POWER SERAYA
a YTL Company

ANNUAL REPORT 2009/10

every...

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 has moved into the integrated energy business which includes the sale of steam and water, and physical oil trading and storage.

CONTENTS

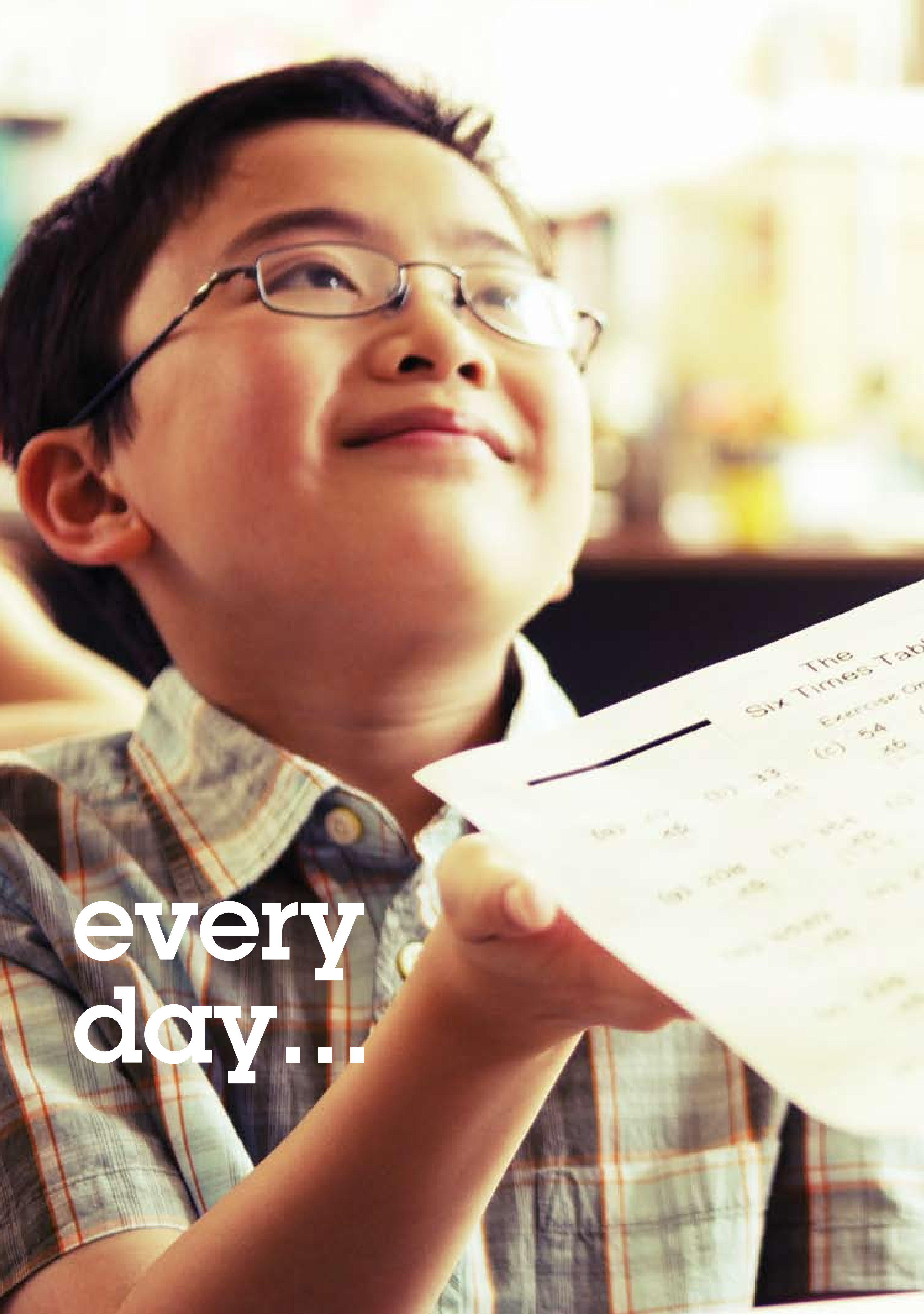
minute...

every hour...

FOR FINANCIAL PERIOD 2009/2010
WE SUPPLIED AN AVERAGE OF

1,263MWH

ELECTRICITY PER HOUR


every day...

FOR FINANCIAL PERIOD 2009/2010
WE SUPPLIED AN AVERAGE OF

30,318MWH

ELECTRICITY PER DAY

...we are powering the needs of our customers by providing energy that's reliable, sustainable and with superior service.

Our focus is energy. Our company is made of people who understand that to build a great company every moment of every day is an opportunity for us to reach higher, go further and to be the best in what we do. It is a corporate tenet that's shared by each and every one of our employees in our mission to continually deliver value for our shareholders, customers and the communities that we serve in.

