

ANNUAL FINANCIAL STATEMENTS
TUAS POWER LIMITED & ITS SUBSIDIARIES
31 March 2007

DIRECTORS

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

REGISTERED OFFICE

111 Somerset Road
#13-06 Singapore 238164

AUDITORS

Ernst & Young

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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 2007.

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

According to the register of Directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company and related corporations (other than wholly-owned subsidiaries) except as follows:

Name of director and corporation in which interests are held	Direct interest		Deemed interest	
	Beginning of financial year	End of financial year	Beginning of financial year	End of financial year
Lim How Teck				
Neptune Orient Lines Limited				
- Ordinary shares	1,089	2,000	—	—
- Performance shares	162,098	81,047	—	—
- Replacement rights (cash settled)	309,078	—	—	—
Singapore Telecommunications Limited				
- Ordinary shares	1,690	1,610	1,430	2,050
SP Australia Networks (Transmission) Ltd *				
- Ordinary shares	75,000	75,000	—	—
SP Australia Networks (Distribution) Ltd *				
- Ordinary shares	75,000	75,000	—	—

Directors' Report

Name of director and corporation in which interests are held	Direct interest		Deemed interest	
	Beginning of financial year	End of financial year	Beginning of financial year	End of financial year
Lim Ming Seong				
Chartered Semiconductor Manufacturing Ltd				
- Options	414,436	238,609	–	–
Global Crossing Limited				
- Options	11,000	11,000	–	–
Singapore Technologies Engineering Ltd				
- Ordinary shares	–	15,000	–	–
- Options	75,000	67,500	–	–
Singapore Telecommunications Ltd				
- Ordinary shares	1,760	–	1,630	–
StarHub Ltd				
- Ordinary shares	60,000	108,000	–	–
- Options	175,750	97,000	–	–
STT Communications Ltd				
- Options	525,000	–	–	–
TeleChoice International Limited				
- Ordinary shares	60,000	60,000	–	–
Vertex Technology Fund (II) Ltd				
- Ordinary shares	–	–	50	50
- Preference shares	–	–	48.51	47.01
Vertex Technology Fund Ltd				
- Ordinary shares	–	–	300	300
Ng Kwan Meng				
SP Australia Networks (Transmission) Ltd*				
- Ordinary shares	18,000	48,000	–	–
SP Australia Networks (Distribution) Ltd *				
- Ordinary shares	18,000	48,000	–	–

Directors' Report

Name of director and corporation in which interests are held	Direct interest		Deemed interest	
	Beginning of financial year	End of financial year	Beginning of financial year	End of financial year
Ng Kwan Meng (cont'd)				
Chartered Semiconductor Manufacturing Ltd				
- Ordinary shares	–	–	5,000	5,000
SembCorp Marine Ltd				
- Ordinary shares	–	–	10,000	5,000
Singapore Telecommunications Ltd				
- Ordinary shares	–	–	8,580	160
SIA Engineering Company Limited				
- Ordinary shares	–	–	5,000	–
Singapore Technologies Engineering Ltd				
- Ordinary shares	–	–	15,000	5,000
SMRT Corporation Ltd				
- Ordinary shares	–	–	4,000	–
Dr Wu Shen Kong				
Singapore Technologies Engineering Ltd				
- Ordinary shares	40,000	40,000	–	–
Singapore Telecommunications Ltd				
- Ordinary shares	40,000	60,000	–	–
SMRT Corporation Ltd				
- Ordinary shares	–	60,000	–	–
StarHub Ltd				
- Ordinary shares	–	40,000	–	–

Directors' Report

Name of director and corporation in which interests are held	Direct interest		Deemed interest	
	Beginning of financial year	End of financial year	Beginning of financial year	End of financial year
Alvin Yeo Khirn Hai				
Singapore Airlines Limited				
- Ordinary shares	2,000	2,000	3,000	3,000
Singapore Telecommunications Ltd				
- Ordinary shares	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.

