

FINANCIAL REVIEW

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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, income statement and statement of changes in equity of the Company for the financial year ended 31 March 2008.

Directors

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

Huang Long	(appointed on 24 March 2008)
Lim How Teck	(resigned on 24 March 2008, re-appointed on 25 March 2008)
Lim Ming Seong	(resigned on 24 March 2008, re-appointed on 25 March 2008)
Ng Kwan Meng	(resigned on 24 March 2008, re-appointed on 25 March 2008)
Dr Wu Shen Kong	(resigned on 24 March 2008, re-appointed on 25 March 2008)
Alvin Yeo Khirn Hai	(resigned on 24 March 2008, re-appointed on 25 March 2008)
Zhou Hui	(appointed on 24 March 2008)

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) at the date of appointment stated above and 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 except for professional fees received by a director as a partner of a legal firm from a related corporation.

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
Deputy Chairman



Ng Kwan Meng
Director

Singapore
15 May 2008

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 2008, 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
Deputy Chairman



Ng Kwan Meng
Director

Singapore
15 May 2008

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 41 to 72, which comprise the balance sheets of the Group and the Company as at 31 March 2008, the income statements 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.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

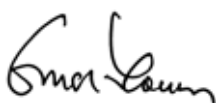
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

- i) the consolidated financial statements of the Group, and the balance sheet, income statement 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 2008 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

Public Accountants and Certified Public Accountants

Singapore
15 May 2008

Income statements

for the financial year ended 31 March 2008

	Notes	Group		Company	
		2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Revenue	4	2,277,684	2,266,829	1,381,143	1,421,311
Other income		21,504	15,208	23,171	15,327
Fuel costs		(1,042,753)	(1,038,691)	(1,042,753)	(1,038,691)
Purchase of electricity		(896,630)	(845,533)	–	–
Operation and maintenance costs		(21,657)	(23,185)	(20,938)	(22,613)
Staff costs	5	(26,556)	(21,874)	(24,132)	(20,201)
Property taxes		(9,510)	(9,510)	(9,510)	(9,510)
Depreciation of property, plant and equipment		(92,728)	(90,461)	(92,641)	(90,093)
Allowance for inventory write-down		(320)	(49)	(320)	(49)
(Loss)/gain on derivative financial instruments		(541)	416	(541)	416
Finance costs	6	(19,449)	(21,324)	(19,091)	(19,740)
Other operating expenses		2,000	(13,087)	(6,639)	(20,750)
Profit before tax	7	191,044	218,739	187,749	215,407
Tax expense	8	(34,707)	(41,576)	(34,047)	(40,993)
Net profit for the year		156,337	177,163	153,702	174,414
Attributable to:					
Equity holder of the Company		156,973	177,164		
Minority interest		(636)	(1)		
		156,337	177,163		

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

Balance sheets

as at 31 March 2008

	Notes	Group		Company	
		2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Non-current assets					
Property, plant and equipment	9	1,165,673	1,226,365	1,150,661	1,218,809
Goodwill	10	4,687	–	–	–
Finance lease receivable	11	6,950	–	–	–
Investments in subsidiaries	12	–	–	11,802	1,250
Prepayments	13	25,446	29,770	25,446	29,770
Loan to a subsidiary	14	–	–	15,600	5,175
Club membership		189	189	189	189
Deferred tax assets	8	128	85	–	–
		1,203,073	1,256,409	1,203,698	1,255,193
Current assets					
Inventories	15	147,131	136,139	146,949	136,139
Finance lease receivable	11	743	–	–	–
Trade and other receivables	16	272,665	196,378	195,961	95,656
Loan to holding company	17	–	50,000	–	50,000
Prepayments		3,258	3,414	3,137	3,315
Derivative financial instruments	26	22,336	21,629	22,336	21,629
Cash and cash equivalents	18	332,504	128,166	313,354	115,826
		778,637	535,726	681,737	422,565
Current liabilities					
Trade and other payables	19	230,712	217,906	162,267	144,711
Derivative financial instruments	26	18,634	12,058	18,634	12,058
Interest-bearing loans and borrowings	20	–	27,000	–	–
Tax payable		646	646	646	646
		249,992	257,610	181,547	157,415
Net current assets		528,645	278,116	500,190	265,150
Non-current liabilities					
Interest-bearing loans and borrowings	20	404,334	400,184	399,134	398,459
Deferred tax liabilities	8	57,842	24,067	57,604	24,067
		462,176	424,251	456,738	422,526
Net assets		1,269,542	1,110,274	1,247,150	1,097,817
Capital and reserves attributable to equity holder of the Company					
Share capital	21	1,178,050	1,178,050	1,178,050	1,178,050
Accumulated profits/(losses)		80,962	(76,011)	65,483	(88,219)
Hedging reserve	22	3,617	7,986	3,617	7,986
		1,262,629	1,110,025	1,247,150	1,097,817
Minority interest		6,913	249	–	–
Total equity		1,269,542	1,110,274	1,247,150	1,097,817

