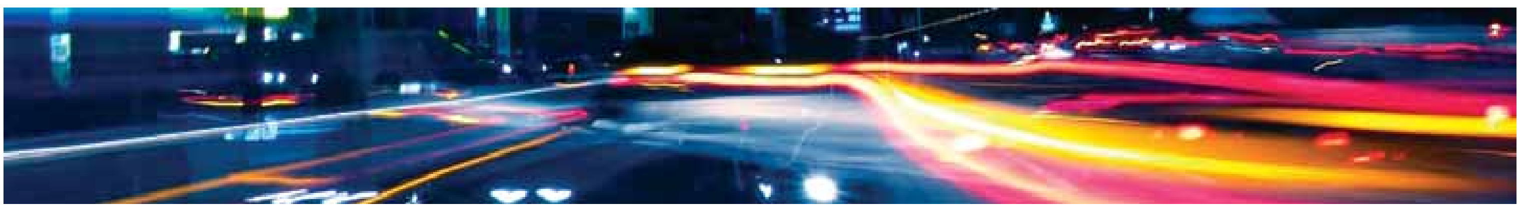
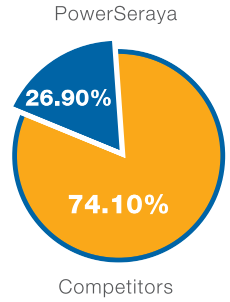
POWER
SERAYA

POWERSERAYA GROUP ANNUAL REPORT 2007/08

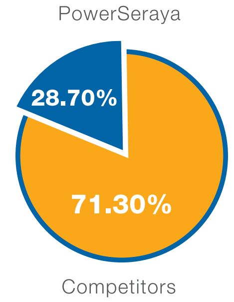


ENERGY FOR LIFE

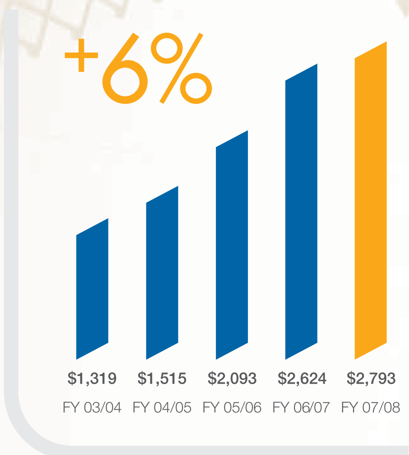
Market Share Generation



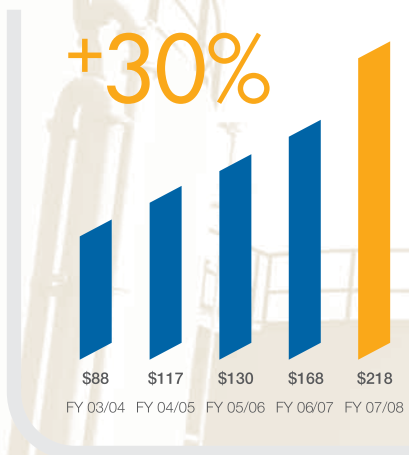
Market Share Retail Contestable Switched Load



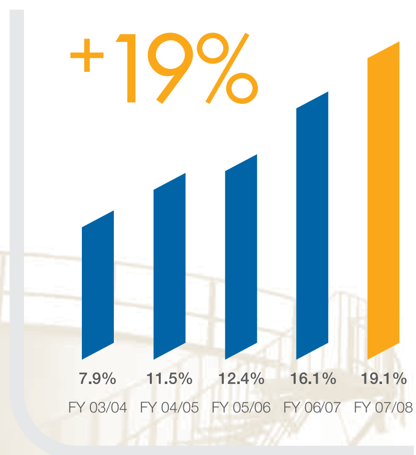
Revenue (S$mil)



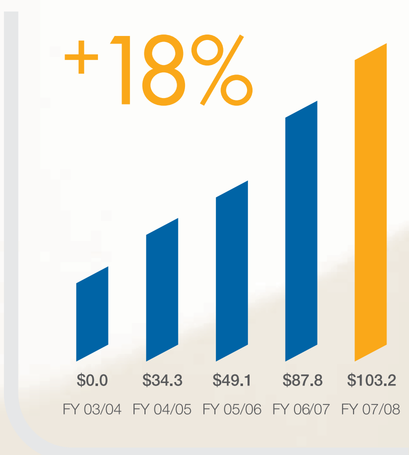
Net Profit After Tax (S$mil)



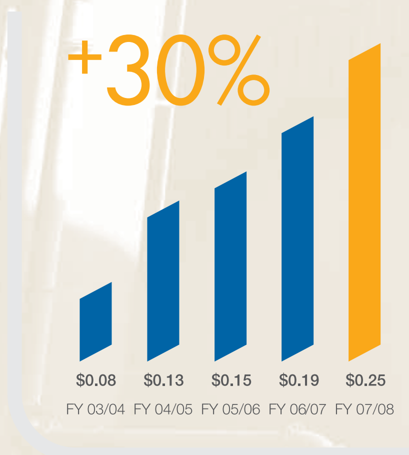
Return On Equity (%)



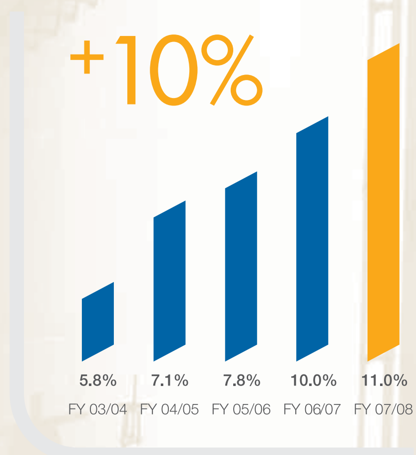
Economic Value Added (S$mil)



Earnings Per Share (S$)



Return On Assets (%)



+ Represents FY 07/08 percent increase over FY 06/07.

POWERSERAYA GROUP

PowerSeraya is in the business of producing, wholesaling, trading and retailing of Energy; with a primary focus on Electricity. With its strategic location in Jurong Island and its excellent infrastructure, the Company is expanding and moving into the Integrated Energy Business which includes sale of steam and water, and physical oil trading and storage.

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POWERSERAYA FINANCIAL FIGURES

$2.8 billion

Revenue (S$mil)	$2,793	▲	6%
Earnings Per Share (S$)	$0.25	▲	30%
Net Profit After Tax (S$mil)	$218	▲	30%
Economic Value Added (S$mil)	$103	▲	18%

"Looking ahead, the challenges for the Group lie in improving its access and reach to a diversified range of fuels. These will not only take skill, but will require the Group to have the adequate scale and strength to compete with the growing number of national resource companies which control the basic fuel commodities."

CHAIRMAN'S MESSAGE

A SIGNIFICANT YEAR

I am happy to report that the PowerSeraya Group has gone from strength to strength over the past few years and this last fiscal year is no different. It has competed well in its chosen markets and successfully implemented new business strategies to diversify the earnings base without detracting from the core energy business.

Revenue growth, though lower than last year, has slightly exceeded electricity demand growth, at around 6%, showing a degree of healthy consolidation in the business. As such, revenue now stands at $2.8 billion. But what has been more significant is an improvement in the overall quality of the earnings. NPAT was $218 million, up 30% on last year's $168 million. Return on Equity for both the Regulated and Non-Regulated business portfolio was 19%. Economic Value Added went up by 18% to $103 million. Over the last 5 years, Group Revenue and NPAT have grown in tandem at a compound rate exceeding 20% per annum.

A SUSTAINABLE ENERGY FUTURE

Energy and in particular Electricity, plays an important role in Singapore's modern economy and in setting living standards. For this reason, the theme of the PowerSeraya Group's Annual Report is "Energy For Life".

Against a backdrop of rising oil prices, the era of "cheap" Energy may be coming to an end. As a company, we are mindful of the unprecedented high costs of oil and gas, the key inputs to the production of Electricity and the need to reduce carbon emissions. Until sustainable solutions can be found, energy options for a resource-constrained Singapore and indeed for the PowerSeraya Group will remain limited to fossil-based fuels in the short to medium-term.

In response to these challenges, the Group has adopted an integrated energy strategy which will incorporate:

1. A Multi-Fuel approach with increasing emphasis on Gas. This will further lower our present Carbon emissions by approximately 10% from 2010.
2. The use of poly-generation processes to expand overall efficiencies from 50% towards 80%.
3. The integration of renewable resources into our processes, such as becoming self-sufficient in water through SeaWater Reverse Osmosis Desalination.
4. Intensification of efforts in waste recycling and the recovery of useful products from waste.
5. Trading capabilities which will strengthen our access to and build upon our purchasing power in important fuel markets.

BUILDING MOMENTUM

In the face of rising oil and gas prices, the Group continues to build on its growth momentum and earnings diversification, especially in the non-regulated trading business areas, which are complementary to our core Utility business. Last year saw the incorporation of PetroSeraya as a subsidiary company. PetroSeraya manages all the fuel inputs for Utilities, as well as to trade within closely monitored parameters on its own behalf. In its maiden year, PetroSeraya made a good contribution to the Group's top and bottom lines and by early indications, it looks set to do so again this year.

NEW INVESTMENTS

Following our decision last year to invest $800 million in new clean-burning Co-Generation capacity and to decommission a similar amount of less efficient steam capacity, our focus has moved towards improving fuel access and flexibility. To this end, we have committed $50 million of capital expenditure to improve the Gas reception facilities for our Utility operations and prepare ourselves for the opening of the Gas Market later this year. A further $20 million has been committed to upgrade our Oil Storage facilities, with the addition of 25,000 tonnes of new blending tanks. This will give PetroSeraya the capability and flexibility to increase our fuel oil range in the future and meet the needs of our growing customer base in the marine bunkers market. Our expectation is that these investments will improve the integration of the new trading businesses with the existing Utilities business, and lead to better margins and improved competitiveness in the markets in which the Group operates.

CO-GENERATION DEVELOPMENT

Work on the New Co-Generation plant started in November last year and the conversion of the existing Combined Cycle plant to Co-Generation began in March 2008. Both projects are making good progress, being on schedule and within budget for their respective contractual commitments. An excellent financing package of $450 million has been secured for the project – a combination of a $400 million term and a $50 million revolving credit facility with reputable banks.

A 10-year service and maintenance agreement has also been established for the new Co-Generation plant with Siemens at an approximate cost of $250 million. Once the Co-Generation facilities are integrated with our newly commissioned Desalination plant, they will form a platform for the Group's operations to become the first Combined Heat Water and Power Player in the region.