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
17 May 2007

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 2007, 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
17 May 2007

Independent 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 40 to 72, which comprise the balance sheets of the Group and the Company as at 31 March 2007, the profit and loss accounts and statements of changes in equity of the Group and the Company and the cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion,

- (i) 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 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 2007 and of the results and changes in equity of the Group and the Company and the cash flows of the Group for the financial year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



ERNST & YOUNG
Certified Public Accountants

Singapore
17 May 2007

Profit and Loss Accounts

for the financial year ended 31 March 2007

	Notes	Group		Company	
		2007 S\$'000	2006 S\$'000	2007 S\$'000	2006 S\$'000
Revenue	3	2,266,829	1,735,884	1,421,311	1,033,212
Other income		15,208	12,957	15,327	13,214
Fuel costs		(1,038,691)	(774,116)	(1,038,691)	(774,116)
Purchase of electricity		(845,533)	(702,738)	–	–
Operation and maintenance costs		(23,185)	(19,397)	(22,613)	(18,867)
Staff costs		(21,874)	(18,783)	(20,201)	(17,262)
Property taxes		(9,510)	(9,557)	(9,510)	(9,557)
Depreciation of property, plant and equipment		(90,461)	(71,689)	(90,093)	(70,471)
Allowance for inventory write-back/ (write-down)		(49)	1,524	(49)	1,524
Gain/(loss) on derivative financial instruments		416	(3,598)	416	(3,598)
Finance costs	4	(21,324)	(20,958)	(19,740)	(19,669)
Other operating expenses		(13,087)	495	(20,750)	(6,860)
Profit before tax	5	218,739	130,024	215,407	127,550
Tax expense	6	(41,576)	(25,938)	(40,993)	(25,441)
Net profit for the year		<u>177,163</u>	<u>104,086</u>	<u>174,414</u>	<u>102,109</u>
Attributable to:					
Equity holder of the Company		177,164	104,086		
Minority interest		(1)	–		
		<u>177,163</u>	<u>104,086</u>		

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

Balance Sheets

as at 31 March 2007

	Notes	Group		Company	
		2007 S\$'000	2006 S\$'000	2007 S\$'000	2006 S\$'000
Non-current assets					
Property, plant and equipment	7	1,226,365	1,237,799	1,218,809	1,237,320
Investments in subsidiaries	8	–	–	1,250	500
Prepayments	9	29,770	33,308	29,770	33,308
Loan to a subsidiary	10	–	–	5,175	–
Club membership		189	189	189	189
Deferred tax assets	6	85	17,779	–	17,779
		1,256,409	1,289,075	1,255,193	1,289,096
Current assets					
Inventories	11	136,139	124,166	136,139	124,166
Trade and other receivables	12	196,378	184,834	95,656	86,438
Loan to holding company	13	50,000	150,000	50,000	150,000
Prepayments		3,414	4,013	3,315	3,907
Derivative financial instruments	22	21,629	23,262	21,629	23,262
Cash and cash equivalents	14	128,166	10,284	115,826	6,047
		535,726	496,559	422,565	393,820
Current liabilities					
Trade and other payables	15	217,906	184,054	144,711	127,321
Derivative financial instruments	22	12,058	15,866	12,058	15,866
Interest-bearing loans and borrowings	16	27,000	156,000	–	119,500
Tax payable		646	646	646	646
		257,610	356,566	157,415	263,333
Net current assets		278,116	139,993	265,150	130,487
Non-current liabilities					
Interest-bearing loans and borrowings	16	400,184	397,782	398,459	397,782
Deferred tax liabilities	6	24,067	27	24,067	–
		424,251	397,809	422,526	397,782
Net assets		1,110,274	1,031,259	1,097,817	1,021,801
Capital and reserves attributable to equity holder of the Company					
Share capital	17	1,178,050	1,178,050	1,178,050	1,178,050
Accumulated losses		(76,011)	(253,175)	(88,219)	(262,633)
Hedging reserve	18	7,986	6,384	7,986	6,384
Dividend reserve	23	–	100,000	–	100,000
		1,110,025	1,031,259	1,097,817	1,021,801
Minority interest		249	–	–	–
Total equity		1,110,274	1,031,259	1,097,817	1,021,801

