ANNUAL FINANCIAL STATEMENTS

TUAS POWER LIMITED & ITS SUBSIDIARIES
31 MARCH 2006

Directors

Lim How Teck	(appointed on 19 May 2005)
Lim Ming Seong	(appointed on 27 June 2005)
Ng Kwan Meng	
Dr Wu Shen Kong	(appointed on 1 July 2005)
Alvin Yeo Khirn Hai	
Goh Geok Ling	(resigned on 27 June 2005)
Tan Hien Meng	(resigned on 27 June 2005)
Gabriel Teo Chen Thye	(resigned on 27 June 2005)
Wong Kim Yin	(resigned on 1 July 2005)

Registered Office

111 Somerset Road
#12-02 Singapore 238164

Auditors

Ernst & Young

DIRECTORS' REPORT

The directors are pleased to present their report to the member together with the audited consolidated financial statements of Tuas Power Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet, profit and loss account and statement of changes in equity of the Company for the financial year ended 31 March 2006.

Directors

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

Lim How Teck
Lim Ming Seong
Ng Kwan Meng
Dr Wu Shen Kong
Alvin Yeo Khirn Hai

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 object 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

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below :

	Direct Interest		Deemed Interest	
	Beginning of financial year/date of appointment	End of financial year	Beginning of financial year/date of appointment	End of financial year
Name of director and corporation in which interests are held				
Lim How Teck				
Neptune Orient Lines Limited				
- Ordinary shares	1,089	1,089	-	-
- Performance shares	177,000	162,098	-	-
- Replacement rights (cash settled)	450,000	309,078	-	-
- Options	373,000	-	-	-
Singapore Telecommunications Limited				
- Ordinary shares	1,690	1,690	1,430	1,430

Directors' interests in shares and debentures (cont'd)

	Direct Interest		Deemed Interest	
	Beginning of financial year/date of appointment	End of financial year	Beginning of financial year/date of appointment	End of financial year
Name of director and corporation in which interests are held				
Lim How Teck (cont'd)				
SP Australia Networks (Transmission) Ltd *				
- Ordinary shares	-	75,000	-	-
SP Australia Networks (Distribution) Ltd *				
- Ordinary shares	-	75,000	-	-
Lim Ming Seong				
Chartered Semiconductor Manufacturing Ltd				
- Options	355,827	355,827	-	-
Global Crossing Limited				
- Options	11,000	11,000	-	-
SembCorp Industries Ltd				
- Ordinary shares	57,371	57,371	28,685	28,685
Singapore Technologies Engineering Ltd				
- Options	45,000	67,500	-	-
Singapore Telecommunications Ltd				
- Ordinary shares	1,760	1,760	1,630	1,630
StarHub Ltd				
- Ordinary shares	60,000	60,000	-	-
- Options	137,500	175,750	-	-
STT Communications Ltd				
- Options	525,000	525,000	-	-
TeleChoice International Limited				
- Ordinary shares	60,000	60,000	-	-
Vertex Technology Fund (II) Ltd				
- Ordinary shares	-	-	50	50
- Preference shares	-	-	50	48.51
Vertex Technology Fund Ltd				
- Ordinary shares	-	-	300	300

Directors' interests in shares and debentures (cont'd)

	Direct Interest		Deemed Interest	
	Beginning of financial year/date of appointment	End of financial year	Beginning of financial year/date of appointment	End of financial year
Name of director and corporation in which interests are held				
Ng Kwan Meng				
SP Australia Networks (Transmission) Ltd * - Ordinary shares	-	18,000	-	-
SP Australia Networks (Distribution) Ltd * - Ordinary shares	-	18,000	-	-
Chartered Semiconductor Manufacturing Ltd - Ordinary shares	-	-	10,000	5,000
SembCorp Industries Ltd - Ordinary shares	-	-	15,000	9,100
Singapore Telecommunications Ltd - Ordinary shares	-	-	8,580	8,580
SIA Engineering Company Limited - Ordinary shares	-	-	15,000	5,000
Singapore Technologies Engineering Ltd - Ordinary shares	-	-	20,000	15,000
SMRT Corporation Ltd - Ordinary shares	-	-	4,000	4,000
Wu Shen Kong				
SembCorp Industries Ltd - Ordinary shares	47,000	50,000	-	-
Singapore Technologies Engineering Ltd - Ordinary shares	40,000	40,000	-	-
Singapore Telecommunications Ltd - Ordinary shares	39,000	40,000	-	-

Directors' interests in shares and debentures (cont'd)

	Direct Interest		Deemed Interest	
	Beginning of financial year/date of appointment	End of financial year	Beginning of financial year/date of appointment	End of financial year
Name of director and corporation in which interests are held				
Alvin Yeo Khirn Hai				
Singapore Airlines Limited - Ordinary shares	2,000	2,000	3,000	3,000
Singapore Telecommunications Ltd - Ordinary shares	1,880	41,880	1,620	1,620

* Listed on the Australian Stock Exchange and the Stock Exchange of Singapore as part of the stapled securities traded under the name of SP Ausnet.