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 2008

	Capital and reserves attributable to equity holder of the Company					Minority interest	Total equity
	Share capital (Note 21) S\$'000	Accu- mulated profits/ (losses) S\$'000	Hedging reserve (Note 22) S\$'000	Dividend reserve S\$'000	Total S\$'000		
Group							
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 (Note 27)	–	–	–	(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
At 1 April 2007	1,178,050	(76,011)	7,986	–	1,110,025	249	1,110,274
Net change in hedging reserve	–	–	(4,369)	–	(4,369)	–	(4,369)
Net profit for the year	–	156,973	–	–	156,973	(636)	156,337
Total income/(expenses) recognised for the year	–	156,973	(4,369)	–	152,604	(636)	151,968
Due to acquisition of a subsidiary	–	–	–	–	–	3,542	3,542
Acquisition of minority interest	–	–	–	–	–	2	2
Capital contribution from minority shareholders of subsidiaries	–	–	–	–	–	3,756	3,756
At 31 March 2008	1,178,050	80,962	3,617	–	1,262,629	6,913	1,269,542

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 2008

	Capital and reserves attributable to equity holder of the Company				
	Share capital (Note 21) S\$'000	Accumulated profits/ (losses) S\$'000	Hedging reserve (Note 22) S\$'000	Dividend reserve S\$'000	Total equity S\$'000
Company					
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 (Note 27)	–	–	–	(100,000)	(100,000)
At 31 March 2007	1,178,050	(88,219)	7,986	–	1,097,817
At 1 April 2007	1,178,050	(88,219)	7,986	–	1,097,817
Net change in hedging reserve	–	–	(4,369)	–	(4,369)
Net profit for the year	–	153,702	–	–	153,702
Total income/(expenses) recognised for the year	–	153,702	(4,369)	–	149,333
At 31 March 2008	1,178,050	65,483	3,617	–	1,247,150

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 2008

	2008 S\$'000	2007 S\$'000
Cash flows from operating activities		
Profit before tax	191,044	218,739
Adjustments for:		
Depreciation of property, plant and equipment	92,728	90,461
(Gain)/loss on disposal of property, plant and equipment	(19,176)	206
Interest income	(4,152)	(1,754)
Interest expense	18,407	20,306
Amortisation of bond discount and ancillary expenses	676	677
Allowance for inventory write-down	320	49
Loss/(gain) on derivative financial instruments	541	(416)
Non-current prepayments amortised to income statement	4,324	4,242
Goodwill written off	2	–
Operating cash flows before working capital changes	284,714	332,510
Increase in inventories	(11,312)	(12,022)
Increase in finance lease receivable	(743)	–
Decrease/(Increase) in prepayments	156	(105)
Increase in trade and other receivables	(26,201)	(11,525)
Increase in trade and other payables	13,585	28,482
Cash flows generated from operations	260,199	337,340
Interest received	4,125	1,735
Interest paid	(18,398)	(20,505)
Income tax received	–	1
Net cash flows from operating activities	245,926	318,571
Cash flows from investing activities		
Net cash outflow on acquisition of a subsidiary	(868)	–
Proceeds from disposal of property, plant and equipment	38,847	32
Purchase of property, plant and equipment	(52,548)	(73,696)
Increase in finance lease receivable	(6,950)	–
Net cash flows used in investing activities	(21,519)	(73,664)
Cash flows from financing activities		
Proceeds from bank loans	–	27,000
Repayment of loan to minority shareholder of a subsidiary	(300)	–
Repayment of bank loans	(27,000)	(156,000)
Capital contribution from minority shareholders of subsidiaries	3,756	250
Proceeds from loan from minority shareholder of a subsidiary	3,475	1,725
Net cash flows used in financing activities	(20,069)	(127,025)
Net increase in cash and cash equivalents	204,338	117,882
Cash and cash equivalents at beginning of year	128,166	10,284
Cash and cash equivalents at end of year (Note 18)	332,504	128,166