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 2007

	Capital and reserves attributable to equity holder of the Company				Minority interest	Total equity	
	Share capital (Note 17) S\$'000	Accumulated losses S\$'000	Hedging reserve (Note 18) S\$'000	Dividend reserve (Note 23) S\$'000	Total S\$'000	S\$'000	
Group							
At 1 April 2005	1,178,050	(257,261)	34,883	–	955,672	–	955,672
Net change in hedging reserve	–	–	(28,499)	–	(28,499)	–	(28,499)
Net profit for the year	–	104,086	–	–	104,086	–	104,086
Total income/(expenses) recognised for the year	–	104,086	(28,499)	–	75,587	–	75,587
Final dividend proposed	–	(100,000)	–	100,000	–	–	–
At 31 March 2006	1,178,050	(253,175)	6,384	100,000	1,031,259	–	1,031,259
At 1 April 2006	1,178,050	(253,175)	6,384	100,000	1,031,259	–	1,031,259
Net change in hedging reserve	–	–	1,602	–	1,602	–	1,602
Net profit for the year	–	177,164	–	–	177,164	(1)	177,163
Total income/(expenses) recognised for the year	–	177,164	1,602	–	178,766	(1)	178,765
Dividend offset against loan to holding company	–	–	–	(100,000)	(100,000)	–	(100,000)
Capital contribution from minority shareholder of a subsidiary	–	–	–	–	–	250	250
At 31 March 2007	1,178,050	(76,011)	7,986	–	1,110,025	249	1,110,274

Statements of Changes in Equity

for the financial year ended 31 March 2007

Capital and reserves attributable to equity holder of the Company

	Share capital (Note 17) S\$'000	Accumulated losses S\$'000	Hedging reserve (Note 18) S\$'000	Dividend reserve (Note 23) S\$'000	Total equity S\$'000
Company					
At 1 April 2005	1,178,050	(264,742)	34,883	–	948,191
Net change in hedging reserve	–	–	(28,499)	–	(28,499)
Net profit for the year	–	102,109	–	–	102,109
Total income/(expenses) recognised for the year	–	102,109	(28,499)	–	73,610
Final dividend proposed	–	(100,000)	–	100,000	–
At 31 March 2006	1,178,050	(262,633)	6,384	100,000	1,021,801
At 1 April 2006	1,178,050	(262,633)	6,384	100,000	1,021,801
Net change in hedging reserve	–	–	1,602	–	1,602
Net profit for the year	–	174,414	–	–	174,414
Total income/(expenses) recognised for the year	–	174,414	1,602	–	176,016
Dividend offset against loan to holding company	–	–	–	(100,000)	(100,000)
At 31 March 2007	1,178,050	(88,219)	7,986	–	1,097,817

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 2007

	2007	2006
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before tax	218,739	130,024
Adjustments for:		
Depreciation of property, plant and equipment	90,461	71,689
Loss/(gain) on disposal of property, plant and equipment	206	(98)
Interest income	(1,754)	(859)
Interest expense	20,306	19,919
Amortisation of bond discount and ancillary expenses	677	646
Allowance for inventory write-down/(write-back)	49	(1,524)
Loss/(gain) on derivative financial instruments	(416)	3,598
Non-current prepayments amortised to profit and loss account	4,242	4,235
	<hr/>	<hr/>
Operating cash flows before working capital changes	332,510	227,630
Increase in prepayments	(105)	–
Increase in inventories	(12,022)	(63,604)
Increase in trade and other receivables	(11,525)	(41,145)
Increase in trade and other payables	28,482	57,478
	<hr/>	<hr/>
Cash flows generated from operations	337,340	180,359
Interest received	1,735	860
Interest paid	(20,505)	(20,182)
Income tax received	1	–
	<hr/>	<hr/>
Net cash flows from operating activities	318,571	161,037
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	32	105
Purchase of property, plant and equipment	(73,696)	(64,881)
Loan to holding company	–	(150,000)
	<hr/>	<hr/>
Net cash flows used in investing activities	(73,664)	(214,776)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from bank loans	27,000	156,000
Proceeds from loan by minority shareholder of a subsidiary	1,725	–
Repayment of bank loans	(156,000)	(107,500)
Capital contribution from minority shareholder of a subsidiary	250	–
	<hr/>	<hr/>
Net cash flows from/(used in) financing activities	(127,025)	48,500
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	117,882	(5,239)
Cash and cash equivalents at beginning of year	10,284	15,523
	<hr/>	<hr/>
Cash and cash equivalents at end of year (Note 14)	128,166	10,284