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.

Directors' contractual benefits

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

Share options

There is presently no share option scheme.

Auditors

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

On behalf of the board of directors,

Lim How Teck
Chairman

Ng Kwan Meng
Director

Singapore
18 May 2006

STATEMENT BY THE DIRECTORS

In the opinion of the directors, the accompanying financial statements together with the notes 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 2006, and of the results and changes in equity of the Group and of the Company and cash flows of the Group for the financial year then ended. 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,

Lim How Teck
Chairman

Ng Kwan Meng
Director

Singapore
18 May 2006

AUDITORS' REPORT TO THE MEMBER OF TUAS POWER LTD

We have audited the accompanying financial statements of Tuas Power Ltd (the "Company") and its subsidiaries (collectively, the "Group"), set out on pages F07 to F38, for the financial year ended 31 March 2006. 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.

The financial statements for the financial year ended 31 March 2005 were audited by other auditors whose report dated 19 May 2005 expressed an unqualified opinion on those statements.

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 account and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap.50 (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 of the Company as at 31 March 2006, and of the results, changes in equity and cash flows of the Group and the results and changes in equity of the Company for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and its subsidiaries, which are incorporated in Singapore and audited by us, have been properly kept in accordance with the provisions of the Act.

Ernst & Young

ERNST & YOUNG
Certified Public Accountants

Singapore
18 May 2006

PROFIT AND LOSS ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006

		Group		Company	
	Notes	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Revenue	3	1,735,884	1,361,523	1,033,212	798,003
Other income		12,957	3,546	13,214	3,864
Fuel costs		(774,116)	(533,201)	(774,116)	(554,478)
Purchase of electricity		(702,738)	(579,839)	-	-
Operation and maintenance costs		(19,397)	(18,261)	(18,867)	(17,727)
Staff costs		(18,783)	(18,134)	(17,262)	(16,859)
Property taxes		(9,557)	(8,511)	(9,557)	(8,511)
Depreciation of property, plant and equipment		(71,689)	(63,593)	(70,471)	(62,388)
Impairment loss on property, plant and equipment		-	(216,000)	-	(216,000)
Allowance for inventory write-back/(write-down)		1,524	(25,000)	1,524	(25,000)
Loss on derivative financial instruments		(3,598)	-	(3,598)	-
Finance costs	4	(20,958)	(21,295)	(19,669)	(20,728)
Other operating expenses		495	(6,652)	(6,860)	(5,992)
Profit/(loss) before taxation	5	130,024	(125,417)	127,550	(125,816)
Tax (expense)/credit	6	(25,938)	20,621	(25,441)	20,708
Net profit/(loss) for the year		104,086	(104,796)	102,109	(105,108)

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

BALANCE SHEETS
AS AT 31 MARCH 2006

	Notes	Group 2006 S$'000	Group 2005 S$'000	Company 2006 S$'000	Company 2005 S$'000
Non-current assets					
Property, plant and equipment	7	1,237,799	1,259,879	1,237,320	1,258,335
Investments in subsidiaries	8	-	-	500	500
Prepayments	9	33,308	37,543	33,308	37,543
Club membership		189	189	189	189
Deferred tax assets	6	17,779	46,169	17,779	46,169
		1,289,075	1,343,780	1,289,096	1,342,736
Current assets					
Inventories	10	124,166	59,038	124,166	59,038
Trade and other receivables	11	184,834	147,492	86,438	61,086
Prepayments		4,013	210	3,907	134
Loan to holding company	12	150,000	-	150,000	-
Derivatives	21	23,262	-	23,262	-
Cash and cash equivalents	13	10,284	15,523	6,047	10,071
		496,559	222,263	393,820	130,329
Current liabilities					
Trade and other payables	14	184,054	142,103	127,321	94,387
Derivatives	21	15,866	-	15,866	-
Interest-bearing loans and borrowings	15	156,000	107,500	119,500	70,000
Tax payable		646	646	646	646
		356,566	250,249	263,333	165,033
Net current assets/(liabilities)		139,993	(27,986)	130,487	(34,704)
Non-current liabilities					
Interest-bearing loans and borrowings	15	397,782	397,136	397,782	397,136
Deferred tax liabilities	6	27	281	-	-
		397,809	397,417	397,782	397,136
Net assets		1,031,259	918,377	1,021,801	910,896
Equity					
Issued share capital	16	1,178,050	1,178,050	1,178,050	1,178,050
Accumulated losses		(253,175)	(259,673)	(262,633)	(267,154)
Hedging reserve	17	6,384	-	6,384	-
Dividend reserve	22	100,000	-	100,000	-
Total equity		1,031,259	918,377	1,021,801	910,896