NEW GAS MARKET AND LNG

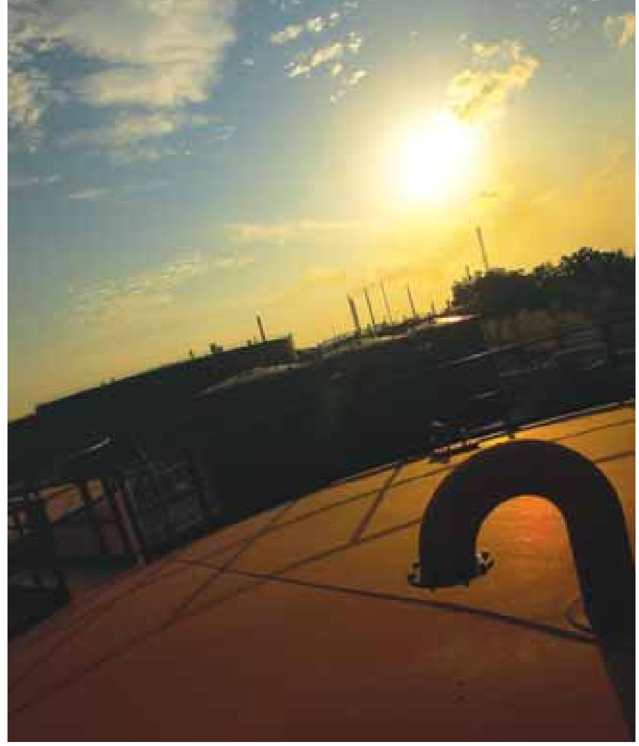
The opening of the Singapore Gas Market has been delayed by the Regulator until the second half of this year, when it will be system-ready. The PowerSeraya Group has obtained its Gas Shipping License and looks forward to the part it can play both as an End User and a Trader in the future. We will have a significant demand for Gas from 2012 onwards, which will exceed our present pipe supply by at least 25%. It is therefore likely that we will be a significant purchaser of LNG from the Government's appointed Aggregator. Such a commitment would entail a multi-billion dollar transaction over a 20-year period and will require a strong balance sheet to fund the transaction. For this reason, the Board is pursuing a growth and diversification strategy so that the Group can eventually stand on its own in dealing with large national resource companies for its fuel requirements.

ENVIRONMENT

While it remains to be seen if a carbon management system will be adopted in Singapore, the Group is already taking steps to lower our carbon footprint and the impact our operations have on the environment. We have made significant progress in several areas. In the past, we have invested in emissions control equipment and other similar enhancements. We now intend to increase the use of cleaner energy sources and explore the adoption of renewable energy technologies to lower our overall carbon footprint as part of our commitment towards a sustainable future. With the backing of NEA, we are in the final stages of applying for Carbon Credits under the Kyoto Protocol Clean Development Mechanism (CDM), based on carbon emission reductions which we expect to obtain from our technology replacement programme. If successful, these credits will form a new stream of revenue for the Group.

BUILDING ON OUR SUCCESS

Looking ahead, the challenges for the Group lie in improving its access and reach to a diversified range of fuels. These will not only take skill, but will require the Group to have the adequate scale and strength to compete with the growing number of national resource companies which control the basic fuel commodities. While plans are in place to build the scale required to compete in the global marketplace, these will take time to effect. Moreover, our shareholder, Temasek Holdings, has initiated a process to sell the Group at an appropriate time. A new shareholder may be a further avenue for addressing these challenges and give the Group the critical mass and reach it deserves. I know the staff, management and the Board are excited by the Group's future prospects and the need to create value in everything we do.

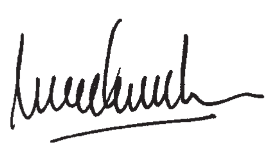


As our shareholders pursue a divestment process for the company, we will continue to focus on the development and expansion of our business and delivering value to our stakeholders. Business prospects for the company remain excellent and will continue to depend on the wealth of our talent built up over the years. With people as our most important asset, we are committed to the continued development of our employees to forge a strong team, so that we can collectively pursue common goals in new and exciting ways.

With that, I extend my deepest appreciation to our Board of Directors for the wealth of experience they bring to the table. Also, to the Union of Power and Gas Employees (UPAGE), who have worked with us to build on productivity and initiate employment reforms that have resulted in a new three year collective agreement. My sincere thanks go to an industrious Senior Management Team in having the courage to take on new challenges during the year. Undoubtedly, this has led to improved prospects for the Group.

To our business partners, vendors and, most of all, to our dedicated employees, I extend my appreciation to you all, for being part of the PowerSeraya Group's track record and ongoing success.

It is my pleasure to present the PowerSeraya Group's Annual Report and audited accounts for the year ended 31st March 2008.



Tan Yam Pin
Chairman

MANAGING DIRECTOR'S MESSAGE

SUSTAINABILITY: SEEING THE BIG PICTURE

Energy is the cornerstone of our way of life. It depicts living standards and is the backbone of all forms of commerce. As an Energy Company, PowerSeraya recognises that the commercial and social agenda has changed in an increasingly resource-constrained world to reflect the key concerns of Environmental Protection, Energy Cost and Security. This saw an emerging trend around the world for Renewable Energy sources to replace or complement the more traditional Fossil-based forms of Electricity Supply. Similarly, Singapore's energy industry has switched from Fossils to Gas, with 80% of electricity coming from this fuel. In line with the Government's plans to introduce LNG (Liquefied Natural Gas) in 2012, PowerSeraya will also be looking to secure LNG as part of its fuel portfolio for the future.

However, the increasing trend towards Gas and Renewables does not totally rule out the unconventional use of the more carbon-intensive fuels. Firstly, such fuel switches in a highly capital-intensive industry do not happen overnight and do not come cheap. Secondly, there are options to diversify our energy mix and lower our carbon intensity over time, especially if emissions meet thresholds using advanced processes or scrubbing methods. PowerSeraya is already incorporating forms of this technology to reduce our carbon footprint.

We are also in the advanced stages of applying for carbon credits for the new Co-Generation Combined Cycle Plant (CCP), which if successful, will form the basis of a carbon trading platform for the company.

As a responsible company, we are incorporating more sustainable development initiatives in our forward plan, which have the following market-based features:

1. Convert existing assets to become polygenerators (Co-gen, Tri-gen etc)
2. Design new fuels through blending and/or conversion
3. Adopt new renewable technologies as intermediate steps in current processes

While the PowerSeraya Group is pursuing these options for sustainable development and the affordable provision of energy services to our customers, it is a move that requires a strong business model and equally strong cash flows from which to support it. This is why we have pursued, with good success, a diversified trading model, which builds upon our core energy business and delivers value to meet the needs of our shareholders. Our people, who hold the ability to shape the company's future, have played a fundamental role in this growth strategy to create a sustainable business. And that translates into "Energy for Life"…and "Energy is Life".

DRIVING PERFORMANCE

In line with the past five years, the PowerSeraya Group has continued its positive growth path and exceeded targets for the year in review. This set of results caps off an average of 28% CAGR across all metrics, an outstanding performance all round as the company consolidates its position as a leader in the markets in which it trades or operates.

Our results show remarkable resilience in the face of increasing competition and input costs. Topline revenue growth was in line with general demand growth at 6%, up from $2.6 billion the previous year to $2.8 billion for the year in review. In stark contrast however, the quality of our earnings improved by 30% year on year with Net Profit After Tax (NPAT) expanding from $168 million to $218 million. Return on Equity and Return on Total Assets were also equally impressive at 19% and 11% respectively.

These outstanding results reflect the unique expertise and innovative work of the PowerSeraya Senior Management and Staff. It is clear that our strategy of diversifying and growing the company through a trading business model has been successful in delivering value over the last five years and should also hold us in good stead for the next five. However, a fast-paced business environment calls for the ability to adapt to change. For this reason, the Board and Management have put in place a new strategic plan to anticipate future changes in the business climate. As such, our outlook in the face of ownership changes and the emergence of new competitors remains positive as we continue to drive performance forward.

EXTENDING OUR REACH

Our strategy of pursuing growth in the new non-regulated industries such as Trading and Oil Storage has achieved impressive results. PetroSeraya has performed well above projected figures, and has helped the Group reduce its exposure from the Generation business and create additional revenue streams. The policy of building complementary businesses around our core continues to exceed growth expectations and has placed PowerSeraya in an enviable position for the future. We will continue to expand our efforts in these areas as we become a fully-integrated energy company.

The year in review saw every area of the company attain impressive results. Utilities, Wholesale, Retail and Trading are all positioned strongly. The coming year will be a period of execution for PowerSeraya. With an aim to maximise shareholder value, the Group is strengthening its footing in all areas of the business and we look forward to continuing this trend.

STRENGTHENING OUR POSITION

In light of rising global fuel prices, the potential US recession and other external factors, our strategy to defend market position and maximise margins to attain our financial targets was fundamental to PowerSeraya's strong showing in FY 07/08.

Despite the entry of new players in the regulated energy market in Singapore and the roll-back of vesting levels, our strategy to intentionally increase our market share to buffer any potential loss in retail load was a success.

Since a major restructuring last year, PowerSeraya is now comprised of four operational divisions: Utilities, Energy Markets, Oil Trading, and Retail. The move from a single to a multi-commodity company is the key to our continuing success and growth.

TRANSFORMATION

The business re-alignment has allowed PowerSeraya to supply additional services to more customers. Leveraging on our excellent location on Jurong Island, Singapore's Petrochemical Hub, the Group has been able to supply complementary utilities services such as steam and water through our core business of power generation.

These developments were made possible by our investment in a new S$800 million dollar 800MW Co-Generation CCP. The investment not only propels PowerSeraya into the steam supply industry, but is also a key step in our vision to become an Integrated Energy Company of the Future.

Our new Seawater Reverse Osmosis (SWRO) Desalination Plant, which was opened in January 2008, has also set new standards in efficiency by being the world's first to use a 16-inch (400mm) large diameter membrane. In recognition, the PowerSeraya SWRO plant received a distinction award for 'Desalination Plant of the Year' under the Global Water Awards 2008.

Investing in technologies that incorporate environmentally-conscious processes and at the same time provide additional revenue avenues, is key to PowerSeraya's 'renewable strategy' for future growth. In particular, water sales will become one of the three core components of PowerSeraya's highly efficient Combined Heat Water and Power (CHWP) sales in the future. As such, the SWRO Plant places the company in an ever stronger position to offer competitive energy bundles through our retail arm, Seraya Energy.

