at their respective principal amounts on their maturity date.

Under the terms of the Trust Deed, so long as any of the FRNs remains outstanding, certain financial covenants as set out and defined in the Trust Deed must be met. In addition, the Group shall not create any security on or over any of its assets except as set out in the Trust Deed.

Effective interest rates and repricing analysis

	Effective interest rate %	Floating Interest \$'000	Fixed interest rate maturing		Total \$'000
			After 1 year within 5 years \$'000	After 5 years \$'000	
Group					
2005					
Unsecured bank loans	2.09	107,500	–	–	107,500
4.5% unsecured fixed rate notes due 2009	4.69	–	397,136	–	397,136
		107,500	397,136	–	504,636
2004					
Unsecured bank loans	1.14	160,000	–	–	160,000
4.5% unsecured fixed rate notes due 2009	4.69	–	–	396,535	396,535
		160,000	–	396,535	556,535
Company					
2005					
Unsecured bank loans	2.00	70,000	–	–	70,000
4.5% unsecured fixed rate notes due 2009	4.69	–	397,136	–	397,136
		70,000	397,136	–	467,136
2004					
Unsecured bank loans	1.18	126,000	–	–	126,000
4.5% unsecured fixed rate notes due 2009	4.69	–	–	396,535	396,535
		126,000	–	396,535	522,535

12 SHARE CAPITAL

	2005 \$'000	2004 \$'000
Authorised:		
1,500,000,001 (2004: 1,500,000,001) ordinary shares of \$1 each	1,500,000	1,500,000
Issued and fully paid:		
1,178,050,000 (2004: 1,178,050,000) ordinary shares of \$1 each	1,178,050	1,178,050

13 REVENUE

Revenue of the Company represents mainly the invoiced value of electricity generated and other related revenue.

Revenue of the Group represents mainly the invoiced value of electricity generated, net revenue from electricity sales to the end-users and other related revenue.

14 (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations has been arrived at after charging/(crediting) the following items:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Directors' fees	344	353	344	353
Operating lease expenses	491	562	433	494
Contributions to defined contribution plans included in staff costs	1,626	1,823	1,494	1,685
Increase in liability for short-term accumulating compensated absences included in staff costs	51	81	51	81
Exchange gain	(956)	(412)	(956)	(447)
Loss/(gain) on disposal of property, plant and equipment	383	(166)	383	(166)
Liquidated damages received	(6)	(18)	(6)	(18)
Profit from sale of excess fuel oil inventory	-	(110)	-	(110)
Interest income from:				
- cash and cash equivalents	(291)	(256)	(187)	(230)
- subsidiary	-	-	(9)	(12)

The number of employees as at 31 March 2005 for the Group and the Company was 212 (2004: 212) and 188 (2004: 195), respectively.

15 FINANCE COSTS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Interest expense:				
– bank loans	2,383	572	1,816	280
– 4.5% unsecured fixed rate notes due 2009	18,000	18,049	18,000	18,049
Amortisation of discount and ancillary expenses	601	558	601	558
Other finance costs	311	376	311	376
	<u>21,295</u>	<u>19,555</u>	<u>20,728</u>	<u>19,263</u>

16 TAXATION – CREDIT/(CHARGE)

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current tax expense				
– group tax relief	–	–	328	280
Deferred tax expense				
– movements in temporary differences	20,621	(23,041)	20,708	(22,243)
– effect of reduction in tax rates	–	(4,830)	–	(4,831)
– group tax relief	–	–	(328)	(280)
	<u>20,621</u>	<u>(27,871)</u>	<u>20,380</u>	<u>(27,354)</u>
	<u>20,621</u>	<u>(27,871)</u>	<u>20,708</u>	<u>(27,074)</u>
Reconciliation of effective tax rate				
(Loss)/profit before taxation	<u>(125,417)</u>	<u>109,426</u>	<u>(125,816)</u>	<u>105,382</u>
<i>Tax Charge/(Credit)</i>				
Income tax using Singapore tax rate of 20%	(25,083)	21,885	(25,163)	21,076
Effect of reduction in tax rates	–	4,830	–	4,831
Expenses not deductible for tax purposes	4,462	1,156	4,455	1,167
Unabsorbed capital allowances:				
– amount transferred to subsidiary	–	–	328	280
– consideration receivable	–	–	(328)	(280)
	<u>(20,621)</u>	<u>27,871</u>	<u>(20,708)</u>	<u>27,074</u>

17 COMMITMENTS

- (a) As at the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2005 \$'000	2004 \$'000
Operating lease commitments		
Payable:		
– within 1 year	490	368
– after 1 year but within 5 years	204	695
	<u>694</u>	<u>1,063</u>

The Group leases office space under operating leases expiring in 2006. None of the leases includes contingent rentals.

(b) Capital commitments

– contracted but not provided for	<u>209,590</u>	<u>307,213</u>
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- (c) The Company has entered into the following commitments:

- Purchase of 150 million standard cubic feet of natural gas per day (“mmscfd”) from SembCorp Gas Pte Ltd (“SembGas”). 70 mmscfd has been diverted to another generation company until 31 December 2005 and a supplementary agreement for the reduced off-take of 80 mmscfd for this period has been signed. The supply of the 70 mmscfd gas will revert to the Company with effect from 1 January 2006.
- Purchase of 85 billion British Thermal Unit (“BBtu”) of natural gas per day from Gas Supply Pte Ltd. The quantity will reduce to 35BBtu by 1 January 2006 and further to 17.6 BBtu by 1 January 2007.
- Purchase of a minimum quantity of 30,000 metric tones of fuel oil per month from Vitol Asia Pte Ltd. The contract will expire in June 2005.