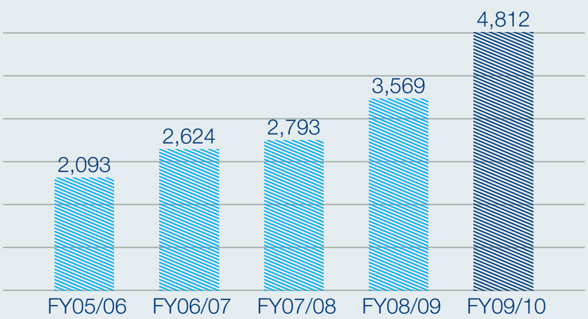

FOR FINANCIAL PERIOD 2009/2010 WE SUPPLIED
13,825,000MWH
OF ELECTRICITY OVER A PERIOD OF 15 MONTHS

FINANCIAL
Highlights

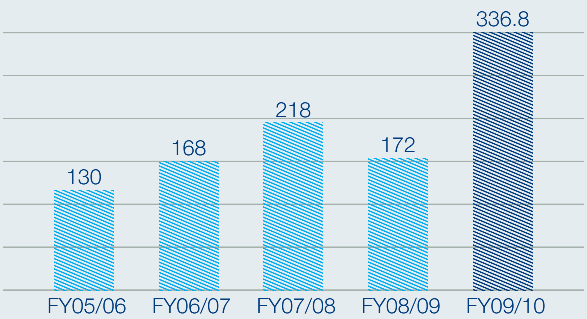
Financial Highlights

	FY2009/2010 (15-month period)	FY2008/2009 (12-month period)
Revenue (S$ mil)	4,812	3,569
Return On Equity (%)	25.9	14.3
Earnings Per Share (S$)	0.38	0.19
Net Profit After Tax (S$ mil)	336.8	171.9
Return On Assets (%)	12.9	7.8

Revenue (S$ mil)



Net Profit After Tax (S$ mil)



Operating Revenue

The Group's operating revenue for the 15-month period ending 30 June 2010 grew by $1,243 million, a 34.8% increase over FY2008/2009 to $4.8 billion. On an annualised basis, operating revenue is higher by $280 million or 7.9%, contributed mainly by higher electricity, steam and oil trading revenue.

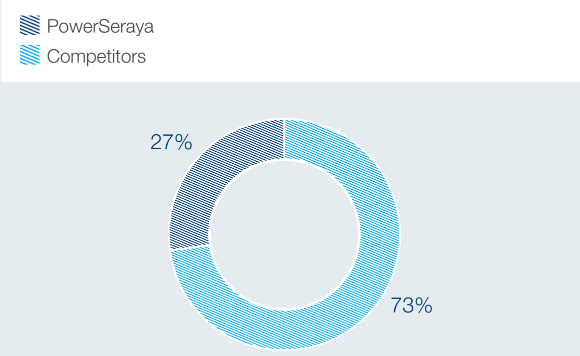
Generation units sold was 13,825 GWh, 15.9% higher than FY2008/2009 on an annualised basis. The growth in generation units sold is higher than the growth in system demand, which was an annualised growth of 6.6% from FY2008/2009.

Retail Volume at 9,572 GWh also grew by 9.3%, annualised from FY2008/2009.

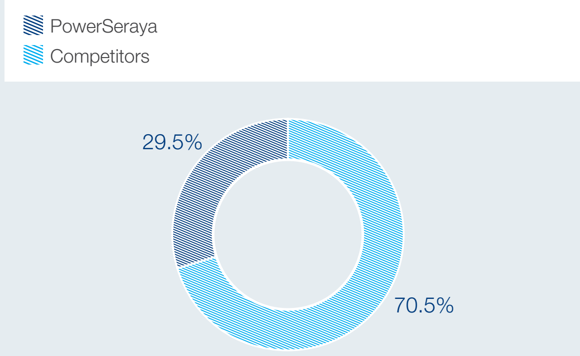
Profitability

The Group's net profit after tax over the 15-month financial period was $336.8 million or $165 million higher than last year. The annualised profit of $269.4 million is 56.7% higher, due mainly to higher generation units sold, retail sales volume and write-back of fuel inventory provision.

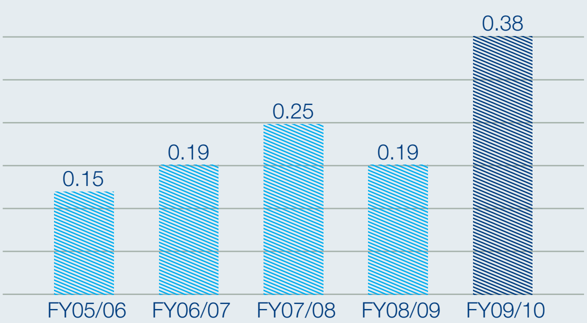
Market Share Generation



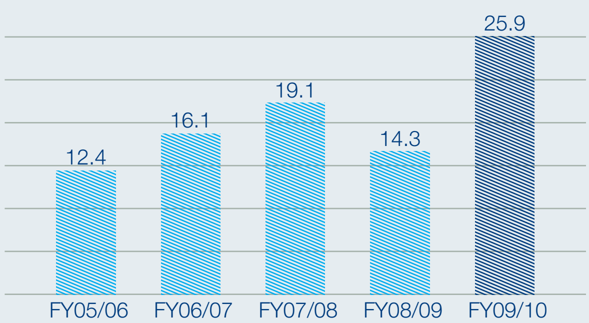
Market Share Retail Contestable Switch Load