As an Integrated Energy Company, PowerSeraya offers a holistic approach to doing business – one that is sustainable, environmentally responsible, and geared for growth.

PETROSERAYA

The Group's move to launch a new physical oil trading company, PetroSeraya Pte Ltd, in April 2007, has provided the company with more flexibility to seize market opportunities and improve the utilisation of our existing assets. As a result of the direct sourcing of fuel, we have been able to reduce our core business costs.

In its first year of trading, PetroSeraya has performed well above expectations exceeding all its targets. Total revenue was S$221 million, while Net Profit after Tax (NPAT) was S$5.4 million. The Total Volume of Transactions was 8.3% above target at 650,000 MT.

Going forward, PetroSeraya will continue to support the core business through adept procurement and management of fuel.

WORLD CLASS SERVICE

Seraya Energy has enjoyed an exceptional year. Its Net Profit After Tax registered a higher growth rate of 68% to reach S$11.7 million. Being the market leader with the largest market share among private retailers in Singapore in 2007, Seraya Energy also made it to the list as one of Singapore's 50 Fastest Growing Companies. Its impressive performance was also recognised with a number of service awards, which is a testament to the dedication and exceptional skills of our retail staff.

With tougher competition within our core business, the team at Seraya Energy is more than aware of the need to consistently deliver superior value and enable our customers to achieve greater success. By working in partnership with our customers, Seraya Energy is constantly evolving its services to meet the needs of our customers. We aim to develop stronger capabilities in all aspects of the business to live up to our tagline of 'Energy for Success.'

GREEN REPORTING

PowerSeraya has embarked on a roadmap that aims to find more innovative solutions to meet rising energy demand while alleviating the effect we have on our environment. As an ISO 14001 certified organisation, we take a holistic approach towards our commitment to the environment and has delivered on a number of environmental initiatives at its plant operations.

While our carbon dioxide emissions have fallen by 30% over the last 10 years, the establishment of our new Plants will further enhance these achievements. The company is also playing a part in its contribution towards achieving the Singapore Green Plan 2012 by seeking to improve air quality and energy efficiency, lower carbon intensity and attain water sufficiency.

To support our strategy of becoming one of Singapore's progressive and socially responsible companies, we have also launched a number of environmental awareness programmes among our staff and continued working in the community to highlight green initiatives.

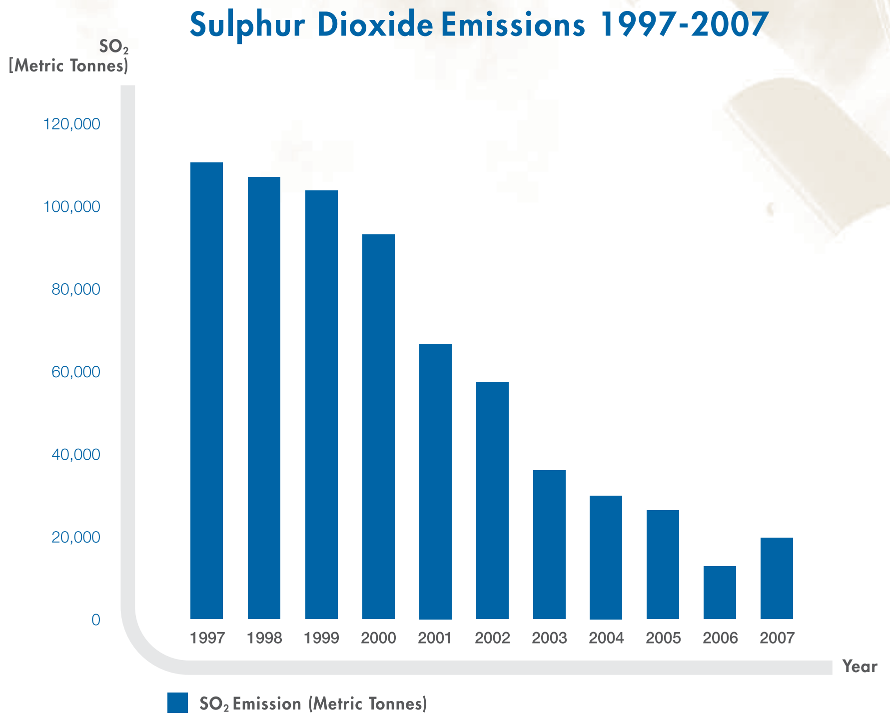
Air Emission Levels

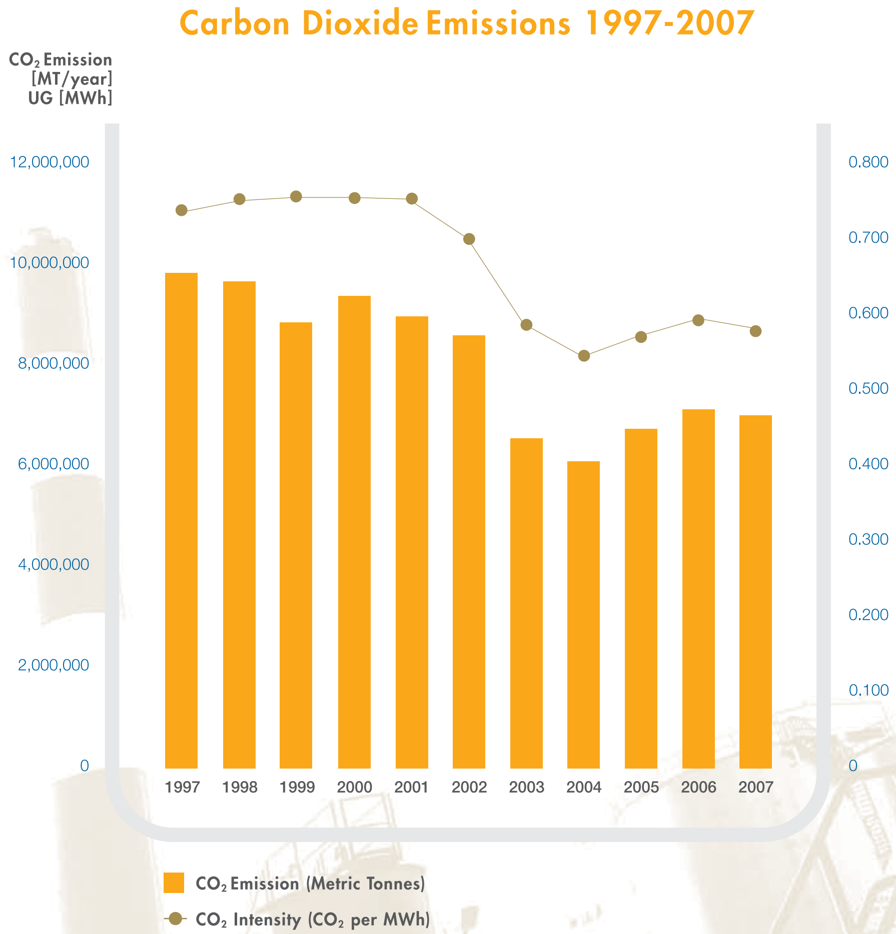
Air emissions like nitrogen dioxide, carbon monoxide and particulate matter levels were within the National Environment Agency (NEA) limits. Sulphur dioxide emissions, on the other hand, increased by 50% over the previous year. This was caused mainly by the shutting down of the Flue Gas Desulphurisation plant over two months for the end-of-warranty inspection.

Climate Change Action

Carbon dioxide emissions, an indicator of global warming, was down 0.5% compared to the previous year. This was achieved on the back of an overall increase in the energy efficiency of our plants by 0.7% over the previous year. The overall plant also saw a reduction in carbon dioxide intensity to 0.585 tonnes per MWh generated for 2007.

In a further commitment towards fighting climate change, the company's investment into the 800MW Co-Generation CCP will result in a higher proportion of electricity being generated from cleaner fuel sources and at a higher thermal efficiency. This will lead to a 10% overall reduction in carbon dioxide from current levels when the plant is operational in 2010. PowerSeraya is also in the process of obtaining approval for carbon credits from the new 800MW Co-Generation CCP via the Clean Development Mechanism (CDM) under the Kyoto Protocol. Besides setting another milestone for PowerSeraya, this will also be the first large-scale CDM project of its kind to be constructed in Singapore, thereby becoming a leading example on climate change action in the energy industry.


Sulphur Dioxide Emissions 1997-2007
SO2
[Metric Tonnes]
120,000
100,000
80,000
60,000
40,000
20,000
0
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Year
SO2 Emission (Metric Tonnes)


Carbon Dioxide Emissions 1997-2007
CO2 Emission
[MT/year]
UG [MWh]
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
0.800
0.700
0.600
0.500
0.400
0.300
0.200
0.100
0
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
CO2 Emission (Metric Tonnes)
CO2 Intensity (CO2 per MWh)

Energy Efficient, Desalinated Water

Besides contributing towards the Singapore Green Plan 2012 by helping to increase Singapore's water supply from non-conventional sources, our new SWRO desalination plant has scored the world's first to use 16-inch reverse osmosis elements. The desalination plant, which has an energy efficiency higher than most conventional plants that run on 8-inch reverse osmosis elements, is able to meet not only the water demands of the power generating plant but also provide potential opportunities for the sale of potable water and steam to customers in the future.

Responsible Waste Management

All ash and sludge produced from the plant operations are collected and treated before they are sent to the Pulau Semakau landfill. The company also practices responsible waste management activities such as the treatment of trade effluent within agreed NEA limits and the conversion of hazardous boiler slag into non-hazardous form. In alignment with the Singapore Green Plan 2012 aim of increasing the recycling rate in Singapore, scrap metals are recovered from overhaul activities at the plant. Sulphur dioxide as a waste emission is recycled to produce gypsum via a chemical process using limestone.

SEIZING NEW OPPORTUNITIES

Since the liberalisation of the Electricity Market in 2001, PowerSeraya has remained ahead of its competitors. The company continues to perform strongly in this sector. With the new gas market schedule due to go live in the second half of 2008, PowerSeraya's recently awarded Gas Shipper License puts us in a strong position to take full advantage of the opportunities the new sector will yield. We will also be exploring the possibility of expanding into wholesale gas supply and trading in the future. With the appointment of the Liquefied Natural Gas (LNG) Aggregator by EMA on 18 April 2008, PowerSeraya will be able to further diversify the energy source for power generation, and obtain a more balanced gas portfolio.

PEOPLE POWER

PowerSeraya's unique selling point is, and has always been, its staff. The company's competitive edge comes from having the right people working to transform PowerSeraya into a business of the future. Our team's ability to plan ahead and formulate strategies and ideas has kept PowerSeraya at the forefront of our industry.