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

Notes to the Financial Statements

31 March 2007

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 are those relating to the generation of electricity and their related products, by-products and derivatives, to develop power supply resources and dealing in electricity. The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

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.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

2.2 FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (Annual periods beginning on or after)
FRS 1	: Amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)	1 January 2007
FRS 40	: Investment Property	1 January 2007
FRS 107	: Financial Instruments: Disclosures	1 January 2007
INT FRS 108	: Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	: Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	: Interim Financial Reporting and Impairment	1 November 2006
INT FRS 112	: Service Concession Agreements	1 January 2008

The adoption of the above pronouncements is not expected to have material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

Notes to the Financial Statements

31 March 2007

2.2 FRS and INT FRS not yet effective (cont'd)

FRS 107, Financial Instruments : Disclosure
Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risks. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 April 2007.

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 2007 were S\$1,226,365,000 (2006: S\$1,237,799,000) and S\$1,218,809,000 (2006: S\$1,237,320,000) 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.

Income taxes

Estimation is involved in the determination of the Group's income taxes. The final tax assessment may be different from the initial recognition of the taxes. Differences, if any, will impact the income tax and deferred tax provisions in the period in which such final assessment is made. As at 31 March 2007, the carrying amounts of deferred tax assets and deferred tax liabilities of the Group were S\$85,000 (2006: S\$17,779,000) and S\$24,067,000 (2006: S\$27,000) respectively. The carrying amounts of deferred tax assets and deferred tax liabilities of the Company were Nil (2006: S\$17,779,000) and S\$24,067,000 (2006: Nil) respectively.

Notes to the Financial Statements

31 March 2007

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 operate 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.

(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 and liabilities, 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.

Minority interest represents the portion of profit or loss and net assets in a subsidiary not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholder's equity, and are separately disclosed in the consolidated profit and loss account.

Notes to the Financial Statements

31 March 2007

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.

Notes to the Financial Statements

31 March 2007

2.8 **Financial assets**

Financial assets of the Group and the Company 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 become 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 determine the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluate 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 commit 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 accounting policy for derivative financial instruments is included in Note 2.20.

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

(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.

The following financial assets are classified as loans and receivables:

- loan to a subsidiary
- trade and other receivables
- loan to holding company
- cash and cash equivalents

2.9 **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank deposits.

Notes to the Financial Statements

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2.10 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. 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.

2.11 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.

2.12 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.

2.13 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.

Notes to the Financial Statements

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2.14 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 expired.

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.

2.15 Provisions

Provisions are recognised when the Group and the Company have 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.

2.16 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.

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2.17 **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 retain substantially all the risks and rewards of ownership of the asset are classified as operating leases.

2.18 **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.

2.19 **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.

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.

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2.19 **Income taxes (cont'd)**

(b) Deferred tax (cont'd)

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.

2.20 **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.

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.

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2.20 Derivative financial instruments and hedging activities (cont'd)

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	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Interest expense on:				
- loan from minority shareholder of a subsidiary	6	–	–	–
- bank loans	2,300	1,919	722	630
- 4.5% Unsecured Fixed Rate Notes	18,000	18,000	18,000	18,000
Amortisation of discount and ancillary expenses of Fixed Rate Notes	677	646	677	646
Other finance costs	341	393	341	393
	<u>21,324</u>	<u>20,958</u>	<u>19,740</u>	<u>19,669</u>

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5. Profit before tax

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

	Group		Company	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Rental income	12,068	11,244	12,068	11,244
Interest income from:				
- banks	1,577	859	1,401	703
- subsidiaries	–	–	30	9
Central Provident Fund contributions	(1,859)	(1,604)	(1,669)	(1,444)
Directors' remuneration	(642)	(325)	(614)	(320)
Operating lease expenses	(589)	(491)	(531)	(433)
Foreign exchange gain/(loss)	(4,582)	8,415	(4,628)	8,415
Gain/(loss) on disposal of property, plant and equipment	(206)	98	(206)	50
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. Tax expense