Earnings Per Share (S$)



Return On Equity (%)



Return On Equity & Earnings Per Share

The Group's Return on Equity (ROE) for the year was 25.9% and Earnings Per Share (EPS) amounted to 38 cents for the year or 19 cents higher than last year. The increase is in line with the higher profit after tax for the Group.

Message

Steady Growth & Strong Performance

I am pleased to report that PowerSeraya has performed strongly this fiscal period amidst market changes and economic volatility, implementing astute strategies to maintain consistent growth.

The company increased its revenue growth from the previous year by 34.8% to $4,812 million, taking into account a 15-month reporting phase as it aligns itself to the financial reporting period of its parent company, YTL Power International Berhad. Net Profit After Tax (NPAT) also saw a rise to $336.8 million over a 15-month period, an increase of $165 million from last year.

As the economy recovered from the downturn, electricity demand in Singapore saw an upward spike and the total generation units sold saw an annualised increase of 15.9% from FY2008/2009.

Remaining Focused

In the face of an ever-changing business environment, PowerSeraya continues to build on its position as an integrated energy company providing multi-utility services. Growth in our non-regulated business contributed significantly to the overall performance of the company. The proven success of our diversified energy strategy will certainly allow PowerSeraya to reap greater returns in the longer term as the company expands its reach into the region and beyond.

The investment made by PowerSeraya in new co-generation technology will give the company a headstart in the local market over its competitors. It will increase the efficiency of our operations and enhance the overall profits of PowerSeraya.

Meanwhile, our subsidiaries, Seraya Energy and PetroSeraya, continue to maintain strong performance, with Seraya Energy retaining its position as market leader and PetroSeraya posting strong revenue.

The alignment of PowerSeraya with its parent company, YTL Power, has brought about greater synergies. Both companies have been able to leverage on each other's strengths to improve on business processes and operations. The expertise of YTL Power in the utilities sector will continue to facilitate the exchange of knowledge and skills for the employees of PowerSeraya, while PowerSeraya forms the cornerstone of YTL Power's multi-utility presence in Singapore and the region.

As the economy picks up, the outlook for the electricity market continues to stay positive. The Government of Singapore's investment in the Liquefied Natural Gas terminal will help stabilise the gas market. However, new entrants into the market will intensify competition.

With the company's strong positioning and backed by YTL Power, PowerSeraya is equipped and ready to take on new challenges in the coming fiscal year, as it continues to optimise its performance and bring about greater value to all its stakeholders.

Acknowledgement and Thanks

The Board would like to thank the Management Team of PowerSeraya for their leadership and execution capabilities in contributing to the steady performance of the company.

We are delighted to have the strong support of the Union of Power and Gas Employees (UPAGE), who work closely with us to ensure the well-being of PowerSeraya's employees. Our gratitude goes out to our business partners and associates, who work hand in hand with us to achieve business growth and excellence.

Allow us also to extend our deepest appreciation to all employees of PowerSeraya for their professionalism and dedication, and making it possible for our company to enjoy progressive success.

It is my pleasure to present the Annual Report and audited account statements of PowerSeraya (from April 2009) for the period ending June 2010.

Thank you and God bless all of you.

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING
Chairman

CEO'S

Message

"Emerging stronger after challenging times through foresight and resilience has put PowerSeraya in a strategic position to bring its results to greater heights."

Maximising Margins

It has been a challenging past year with the industry experiencing an even more competitive climate following changes in the ownership of power generation companies. Our efforts to maintain market share amidst the economic volatility and continue building on the strengths of our assets have paid off. PowerSeraya achieved a revenue of $4,812 million over a 15-month performance. For the period in review, Net Profit After Tax (NPAT) saw a rise to $336.8 million over 15 months. This represented an annualised increase of 56.7% when compared to $172 million in FY2008/2009. Return on Equity and Return on Total Assets were also higher as compared to last year at 25.9% and 12.9% respectively. With prudent planning and careful strategies, PowerSeraya made great strides in improving business efficiencies and processes, and reducing operational costs.

Consistent Performance

The performances of PowerSeraya and our subsidiaries continued to stay strong over the past fiscal year. The multi-utilities strategy undertaken by the company has enabled steady growth in the non-regulated business, contributing up to 15% to overall revenue – a clear indication that we are making good progress in diversifying our energy portfolio. Our fuel management and oil trading subsidiary, PetroSeraya, saw an increase in revenue. The sale of steam to Petrochemical Corporation of Singapore (PCS) has also contributed to our income stream. At the same time, our retail arm, Seraya Energy, continued to maintain its leadership market position.