To this end, we continue to invest extensively in the training and development of our staff. Having attained the OHSAS 18001 Occupational Health and Safety Assessment in 2007 also demonstrates our continued commitment to work place safety and ensures that the highest standards and practices are maintained at all times within the company.

Strong partnerships continue to be forged between PowerSeraya and the Union of Power and Gas Employees. In particular, the signing of a new Collective Agreement (CA) in August 2007 reiterates both PowerSeraya and UPAGE's commitment to protect employees, even with the impending sale of generation companies.

As a tribute to the late Mr. A. Nithiah Nandan, former Executive Secretary of UPAGE, we also launched an annual 'Nithiah Nandan Book Prize' in March 2008. This Book Prize is made available to our staff's children who demonstrate leadership skills and performance excellence in selected areas including community involvement.

I have no doubt that the coming year will present many challenges for the company, particularly with the impending sale of the company. Business prospects are still very strong, but we cannot expect the same phenomenal rates of growth as we have seen to date. The next year will be a time of executing our plan to become the Leading Integrated Energy Company in Singapore. The PowerSeraya team has the ability and drive to achieve this vision as we continue to deliver value for our customers and stakeholders.

WORDS OF APPRECIATION

I would like to express my deepest gratitude to those who continue to play a role in our success: our major shareholder Temasek Holdings, Board of Directors, Senior Management Team, our customers, business partners, and particularly UPAGE. To the PowerSeraya staff at every level of our organisation, I would like to offer my heartfelt thanks. It is you that gives us the competitive edge in every aspect of our industry, and I am proud to work with such a dedicated and able team.

The huge challenges and opportunities that lie ahead are the building blocks for our future success. The Management team looks forward to seeing PowerSeraya achieve its goal of building an Integrated Energy Platform in Singapore as well as the region in future.

I am confident that with your continued support and trust, PowerSeraya will not only realise its vision but also exceed all our expectations to become a leading light in the industry.

NMcGregor

Neil Garry McGregor
Managing Director

THE ENERGY GENERATION

We power Singapore with sustainable and innovative energy solutions to create a cleaner and greener environment for us all.

BOARD OF DIRECTORS

01. MR TAN YAM PIN is the Chairman of the PowerSeraya Board of Directors, an appointment held since 1 April 2004, as well as Chairman of the subsidiary company, Seraya Energy Pte Limited. A Chartered Accountant by training, he has been a Member of the Public Service Commission of Singapore since 1990. Presently, he is also the Chairman of Singapore Food Industries Limited. His other appointments include Directorships in BlueScope Steel Ltd (Australia), Keppel Land Limited, Singapore Post Limited, Great Eastern Holdings Limited and Certis Cisco Security Pte Limited. Mr. Tan holds an Economics (Hons) degree from the University of Singapore and an MBA from the University of British Columbia, Canada.

02. MR BOB TAN BENG HAI has been on the Board since January 2001. He is a Fellow of the Institute of Chartered Accountants in England and Wales. In addition, he is Chairman of Jurong Engineering Ltd and the Institute of Technical Education. He is also Vice President of the Singapore National Employers Federation and Hon Deputy Treasurer of the Singapore Business Federation. Mr. Tan also serves as Director on SMRT Corporation Ltd and on various boards, and is Co-Chair of the Tripartite Alliance for Fair Employment Practices.

03. MR PETER SIM SWEE YAM, PBM, joined PowerSeraya on 1 July 2005 as an independent director. An advocate and solicitor by profession with more than 27 years of legal experience, he is also director of his own law firm, Sim & Wong LLC. In addition to company directorships in Gravitas Alliance International Pte Ltd and Infinity Capital Partners (S) Pte Ltd, he is also an Independent Director of public-listed companies, namely British and Malayan Trustees Ltd, Lum Chang Holdings Ltd and Pacific Healthcare Holdings Ltd. Mr. Sim graduated with a degree in law in 1980 from the National University of Singapore (then known as the University of Singapore).

04. MR KOH KIM WAH joined the Board of Directors in October 2005. He has held several senior posts in the BP Group of Companies including President/Country Head, Singapore; Retail Director for BP Oil, Southeast Asia and Chairman/ CEO BP (Thailand). Mr. Koh is a Member of the Citizenship Committee of Inquiry, Ministry of Home Affairs, and he presently sits on the Board of Hiap Seng Engineering Limited and Smarttpapers International Pte Limited. He is also a Board Member of the Safety and Operations Committee of the Public Utilities Board. A graduate from the University of Canterbury with a Chemical Engineering degree, he subsequently attended the Harvard Business School Advanced Management Programme.

05. MR LAM CHUAN LEONG joined the PowerSeraya Board in January 2001. Currently an Ambassador-at-Large with the Ministry of Foreign Affairs, he is also the Chairman of the Competition Commission of Singapore, as well as the Governing Board of the Centre of Quantum Technologies. Mr. Lam brings to the PowerSeraya Board his vast experience in the Singapore Civil Service, where he has held key appointments in various Ministries (including Trade & Industry, National Development, then Environment, Finance and Communications and Information). Mr. Lam has also served on the Boards of several Singapore companies. A First Class Honours graduate in Physics from the University of Singapore, he also holds an MBA from Harvard Business School.

06. MR TAN EK KIA joined the PowerSeraya Board in February 2007. With a career in the oil, gas and petrochemicals industry spanning 33 years, Mr. Tan has held several key appointments in the Shell Group including the position of Chairman of the Shell Companies of North East Asia, and Managing Director of Shell Malaysia Exploration and Production. Mr. Tan also currently serves on the Boards of several Singapore companies, which include Interglobal Offshore Pte Ltd and Orchard Energy Pte Ltd. He holds several professional memberships, including being a Fellow at the Institute of Engineers (Malaysia), a Member of the Institute of Mechanical Engineers, UK and a Chartered Engineer, UK. Mr. Tan is a First Class Honours graduate from the Mechanical Engineering Faculty of Nottingham University, England.

07. MR NEIL GARRY MCGREGOR joined PowerSeraya Limited as its Managing Director on 1 February 2004. His experience is in both regulated and deregulated markets and until his appointment, he held a seat on the Singapore Stock Exchange trading international indexes and managing portfolio risk. Mr. McGregor has held several senior international positions, including Directorships, in the Energy sector in Singapore, India, New Zealand and Germany. Mr. McGregor currently sits on the Board of the Energy Studies Institute, a government research think tank involved in formulating Singapore's National Energy policies. Originally from New Zealand, Mr. McGregor holds a Bachelor of Civil Engineering (Hons) degree from University of Auckland, an MBA in International Finance from the University of Otago, and recently completed the AMP at INSEAD France. He is also a fellow of Singapore Institute of Directors.

SENIOR MANAGEMENT TEAM

01.	Mr Neil Garry McGregor	Managing Director
02.	Mr Koh Chiap Khiong	Chief Financial Officer - Corporate Finance
03.	Mr Chan Swee Huat	Senior Vice President - Trading & Fuel Management
04.	Mr John Ng Peng Wah	Senior Vice President - Retail & Regulation
05.	Mr Quek Khai Hor	Senior Vice President - Utilities
06.	Mr Dil Devaser	Vice President - Planning & Development
07.	Mr Bernard Lee Chow Kee	Vice President - Process & Innovation
08.	Mr Low Boon Tong	Vice President - Energy Markets
09.	Mrs Retnam Pui Yim	Vice President - Corporate Services

"Our partnership with PowerSeraya provides a direct link between fuel oil producer and end-user, thereby minimising costs and bringing the best value for both companies. We are extremely happy with our commercial relationship with PowerSeraya and intend to continue improving the development of businesses with this excellent partner."

Emerson Deo
Trading Manager
Petrobras

"Sushi Tei's relationship with Seraya Energy has been a rewarding one, benefiting our business in many different ways. We look forward to our on-going relationship with Seraya Energy, and hope it will continue to provide us with competitive rates and first-class customer service."

Janice Lee
Finance & Admin Manager
Sushi Tei Pte Ltd

ENERGY BONDS

PowerSeraya's expertise in global energy markets guarantees a reliable and quality source of energy for Singapore.

April 2007
Launch of PetroSeraya Pte Ltd
The move into physical oil trading by PowerSeraya was marked by the establishment of PetroSeraya Pte Ltd. The new trading arm acts as a subsidiary company to strengthen the Company's fuel security and address market volatility associated with oil price fluctuations. PetroSeraya aims to optimise and lower our Company's fuel oil purchasing cost and to maximise our existing fuel management assets.

June 2007
Seraya Energy in Singapore's 50 Fastest Growing Companies – Again!
Seraya Energy was awarded the 'Fastest-Growing 50 Certification' for the second year running in 2007. Ranked in 22nd position among some of Singapore's most prestigious and well-known companies, Seraya Energy has continued to grow and develop despite the entry of new competitors into the industry. This latest award recognises companies with outstanding achievements for continuous and sustained corporate growth based on the company's three-year compound annual growth rate in turnover.

August 2007
Multi-Million Dollar Investment in New Co-Gen Plant Announced
On 22 August, PowerSeraya announced plans to invest S$800 million in a new 800 MW natural gas-fired Co-Generation Combined Cycle Plant. The new plant is expected to be completed by FY 2009/2010. PowerSeraya also announced a landmark 15-year deal with the Petrochemical Corporation of Singapore Pte Ltd to deliver high pressure steam through an over 2-km long reticulation pipeline to companies on Jurong Island. The deal will commence in the third quarter of 2009.

October 2007
Safety in the Work Place reaches New Heights
The attainment of OHSAS 18001: 1999 certification for the Pulau Seraya Power Station was announced by SGS International Certification Services on 31 October. The certification ensures a framework is put in place to drive safety improvements and practices to the highest level. Obtaining this recognition confirms PowerSeraya's continued commitment to workplace safety.

November 2007
Breaking New Ground
The groundbreaking ceremony of the 800 MW Co-Generation Combined Cycle Plant was held on 19 November. Mr. Hans-Dieter Bott, Managing Director of Siemens Pte Ltd and Mr. Lee Won Ick, Senior Executive Vice President of Samsung Corporation, joined Chairman Mr. Tan Yam Pin in the symbolic ground-breaking proceedings.

Launch of Clean Development Mechanism Project
PowerSeraya initiated the Clean Development Mechanism (CDM) application for carbon credits under the CDM of the Kyoto Protocol and held a Stakeholders' Consultation session on 2 November. The CDM application, the first large-scale one in Singapore, is based on the reduced carbon emissions brought about by the new Co-Generation Combined Cycle plant from FY 2010/2011.