(a) Major components of income tax expense

	Group		Company	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Profit and loss accounts				
Current income tax				
- group tax relief	–	–	(695)	(751)
Deferred income tax				
- movements in temporary differences	40,399	26,937	39,789	26,440
- group tax relief	–	–	695	751
- reduction in tax rate	2,206	–	2,206	–
- over provision in prior years	(1,029)	(999)	(1,002)	(999)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	41,576	25,938	40,993	25,441

Notes to the Financial Statements

31 March 2007

6. Tax expense (cont'd)

	Group		Company	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Statements of changes in equity				
Deferred income tax expense related to items credited directly to equity				
- revaluation of derivatives to fair value	158	2,198	158	2,198

(b) Relationship between tax expense and accounting profit

A reconciliation between tax expense and profit before tax multiplied by the applicable corporate tax rate for the years ended 31 March 2007 and 2006 is as follows:

	Group		Company	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Profit before tax	218,739	130,024	215,407	127,550
Tax expense at statutory rate of 18% (2006: 20%)	39,373	26,005	38,773	25,510
Adjustments:				
Non-deductible expenses	1,026	932	1,016	930
Reduction in tax rate	2,206	-	2,206	-
Over provision in prior years	(1,029)	(999)	(1,002)	(999)
Unabsorbed capital allowances:				
- amount transferred to a subsidiary	-	-	695	751
- consideration receivable	-	-	(695)	(751)
	41,576	25,938	40,993	25,441

Notes to the Financial Statements

31 March 2007

6. Tax expense (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	
	2007	2006	2007	2006	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax assets								
Differences in depreciation	(20)	14,089	14,109	26,628	–	14,089	14,089	26,628
Revaluation of derivatives to fair value	–	(2,198)	–	–	–	(2,198)	–	–
Others	105	5,888	5,783	(436)	–	5,888	5,888	(436)
	<u>85</u>	<u>17,779</u>			<u>–</u>	<u>17,779</u>		
Deferred tax liabilities								
Differences in depreciation	(42,639)	(84)	42,555	(219)	(42,639)	–	42,639	–
Revaluation of derivatives to fair value	(2,356)	–	–	–	(2,356)	–	–	–
Others	20,928	57	(20,871)	(35)	20,928	–	(20,928)	–
	<u>(24,067)</u>	<u>(27)</u>			<u>(24,067)</u>	<u>–</u>		
Deferred tax expense			<u>41,576</u>	<u>25,938</u>			<u>41,688</u>	<u>26,192</u>

Notes to the Financial Statements

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7. Property, plant and equipment

Group	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
Cost									
At 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 and 1.4.2006	122,278	236,197	2,169,467	1,283	11,233	155	1,237	–	2,541,850
Additions	–	64	64,620	–	1,047	2	231	13,301	79,265
Disposals	–	(1,484)	(576)	–	(61)	(37)	(131)	–	(2,289)
Reclassification	–	–	585	–	–	–	534	(1,119)	–
At 31.3.2007	122,278	234,777	2,234,096	1,283	12,219	120	1,871	12,182	2,618,826
Accumulated depreciation and impairment losses									
At 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 and 1.4.2006	75,193	96,569	1,119,985	1,172	10,154	120	858	–	1,304,051
Charge for the year	2,523	6,708	80,184	23	883	14	126	–	90,461
Disposals	–	(1,320)	(512)	–	(61)	(37)	(121)	–	(2,051)
At 31.3.2007	77,716	101,957	1,199,657	1,195	10,976	97	863	–	1,392,461
Net carrying amount									
At 31.3.2006	47,085	139,628	1,049,482	111	1,079	35	379	–	1,237,799
At 31.3.2007	44,562	132,820	1,034,439	88	1,243	23	1,008	12,182	1,226,365