One key reason for the ability of the company to deliver outstanding results can be attributed to the strategic foresight of the management team, who saw the need to continue investing in new plant technology despite the economic downturn to ready itself for future demands of electricity and steam. A review of the company's operations structure was also looked into to capture greater synergies with our parent company YTL Power. As further testament of the team's well-thought strategies to plan ahead and be well-prepared for challenges, our desalination plant was put in place in 2008 to reduce our dependency on external water sources.

Our people have always been instrumental in our performance, spearheading projects and investments which have placed our business in a strong footing. The efficient equipment, people and processes which were strategically put in place have allowed the seamless integration of our business – from procurement of fuel and producing and delivery of electricity, to developing complementary non-regulated businesses around our core.

CEO'S
Message

Staying Ahead

PowerSeraya's move into multi-utilities and oil trading have paved the way for it to remain strong and ahead of competition. The conversions of our existing plant units to supply steam and the addition of our 800MW Co-Generation Combined Cycle Plant (Co-Gen CCP) have enabled the company to achieve greater efficiency in its operations. We will continue to harness new technology and maximise the use of existing equipment to enhance total gross margins and seek to explore new fuel sources.

In the short term, the company will continue to review cost structures and processes to reduce operational costs while maintaining efficiency and performance. Over a longer term, we aim to invest in the areas of the company's strengths which include electricity, retail, trading, water and steam through our multi-utilities strategy.

With the service team's relentless pursuit to ensure customer satisfaction, Seraya Energy retained its market leader position for the third year running, holding 29.5% of the contestable retail market share.

PetroSeraya, our oil trading subsidiary, also continued to post strong earnings this year. With well-planned procurement strategies, it increased its revenue to $863 million with a NPAT of $14.2 million. Based on a 12-month comparison basis, total volume of sale transactions increased by 23% to 1,082 KT.

Working With YTL Power

YTL Power International Berhad's acquisition of PowerSeraya has allowed our team to bring about strong infrastructure, expertise, processes and intellectual capital to support our parent company. The expertise and resources of YTL Power also seeks to complement the business nature of PowerSeraya, thereby allowing both companies to be aligned on the same front to bring greater value to our customers.

Challenges Ahead

The outlook of the electricity market continues to stay bullish. Even as the government's investment in the gas market will require time to mature and strengthen, the Liquefied Natural Gas terminal which will be established in the near future will mitigate the current challenges of limited gas supply and inconsistent gas pressure.

The regulatory framework put in place for market players may also see a shift that will impact the industry. While the emergence of new industry players and further technology investments by current power players may mean stiffer competition, PowerSeraya is ready and in a good position to stay ahead of the game.

Message

Environmental Commitment

In 2009, the company maintained its ISO 14001 certification and reaffirmed its commitment to responsible environmental management at its power plants. Carbon dioxide emissions arising from power generation operations were approximately the same levels as the previous year despite operational challenges encountered. The year also saw a significant use of desalinated water for plant operations, thus placing less strain on Singapore's scarce freshwater resources.

Besides minimising the impact to the environment through our plant operations, the organisation also saw considerable gains in terms of the sustainable use of our office resources such as energy, water and paper. Similar to previous years, environmental awareness among staff was sustained through environmental-related initiatives organised throughout the year. Conscious efforts were made to involve our stakeholders and the wider community through various initiatives which was either co-organised, supported or sponsored with the aim of increasing environmental awareness beyond the workplace.

Managing Our Carbon Dioxide Emissions

Carbon dioxide intensity (CO_2 tons per MWh) in 2009 from power plant operations in PowerSeraya improved marginally compared to the previous year. This was despite carbon dioxide emissions rising back to 2007 levels in 2009 on the back of the strong recovery in electricity demand in H2 2009 as Singapore emerged from the recession ignited by the global financial crisis.

In addition to monitoring carbon dioxide emissions at our power plants, the company also measures the indirect carbon dioxide emissions from energy consumed at our corporate headquarters. PowerSeraya managed to maintain our indirect carbon dioxide emissions through on-going initiatives organised to raise employee awareness on energy conservation practices. The on-going adoption of virtualisation technology at our servers in our data room also helped to minimise carbon dioxide emissions despite an increase in the number of business applications over the years.