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006

	Issued share capital S$'000	Accumulated losses S$'000	Hedging reserve S$'000	Dividend reserve S$'000	Total equity S$'000
Group					
At 31 March 2004	1,178,050	(154,877)	-	-	1,023,173
Loss for the year	-	(104,796)	-	-	(104,796)
At 31 March 2005	1,178,050	(259,673)	-	-	918,377
At 31 March 2005 as previously reported	1,178,050	(259,673)	-	-	918,377
Effects of adopting FRS 39	-	2,412	34,883	-	37,295
At 1 April 2005 as restated	1,178,050	(257,261)	34,883	-	955,672
Total income recognised for the year	-	104,086	(28,499)	-	75,587
Final dividend proposed (Note 22)	-	(100,000)	-	100,000	-
At 31 March 2006	1,178,050	(253,175)	6,384	100,000	1,031,259
Income recognised directly in equity:					
- Net change in hedging reserve	-	-	(28,499)	-	(28,499)
Net profit for the year	-	104,086	-	-	104,086
Total income recognised for the year	-	104,086	(28,499)	-	75,587
Company					
At 31 March 2004	1,178,050	(162,046)	-	-	1,016,004
Loss for the year	-	(105,108)	-	-	(105,108)
At 31 March 2005	1,178,050	(267,154)	-	-	910,896
At 31 March 2005 as previously reported	1,178,050	(267,154)	-	-	910,896
Effects of adopting FRS 39	-	2,412	34,883	-	37,295
At 1 April 2005 as restated	1,178,050	(264,742)	34,883	-	948,191
Total income recognised for the year	-	102,109	(28,499)	-	73,610
Final dividend proposed (Note 22)	-	(100,000)	-	100,000	-
At 31 March 2006	1,178,050	(262,633)	6,384	100,000	1,021,801
Income recognised directly in equity:					
- Net change in hedging reserve	-	-	(28,499)	-	(28,499)
Net profit for the year	-	102,109	-	-	102,109
Total income recognised for the year	-	102,109	(28,499)	-	73,610

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006

	2006 S$'000	2005 S$'000
Cash flows from operating activities		
Profit/(loss) from operations before taxation	130,024	(125,417)
Adjustments for:		
Depreciation of property, plant and equipment	71,689	63,593
(Gain)/loss on disposal of property, plant and equipment	(98)	383
Interest income	(859)	(291)
Interest expense	19,919	20,383
Amortisation of bond discount and ancillary expenses	646	601
Impairment loss on property, plant and equipment	-	216,000
Allowance for inventory (write-back)/write-down	(1,524)	25,000
Loss on derivative financial instruments	3,598	-
Non-current prepayments charged to profit and loss account	4,235	4,444
Operating cash flows before working capital changes	227,630	204,696
(Increase)/decrease in prepayments	-	(4,203)
(Increase)/decrease in inventories	(63,604)	6,198
(Increase)/decrease in trade and other receivables	(41,145)	(24,520)
Increase/(decrease) in trade and other payables	57,478	4,742
Cash flows generated from operations	180,359	186,913
Interest received	860	296
Interest paid	(20,182)	(19,981)
Net cash flows from operating activities	161,037	167,228
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	105	-
Purchase of property, plant and equipment	(64,881)	(132,569)
Loan to holding company	(150,000)	-
Net cash flows used in investing activities	(214,776)	(132,569)
Cash flows from financing activities		
Proceeds from bank loans	156,000	107,500
Repayment of bank loans	(107,500)	(160,000)
Net cash flows from/(used in) financing activities	48,500	(52,500)
Net decrease in cash and cash equivalents	(5,239)	(17,841)
Cash and cash equivalents at beginning of year	15,523	33,364
Cash and cash equivalents at end of year (Note 13)	10,284	15,523

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2006

1. Corporate information

Tuas Power Ltd (the "Company") is a limited liability company, which is incorporated in the Republic of Singapore. Its immediate and ultimate holding company is Temasek Holdings (Private) Limited, which is also incorporated in the Republic of Singapore.

Related companies in these financial statements refer to companies within the Temasek Holdings (Private) Limited group.

The principal activities of the Company and its subsidiaries (collectively, the "Group") are those relating to the generation and supply of electricity and their related products, by-products and derivatives, to develop power supply resources and dealing in electricity.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements of the Group and the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at their fair values.

The financial statements are presented in Singapore Dollars ("S$") and all values are rounded to the nearest thousand ("S$'000") except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below :

(a) ***Adoption of new and revised FRS***

On 1 April 2005, the Group and the Company adopted all the accounting standards mandatory for annual financial periods beginning on or after 1 January 2005. The FRS that are applicable to the Group and the Company are as follows :

FRS 1 (revised)	-	Presentation of Financial Statements
FRS 2 (revised)	-	Inventories
FRS 8 (revised)	-	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	-	Events after the Balance Sheet Date
FRS 16 (revised)	-	Property, Plant and Equipment
FRS 17 (revised)	-	Leases
FRS 21 (revised)	-	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	-	Related Party Disclosures
FRS 27 (revised)	-	Consolidated and Separate Financial Statements
FRS 32 (revised)	-	Financial Instruments: Disclosure and Presentation
FRS 39	-	Financial Instruments: Recognition and Measurement

Except for FRS 39, the adoption of the above accounting standards did not result in any significant changes in accounting policies.