Customer Satisfaction – Guaranteed!
Seraya Energy's Contact Centre was once again recognised for its outstanding customer excellence when it won Bronze in the Best Contact Centre Manager of the Year. The International Contact Centre Awards are organised by the Contact Centre Association of Singapore.

January 2008
World's First Large Membrane Desalination Plant Opens
The official opening of PowerSeraya's 10,000m^3 per day Seawater Reverse Osmosis Desalination Plant was held on 29 January. The new plant, the first full-scale installation in the world to use the 16-inch large diameter reverse osmosis membrane, has already become a reference point for the industry. With the opening of this plant, PowerSeraya has become self-sufficient for its own water needs and at the same time, enables it to create a Combined Heat, Water, and Power platform geared for future growth.

March 2008
IT Top in Asia
Thanks to its flexible customer management information and billing systems, Seraya Energy was awarded the CIO 100 Asia Honouree 2008 for being one of Asia's top performing users of enterprising IT. Continuous service improvements such as the introduction of this innovative technology has enabled Seraya Energy to better serve their commercial and industrial customers.

Collective Agreement 2007-2010
PowerSeraya renewed its Collective Agreement with the Union of Power and Gas Employees (UPAGE) on 30 August. Subsequently in March 2008, PowerSeraya reached another agreement with UPAGE to make variations to the Collective Agreement to incorporate changes to the leave scheme, variable bonus matrix and the minimum and maximum points of the salary ranges.

"Samsung shares PowerSeraya's vision to maximise value for our shareholders, customers, employees, and contribute to a better community and global society. We greatly appreciate the partnership with a company that has an excellent reputation both at home and abroad."

Jeon Dae Hyun
Project Manager
PowerSeraya Co-Gen CCP
Blk 30 & 40 Project
Samsung Corporation

"Siemens will continue to grow its relationship with PowerSeraya to showcase the high quality standards, excellent performance and operational reliability of both companies to Singapore and the region. We want to be PowerSeraya's most trusted partner and will maintain our strong support and prompt response for all of its developments."

Anthoon Leemburg
CEO
Energy Sector
Siemens Pte Ltd

FINANCIAL HIGHLIGHTS

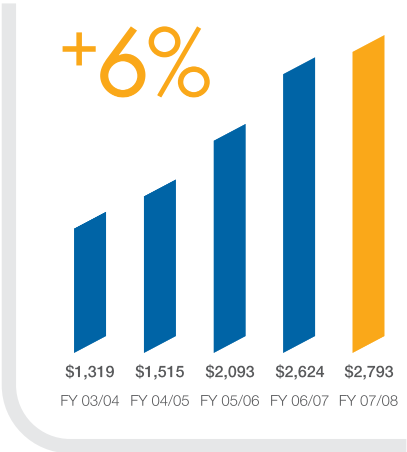
OPERATING REVENUE

The Group's operating revenue grew by S$169 million, a 6% increase over FY06/07 to S$2.8 billion contributed mainly by its new PetroSeraya Pte Ltd's business which commenced physical trading operations from November 2007.

Amidst strong competition in the market, PowerSeraya's generation business managed to maintain its market position and sold 10,186 GWh of electricity in FY07/08.

The retail business sold 6,903 GWh of electricity in FY07/08, a growth of 4% over the previous year. This was achieved through gaining a stronger market position with growth in its market share and customer base.

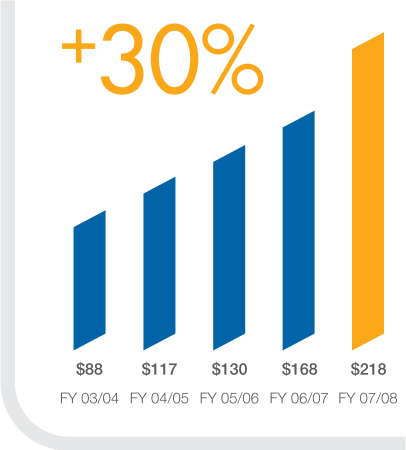
Revenue (S$mil)



PROFITABILITY

In the year in review, NPAT for the Group grew by 30% to S$218 million. A result brought about through better yield management leading to lower fuel consumption costs gained from better plant mix efficiencies and higher utilisation of the asset portfolio. At the same time, the company is able to effectively execute its trading strategy to reduce the cost of meeting its electricity contract commitments.

Net Profit After Tax (S$mil)

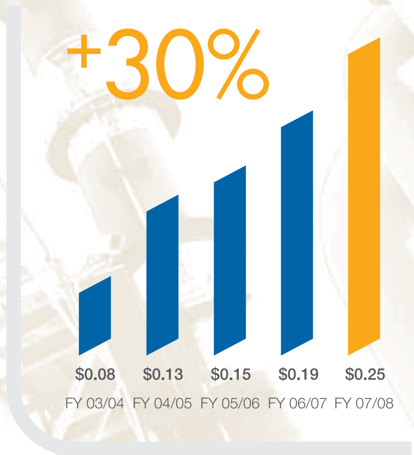


EARNINGS PER SHARE

Basic earnings per share* rose 30% to 24.7 cents in FY07/08 as compared to 19.0 cents in FY06/07. This increase is in line with the higher profit after tax for the Group.

(* Earnings per share is computed by dividing net profit after tax attributable to shareholder for the financial year by the number of ordinary shares outstanding for the financial year)

Earnings Per Share (S$)

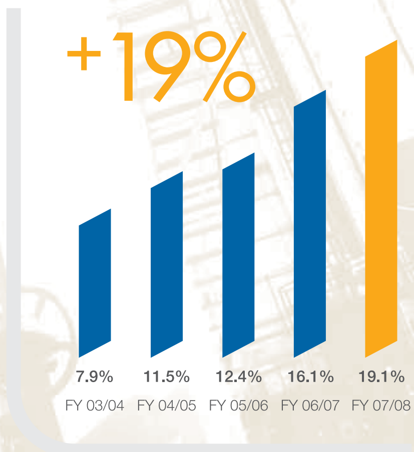


RETURN ON EQUITY

The Return on Equity** (ROE) grew to 19.1% in FY07/08. This represented an increase of 19% over last FY's 16.1% ROE. The strong performance was driven mainly from a strong net profit after tax for the year and the efficient capital structure.

(** ROE is computed based on average opening and closing total shareholder's equity)

Return On Equity (%)



CORPORATE GOVERNANCE

The PowerSeraya Group is committed to maintaining a high standard of corporate governance, professionalism and accountability to safeguard the interest of its stakeholders. We believe firmly that integrity, excellence and commitment by our people, supported by sound policies, practices and internal controls are the success elements that will create long-term value and returns for shareholders.

BOARD OF DIRECTORS

The Board of PowerSeraya comprises seven distinguished members, six of whom are independent and non-executive members. The Board continuously reviews its own composition to ensure relevant expertise is introduced into the Board to meet the Group's needs.

Taking into account the scope and nature of the operations of the Group, the Board has reviewed its composition and is satisfied that the current size of the Board is appropriate for effective decision-making. The standing of the members of the Board in the business and professional community and their combined business, management and professional experience, knowledge and expertise, provide the necessary core competencies to meet the Group's needs and allow for diverse and objective perspectives on the Group's strategic direction and growth.

The clear division of responsibilities between the Chairman and the Managing Director ensures a balance of power and authority so that no one individual holds a disproportionate amount of power. The Chairman bears responsibility for the conduct of the Board while the Managing Director bears responsibility for the Group's business.

The Board has overall responsibility for the business and affairs of the Company. The Board's principal functions include the following:

- charting the overall strategic business direction
- approving board policies, corporate strategies and key operational initiatives
- reviewing and approving annual budgets, business plans and monitoring performance
- ensuring compliance with all laws and regulations as may be relevant to the business

The Board conducts regular, scheduled Board meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. There were six Board meetings held in this financial year.

The Board has established three Committees to assist in the execution of its responsibilities. They are the Executive Committee, the Audit Committee and the Human Resource and Remuneration Committee.

EXECUTIVE COMMITTEE

The Executive Committee comprises four members and assists the Board in monitoring the Company's performance and formulating business strategies. The five-member Executive Committee comprises PowerSeraya Group Chairman Tan Yam Pin, Managing Director Neil McGregor and Directors Koh Kim Wah, Lam Chuan Leong and Tan Ek Kia. Taking into account the scope and nature of the business, the current size of the committee is optimal for effective decision-making. The Executive Committee met four times this financial year.

AUDIT COMMITTEE

The Audit Committee comprises three independent Directors. It is chaired by Bob Tan with members Tan Yam Pin and Peter Sim Swee Yam. The principal responsibility of the Audit Committee is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Group's financial reporting process and material internal controls, including financial, operational and compliance controls. The Committee also oversees the risk management framework and reviews key risks exposures.

The Committee also reviews the independence of the external auditor on a yearly basis to ensure that work performed by the external auditor is not compromised.

The Committee meets periodically with the Management, internal auditors and external auditors of the Company and annually with internal auditors and external auditors of the Company without the presence of the Management. The Audit Committee met four times this financial year.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Human Resource and Remuneration Committee comprises two independent Directors whose role is to assist the Board in reviewing major human resource management and compensation policies and practices. The committee will establish competitive compensation policies for key executives and oversee management development and succession planning. The Committee is chaired by Tan Yam Pin with one member, Bob Tan. The Human Resource and Remuneration Committee met four times this financial year.

FINANCIAL REPORTING AND INTERNAL CONTROLS

The Management provides all Directors with accounts and reports on the operational performance on a monthly basis. Apart from the periodic updates provided by the Management, the Directors may at any time seek further information from or have discussions with the management on the Group's operations and performance.

The Group maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of its financial statements and to adequately safeguard, verify and maintain accountability for its assets. Established procedures in operations and finance ensure adequate internal controls exist.

The effectiveness of these controls and systems are subject to periodical reviews by the outsourced internal auditors. In addition, the external auditors also review the effectiveness of key controls as part of its audit plan for each year.

Both the internal and external auditors have full access to the Audit Committee and all potential weaknesses are reported.

INTERNAL AUDIT

The Group's policy is to outsource internal audit work. In addition, the Group also believes in rotating the internal auditor after the incumbent has served a certain number of years.

The Group's current internal auditor is Messrs KPMG.

The internal auditors are to:

a) review the effectiveness of the internal controls of the Company and its subsidiaries;

b) provide assurance that key business issues and operational weaknesses are identified and managed;

c) ensure internal controls are in place and functioning as intended; and

d) ascertain if operations are conducted in an effective and efficient manner

The internal auditor reports its activities and findings to the Audit Committee on a quarterly basis.