Minimising Air Emissions

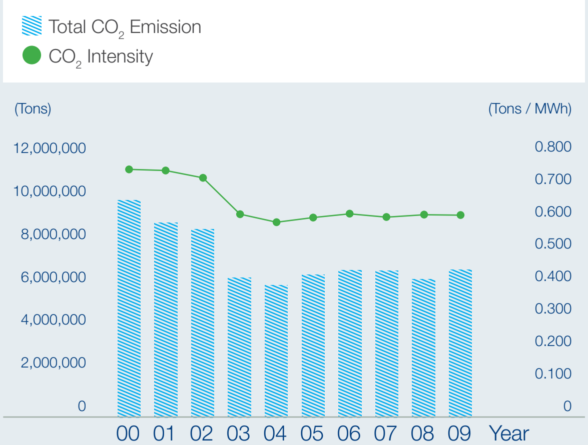
The sulphur dioxide intensity arising from the plant operations increased marginally in 2009 over the previous year due to a slight drop in the Flue Gas Desulphurisation (FGD) efficiency from 93.5% in 2008 to 93.0% in 2009. The increased frequency of low natural gas pressure incidents in 2009 (compared to 2008) affected the smooth operations of the natural gas fired plants which resulted in the oil-fired plants running more frequently than originally planned. The greater use of oil (which contained sulphur content) thus resulted in more SO_2 being emitted than intended.

Compared to ten years ago, our sulphur dioxide today is 4 times lower. Besides sulphur dioxide, all other air emissions like nitrogen dioxide, carbon monoxide and particulate matter levels were within the National Environment Agency (NEA) limits.

Increasing Our Share of Renewable Water Sources

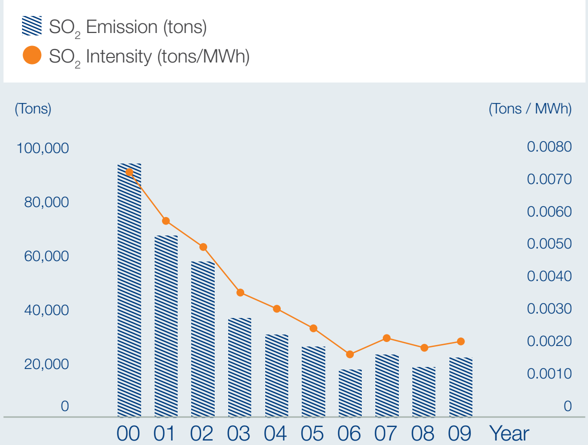
In 2009, a significant proportion of water used for the power plant operations came from water produced from our own seawater reverse osmosis desalinated plant (i.e. 71.3%). This places less strain and reliance on Singapore's precious freshwater resources and contributes to the water sufficiency goal of the Singapore Green Plan 2012. Our water conservation efforts also saw the development and implementation of various plant improvement projects that focused on attaining self-sufficiency in water and improving water efficiency. For example, a water recovery measurement and monitoring system for all the water treatment plants was established and implemented. This allows any drop in recovery rate to be easily detected for corrective actions to be taken. It also allows us to identify opportunities for further improving the recovery rates. On-going efforts were also made in diverting raw water supply to various plant processes from PUB town water to desalinated water in order to achieve self-sufficiency in water supply within the station.

CO_2 Emissions for the Past Decade (2000 to 2009)



Historical Figures of the CO_2 intensity and Direct CO_2 emissions from power generation over the last 10 years.

SO_2 Emissions for the Past Decade (2000 to 2009)



Historical Figures of the SO_2 intensity and Direct SO_2 emissions from power generation over the last 10 years.

Message

Solid Waste Recycling

Of the total solid wastes that were generated from the power plant operations in 2009, close to 92% were recycled with gypsum comprising the main bulk of waste recycled. Gypsum is produced via a chemical process involving limestone and sulphur dioxide.

Raising Environmental Awareness From Inside Out

The company has elevated our focus on monitoring office resources over the years. The results have been encouraging as PowerSeraya managed to achieve a 21.2% reduction in paper consumption (on a per head basis).

To sustain environmental awareness in the office, initiatives such as an Eco Bazaar, terrarium making workshop and Christmas eco-gift competition were organised for employees.

Our environmental sustainability measures have extended beyond our organisation to include investments as well as collaborations with the community. In particular, our collaboration with our adopted school, Greenridge Secondary School, was further reinforced in 2009 with the establishment of an Energy Learning Hub (ELH) at the school premises. Sponsored by PowerSeraya at a cost $170,000, the ELH serves as a resource centre and provides energy-focused content for teaching purposes for eleven schools within the West 6 Cluster in Singapore.

Words of Appreciation

Our achievements so far are thanks to our parent company YTL Power International Berhad for their full support, our Board of Directors and Senior Management Team for their strong leadership, as well as the tireless efforts of our staff who have contributed to the strong performance of the company. Of course, not forgetting too our customers, business partners and UPAGE for their unwavering support despite challenging times.

As the economy in Singapore and the region continues on its path towards recovery, market opportunities that surface along the way will open new doors of growth. With the strong support of our parent company YTL Power, PowerSeraya is poised to expand its multi-utility capabilities and boost its position in the energy industry.