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

Notes to the financial statements

31 March 2008

1 Corporate information

Tuas Power Ltd (the “Company”) is a limited liability company, which is incorporated in the Republic of Singapore.

Up to 23 March 2008, Temasek Holdings (Private) Limited, which is incorporated in the Republic of Singapore, was the immediate and ultimate holding company.

On 24 March 2008, the Company was sold to SinoSing Power Pte Ltd, which is incorporated in the Republic of Singapore. On that same day, Temasek Holdings (Private) Limited ceased to be the immediate and ultimate holding company. SinoSing Power Pte Ltd became the immediate holding company and China Huaneng Group, which is incorporated in the People’s Republic of China, became the ultimate holding company.

Unless otherwise stated, related company balances in this Annual Financial Statements for the year ended 31 March 2007 and 31 March 2008 refer to companies within the Temasek Holdings (Private) Limited group and China Huaneng Group respectively.

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 12 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 2008
FRS 23	: Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 107	: Financial Instruments: Disclosures	1 January 2008
FRS 108	: Operating Segments	1 January 2009
INT FRS 112	: Service Concession Arrangements	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.

FRS 107, Financial Instruments: Disclosure

Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)

Notes to the financial statements

31 March 2008

2 Summary of significant accounting policies (continued)

2.2 FRS and INT FRS not yet effective (continued)

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 2008.

2.3 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 income statement.

2.4 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 income statement.

Notes to the financial statements

31 March 2008

2 Summary of significant accounting policies (continued)

2.5 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 income statement in the year the asset is derecognised.

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiaries at the date of acquisition.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

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 income statement 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 income statement. 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 2008

2 Summary of significant accounting policies (continued)

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 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 income statement. The accounting policy for derivative financial instruments is included in Note 2.20.

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.

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 income statement 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
- finance lease receivable
- trade and other receivables
- cash and cash equivalents

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

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 income statement.

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 income statement. 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.

Notes to the financial statements

31 March 2008

2 Summary of significant accounting policies (continued)

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 income statement 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 income statement when the liabilities are derecognised as well as through the amortisation process.

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 income statement.

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 income statement.

Notes to the financial statements

31 March 2008

2 Summary of significant accounting policies (continued)

2.15 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.

2.16 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.

2.17 Leases

a) As lessee

i) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

b) As lessor

i) Operating leases

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

ii) Finance leases

Leases where the Group, transfers substantially all risks and rewards incidental to ownership of the leased assets to the lessees are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet as finance lease receivable. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the income statement on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

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 Summary of significant accounting policies (continued)

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.

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 income statement for the year.

Notes to the financial statements

31 March 2008

2 Summary of significant accounting policies (continued)

2.20 Derivative financial instruments and hedging activities (continued)

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 income statement.

Amounts taken to hedging reserve are transferred to the income statement 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 income statement. 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 income statement.

3 Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make estimates, judgements, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

Notes to the financial statements

31 March 2008

3 Significant accounting estimates and judgements (continued)

3.1 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.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 30 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Group's and the Company's property, plant and equipment at 31 March 2008 were S\$1,165,673,000 (2007: S\$1,226,365,000) and S\$1,150,661,000 (2007: S\$1,218,809,000) respectively.

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 2008, the carrying amounts of deferred tax assets and deferred tax liabilities of the Group were S\$128,000 (2007: S\$85,000) and S\$57,842,000 (2007: S\$24,067,000) respectively. The carrying amounts of deferred tax liabilities of the Company was S\$57,604,000 (2007: S\$24,067,000).

4 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.