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

FRS 39 - Financial Instruments : Recognition and Measurement

The Group and the Company had adopted FRS 39 prospectively on 1 April 2005. At that date, financial assets within the scope of FRS 39 were classified as either financial assets at fair value through profit or loss or loans and receivables, as appropriate. Financial assets that were classified as financial assets at fair value through profit or loss were measured at fair value while loans and receivables were measured at amortised cost using the effective interest method.

At 1 April 2005, financial liabilities (other than derivative financial instruments) within the scope of FRS 39 were measured at amortised costs using the effective interest method.

According to FRS 39, all derivative financial instruments held by the Group and the Company were recognised as assets or liabilities in the balance sheets and classified as financial assets or financial liabilities at fair value through profit or loss. Fair value adjustments of derivative financial instruments, except for those designated as hedging instruments in cash flow hedges, were recognised in accumulated profits at 1 April 2005.

At 1 April 2005, the Company held foreign currency derivatives and fuel derivatives that were designated as hedging instruments in cash flow hedges of the foreign currency risks and fuel price risks of highly probable forecasted transactions respectively. The portion of the gain or loss on these hedging instruments that is determined to be an effective hedge was recognised directly in the hedging reserve at that date.

Under the transitional provisions of FRS 39, the change in accounting policy on 1 April 2005 resulted in the following net credit adjustments at that date :

- S$2,412,000 to the Group's and the Company's accumulated losses; and
- S$34,883,000 to the Group's and the Company's hedging reserve.

(b) ***FRS and INT FRS not yet effective***

The Group and the Company has not applied the following FRS and INT FRS that have been issued but are only effective for :

Annual financial periods beginning on or after 1 January 2006 :

- FRS 19 (revised) - Employee Benefits
- INT FRS 104 - Determining Whether an Arrangement Contains a Lease

Annual financial periods beginning on or after 1 January 2007 :

- FRS 107 - Financial Instruments : Disclosure

2.3 ***Significant accounting estimates and judgements***

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

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

Depreciation 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 property, plant and equipment to be within 3 to 30 years. The carrying amounts of the Group's and the Company's property, plant and equipment at 31 March 2006 were S$1,237,799,000 (2005 : S$1,259,879,000) and S$1,237,320,000 (2005 : S$1,258,335,000) respectively. 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.

2.4 ***Functional and foreign currency***

Functional currency

The management has determined the currency of the primary economic environment in which the Group and the Company operates i.e. functional currency, to be S$. Sales prices are primarily influenced by fluctuations in S$.

Foreign currency transactions

All 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 closing rate of exchange ruling at the balance sheet date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account.

2.5 ***Subsidiaries and principles of consolidation***

(a) ***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. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

2.5 ***Subsidiaries and principles of consolidation (cont'd)***

(b) ***Principles 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 are prepared for the same reporting date as the parent Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date when the Group obtains control and continue to be consolidated until the date that such control ceases.

2.6 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows :

- Leasehold land - over lease period of 30 years
- Buildings/structures - 5 to 26 years
- Plant and equipment - 5 to 26 years
- Motor vehicles - 5 years
- Computers - 3 years
- Office equipment - 5 years
- Furniture and fixtures - 10 years

Constructions-in-progress are not depreciated as these assets are not 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 values, 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 arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.7 *Impairment of non-financial assets*

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's market value less cost to sell and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset up to the end of its useful life. An impairment loss is recognised in the profit and loss account whenever the carrying value of an asset exceeds its recoverable amount.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the profit and loss account. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset in prior years. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value on a systematic basis over its remaining useful life.

2.8 *Financial assets*

Financial assets of the Group and the Company within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss or loans and receivables, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group and the Company 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. The Group and the Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group and the Company 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) ***Financial assets at fair value through profit or loss***

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on such financial assets are recognised in the profit and loss account.

The Group and the Company does not designate any financial assets not held for trading as financial assets at fair value through profit and loss.

2.8 *Financial assets (cont'd)*

(b) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.9 *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and bank deposits. These are accounted for as loans and receivables under FRS 39.

2.10 *Trade and other receivables*

Trade and other receivables, including amounts due from subsidiaries, related companies and loan to holding company, are accounted for as loans and receivables under FRS 39.

An allowance is made for uncollectible amounts when there is objective evidence that the Group and the Company will not be able to collect the debt and bad debts are written off when identified.

2.11 *Impairment of financial assets*

The Group and the Company assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

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 and recorded in the profit and loss account. However, the increased carrying amount of a financial asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for that financial asset in prior years.

2.12 *Inventories*

Inventories are valued at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs incurred in bringing the inventories to their present location and condition.

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

However, fuel and diesel oil held for generation of electricity are not written down below cost if the electricity generated is expected to be sold at or above cost.