RISK MANAGEMENT

The Board of Directors is responsible for determining the type and level of risks that the Company undertakes in achieving its corporate objectives. This is achieved through the enterprise-wide corporate risk statements, framework and policies approved by the Board. Because of a changing business environment and for company strategy, a risk posture statement defining the Group's risk appetite is submitted and approved by the Board of Directors on an annual basis.

The Board has delegated the authority to formulate, review and approve non-major policies on monitoring and managing risk exposures to the Risk Management Committee. The Risk Management Committee will propose and recommend major risk-related policy decisions to the Board for approval.

The Committee is chaired by the Managing Director Mr Neil McGregor. Members include Koh Chiap Khiong, John Ng, Quek Khai Hor and Irene Yong Sze Hui. The committee meets regularly to deliberate on enterprise-wide risk matters.

During FY 2006/2007, the Group enhanced its corporate governance framework by introducing a Group-wide Fraud Risk Management Policy and Framework. The Fraud Risk Management Framework now forms part of the overall organisation's Code of Conduct and Code of Ethics as detailed in the Employee Handbook.

The principal risks of the Group comprise strategic, credit, market and operational risks. Significant business risks have been identified by the Group and appropriate risk management plans focusing on the key risks have been developed.

CORPORATE INFORMATION

Registered Office
PowerSeraya Limited
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Singapore 098633
Telephone : +65 6363 1010
Facsimile : +65 6363 1212
Website : www.powerseraya.com.sg

Place of Incorporation
Singapore

Company Registration Number
199504468H

Date of Incorporation
27 June 1995

Board of Directors
Tan Yam Pin (Chairman)
Neil Garry McGregor (Managing Director)
Bob Tan Beng Hai
Peter Sim Swee Yam
Koh Kim Wah
Tan Ek Kia
Lam Chuan Leong

Company Secretary
Koh Chiap Khiong

Executive Committee
Tan Yam Pin (Chairman)
Neil Garry McGregor
Koh Kim Wah
Lam Chuan Leong
Tan Ek Kia

Audit Committee
Bob Tan Beng Hai (Chairman)
Tan Yam Pin
Peter Sim Swee Yam

Human Resource and Remuneration Committee
Tan Yam Pin (Chairman)
Bob Tan Beng Hai

Risk Management Committee
Neil Garry McGregor (Chairman)
John Ng Peng Wah
Koh Chiap Khiong
Quek Khai Hor
Irene Yong Sze Hui

Auditors
PriceWaterHouseCoopers
8 Cross Street
#17-00 PWC Building
Singapore 048424

Principal Bankers
Bank of America N.A.
Calyon
Citibank, N.A. Singapore Branch
DBS Bank Ltd
Overseas-Chinese Banking Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
United Overseas Bank Limited

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Telephone : +65 6660 0205
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Telephone : +65 6363 1010
Facsimile : +65 6213 8673

Seraya Energy Pte Ltd
1 HarbourFront Place
#16-06 HarbourFront Tower One
Singapore 098633
Telephone : +65 6363 6688
Facsimile : +65 6363 6600
Website : www.serayaenergy.com.sg

Seraya Energy and Investment Pte Ltd
1 HarbourFront Place
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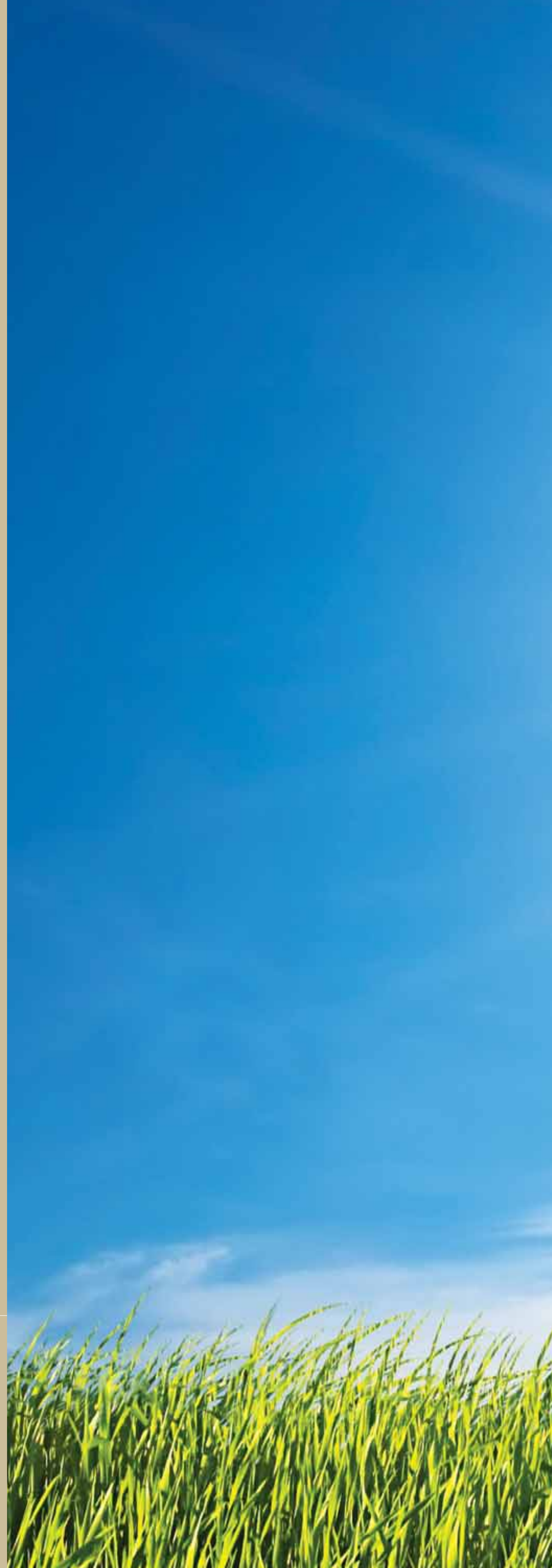
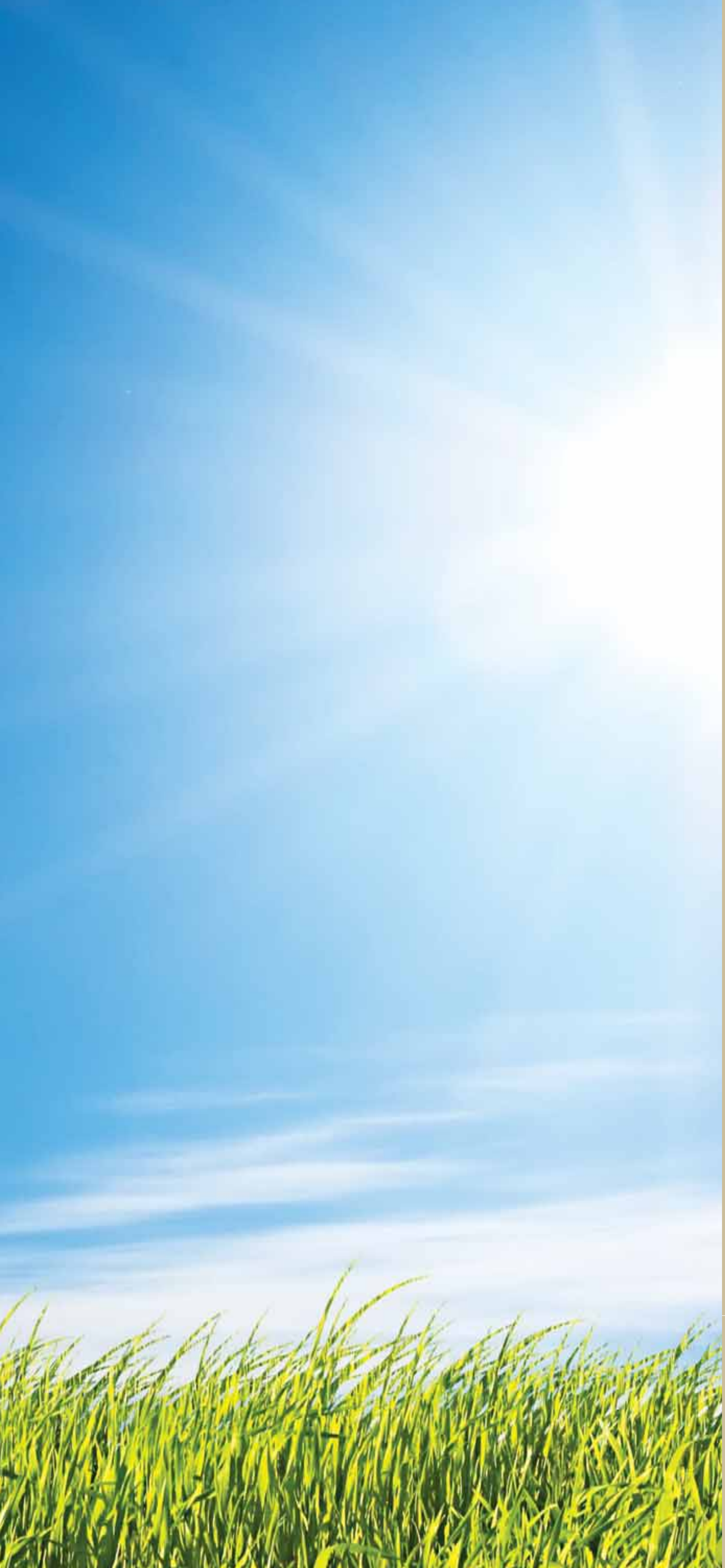
Facsimile : +65 6363 1212

ENERGY
IS THE
RESOURCE.





PetroSeraya optimises our fuel supplies and fuel management capabilities, thereby strengthening energy resources and opening new markets.

OPERATIONS REVIEW

STRATEGISING FOR THE FUTURE

PowerSeraya's vision of becoming the region's leading Integrated Energy Company based in Singapore has defined the company's strategy for the future. With a focus on resources to create and expand non-regulated businesses out of the regulated core sector, with complementary businesses, the company has seen very strong growth by deriving value up and across the energy value chain. Creating options and extracting value from the whole value chain has improved PowerSeraya's margin yield, and underpinned its strength in a time of volatility on worldwide energy markets.