5 Staff costs

	Group		Company	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Salaries, allowances and bonuses	23,931	18,952	21,807	17,519
Central Provident Fund contributions	1,812	1,859	1,571	1,669
Others	813	1,063	754	1,013
	26,556	21,874	24,132	20,201

Notes to the financial statements

31 March 2008

6 Finance costs

	Group		Company	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Interest expense on:				
– loan from minority shareholder of a subsidiary	142	6	–	–
– bank loans	216	2,300	–	722
– 4.5% Unsecured Fixed Rate Notes	18,049	18,000	18,049	18,000
Amortisation of discount and ancillary expenses of Fixed Rate Notes	676	677	676	677
Other finance costs	366	341	366	341
	19,449	21,324	19,091	19,740

7 Profit before tax

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

	Group		Company	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Rental income	11,312	12,068	11,312	12,068
Interest income from:				
– banks	3,985	1,577	3,934	1,401
– subsidiaries	–	–	1,593	30
Directors' remuneration	(612)	(642)	(584)	(614)
Operating lease expenses	(488)	(589)	(431)	(531)
Foreign exchange loss*	(7,503)	(4,582)	(7,707)	(4,628)
Gain/(loss) on disposal of property, plant and equipment	19,176	(206)	18,474	(206)
Goodwill written off	(2)	–	–	–

* Foreign exchange differences arise on the settlement of monetary items or translating monetary items at the balance sheet date, regardless of whether the monetary items are hedged. Monetary items are initially recorded at exchange rates approximating those ruling at the transaction dates, and the difference between such exchange rates and the actual settlement rates/revaluation rates gives rise to foreign exchange differences. The Company hedges substantially its foreign currency exposure (see Note 25(d)).

Notes to the financial statements

31 March 2008

8 Tax expense

a) Major components of income tax expense

	Group		Company	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Income statements				
Current income tax				
– group tax relief	–	–	(449)	(695)
Deferred income tax				
– movements in temporary differences	35,300	40,399	34,640	39,789
– group tax relief	–	–	449	695
– reduction in tax rate	–	2,206	–	2,206
– over provision in prior years	(593)	(1,029)	(593)	(1,002)
	34,707	41,576	34,047	40,993
Statements of changes in equity				
Deferred income tax expense related to items (charged)/credited directly to equity				
– revaluation of derivatives to fair value	(959)	158	(959)	158

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 is as follows:

	Group		Company	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Profit before tax	191,044	218,739	187,749	215,407
Tax expense at statutory rate of 18% (2007: 18%)	34,388	39,373	33,795	38,773
Adjustments:				
Non-deductible expenses	1,045	1,026	845	1,016
Reduction in tax rate	–	2,206	–	2,206
Over provision in prior years	(593)	(1,029)	(593)	(1,002)
Unabsorbed capital allowances:				
– amount transferred to subsidiaries	–	–	449	695
– consideration receivable	–	–	(449)	(695)
Others	(133)	–	–	–
	34,707	41,576	34,047	40,993

Notes to the financial statements

31 March 2008

8 Tax expense (continued)

c) Deferred income tax

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

	Group				Company			
	Consolidated balance sheet		Consolidated income statement		Balance Sheet		Income statement	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Deferred tax assets								
Differences in depreciation	(776)	(20)	756	14,109	-	-	-	14,089
Others	904	105	(783)	5,783	-	-	-	5,888
	128	85			-	-		
Deferred tax liabilities								
Differences in depreciation	(59,359)	(42,639)	16,720	42,555	(59,108)	(42,639)	16,469	42,639
Revaluation of derivatives to fair value	(1,397)	(2,356)	-	-	(1,397)	(2,356)	-	-
Others	2,914	20,928	18,014	(20,871)	2,901	20,928	18,027	(20,928)
	(57,842)	(24,067)			(57,604)	(24,067)		
Deferred tax expense			34,707	41,576			34,496	41,688