2.13 *Trade and other payables*

Trade and other payables, including payables to subsidiaries and related parties, are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.14 *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.15 *Derecognition of financial assets and liabilities*

(a) ***Financial assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(b) ***Financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

2.16 *Provisions*

Provisions are recognised when the Group and the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.17 *Employee benefits*

(a) ***Defined contribution plans***

The Group and the Company make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to CPF 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 employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2.18 *Leases*

(a) ***As lessee***

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

(b) ***As lessor***

Leases where the Group and the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases.

2.19 *Revenue*

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

Revenue from the sale of electricity is recognised upon delivery.

2.20 *Income taxes*

(a) ***Current tax***

Current tax assets and liabilities for the current and prior periods 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.

(b) ***Deferred tax***

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

Deferred tax liabilities are recognised for all taxable temporary differences.

2.20 *Income taxes (cont'd)*

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.

The carrying amount of deferred income tax assets 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 income tax asset to be utilised. Unrecognised deferred income 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 recovered.

Deferred income 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.

Income tax relating to items recognised directly in equity is recognised in equity.

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

2.21 *Derivative financial instruments and hedging activities*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account for the year.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Company documents its assessment, both at the inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

Cash flow hedges

The Company has foreign currency and fuel derivatives that are cash flows hedges for exposures to its risks associated with foreign currency and fuel prices fluctuations.

Hedges are classified as 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 and could affect profit or loss.

The fair value of foreign currency and fuel derivatives are obtained from reputable counterparties.

2.21 *Derivative financial instruments and hedging activities (cont'd)*

The effective portion of the gain or loss arising from changes in fair value on the hedging instrument is recognised directly in the hedging reserve, while the ineffective portion is recognised in the profit and loss account.

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

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to the profit and loss account. 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 hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the profit and loss account.

3. Revenue

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

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

4. Finance costs

	Group		Company	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Interest expense on :				
- bank loans	1,919	2,383	630	1,816
- 4.5% Unsecured Fixed Rate Notes	18,000	18,000	18,000	18,000
Amortisation of discount and ancillary expenses of Fixed Rate Notes	646	601	646	601
Other finance costs	393	311	393	311
	20,958	21,295	19,669	20,728

5. Profit/(loss) before taxation

The following items have been included in arriving at profit/(loss) before taxation :

	Group		Company	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Rental income	11,244	2,901	11,244	2,901
Interest income from :				
- banks	859	291	703	187
- a subsidiary	-	-	9	9
Central Provident Fund contributions	(1,604)	(1,626)	(1,444)	(1,494)
Directors' fees	(325)	(344)	(320)	(344)
Operating lease expenses	(491)	(491)	(433)	(433)
Foreign exchange gain	8,415	956	8,415	956
Gain/(loss) on disposal of property, plant and equipment	98	(383)	50	(383)

6. Tax expense/(credit)

(a) ***Major components of income tax expense***

	Group		Company	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Profit and loss account				
Current income tax				
- group tax relief	-	-	(751)	(328)
Deferred income tax				
- movements in temporary differences	26,937	(20,621)	26,440	(20,708)
- group tax relief	-	-	751	328
- overprovision in prior years	(999)	-	(999)	-
	25,938	(20,621)	25,441	(20,708)

6. Tax expense/(credit) (cont'd)

(a) ***Major components of income tax expense (cont'd)***

	Group		Company	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Statements of changes in equity				
Deferred income tax related to items credited directly to equity				
- revaluation of derivatives to fair value	(2,198)	-	(2,198)	-
	(2,198)	-	(2,198)	-

(b) ***Relationship between tax expense and accounting profit***

A reconciliation between tax expense and profit/(loss) before taxation multiplied by the applicable corporate tax rate for the years ended 31 March 2006 and 2005 is as follows :

	Group		Company	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Profit/(loss) before taxation	130,024	(125,417)	127,550	(125,816)
Tax expense/(credit) at statutory rate of 20% (2005 : 20%)	26,005	(25,083)	25,510	(25,163)
Non-deductible Expenses	932	4,462	930	4,455
Overprovision in prior years	(999)	-	(999)	-
Unabsorbed capital allowances :				
- amount transferred to a subsidiary	-	-	751	328
- consideration receivable	-	-	(751)	(328)
	25,938	(20,621)	25,441	(20,708)

6. Tax expense/(credit) (cont'd)

(c) ***Deferred income tax***

Deferred income tax as at 31 March relates to the following :

	Group				Company			
	Consolidated balance sheet		Consolidated profit and loss account		Balance sheet		Profit and loss account	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Deferred tax assets								
Differences in depreciation	14,089	40,717	26,628	(15,110)	14,089	40,717	26,628	(15,110)
Revaluation of derivatives to fair value	(2,198)	-	-	-	(2,198)	-	-	-
Others	5,888	5,452	(436)	(5,270)	5,888	5,452	(436)	(5,270)
	17,779	46,169			17,779	46,169		
Deferred tax liabilities								
Differences in depreciation	(84)	(303)	(219)	(223)	-	-	-	-
Others	57	22	(35)	(18)	-	-	-	-
	(27)	(281)			-	-		
Deferred tax expense/(credit)			25,938	(20,621)			26,192	(20,380)