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

Company	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
Cost									
At 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 and 1.4.2006	122,278	236,197	2,169,467	1,221	7,568	149	1,236	–	2,538,116
Additions	–	64	64,620	–	999	2	231	5,904	71,820
Disposals	–	(1,484)	(576)	–	(61)	(37)	(131)	–	(2,289)
Reclassification	–	–	585	–	–	–	534	(1,119)	–
At 31.3.2007	122,278	234,777	2,234,096	1,221	8,506	114	1,870	4,785	2,607,647
Accumulated depreciation and impairment losses									
At 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 and 1.4.2006	75,193	96,569	1,119,985	1,167	6,909	115	858	–	1,300,796
Charge for the year	2,523	6,708	80,184	11	527	14	126	–	90,093
Disposals	–	(1,320)	(512)	–	(61)	(37)	(121)	–	(2,051)
At 31.3.2007	77,716	101,957	1,199,657	1,178	7,375	92	863	–	1,388,838
Net carrying amount									
At 31.3.2006	47,085	139,628	1,049,482	54	659	34	378	–	1,237,320
At 31.3.2007	44,562	132,820	1,034,439	43	1,131	22	1,007	4,785	1,218,809

Included in the cost of buildings/structures and plant and equipment of the Group and the Company is cumulative interest capitalised of S\$18,408,000 (2006: S\$18,408,000).

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8. Investments in subsidiaries

	Company	
	2007	2006
	S\$'000	S\$'000
Shares, at cost	1,250	500

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest	
			2007	2006
			%	%
Tuas Power Supply Pte Ltd	Sale of electricity	Singapore	100	100
Tuas Power Utilities Pte Ltd*	Provision of utilities services	Singapore	100	100
TPGS Green Energy Pte Ltd	Provision of utilities services	Singapore	75	–

* The cost of investment in Tuas Power Utilities Pte Ltd is S\$2 (2006: S\$2).

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 and metering station.

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

	Group and Company	
	2007	2006
	S\$'000	S\$'000
Balance at 1 April	33,308	37,543
Additions	704	–
	34,012	37,543
Amount amortised to the profit and loss account	(4,242)	(4,235)
Balance at 31 March	29,770	33,308

Notes to the Financial Statements

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10. Loan to a subsidiary

This amount is unsecured, has no fixed terms of repayment and bears interest at 4.25% per annum.

11. Inventories

	Group and Company	
	2007	2006
	S\$'000	S\$'000
Fuel oil	92,813	97,434
Equipment spares	18,611	17,924
Diesel oil	23,964	7,912
Others	751	896
	<u>136,139</u>	<u>124,166</u>

Included in equipment spares is an allowance for inventory write-down of S\$23,525,000 (2006: S\$23,476,000) relating to certain electricity generation plant which the Group and the Company had recognised impairment losses.

12. Trade and other receivables

	Group		Company	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Trade receivables and accrued revenue	193,882	182,923	94,822	86,394
Allowance for doubtful receivables	–	(15)	–	–
Net receivables	<u>193,882</u>	<u>182,908</u>	<u>94,822</u>	<u>86,394</u>
Interest receivables	19	–	37	–
Deposits	8	25	8	25
Amounts due from:				
- related companies	2,463	1,892	447	10
- a subsidiary	–	–	336	–
Recoverables	6	9	6	9
	<u>196,378</u>	<u>184,834</u>	<u>95,656</u>	<u>86,438</u>

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12. Trade and other receivables (cont'd)

Trade receivables are generally interest bearing. As at 31 March 2007, the following amounts are included in trade receivables for the Group and the Company:

- S\$904,000 (2006: S\$1,675,000) denominated in United States Dollars.

Amounts due from a subsidiary are generally unsecured and bear interest at 4.25% (2006: 4.25%) per annum.

Amounts due from related companies are generally interest bearing and secured by cash deposits and bankers' guarantees.

13. Loan to holding company

This amount is unsecured, non-interest bearing and callable on demand. During the financial year, final dividends totalling S\$100,000,000 were offset against this loan.

14. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed deposits	114,651	932	109,600	883
Cash at banks and in hand	13,515	9,352	6,226	5,164
	<u>128,166</u>	<u>10,284</u>	<u>115,826</u>	<u>6,047</u>

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 rates of fixed deposits are 3.14% (2006: 2.83%) and 3.15% (2006: 2.81%) per annum for the Group and the Company respectively.

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15. Trade and other payables

	Group		Company	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Trade payables and accrued expenses	185,907	149,421	130,236	102,112
Deposits and retention payables	21,802	25,046	6,420	17,287
Interest payables	6,156	6,355	6,115	6,304
Amounts due to related companies				
- non-trade	–	31	–	31
- trade	3,016	2,162	918	92
Amounts due to a subsidiary	–	–	–	502
Other payables	1,025	1,039	1,022	993
	<u>217,906</u>	<u>184,054</u>	<u>144,711</u>	<u>127,321</u>

Trade and other payables are generally unsecured and non-interest bearing. As at 31 March 2007, the following amounts are included in trade payables for the Group and the Company:

- S\$6,895,000 (2006: S\$377,000) denominated in Japanese Yen.
- S\$19,505,000 (2006: S\$369,000) denominated in United States Dollars.

16. Interest-bearing loans and borrowings

	Group		Company	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Current:				
Unsecured bank loans	<u>27,000</u>	<u>156,000</u>	<u>–</u>	<u>119,500</u>
Non-current:				
- 4.5% Unsecured Fixed Rate Notes	398,459	397,782	398,459	397,782
- Loan from minority shareholder of a subsidiary	1,725	–	–	–
	<u>400,184</u>	<u>397,782</u>	<u>398,459</u>	<u>397,782</u>

Notes to the Financial Statements

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

Unsecured bank loans

These loans bear interest at rates ranging from 2.79% to 4.16% (2006 : 2.15% to 3.82%) per annum. These loans mature within one year and have a weighted average effective interest rate of 3.78% (2006: 2.89%) and 3.71% (2006: 3.07%) per annum for the Group and the Company respectively.

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% (2006: 4.5%) per annum, which is payable every May and November. The average effective interest rate is 4.69% (2006: 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.

Loan from minority shareholder of a subsidiary

This amount is unsecured, has no fixed terms of repayment and bears interest at 4.25% per annum.

17. Share capital

	Group and Company	
	2007	2006
	S\$'000	S\$'000
Issued and fully paid:		
Balance at beginning and end of financial year		
- 1,178,050,000 (2006: 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 restrictions.

Notes to the Financial Statements

31 March 2007

18. 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	
	2007	2006
	S\$'000	S\$'000
At 1 April	6,384	34,883
Net change in the reserve	1,602	(28,499)
At 31 March	<u>7,986</u>	<u>6,384</u>
Net change in the reserve arises from:		
- net gain/(loss) on fair value changes during the year	(43,530)	61,020
- recognition in the profit and loss account on occurrence of hedged transactions	45,132	(89,519)
	<u>1,602</u>	<u>(28,499)</u>

19. 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		Company	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Capital commitments in respect of plant and equipment	<u>138,968</u>	<u>110,856</u>	<u>123,147</u>	<u>110,856</u>

Notes to the Financial Statements

31 March 2007

19. Commitments and contingencies (cont'd)

(b) Operating lease commitments – as lessee

The Group leases office space under operating lease expiring in 2009. The lease does not include contingent rentals.

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

	Group and Company	
	2007	2006
	S\$'000	S\$'000
Not later than one year	488	419
Later than one year but not later than five years	855	–
	<hr/>	<hr/>
	1,343	419
	<hr/>	<hr/>

(c) Finance lease commitments – as lessee

As at 31 March 2007, the Group had signed a plant lease agreement totalling S\$11,201,000 and the agreement has yet to commence.

(d) Other commitments

The Company has entered into the following purchase commitments:

- Purchase of 30 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 2008.
- Purchase of 150 million standard cubic feet (or 157.5 BBtu) of natural gas per day from SembCorp Gas Pte Ltd.