JOHN NG
Chief Executive Officer

BOARD OF
Directors

Mr Edwin Harald Burchardt

Dato' Yeoh Seok Hong

Tan Sri Dato'(Dr) Francis Yeoh Sock Ping

Mr John Ng Peng Wah | **Dato' Mark Yeoh Seok Kah** | **Mr Joseph Tan Choong Min**

BOARD OF

Directors

Tan Sri Dato' (DR) Francis Yeoh Sock Ping
Chairman

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping joined the PowerSeraya Board on 12 November 2009. He is presently Managing Director of YTL Corporation Berhad, YTL Power International Berhad, YTL Cement Berhad and YTL Land & Development Berhad as well as the Executive Chairman and Managing Director of YTL e-Solutions Berhad.

Tan Sri Francis is also Chief Executive Officer of Pintar Projek Sdn Bhd, the Manager of Starhill Real Estate Investment Trust; and the Executive Chairman of YTL Pacific Star REIT Management Limited.

Under his stewardship, the YTL Group has grown into a leading integrated infrastructure developer with international interests in utilities, construction, cement manufacturing, property development and investment, hotel development and management and information technology.

Dato' Yeoh Seok Hong

Dato' Yeoh Seok Hong was appointed to the PowerSeraya Board on 6 March 2009. He is an Executive Director of YTL Corporation Berhad, YTL Power International Berhad, YTL Cement Berhad, YTL Land & Development Berhad and YTL e-Solutions Berhad.

Dato' Yeoh Seok Hong is responsible for developing the YTL Power's utilities business, which has grown from its base in Malaysia of two power stations with a generation capacity of 1,212 MW into an international multi-utility provider with businesses encompassing power generation (in both contracted and merchant markets) in Malaysia, Indonesia and Singapore, power transmission in Australia and water and sewerage services in the UK.

Dato' Mark Yeoh Seok Kah

Dato' Mark Yeoh Seok Kah was appointed to the PowerSeraya Board on 6 March 2009. He is an Executive Director of YTL Corporation Berhad, YTL Power International Berhad, YTL Cement Berhad, YTL Land & Development Berhad and YTL e-Solutions Berhad.

Dato' Mark heads the hotels and resorts division of the YTL Group, which owns and manages a portfolio of award winning premier properties comprising of 5-star hotels (The Ritz–Carlton, Kuala Lumpur and the JW Marriott Hotel Kuala Lumpur), luxury resorts (Pangkor Laut Resort, Tanjong Jara Resort, Cameron Highlands Resort, The Majestic Malacca and Spa Village Resort Tembok Bali) and the Vistana chain of business hotels in Malaysia.

Mr John Ng Peng Wah
Chief Executive Officer

Besides serving on the PowerSeraya Board, Mr John Ng Peng Wah is also the Chief Executive Officer of the PowerSeraya Group, an appointment held since May 2009. An industry veteran with more than 20 years of commercial and engineering experience under his belt, he transitioned with the Company from its PUB days to the current PowerSeraya Group.

Prior to his current appointment, Mr Ng was the Group's Senior Vice President of Retail & Regulations. During his tenure, Seraya Energy – the Group's retail arm – witnessed rapid business growth and made it to the list as one of Singapore's 50 fastest growing companies for two consecutive years.

Until his appointment, Mr Ng has also held other management positions within PowerSeraya, including General Manager of Business.

Mr Edwin Harald Burchardt

Mr Edwin Harald Burchardt is the Managing Director of YTL Power Services Sdn Bhd and has overall responsibility for the Operation and Maintenance of YTL Power's Paka and Pasir Gudang power stations in Malaysia and PT Jawa Power's 1,220 MW power plant in Indonesia.

Mr Burchardt is a Nuclear Engineer with over 45 years of experience in the international power sector including 30 years with Siemens and 15 years with the YTL Group. He was formerly a Senior Director in the Erection & Commissioning Division of Siemens PG Group KWU in Germany. He was also the project manager for Killinghome and Rye House combined-cycle power plants in the UK in the early 1990s.

Mr Joseph Tan Choong Min

Mr Joseph Tan Choong Min is the Director of Projects for YTL Power International Berhad and is responsible for the YTL Group's new projects and investments, including M&A acquisitions and greenfield project development.

Mr Tan has over 25 years' experience in the construction and infrastructure sectors, as well as in corporate planning and business development for large industrial groups.

Prior to joining YTL Power, he was Manager for Corporate Planning & Business Development with Singapore Technologies Industrial Corporation Limited in Singapore.

Management

Mr Quek Khai Hor	Mr Chan Swee Huat	Mr John Ng	Mr Bernard Lee
Senior Vice President Utilities	Senior Vice President Trading & Fuel Management	Chief Executive Officer	Senior Vice President Process & Innovation

Mr Nicholas Chan
Vice President
Corporate Finance

Mr Low Boon Tong
Senior Vice President
Energy Markets

Mr Lim Sam San
Vice President
Retail

Mrs Retnam Pui Yim
Vice President
Corporate Services

SIGNIFICANT

Milestones

2009

JULY

ACCA Singapore Awards for Sustainability Reporting - Best First-Time Report and Best Sustainability Report

PowerSeraya won the 'Best Sustainability Report' and 'Best First Time Report' category awards at the Association of Chartered Certified Accountants (ACCA) Singapore Awards for Sustainability Reporting 2008. The award is endorsed by the National Environment Agency.