Notes to the financial statements

31 March 2008

9 Property, plant and equipment

	Leasehold land S\$'000	Buildings/ structures S\$'000
Group		
Cost		
At 1.4.2006	122,278	236,197
Additions	–	64
Disposals	–	(1,484)
Reclassification	–	–
At 31.3.2007 and 1.4.2007	122,278	234,777
Additions	–	186
Disposals	–	–
Reclassification	–	–
Adjustment	–	–
At 31.3.2008	122,278	234,963
Accumulated depreciation and impairment losses		
At 1.4.2006	75,193	96,569
Charge for the year	2,523	6,708
Disposals	–	(1,320)
At 31.3.2007 and 1.4.2007	77,716	101,957
Charge for the year	2,522	6,668
Disposals	–	–
At 31.3.2008	80,238	108,625
Net carrying amount		
At 31.3.2007	44,562	132,820
At 31.3.2008	42,040	126,338
Company		
Cost		
At 1.4.2006	122,278	236,197
Additions	–	64
Disposals	–	(1,484)
Reclassification	–	–
At 31.3.2007 and 1.4.2007	122,278	234,777
Additions	–	186
Disposals	–	–
Reclassification	–	–
Adjustment	–	–
At 31.3.2008	122,278	234,963
Accumulated depreciation and impairment losses		
At 1.4.2006	75,193	96,569
Charge for the year	2,523	6,708
Disposals	–	(1,320)
At 31.3.2007 and 1.4.2007	77,716	101,957
Charge for the year	2,522	6,668
Disposals	–	–
At 31.3.2008	80,238	108,625
Net carrying amount		
At 31.3.2007	44,562	132,820
At 31.3.2008	42,040	126,338

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 (2007: S\$18,408,000).

Notes to the financial statements

31 March 2008

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
2,169,467	1,283	11,233	155	1,237	–	2,541,850
64,620	–	1,047	2	231	13,301	79,265
(576)	–	(61)	(37)	(131)	–	(2,289)
585	–	–	–	534	(1,119)	–
2,234,096	1,283	12,219	120	1,871	12,182	2,618,826
32,910	16	283	11	20	18,316	51,742
(34,948)	–	(162)	–	(2)	(7,049)	(42,161)
7,183	–	858	–	–	(8,041)	–
–	–	(15)	–	(20)	–	(35)
2,239,241	1,299	13,183	131	1,869	15,408	2,628,372
1,119,985	1,172	10,154	120	858	–	1,304,051
80,184	23	883	14	126	–	90,461
(512)	–	(61)	(37)	(121)	–	(2,051)
1,199,657	1,195	10,976	97	863	–	1,392,461
82,427	26	888	11	186	–	92,728
(22,326)	–	(162)	–	(2)	–	(22,490)
1,259,758	1,221	11,702	108	1,047	–	1,462,699
1,034,439	88	1,243	23	1,008	12,182	1,226,365
979,483	78	1,481	23	822	15,408	1,165,673
2,169,467	1,221	7,568	149	1,236	–	2,538,116
64,620	–	999	2	231	5,904	71,820
(576)	–	(61)	(37)	(131)	–	(2,289)
585	–	–	–	534	(1,119)	–
2,234,096	1,221	8,506	114	1,870	4,785	2,607,647
32,640	16	253	9	20	4,026	37,150
(34,948)	–	(151)	–	(2)	–	(35,101)
7,183	–	858	–	–	(8,041)	–
–	–	(15)	–	(20)	–	(35)
2,238,971	1,237	9,451	123	1,868	770	2,609,661
1,119,985	1,167	6,909	115	858	–	1,300,796
80,184	11	527	14	126	–	90,093
(512)	–	(61)	(37)	(121)	–	(2,051)
1,199,657	1,178	7,375	92	863	–	1,388,838
82,418	13	823	11	186	–	92,641
(22,326)	–	(151)	–	(2)	–	(22,479)
1,259,749	1,191	8,047	103	1,047	–	1,459,000
1,034,439	43	1,131	22	1,007	4,785	1,218,809
979,222	46	1,404	20	821	770	1,150,661

Notes to the financial statements

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10 Goodwill

This relates to goodwill arising from acquisition of a subsidiary, NewEarth Pte Ltd.

Acquisition of NewEarth Pte Ltd

In July 2007, the Group acquired 60% of the voting shares of NewEarth Pte Ltd ("NE"), which has a subsidiary, NewEarth Singapore Pte Ltd ("NES"). Both NE and NES (collectively, "NE group") are incorporated in Singapore. The principal activities of NE group are disclosed in Note 12.