PowerSeraya's future direction and strategy were reinforced when three landmark deals were finalised in the last financial year. The largest deal was the S$800 million Engineering, Procurement, and Construction (EPC) contract for PowerSeraya's new state-of-the-art Co-Generation Combined Cycle Plant (CCP) blocks 30 and 40. The new units are being built on a turnkey basis by the company's technology partners, Siemens and Samsung. The contract also includes the conversion of the existing CCPP Blocks 10 and 20 into Co-Generation mode to supply steam by Q3 2009. This led to a 15-year Steam Sale Agreement (SSA) which was signed between the company and the Petrochemical Corporation of Singapore (PCS) to supply high pressure steam to the PCS on Jurong Island. In addition, the Service Maintenance Agreement (SMA) for the new 800MW Co-Generation CCP on Jurong Island was awarded to Siemens in a S$250 million deal.

Many new initiatives – that will continue the company's quest for highly efficient generation capacity and reduce its carbon footprint – are in the pipeline for the coming fiscal year. Already, the opening of the desalination plant and work on the new Co-Generation Plant will widen and deepen the company's product range and customer base of Multi-Utility Services (MUS), thereby creating additional revenue streams from integrated processes.

In the coming financial year, the Company's top priorities are the execution of the Co-Generation Plant which is due for completion in 2010, and increasing the efficiency of existing facilities with modifications, additions, or replacements. PowerSeraya's future strength comes from its talented workforce. Through the use of unconventional ideas to integrate processes, the company is producing more with less and this is where it continues to focus its efforts.

UTILITIES

In the year 07/08 PowerSeraya's mix of 2X370MW Combined Cycle Power Plants (CCPP) and 8X250MW Oil-fired Plants supplied 28% of Singapore's total energy requirements. This was in line with the company's strategy of maintaining its market share despite the emergence of new players into an already fiercely competitive sector.

PowerSeraya's multi-fuel approach in operating its generating units helped to maximise its gross margin, increase profitability, and retain its impressive market share.

As part of its "Renewable Strategy", PowerSeraya's new 10,000m^3 per day Seawater Reverse Osmosis Desalination Plant was officially opened in January 2008. The plant generates 9,000m^3 service water and 1,000m^3 of portable water. With water being a scarce commodity, the new desalination plant provides a viable and sustainable source for the Group's industrial applications. Completed on time and on budget, the new plant is equipped with the world's first full-scale large diameter 16-inch membrane, which has become a reference point for the industry. The opening of the plant is a key move in PowerSeraya's vision of becoming the region's leading Integrated Energy Company. Water self-sufficiency has not only lowered overall costs in its core business, but added additional revenue streams as the group looks to on-sell water to potential customers on Jurong Island.

Improving work place efficiency and safety practices have been a key focus for the year. Since 2003, PowerSeraya has been working towards attaining an integrated safety management system covering safety, health and the environment. In October 2007, PowerSeraya was certified OHSAS 18001:1999. The Utilities Group was also re-certified for ISO 9001 and 14001.

Streamlining business processes through the use of innovative integrated information management system has also improved the Utilities Group's overall efficiency and reduced its operating costs.

Additionally, significant progress has been made since construction work commenced on the new 800MW Co-Generation CCP in November 2007. The S$800 million project to build the Co-Generation CCP was signed with the Siemens-Samsung Consortium in August 2007. This project will replace three Oil-fired steam units with the highly efficient Co-Generation CCP, which is capable of producing electricity and steam simultaneously using state-of-the-art technology.

Designed for increased thermal efficiency, the new plant will deliver greater environmental benefits by reducing PowerSeraya's overall carbon footprint by another 10%. Expected to be completed in 2010, the plant is in line with the company's strategy to create an integrated energy hub on Jurong Island. As part of a 15-year deal PowerSeraya secured with PCS that will commence in 2009, work is already underway to convert the existing CCPP blocks 10 & 20 to supply interim steam to PCS.

"Not only is PowerSeraya a progressive employer taking steps to re-employ workers reaching retirement age, it is one which appreciates the Union's role and has been supportive of our attempts to strengthen Labour-Management relations over the years."

Nachiappan R. K. Sinniah
General Secretary
Executive Council
Union for Power And Gas Employees

"PetroSeraya is the first company awarded the Global Trader Programme to embark on carbon credit trading. IE Singapore is looking forward to working together with PetroSeraya to further enhance Singapore's reputation as one of the world's premier trading hubs."

Chong Lit Cheong
CEO
IE Singapore

ENERGY MARKETS

Expected vesting contract levels were reduced in 2007. As a result, retail contracts played a bigger role hedging Gencos pool price risk as well as their sales revenue. Through an effective and prudent hedging management strategy, the company's revenue stream continued unabated despite adverse prices and volume risks. Despite volatility in the market as a whole, the company's business performance was commendable – thanks to the proactive work of the bidding team who constantly observes the electricity market and their competitors' bidding behaviour and patterns.

This insightful information, plus the adoption of various bidding strategies, helped PowerSeraya to maximise its gross margin and manage the Total Company Portfolio Risk. As a result, PowerSeraya surpassed all of its key indicators committed in FY07/08.

The Derivatives Market team adopted a balanced hedging management system and protected the company's revenue stream by minimising adverse prices and volume risks associated with vesting contracts and fixed electricity contracts. The team has also been able to derive trading profit by employing various hedging strategies that take advantage of favourable market conditions.

With Singapore signing up to the Kyoto Protocol in April 2006, it is likely that a new emission trading market will be developed in the coming years. As such, the Derivatives Market Desk will ensure PowerSeraya is ready to participate should the opportunity arise.

The major focus for the coming financial year will be the impending liberalisation of the gas market in July 2008. PowerSeraya is already prepared for its role as a shipper in the new gas market. The correct management of all associated commercial and operational risks remains a high priority. The procurement of additional gas, either Piped or Liquefied Natural Gas for the Company's short- and long-term requirements, with contracts of the greatest value while meeting all contractual and regulatory requirements, remains a key focus. With its vision of transforming into an Integrated Energy Company, PowerSeraya plans to move strongly into the gas market as it opens up in Singapore.

BUSINESS SYSTEMS & INFORMATION TECHNOLOGY

PowerSeraya continues to use innovative technologies and the latest IT solutions to increase efficiency and streamline processes within the Group. The Process and Innovation group continues to upgrade obsolete systems and create new functions and technologies to reduce overall costs and provide greater visibility for the company. Key initiatives include the implementation of PetroSeraya's information and operating systems, the online Production Log which charts plant status and collates information in the generation plant, the MYSAP upgrades for the Finance, Human Resources, and Procurement Departments, and the upgrading of Maximo, the company's Enterprise Asset Management System.

With the setting up of the company's physical oil trading group PetroSeraya, in early 2007, the Process and Innovation Team adopted a multi-pronged approach towards the development of several systems to facilitate the group's work. Already, the implementation of two basic systems has enabled PetroSeraya to electronically track and manage the transportation of in- and out-bound physical oil stocks, as well as managing our terminal schedules. The third stage of the system is currently under development and is expected to be completed in 2008.

Since January 2007, the team from P & I has been working closely with the Finance, Human Resources, and Purchasing Departments to realise the technical upgrading of SAP R3 and Lotus Notes system. As part of the upgrade, the team mitigated potential risks of obsolete technologies. This new system comes with improved features and functions, as well as a common industry standard technology platform.

Working in partnership with members of the Utilities Group, a new Online Production Log system has also been developed and implemented. This system, which centralises Plant operations, logs records electronically and makes the information easily accessible to authorised staff. The implementation of the Online Production Log System has provided greater efficiency for all staff, and has been a big step towards providing the Utilities Group with a seamless centralised information system for managing and tracking their operations.

With the opening up of the new Gas Market in July 2008, new systems are also being developed to enable the Group to participate in this market.

Technology infrastructure consolidation and the implementation of strategic business systems will continue to be the main priority for the Process and Innovation group. P & I will focus on working closely with all the Group's business functions to extract even greater value from the solutions portfolio. In addition, the development of hard and soft skills within the team continues to be a key focus, with the implementation of a three-year programme to groom team members to be more effective innovation change agents. With the huge transformation of PowerSeraya covering every level and area of the Group, the P & I team will continue to find the most cost-effective and creative solutions to help the Group realise its vision of becoming a leading Integrated Energy Company of the Future.

ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILITY

The last year has seen a big push to increase environmental awareness among our staff. Supporting our strategy to become one of Singapore's socially responsible companies, a number of initiatives were launched.

Community Outreach

As part of PowerSeraya's environmental responsibility, PowerSeraya partnered Greenridge Secondary School by sponsoring a community outreach project called 'A Green Way of Life – A Digitised Perspective", with the aim of promoting environmental awareness to the residents of the Zhenghua community. Held at Bukit Panjang Plaza on 21 July 2007, the public display of art works presented in various mediums such as digital art, gaming and videography provided a platform for the students of Greenridge Secondary School to showcase their artistic talents and at the same time promote environmental stewardship to the community in the vicinity of the school.

In a further collaboration, the Company has committed to contributing S$170,000 to fund the building of an Environmental Learning Hub at Greenridge Secondary School. To be completed by end 2009, the Environmental Learning Hub aims to provide Greenridge students with the opportunity to learn about environmental issues in an interactive way. It also serves as a resource centre for eleven schools in the West 6 cluster with an estimated outreach potential of at least 11,000 students, 770 education staff and the Zhenghua community at large.

PowerSeraya also supported the Pulau Semakau CEO Run organised by the National Environment Agency in November 2007. Besides participating in the run, PowerSeraya sponsored S$18,000 for the event, which went towards the work of six environmental NGOs in Singapore.

Raising Environmental Awareness

To bring about a greater awareness of the environment among employees, PowerSeraya approached environmental NGOs such as the Singapore Environment Council to conduct educational talks, one of which was delivered on Earth Day 2007. In a move towards greening the office, Eco-Office tips and messages were also put up to educate staff on environmentally-friendly practices like the reuse and recycling of print paper, the recycling of print cartridges and the use of less disposable items at the workplace. In addition, the company also introduced an electronic year-end greeting card which cut down the number of printed cards by more than 40%. By doing so, the company hopes to support the sustainable use of our forests.

Recognising Personal Excellence

In March 2008, the Company launched the Nithiah Nandan Book Prize, which was set up in honour of the late Mr. Nithiah Nandan, former Executive Secretary of the UPAGE, for his support for lifelong education and dedication to serving others before self. The Book Prize, with a value of S$1,000 each, is open for application to the children of PowerSeraya's employees who have excelled in their selected fields or contributed meaningfully to the neighbourhood, community, and society.