7. Property, plant and equipment

	Leasehold land S$'000	Buildings/ structures S$'000	Plant and equipment S$'000	Motor vehicles S$'000	Computers S$'000	Office equipment S$'000	Furniture and fixtures S$'000	Construction in progress S$'000	Total S$'000
Group									
Cost									
At 1.4.2004	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 31.3.2005 and 1.4.2005	122,278	169,297	1,621,841	1,450	11,014	155	1,226	565,594	2,492,855
Additions	-	556	17,563	118	544	-	12	30,999	49,792
Disposals	-	-	(9)	(285)	(325)	-	(1)	-	(620)
Reclassification	-	66,344	530,072	-	-	-	-	(596,416)	-
Adjustment	-	-	-	-	-	-	-	(177)	(177)
At 31.3.2006	122,278	236,197	2,169,467	1,283	11,233	155	1,237	-	2,541,850
Accumulated depreciation and impairment losses									
At 1.4.2004	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 31.3.2005 and 1.4.2005	72,671	90,711	1,058,453	1,426	8,876	100	739	-	1,232,976
Charge for the year	2,522	5,858	61,541	25	1,603	20	120	-	71,689
Disposals	-	-	(9)	(279)	(325)	-	(1)	-	(614)
At 31.3.2006	75,193	96,569	1,119,985	1,172	10,154	120	858	-	1,304,051
Net carrying amount									
At 31.3.2006	47,085	139,628	1,049,482	111	1,079	35	379	-	1,237,799
At 31.3.2005	49,607	78,586	563,388	24	2,138	55	487	565,594	1,259,879

7. Property, plant and equipment (cont'd)

	Leasehold land S$'000	Buildings/ structures S$'000	Plant and equipment S$'000	Motor vehicles S$'000	Computers S$'000	Office equipment S$'000	Furniture and fixtures S$'000	Construction in progress S$'000	Total S$'000
Company									
Cost									
At 1.4.2004	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 31.3.2005 and 1.4.2005	122,278	169,297	1,621,841	1,326	7,446	149	1,225	565,594	2,489,156
Additions	-	556	17,563	56	447	-	12	30,999	49,633
Disposals	-	-	(9)	(161)	(325)	-	(1)	-	(496)
Reclassification	-	66,344	530,072	-	-	-	-	(596,416)	-
Adjustment	-	-	-	-	-	-	-	(177)	(177)
At 31.3.2006	122,278	236,197	2,169,467	1,221	7,568	149	1,236	-	2,538,116
Accumulated depreciation and impairment losses									
At 1.4.2004	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 31.3.2005 and 1.4.2005	72,671	90,711	1,058,453	1,326	6,825	96	739	-	1,230,821
Charge for the year	2,522	5,858	61,541	2	409	19	120	-	70,471
Disposals	-	-	(9)	(161)	(325)	-	(1)	-	(496)
At 31.3.2006	75,193	96,569	1,119,985	1,167	6,909	115	858	-	1,300,796
Net carrying amount									
At 31.3.2006	47,085	139,628	1,049,482	54	659	34	378	-	1,237,320
At 31.3.2005	49,607	78,586	563,388	-	621	53	486	565,594	1,258,335

* 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 S$18,408,000 (2005 : S$18,408,000).

7. **Property, plant and equipment (cont'd)**

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 S$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 ended 31 March 2005, due to the envisaged further under-utilisation of this electricity generation plant, the Group re-assessed the recoverable amount of such plant and recognised additional impairment losses of S$216,000,000. The recoverable amount was estimated based on the expected disposal value of the electricity generation plant.

8. **Investments in subsidiaries**

	Company	
	2006 S$'000	2005 S$'000
Shares, at cost	500	500

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest	
			2006 %	2005 %
Tuas Power Supply Pte Ltd	Sale of electricity	Singapore	100	100
Tuas Power Utilities Pte Ltd*	Dormant	Singapore	100	-

* The cost of investment in Tuas Power Utilities Pte Ltd is S$2 (2005 : Nil). There was no statutory audit requirement for the financial year ended 31 March 2006.

9. Prepayments

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

An analysis of movements in non-current prepayments is as follows :

	Group and Company	
	2006 S$'000	2005 S$'000
Balance at 1 April	37,543	37,784
Additions	-	4,203
	37,543	41,987
Amount charged to the profit and loss account	(4,235)	(4,444)
Balance at 31 March	33,308	37,543

10. Inventories

	Group and Company	
	2006 S$'000	2005 S$'000
Fuel oil	97,434	36,593
Equipment spares	17,924	14,663
Diesel oil	7,912	7,006
Others	896	776
	124,166	59,038

Included in equipment spares is an allowance for inventory write-down of S$23,476,000 (2005 : S$25,000,000) relating to the electricity generation plant as described in Note 7 to the financial statements.