PowerSeraya also became the first company in Singapore to attain a Level B+ from the Global Reporting Initiative (GRI), the global standard for sustainability reporting.

AUGUST

Launch of Greenridge Energy Learning Hub

The PowerSeraya-sponsored Energy Learning Hub at Greenridge Secondary School was officially launched on 14 August 2009 by Dr. Teo Ho Pin, Mayor of North West District and MP for Bukit Panjang Constituency. Constructed over a period of three months, the Hub was a $170,000 investment made by PowerSeraya.

It forms part of the company's long-term partnership with Greenridge Secondary School since 2005 to promote environmental awareness and energy conservation to students and residents of the Zhenghua community, where Greenridge is located.

SEPTEMBER

Conversion of Existing Combined Cycle Power Plants

The technical conversion of PowerSeraya's two existing combined cycle plants into co-generation units was completed on schedule to supply steam to its customer, Petrochemical Corporation of Singapore (PCS). The successful completion of the project marks the first step in PowerSeraya's pursuit to strengthen its steam supply capabilities.

2010

MARCH

Long-term LNG Purchase Agreement

PowerSeraya secured a long-term agreement with Singapore LNG and BG Group to purchase liquefied natural gas (LNG) for its plant operations upon the completion of the Singapore LNG terminal in 2013. The official signing took place on 31 March 2010 at the groundbreaking ceremony of the Singapore LNG terminal on Jurong Island.

APRIL

Double Wins at Asia Power & Electricity Awards 2010

At the Asia Power & Electricity Awards 2010 held on 6 April at Suntec City Singapore, PowerSeraya garnered the Most Socially Responsible Company of the Year while its parent company YTL Power emerged as the Power Company of the Year. PowerSeraya clinched the award for its commitment in integrating and executing corporate social responsibility in all aspects of its business.

MAY

YTL Concert of Celebration

The YTL Concert of Celebration which was proudly sponsored by Seraya Energy, subsidiary of PowerSeraya, was an overwhelming success that played to an audience of 12,000. Held for free for Singaporeans at the Singapore Botanic Gardens, it featured Italian tenor Andrea Bocelli. More than 62,000 people had balloted for tickets to watch the concert, which was organised by PowerSeraya and YTL.

every employee: AN ASSET

CONTESTABLE CUSTOMERS MARKET SHARE

29.5%

SALES TO CONTESTABLE CUSTOMERS

9,572 GWh

OPERATIONS REVIEW

Seraya Energy

Over the last ten years since the deregulation of the electricity retail market, the industry has seen customers' expectations for electricity purchases evolve. To ensure that it remains a strong energy retailer, Seraya Energy continuously seeks to introduce new customer-focused initiatives that will set it apart from the competition. This is especially so when customers are increasingly looking to Seraya Energy for advice and customised solutions to meet their business needs.

With focused efforts geared towards meeting these needs, Seraya Energy has continued to retain its market leader position for the third consecutive year by commanding 29.5% of the contestable retail market, up from 29.2% in FY2008/2009. Correspondingly, sales volume reached 9,572 GWh for the period ending June 2010, an annualised increase of 9.3% from FY2008/2009.

With the recovery of the economy, the demand for energy saw a sharp increase. Armed with a deep understanding of the market and its customers' needs, the Seraya Energy sales team actively engaged the customers to help them deal with the higher level of uncertainty in energy procurement arising from the wildly fluctuating oil prices, by providing them with regular market updates and advice. The team also helped foreign potential investors made sound decisions by offering informative advice and competitive rates.

For the period in review, Seraya Energy also went the extra mile and extended its services to its customers' customers e.g. assisting the landlord (the main customer) in servicing the tenants in billing, account processing and payment collection of power supply.

Seraya Energy's customers also received invitations to events organised by the company and the larger YTL Group; and enjoyed additional perks when they booked a holiday or company retreat with YTL Hotels & Resorts.

Seraya Energy's customer e-portal – SEnergy – has proved to be a useful e-tool for its customers to gain access to information at their own convenience. In June 2009, Seraya Energy introduced quarterly SEnergy orientation sessions to familiarise customers with the portal's features. These sessions also provided a good platform for the sales team to network with their customers and collect valuable feedback on the portal to enhance the customer experience. As a result, over a one-year period from June 2009, customer usage rate has increased by more than 37%.

To drive greater customer satisfaction, Seraya Energy also achieved a service rate of having at least 92% of customer calls answered within 30 seconds, representing a 15% increase over the initial target set by its call centre team for the period in review.

As the company supports and creates awareness for sustainability, Seraya Energy also launched GreenPlus – a unique energy solution that helps customers to achieve or improve their energy efficiency.