Promoting Staff Well-Being

The Company recognises the importance of having well-rounded employees with a good work-life balance. PowerSeraya Family Day themed "Summer Escapade" was held on 19 August 2007, which allowed staff and families to mingle and get together for a day of sun and fun. A myriad of activities to promote mental and physical well-being of staff were also organised by the Vibrancy Club throughout the year. These included dragon boat and bowling competitions to encourage healthy lifestyles and social interactions amongst staff. Family life activities such as a Christmas movie outing and a trip to a vegetable farm were also held to foster greater kinships and friendships beyond work.

“PowerSeraya’s willingness to support and sponsor its staff to further their education is a testament to the strong relationships and bonds within the Company. With the sponsorship of my studies, I’m able to improve my skills and knowledge, which I can put to good use in developing my career at PowerSeraya.”

Koh Shuang Shuang
Assistant Operations Officer
Operations
Seraya Energy Pte Ltd

“PowerSeraya gave me an opportunity to work in a challenging environment which is fulfilling and satisfying. Teamwork is emphasised through all aspects of the day-to-day running of the Company.”

Liu Jidong
Specialist – Electricity Market
Energy Markets
PowerSeraya Ltd

PEOPLE & CAPABILITIES

PowerSeraya is a people-focused organisation that understands the importance of a highly-skilled and motivated team. The company continues to invest heavily in training and development at every level of the organisation and is proud of its record in this area.

For the year in review, close to S$750,000 was invested in staff training. PowerSeraya's average expenditure of S$1,800 per employee is well above the national average of S$969. In line with the training needs identified for staff and the future direction of the business, several key initiatives were rolled out in 2007/08.

A Rational Thinking Approach using the Kepner-Tregoe methodology for problem-solving and decision-making in the Utilities Group was implemented in the year. While this training helped to establish a common language across all departments, it also achieved consistency in staff's approach towards tackling problems, particularly in troubleshooting technical issues and decision-making processes. An Electricity Market Workshop was rolled out to train personnel from Seraya Energy and the Energy Market group, to prepare the team for what is entailed to move into the regional electricity market. A teamwork campaign was also launched to bring together the various groups within PowerSeraya and promote the principle of working as a team. The campaign has been very successful in equipping staff with the tools necessary to promote teamwork, trust and ultimately, long-lasting relationships.

As a further investment in employees' training and personal development, PowerSeraya is proud to support further education through its Employee Sponsorship Scheme. To date, 48 employees have received full sponsorship for their continuing education. Employees have gained additional qualifications across the spectrum with some gaining their Masters Degree. This is an area in which PowerSeraya will continue to invest and is keen to encourage more employees to develop their own talents and capabilities.

UPAGE

As a testament to PowerSeraya's excellent relationship with the Union of Power and Gas Employees (UPAGE), the company signed the Collective Agreement 2007 – 2010 on 30 August 2007. Following UPAGE's strong support, variations were made to the Collective Agreement in March 2008 to include restructuring of the leave schemes into one, adjustments to the minimum and maximum points of the non-executive salary structure, and changes to the Variable Bonus matrix. PowerSeraya continues to look forward to a strong and prosperous relationship with UPAGE to ensure a productive system of work practices for both the employees and employer.

OUR SUCCESS

The Board of Directors and Senior Management Team are acutely aware of the important role teamwork continues to play in the huge success of PowerSeraya. To realise the company's vision of becoming one of the region's leading Integrated Energy Companies, the role of every employee will continue to be of utmost importance. PowerSeraya will continue to invest in training and development at all levels of the organisation to ensure the company reaches its fullest potential.

ENERGY FOR BUSINESSES

Seraya Energy provides businesses with power solutions that really work.


ACID STORAGE
TANK/B

SERAYA ENERGY

CUSTOMER

Despite the entry of new competitors into the market, the year in review proved to be an eventful and exceptional time for the team at Seraya Energy, marked with new highs in revenue, profit, and sales volume growth. In 07/08, Net Profit after Tax was S$11.7 million and a 68% rise over the previous year. At the same time, revenue rose by 10.9% to S$1.195 billion and the sales volume reached almost 7,000 GWh. Seraya Energy sold 18.2% of Singapore's total electricity and held the largest market share among private retailers in 2007.

For the second year running, Seraya Energy was awarded the 'Fastest-Growing 50 Certification', which recognises a company's outstanding achievement for continuous and sustained corporate growth. Ranked in 22nd place among some of Singapore's most well-known companies, the award marks an exceptional year of achievement for Seraya Energy which has fought and maintained its position as Singapore's Leading Energy Provider.

Seraya Energy's excellent performance, which comes at a time of greater competition and rising overall costs, can be attributed to its strategy in three key areas – namely, the growth of Sales and Business Development, Portfolio Management and Customer Service. In line with these winning strategies, Seraya Energy continues to focus on the key roles played by various sales and service channels, as well its in-house billing systems, customer care and portfolio management teams, to ensure high standards are maintained in every aspect of its business.

SALES AND BUSINESS DEVELOPMENT

With the anticipated strong retail competition at the beginning of the financial year, Seraya Energy intensified its sales effort to buffer against the anticipated increase in competition towards the later half of the year. Focus on three main market segments, coupled with strong value propositions, continue to be crucial to the company's success. Consequently, initial results have been promising with future sales looking very positive.

PORTFOLIO MANAGEMENT

With the impending liberalisation of other new electricity markets, Seraya Energy shifted its focus to a more intentional management of customer portfolios, prudent trading policies and best risk management practices in the year in review. The move has been timely and necessary in the wake of increasingly high energy prices and volatility. Through the implementation of key initiatives, it has significantly helped to fine-tune and mitigate the risks exposed in a high energy price environment.

CUSTOMER SERVICE EXCELLENCE

To continue its tradition of customer service excellence, Seraya Energy took on the long-term challenge to become the customers' enabler. Endeavouring to give customers more control over their energy needs, Seraya Energy plans to help clients secure energy products that are best suited to their needs.

Over the years, Seraya Energy has built strong relationships with all its customers, whom it values as partners. Through constant interactions with its partners, Seraya Energy has continued to incorporate new services and products to serve them better. The year in review has seen the launch of numerous initiatives and activities to improve customer service and interaction. They include:

- Seraya Energy's customer portal (www.senergy.com.sg), which was launched in November 2007.
- "SteadyPlus" and "Advanced EnergyPlus", which were developed for customers who seek stability in electricity prices despite volatile prices on the energy markets.
- An Oil and FX Symposium event, which was organised to help customers better understand the relationship between world energy prices and electricity prices in Singapore.
- Customer appreciation events such as a movie night and Chinese New Year "Loh Hei" lunch.

Mindful that service excellence is not only confined to customers, the Seraya Energy team continued to refine its business and billing processes to improve its cash management by optimising the billing and collection cycle. The focus on developing a new product plan by tapping on the billing system capability provided advanced billing and product options. The Budget Billing Plan is one such product that was launched amidst a very warm reception from Seraya Energy customers. Bills are now based on the average amount of electricity used per bill cycle and customers are no longer subject to monthly variations in their energy costs.

The Seraya Energy Contact Centre (SECC) also recorded consistently high customer satisfaction levels. The SECC was awarded bronze in the Best Contact Centre Manager of the Year 2007, underpinning Seraya Energy's level of dedication and high standards to continually improving customer service.

CHALLENGES AHEAD

The major challenge in the coming year for the company will be the maturing of the market and the growth of new competitors. Seraya Energy welcomes competition in the market, but is aware that it needs to maintain an optimum level of market share and continue with its service excellence framework to better serve its customers.

With innovative strategies and positive customer feedback, Seraya Energy has been highly efficient at maintaining its service standards and will continue to focus on initiatives that seek to help the company maintain its market position, grow its profitability and achieve service excellence for its customers.

PETROSERAYA

FUEL MANAGEMENT / PHYSICAL OIL TRADING

The Trading and Fuel Management Group, also known as PetroSeraya Pte Ltd, was incorporated in April 2007. PetroSeraya plays a key role in managing PowerSeraya's fuel purchases, as well as optimising its existing fuel related assets such as tanks, jetties, and inventory management.

The new trading arm has optimised and lowered PowerSeraya's fuel oil purchasing costs – which make up approximately 85% of the company's overall costs – to their fullest potential. Excellence through teamwork has seen PetroSeraya exceeded all its targets for the first year of operations and achieved several key milestones.

The commencement of a physical trading desk has been successful and profitable for the company. Leveraging on its location on Jurong Island and huge 800,000m^3 storage facilities, PetroSeraya has increased its trading activities by operating its jetties as a commercial terminal. Its investment to reconfigure jetty 3 for dual purpose use was completed in January 2008, which now means PowerSeraya is able to receive both wet and dry shipments. With an increase in trading activities, the number of berthings for bunkering and cargo vessels has increased significantly. In April 2007, PetroSeraya signed a two-year deal to lease two of its 18 commercial tanks to Projector Asia.

The company achieved a significant milestone in February 2007 when it was awarded the Bonded Warehouse License from Singapore Customs. In addition, PetroSeraya was issued with written approval for the Global Traders Programme from International Enterprise Singapore in March 2008, a first for a power generation company. This concessionary tax incentive has been a huge boost for the company as compared with the usual corporate rate.

PetroSeraya has also been able to take full advantage of its assets to create a strong value chain for the company as a whole. Revenue was S$221 million for the last fiscal year, and Net Profit after Tax was S$5.4 million. Total volume of transactions was 8.3% above target at 650,000 MT. The movement of incoming and outgoing Fuel Oil was 2.2 million MT.

Looking forward to the coming financial year, the team at PetroSeraya aims to continue supporting the core business with adept fuel management strategies. As increasing fuel prices will remain for the medium and long term, PetroSeraya is exploring the possibility of using alternative fuels and procuring cheaper oil to maintain its competitiveness.

The trading desk will pursue its Growth Plan by expanding the supply chain, as well as maximising and developing the core trading business. Improving its competitive performance and operating efficiency of the company's assets will remain a top priority. Investment in people and infrastructure will also be key in maintaining its competitive edge in the sector.

Investment and reconfiguration of existing assets will allow the company to realise extra benefit and revenue. Additionally, upgrading of existing jetties to accommodate larger vessels will enhance the terminal's capacity and flexibility. Two smaller tanks will be built and are expected to be ready for operations in the last quarter of 2009. PetroSeraya is also looking into the reconfiguration of its existing fuel oil pipelines on Jurong Island.

The successful commencement of PetroSeraya has been one of PowerSeraya's key moves towards integration. The policy of reducing exposure to volatile world oil prices, and utilising every asset at its disposal has continued to grow the company's whole value chain. Looking forward to a challenging year ahead, the team at PetroSeraya is keen to explore opportunities to replicate its business model throughout South East Asia, and continue to maximise the value of PowerSeraya.

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