The acquisition has been accounted for using the purchase method of accounting. The consolidated financial statements include the results of NE Group for the period from the acquisition date to 31 March 2008.

The fair value of the identifiable assets and liabilities of NE Group as at the date of acquisition were:

	Recognised on date of acquisition S\$'000	Carrying amount before combination S\$'000
Trade and other receivables	75	75
Cash and cash equivalent	9,132	9,132
	<u>9,207</u>	<u>9,207</u>
Trade and other payables	(52)	(52)
Loan from minority shareholders	(300)	(300)
	<u>(352)</u>	<u>(352)</u>
Net identifiable assets	8,855	8,855
Goodwill arising on acquisition	4,687	
	<u>13,542</u>	
Minority interests	<u>(3,542)</u>	
Total purchase consideration	<u>10,000</u>	
The effect of acquisition on cash flows is as follows:		
Consideration settled in cash	10,000	
Less: Cash and cash equivalent of subsidiary acquired	<u>(9,132)</u>	
Net cash outflow on acquisition	<u>868</u>	

Notes to the financial statements

31 March 2008

11 Finance lease receivable

Future minimum lease receivable under finance leases together with the present value of the net minimum lease receivable are as follows:

	Group	
	2008 S\$'000	2007 S\$'000
Minimum lease receivable:		
Not later than one year	747	–
Later than one year but not later than five years	2,987	–
Later than five years	7,280	–
Total minimum lease receivable	11,014	–
Less: Future finance income	(3,321)	–
Present value of minimum lease receivable	7,693	–
Less: Present value of finance lease receivables not later than one year	(743)	–
Non-current finance lease receivable	6,950	–
Present value of the finance lease receivable is analysed as follows:		
Not later than one year	743	–
Later than one year but not later than five years	2,522	–
Later than five years	4,428	–
Present value of minimum lease receivable	7,693	–

The Group has an agreement with a customer to supply utilities to this customer for a period of 15 years from a tri-generation plant which the Group operates and maintains. In accordance with INT FRS 104, *Determining Whether an Arrangement Contains a Lease*, this is a lease arrangement and based on the terms and conditions of the agreement, the lease arrangement is a finance lease in accordance with FRS 17 (Revised), *Leases*.

Lease receivables are apportioned between the finance lease income and reduction of the lease receivable so as to reflect a constant periodic rate of return on the Group's net investment on the finance lease. Finance lease income is recognised in the income statement.

Notes to the financial statements

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12 Investments in subsidiaries

	Company	
	2008 S\$'000	2007 S\$'000
Shares, at cost	11,802	1,250

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest	
			2008 %	2007 %
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	75
NewEarth Pte Ltd	Consultancy in waste recycling	Singapore	60	–
Held through NewEarth Pte Ltd				
NewEarth Singapore Pte Ltd	Industrial waste management and recycling	Singapore	43	–

* The cost of investment in Tuas Power Utilities Pte Ltd is S\$2 (2007: S\$2).

13 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	
	2008 S\$'000	2007 S\$'000
Balance at 1 April	29,770	33,308
Additions	–	704
	29,770	34,012
Amount amortised to the income statement	(4,324)	(4,242)
Balance at 31 March	25,446	29,770

Notes to the financial statements

31 March 2008

14 Loan to a subsidiary

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

15 Inventories

	Group		Company	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Fuel oil	108,719	92,813	108,719	92,813
Equipment spares	20,664	18,611	20,482	18,611
Diesel oil	17,037	23,964	17,037	23,964
Others	711	751	711	751
	147,131	136,139	146,949	136,139

Included in equipment spares is an allowance for inventory write-down of S\$23,845,000 (2007: S\$23,525,000) relating to certain electricity generation plant which the Group and the Company had recognised impairment losses.