18 SIGNIFICANT RELATED PARTY TRANSACTIONS

The following significant transactions between the Group and its related parties took place during the year at terms agreed between the parties:

	2005 \$'000	Group 2004 \$'000
Related corporations		
Sales	127,922	65,177
Operating lease expense	491	562
Purchases	<u>523,687</u>	<u>384,229</u>

19 FINANCIAL INSTRUMENTS

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Group has set up a risk management committee to monitor and manage these risks in a timely and effective manner.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group manages credit risk through monitoring procedures. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Transactions involving derivative financial instruments are allowed only with counterparties that are of high quality.

The Company derives its revenue mainly from sale of electricity to the New Electricity Market, which is not expected to have high credit risk.

The subsidiary derives its revenue mainly from retailing electricity to consumers with monthly consumption of more than 10,000 kWh. These customers engage in a wide spectrum of manufacturing and commercial activities in a variety of industries. The subsidiary holds cash deposits and guarantees from creditworthy financial institutions to secure substantial obligations of the customers.

The amount receivable from Energy Market Company Pte Ltd represents a significant portion of the financial assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effect of fluctuations in cash flows. The Group ensures the availability of funding through adequate amount of bank credit lines and the establishment of medium term note programme.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent of which net interest expense could be affected by an adverse movement in interest rates.

Foreign currency risk

The foreign currency risk of the Company arises from commitments for the construction of power plants and purchase of fuel oil that are denominated in foreign currencies, which are primarily in US dollars and Japanese Yen. Where appropriate, the Company will hedge the foreign currency exposure mainly with forward contracts.

In respect of other monetary assets and liabilities held in currencies other than the Singapore dollars, the Group ensures that the net exposure is kept to an acceptable level by buying foreign currencies at forward rates where necessary to address short term imbalances.

	Group		Company	
	National Amount \$'000	Fair Value \$'000	National Amount \$'000	Fair Value \$'000
2005				
Forward foreign currency contracts	423,417	(2,931)	423,417	(2,931)
Exchange rate swaps	–	–	44,632	934
2004				
Forward foreign currency contracts	386,576	(4,672)	386,576	(4,672)

Due to the nature of the Group's operations, most of the transactions have maturity dates of less than one year.

Fuel price risk

The Company requires fuel for the generation of electricity, and where appropriate, the Company will hedge the fuel price exposure mainly with fuel oil swaps and options.

Changes in the market value of these contracts and premiums paid or received for option contracts are deferred and then recognised in the financial statements at the time the underlying transaction occurs as designated. If these instruments are terminated prior to maturity, resulting gains or losses is recognised immediately in the profit and loss account.

	Group		Company	
	National Amount \$'000	Fair Value \$'000	National Amount \$'000	Fair Value \$'000
2005				
Fuel oil swaps	519,047	42,519	685,504	7,042
Fuel oil options	246,029	7,355	406,412	2,495
2004				
Fuel oil swaps	134,182	12,298	219,517	1,750
Fuel oil options	75,895	1,463	94,453	748

Due to the nature of the Group's operations, most of the transactions have maturity dates of less than one year.

Electricity price risk

The Company generates and sells electricity to the New Electricity Market ("NEM") whilst the subsidiary purchases electricity from the NEM. The Company enters into contracts for differences with a related corporation and its subsidiary in order to manage the exposure to the electricity price uncertainty.

The contracts for differences operate to ensure that the Company and the contracted party effectively settle an agreed price for the volume of energy covered by the contract, hence limiting the electricity price exposure for both parties.

Under the contracts for differences, the Company sells electricity forward at a strike price, which is either fixed or contains a component that is indexed to the monthly fuel prices. At regular intervals, any difference between the strike price and the reference price which is indexed to the electricity price, by reference to an agreed notional volume, is settled between the parties.

The contract period for most of the contracts for differences is within one year.

At the balance sheet date, the Company has outstanding contracts for differences with a related corporation and its subsidiary, most of which expire within one year.

Fair values

The fair value of the foreign exchange derivatives is the net receivable/(payable) based on the difference between the contracted foreign exchange rates and the forward foreign exchange market rates at the balance sheet date.

The fair value of the fuel oil derivatives is the net receivable/(payable) based on the difference between the contracted fuel oil prices and the forward fuel oil market prices at the balance sheet date.

It is not practicable to estimate the fair value of contracts for differences due to a lack of reliable market information and absence of pricing models for such contracts.

The face values of financial assets and liabilities (including trade and other receivables, cash and cash equivalents, trade and other payables and unsecured bank loans) are assumed to approximate their fair values due to the relatively short term nature of these financial instruments.

The fair value of recognised financial liabilities which are not carried at fair value in the balance sheet as at 31 March are represented in the following table:

	Group and Company			
	National Amount	Fair Value	National Amount	Fair Value
	2005	2005	2004	2004
	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
4.5% unsecured fixed rate notes due 2009 (note 11)	397,136	421,560	396,535	431,240
Unrecognised loss		24,424		34,705

The fair value of the above is determined using the average of the bond market prices obtained from several financial institutions at the balance sheet date.