Notes to the Financial Statements

31 March 2007

20. Related party disclosures

(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	
	2007	2006
	S\$'000	S\$'000
Related companies		
Sales	78,096	51,899
Purchases	1,037,885	929,331
Operating lease expense	530	491
Interest expense	6	—
	<hr/>	<hr/>

(b) Compensation of key management personnel

	Group	
	2007	2006
	S\$'000	S\$'000
Short-term employee benefits	2,673	1,910
Central Provident Fund Contributions	198	138
Directors' remuneration	642	325
	<hr/>	<hr/>
Total compensation paid to key management personnel	3,513	2,373
	<hr/>	<hr/>
Comprise amounts paid to:		
- Directors	642	326
- Other key management personnel	2,871	2,047
	<hr/>	<hr/>
	3,513	2,373
	<hr/>	<hr/>

Notes to the Financial Statements

31 March 2007

21. 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 National Electricity Market of Singapore ("NEMS") 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 maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

(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.

Notes to the Financial Statements

31 March 2007

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

(d) Foreign currency risk

The foreign currency risk of the Company arises mainly from commitments for the purchase of fuel oil that are denominated in United States Dollars. 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 NEMS whilst a subsidiary purchases electricity from the NEMS. 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.

22. 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 loan to a subsidiary, 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.

Notes to the Financial Statements

31 March 2007

22. Financial instruments (cont'd)

(a) Fair values (cont'd)

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	Fair value	Carrying amount	Fair value
	2007	2007	2006	2006
	S\$'000	S\$'000	S\$'000	S\$'000
4.5% Unsecured				
Fixed Rate Notes (Note 16)	398,459	410,173	397,782	406,807

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.

(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	Fixed interest within one year	Fixed interest 2 - 3 years	Fixed interest more than 5 years	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group					
2007					
Cash and cash equivalents	13,515	114,651	—	—	128,166
Unsecured bank loans	—	(27,000)	—	—	(27,000)
4.5% Unsecured Fixed Rate Notes	—	—	(398,459)	—	(398,459)
Loan from minority shareholder of a subsidiary	—	—	—	(1,725)	(1,725)

Notes to the Financial Statements

31 March 2007

22. Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

	Floating interest within one year S\$'000	Fixed interest within one year S\$'000	Fixed interest 2 - 3 years S\$'000	Fixed interest more than 5 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)

	Floating interest within one year S\$'000	Fixed interest within one year S\$'000	Fixed interest 2 - 3 years S\$'000	Fixed interest more than 5 years S\$'000	Total S\$'000
Company					
2007					
Loan to a subsidiary	–	–	–	(5,175)	(5,175)
Cash and cash equivalents	6,226	109,600	–	–	115,826
4.5% Unsecured Fixed Rate Notes	–	–	(398,459)	–	(398,459)

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)

Notes to the Financial Statements

31 March 2007

22. 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			
	2007		2006	
	Assets	Liabilities	Assets	Liabilities
	S\$'000	S\$'000	S\$'000	S\$'000
Foreign currency contracts	-	7,891	-	4,735
Fuel contracts	21,629	4,167	23,262	11,131
	<u>21,629</u>	<u>12,058</u>	<u>23,262</u>	<u>15,866</u>

Cash flow hedges

As at 31 March 2007, 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 2007 and March 2010.
- (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 2007 and December 2008.

The above cash flow hedges were assessed to be highly effective and a fair value loss of S\$53,085,000 (2006: gain of S\$76,275,000), with a deferred tax credit of S\$9,555,000 (2006: expense of S\$15,255,000) relating to the hedge instruments, is included in hedging reserve (Note 18).

23. Dividends

During the year, the directors proposed final dividends totalling S\$100,000,000 out of profits from the financial year ended 31 March 2006 as follows:

- (i) tax-exempt dividend at 0.005 cents per ordinary share totalling S\$60,000,
- (ii) dividend at 0.435 cents per ordinary share less 20% tax totalling S\$4,101,000, and
- (iii) one-tier dividend at 8.135 cents per ordinary share totalling S\$95,839,000.

These dividends were subsequently approved by the Company's shareholder and offset against the loan to holding company.

24. Authorisation of financial statements

The financial statements for the financial year ended 31 March 2007 were authorised for issue in accordance with a resolution of the directors on 17 May 2007.