16 Trade and other receivables

	Group		Company	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Trade receivables and accrued revenue	222,605	193,882	102,649	94,822
Allowance for doubtful receivables	–	–	–	–
Net receivables	222,605	193,882	102,649	94,822
Interest receivables	46	19	92	37
Deposits	9	8	8	8
Amounts due from:				
– related companies	–	2,463	–	447
– subsidiaries	–	–	1,524	336
– third party	50,000	–	50,000	–
Loan to a subsidiary	–	–	41,683	–
Recoverables	5	6	5	6
	272,665	196,378	195,961	95,656

Notes to the financial statements

31 March 2008

16 Trade and other receivables (continued)

Trade receivables are generally interest bearing. As at 31 March 2008, the following amounts are included in trade receivables for the Group:

- S\$46,000 (2007: S\$904,000) denominated in United States Dollars.

Loan to a subsidiary and amounts due from subsidiaries are generally unsecured and bear interest at 4.25% (2007: 4.25%) per annum.

Amount due from a third party is unsecured, non-interest bearing and callable on demand.

In the previous financial year, the amounts due from related companies were generally interest bearing and secured by cash deposits and bankers' guarantee.

17 Loan to holding company

During the financial year ended 31 March 2006, the Company gave a loan amounting to S\$150,000,000 to Temasek Holdings (Private) Limited. In the previous financial year, final dividends totalling S\$100,000,000 were offset against this loan. This loan was unsecured, non-interest bearing and callable on demand.

18 Cash and cash equivalents

	Group		Company	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Fixed deposits	304,841	114,651	304,785	109,600
Cash at banks and in hand	27,663	13,515	8,569	6,226
	332,504	128,166	313,354	115,826

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 1.83% (2007: 3.14%) and 1.83% (2007: 3.15%) per annum for the Group and the Company respectively.

Notes to the financial statements

31 March 2008

19 Trade and other payables

	Group		Company	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Trade payables and accrued expenses	210,245	185,907	152,102	130,236
Deposits and retention payables	13,850	21,802	4,000	6,420
Interest payables	6,165	6,156	6,164	6,115
Amounts due to related companies – trade	–	3,016	–	918
Amount due to a minority shareholder of a subsidiary	56	–	–	–
Other payables	396	1,025	1	1,022
	230,712	217,906	162,267	144,711

Trade and other payables are generally unsecured and non-interest bearing. As at 31 March 2008, the following amounts are included in trade payables for the Group:

- S\$1,840,000 (2007: S\$6,895,000) denominated in Japanese Yen.
- S\$12,000 (2007: S\$19,505,000) denominated in United States Dollars.
- S\$16,000 (2007: Nil) denominated in Sterling Pounds.

20 Interest-bearing loans and borrowings

	Group		Company	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Current:				
Unsecured bank loans	–	27,000	–	–
Non-current:				
– 4.5% Unsecured Fixed Rate Notes	399,134	398,459	399,134	398,459
– Loan from minority shareholder of a subsidiary	5,200	1,725	–	–
	404,334	400,184	399,134	398,459

Unsecured bank loans

In the previous financial year, these loans bore interest at rates ranging from 2.79% to 4.16% per annum. These loans matured within one year and had a weighted average effective interest rate of 3.78% and 3.71% per annum for the Group and the Company respectively.

Notes to the financial statements

31 March 2008

20 Interest-bearing loans and borrowings (continued)

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% (2007: 4.5%) per annum, which is payable every May and November. The average effective interest rate is 4.69% (2007: 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.

Subsequent to 31 March 2008, the Company has issued a notice of redemption pursuant to the conditions of the FRNs to redeem all of the FRNs on 30 May 2008.

Loan from minority shareholder of a subsidiary

This amount is unsecured, has no fixed terms of repayment and bears interest at 4.25% (2007: 4.25%) per annum.

21 Share capital

	Group and Company	
	2008 S\$'000	2007 S\$'000
Issued and fully paid:		
Balance at beginning and end of financial year – 1,178,050,000 (2007: 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.