11. Trade and other receivables

	Group		Company	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Trade receivables and accrued revenue	182,923	142,095	86,394	60,542
Allowance for doubtful receivables	(15)	(10)	-	-
Net receivables	182,908	142,085	86,394	60,542
Interest receivables	-	1	-	1
Deposits	25	54	25	54
Amounts due from:				
- related companies	1,892	5,338	10	9
- a subsidiary	-	-	-	466
Recoverables	9	14	9	14
	184,834	147,492	86,438	61,086

Trade receivables are generally interest bearing.

As at 31 March 2006, the following amounts are included in trade receivables for the Group and the Company :

- S$1,675,000 (2005 : S$863,000) denominated in US dollars.

Amounts due from a subsidiary are generally unsecured and bear interest at 4.25% (2005 : 4.25%) per annum.

Amounts due from related companies are generally unsecured and interest bearing.

12. Loan to holding company

This amount is unsecured, non-interest bearing and callable on demand.

13. Cash and cash equivalents

	Group		Company	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Fixed deposits	932	5,453	883	5,401
Cash at banks and in hand	9,352	10,070	5,164	4,670
	10,284	15,523	6,047	10,071

Fixed deposits are generally placed for less than two months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective fixed deposit rates. The weighted average effective interest rate of fixed deposits is 2.83% (2005 : 1.43%) and 2.81% (2005 : 1.47%) per annum for the Group and the Company respectively.

14. Trade and other payables

	Group		Company	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Trade payables and accrued expenses	149,421	94,164	102,112	55,763
Deposits and retention payable	25,046	37,590	17,287	30,550
Interest payable	6,355	6,617	6,304	6,598
Amounts due to related companies				
- non-trade	31	169	31	169
- trade	2,162	2,380	92	227
Amounts due to a subsidiary	-	-	502	-
Other payables	1,039	1,183	993	1,080
	184,054	142,103	127,321	94,387

Trade and other payables are generally unsecured and non-interest bearing. As at 31 March 2006, the following amounts are included in trade payables for the Group and the Company :

- S$377,000 (2005 : S$3,282,000) denominated in Japanese Yen.

15. Interest-bearing loans and borrowings

	Group		Company	
	2006 S$'000	2005 S$'000	2006 S$'000	2005 S$'000
Non-current				
- 4.5% Unsecured Fixed Rate Notes	397,782	397,136	397,782	397,136
Current				
- Unsecured bank loans	156,000	107,500	119,500	70,000
	553,782	504,636	517,282	467,136

15. Interest-bearing loans and borrowings (cont'd)

4.5% Unsecured Fixed Rate Notes

On 28 May 2002, the Company issued S$400 million of 7-year Fixed Rate Notes ("FRNs") at 99.537% of the principal amounts pursuant to a S$700 million Medium Term Note Programme ("MTN Programme"). 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 are repayable in full in 2009 and bear interest at 4.5% (2005 : 4.5%) per annum, which is payable every May and November. The average effective interest rate is 4.69% (2005 : 4.69%) per annum.

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 a 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.

Unsecured bank loans

These loans bear floating interest at rates ranging from 2.15% to 3.82% (2005 : 0.78% to 2.32%) per annum. These loans mature within one year and have a weighted average effective interest rate of 2.89% (2005 : 1.46%) and 3.07% (2005 : 1.39%) per annum for the Group and the Company respectively.

16. Issued share capital

	Group and Company	
	2006 S$'000	2005 S$'000
Balance at beginning and end of financial year - 1,178,050,000 (2005 : 1,178,050,000) ordinary shares	1,178,050	1,178,050

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

17. Hedging reserve

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

	Group and Company	
	2006 S$'000	2005 S$'000
At 1 April as previously reported	-	-
Effect of adopting FRS 39	34,883	-
At 1 April as restated	34,883	-
Net change in the reserve	(28,499)	-
At 31 March	6,384	-
Net change in the reserve arises from:		
- net gain on fair value changes during the year	61,020	-
- recognition in the profit and loss account on occurrence of hedged transactions	(89,519)	-
	(28,499)	-

18. Commitments and contingencies

(a) ***Capital commitments***

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

	Group and Company	
	2006 S$'000	2005 S$'000
Capital commitments in respect of plant and equipment	110,856	209,590

18. Commitments and contingencies (cont'd)

(b) ***Operating lease commitments – as lessee***

The Group leases office space under operating leases expiring in 2007. None of the leases includes contingent rentals.

Future minimum lease payments payable under non-cancellable operating leases as at 31 March are as follows :

	Group and Company	
	2006 S$'000	2005 S$'000
Not later than one year	419	491
Later than one year but not later than five years	-	204
	419	695

(c) ***Other commitments***

The Company has entered into the following purchase commitments :

- Purchase of 150 million standard cubic feet of natural gas per day from SembCorp Gas Pte Ltd.
- Purchase of 35 billion British Thermal Unit ("BBtu") of natural gas per day from Gas Supply Pte Ltd. The quantity will reduce to 17.6 BBtu by 1 January 2007.

19. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if : i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control or common significant influence.

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

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties :

	Group	
	2006 S$'000	2005 S$'000
Related companies		
Sales	51,899	127,922
Operating lease expense	491	491
Purchases	929,331	523,687

19. Related party disclosures (cont'd)

(b) ***Compensation of key management personnel***

	Group	
	2006 S$'000	2005 S$'000
Short-term employee benefits	1,910	1,752
Central Provident Fund Contributions	138	144
Directors' fee	325	344
Total compensation paid to key management personnel	2,373	2,240
Comprise amounts paid to :		
- Directors of the Company	326	344
- Other key management personnel	2,047	1,896
	2,373	2,240

20. Financial risk management objectives and policies

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.

(a) ***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 screening and 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 ("NEM") operated by Energy Market Company Pte Ltd ("EMC"), which is not expected to have high credit risk.

A 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 EMC 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.

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

(b) ***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.

(c) ***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.

(d) ***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.

(e) ***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 swaps.

(f) ***Electricity price risk***

The Company generates and sells electricity to the NEM whilst a subsidiary purchases electricity from the NEM. The Company enters into contracts for differences with a related company and a subsidiary in order to manage the exposure to the electricity price uncertainty.

21. Financial instruments

(a) *Fair values*

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments carried at fair value

The Company has carried all derivative financial instruments at their fair values as required by FRS 39. These fair values are obtained from reputable counterparties.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and cash equivalents, current trade and other receivables, loan to holding company, current trade and other payables and current interest-bearing loans and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Financial instruments carried at other than fair value

The 4.5% Unsecured Fixed Rate Notes are carried in the financial statements at other than fair values. Set out below is a comparison of the carrying amount and fair value of this financial liability :

	Group and Company			
	Carrying amount 2006 S$'000	Fair value 2006 S$'000	Carrying amount 2005 S$'000	Fair value 2005 S$'000
4.5% Unsecured Fixed Rate Notes (Note 15)	397,782	406,807	397,136	421,560

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.

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

21. Financial instruments (cont'd)

(b) *Interest rate risk*

The following table sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk :

	Floating interest within one year S$'000	Fixed interest within one year S$'000	Fixed interest 3 - 4 years S$'000	Total S$'000
Group				
2006				
Cash and cash equivalents	9,352	932	-	10,284
Unsecured bank loans	(156,000)	-	-	(156,000)
4.5% Unsecured Fixed Rate Notes	-	-	(397,782)	(397,782)
2005				
Cash and cash equivalents	10,070	5,453	-	15,523
Unsecured bank loans	(107,500)	-	-	(107,500)
4.5% Unsecured Fixed Rate Notes	-	-	(397,136)	(397,136)
Company				
2006				
Cash and cash equivalents	5,164	883	-	6,047
Unsecured bank loans	(119,500)	-	-	(119,500)
4.5% Unsecured Fixed Rate Notes	-	-	(397,782)	(397,782)
2005				
Cash and cash equivalents	4,670	5,401	-	10,071
Unsecured bank loans	(70,000)	-	-	(70,000)
4.5% Unsecured Fixed Rate Notes	-	-	(397,136)	(397,136)

21. Financial instruments (cont'd)

(c) ***Derivative financial instruments and hedging activities***

Derivative financial instruments included in the balance sheets at 31 March are as follows :

	Group and Company			
	2006		2005	
	Assets S$'000	Liabilities S$'000	Assets S$'000	Liabilities S$'000
Foreign currency contracts	-	4,735	-	-
Fuel contracts	23,262	11,131	-	-
	23,262	15,866	-	-

Cash flow hedges

As at 31 March 2006, the Company has entered into :

(i) Foreign currency forward contracts designated as cash flow hedges for the Company's exposure to foreign currency risks associated with highly probable forecasted payment for fuel purchases between April 2006 and October 2008.

(ii) Fuel oil swaps designated as cash flow hedges for the Company's exposure to fuel price risks associated with highly probable forecasted fuel purchases between April 2006 and August 2008.

The above cash flow hedges were assessed to be highly effective and a fair value gain of S$76,275,000, with a deferred tax of S$15,255,000 relating to the hedge instruments, is included in hedging reserve (Note 17).

22. Dividends

Subsequent to the balance sheet date, the directors proposed final dividends out of profits from the financial year ended 31 March 2006 as follows :

(i) tax-exempt dividend at 0.005 cents per ordinary share totaling S$60,000,

(ii) dividend at 0.435 cents per ordinary share less 20% tax totaling S$4,101,000, and

(iii) one-tier dividend at 8.135 cents per ordinary share totaling S$95,839,000.

The proposed dividends are subject to the approval by the Company's shareholder at the forthcoming Annual General Meeting and are not recorded as a liability as at 31 March 2006 in accordance with FRS 10, Events After The Balance Sheet Date.

23. Authorisation of financial statements

The financial statements for the financial year ended 31 March 2006 were authorised for issue in accordance with a resolution of the directors on 18 May 2006.