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31 March 2008

22 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	
	2008 S\$'000	2007 S\$'000
At 1 April	7,986	6,384
Net change in the reserve	(4,369)	1,602
At 31 March	3,617	7,986
Net change in the reserve arises from:		
– net gain/(loss) on fair value changes during the year	101,108	(43,530)
– recognition in the income statement on occurrence of hedged transactions	(105,477)	45,132
	(4,369)	1,602

23 Commitments

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	
	2008 S\$'000	2007 S\$'000	2008 S\$'000	2007 S\$'000
Capital commitments in respect of plant and equipment	132,797	138,968	109,320	123,147

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	
	2008 S\$'000	2007 S\$'000
Not later than one year	488	488
Later than one year but not later than five years	367	855
	855	1,343

Notes to the financial statements

31 March 2008

23 Commitments (continued)

c) Other commitments

The Company has entered into the following purchase commitments:

- Purchase of 17.6 billion British Thermal Unit (“BBtu”) of natural gas per day from Gas Supply Pte Ltd.
- Purchase of 150 million standard cubic feet (or 157.5 BBtu) of natural gas per day from SembCorp Gas Pte Ltd.

24 Related party disclosures

a) Sale and purchase of assets, 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	
	2008	2007
	S\$'000	S\$'000
Related companies		
Sales	100,342	78,096
Purchases	1,247,752	1,037,885
Sale of assets	27,274	–

Related companies above refer to companies within the Temasek Holdings (Private) Limited group. There are no related party transactions with companies within the China Huaneng Group for financial year ended 31 March 2008.

b) Compensation of key management personnel

	Group	
	2008	2007
	S\$'000	S\$'000
Short-term employee benefits	6,727	2,673
Central Provident Fund contributions	343	198
Directors' remuneration	612	642
Total compensation paid to key management personnel	7,682	3,513
Comprise amounts paid to:		
– Directors	612	642
– Other key management personnel	7,070	2,871
	7,682	3,513

Notes to the financial statements

31 March 2008

25 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 2008

25 Financial risk management objectives and policies (continued)

d) Foreign currency risk

The foreign currency risk of the Company arises mainly from commitments for the purchase of fuel 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 in order to manage the exposure to the electricity price uncertainty.

26 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.

Finance lease receivables are carried at their fair values by discounting expected future cash flows at a rate approximating market incremental lending rate for similar types of leasing arrangements at balance sheet date.

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 2008

26 Financial instruments (continued)

a) Fair values (continued)

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	
	2008 S\$'000	2008 S\$'000	2007 S\$'000	2007 S\$'000
4.5% Unsecured Fixed Rate Notes (Note 20)	399,134	407,440	398,459	410,173

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		Fixed interest			Total S\$'000
	Within one year S\$'000	More than 5 years S\$'000	Within one year S\$'000	1 – 5 years S\$'000	More than 5 years S\$'000	
Group						
2008						
Finance lease receivable	–	–	743	2,522	4,428	7,693
Cash and cash equivalents	27,663	–	304,841	–	–	332,504
4.5% Unsecured Fixed Rate Notes	–	–	–	(399,134)	–	(399,134)
Loan from minority shareholder of a subsidiary	–	(5,200)	–	–	–	(5,200)
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)
Company						
2008						
Loan to subsidiaries	(41,683)	(15,600)	–	–	–	(57,283)
Cash and cash equivalents	8,569	–	304,785	–	–	313,354
4.5% Unsecured Fixed Rate Notes	–	–	–	(399,134)	–	(399,134)
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)

Notes to the financial statements

31 March 2008

26 Financial instruments (continued)

c) Derivative financial instruments and hedging activities

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

	Group and Company			
	2008		2007	
	Assets S\$'000	Liabilities S\$'000	Assets S\$'000	Liabilities S\$'000
Foreign currency contracts	–	11,322	–	7,891
Fuel contracts	22,336	7,312	21,629	4,167
	22,336	18,634	21,629	12,058

Cash flow hedges

As at 31 March 2008, the Company has entered into:

- 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 2008 and July 2010.
- 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 2008 and September 2009.

The above cash flow hedges were assessed to be highly effective and a fair value gain of S\$123,302,000 (2007: loss of S\$53,085,000), with a deferred tax of S\$22,194,000 (2007: credit of S\$9,555,000) relating to the hedge instruments, is included in hedging reserve (Note 22).

27 Dividends

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

- tax-exempt dividend at 0.005 cents per ordinary share totalling S\$60,000,
- dividend at 0.435 cents per ordinary share less 20% tax totalling S\$4,101,000, and
- 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.

28 Authorisation of financial statements

The financial statements for the financial year ended 31 March 2008 were authorised for issue in accordance with a resolution of the directors on 15 May 2008.

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