With the establishment of PowerSeraya's 800MW Co-Generation Combined Cycle Plant, the team at Seraya Energy can now offer even greater value through a bundled multi-utility package that includes steam, electricity and water.

Moving forward, the company will build on its past successes and continue with the same focus on dedication towards service excellence and increased value-propositions. With a strong foundation in place, Seraya Energy will continue to roll out innovative energy-saving initiatives and promote sustainability at the same time.

Having established a proven successful energy retail model in Singapore, Seraya Energy looks forward to sharing its expertise in industry forums and with overseas counterparts.

every move:
FOCUSED

REVENUE

S$863m

NET PROFIT AFTER TAX

S$14.2m

OPERATIONS REVIEW

PetroSeraya

With the business environment picking up in late 2009 after the financial turmoil in 2008, PetroSeraya has continued to maintain its strong contributions to the Group. Revenue was $863 million for the financial period ending June 2010, and Net Profit after Tax was $14.2 million.

The 25,000m^3 oil blending tanks, which started construction in the second half of 2008, were completed on schedule and started its commercial operations in the last quarter of 2009, complementing its existing 860,000m^3 of storage tanks capacity. Moving forward, PetroSeraya will continue to upgrade its operational assets and enhance its jetty facilities to realise greater benefit and revenue to the PowerSeraya Group.

With a well-integrated terminal configured for cargoes and bunkers trading, the company will continue to balance contango play with storage by leasing out some of its storage tanks on a long-term basis.

Together with the Group's parent company YTL Power, PetroSeraya is looking to strengthen its position by expanding its fuel management activities beyond its power generation arena. It will be exploring opportunities to expand its storage and jetty facilities to cater to an increase in trading activities and berth utilisation for bunkering and cargo vessels.

every relationship: MEANINGFUL

GROUP REVENUE

S$4.8b

GROUP NET PROFIT AFTER TAX

S$337m

OPERATIONS

Review

Energy Market Operations

The electricity market in 2009 saw a sharp U-turn curve in electricity demand. Negative growths were experienced for the first half but electricity demand picked up again from June 2009 onwards when the economy started recovering. Although total system demand hit the highest level since the market started in 2003, the 2009 growth rate of 0.4% was the lowest. The Uniform Singapore Energy Price (USEP) also fell in 2009 by 8.9% from 2008. This is in line with a lower oil price, which fell from its peak in 2008.

Despite the uncertainty in electricity demand, volatile oil and forex markets as well as changes in market rules, PowerSeraya was able to maintain its strong generation market share since April 2009. For the period ending June 2010, it registered a generation market share of 27%. The Group sold 13,825 GWh of electricity, representing a 15.9% increase compared to FY2008/2009 on an annualised basis. This was attributed to relentless efforts in portfolio optimisation and prudent risk management across the key value chains from generation assets and wholesale bidding, to contracting and hedging.

Equipped with a competent Derivatives Market team under the close supervision of the Enterprise Risk Management team, PowerSeraya was able to manage the company-wide financial price exposures, create and maintain an alternative revenue source, provide pricing facilities for electricity contracts and optimise financial price risks as well as provide corporate market research capability. Such tasks were especially vital during the global recession. In addition, the team acted as an in-house market-maker and liquidity provider for the sale of short and long-dated electricity contracts. This has allowed PowerSeraya's retail arm to market electricity contracts competitively to commercial and industrial customers. As a result, the number of retail contracts grew by 9.3% compared to FY2008/2009 on an annualised basis.

For the year in review, more than half of the generation output came from the natural gas-fired Combined Cycle Power Plants, which generate electricity at a higher level of efficiency and lower costs compared to oil-fired plants. Going forward, PowerSeraya expects to increase its use of natural-gas by at least 15%. The company will continue to strengthen its competitive advantage in its gas portfolio by seeking to further diversify its supply source.

Aligned with the Singapore Government's initiatives to diversify fuel mix and increase energy security, PowerSeraya signed the gas sales agreement with BG Singapore Gas Marketing in March 2010. The company is therefore primed to be a significant purchaser of re-gasified Liquefied Natural Gas (LNG) when the Singapore LNG terminal is operational in 2013.

PowerSeraya as a shipper in the Gas Market will continue to establish prudent guiding principles and operational procedures to ensure the smooth delivery of natural gas for power generation.

The Energy Markets Group will seek to integrate the various value chains seamlessly so as to enable the company to respond effectively to changes in electricity demand and the commodities marketplace, thereby contributing positively to the company's financial performance.

Review

Utilities

For the period in review, PowerSeraya's mix of 2X370MW Combined Cycle Power Plants and 7X250MW Oil-fired Plants supplied 27.8% of Singapore's total energy requirements.

The company completed the new 800MW Co-Generation Combined Cycle Plant (Co-Gen CCP) in July 2010. This project replaced three oil-fired steam units with the natural-gas fired Co-Gen CCP, which will produce electricity and steam to customers with higher efficiency and reliability. The technical conversion works for two existing combined cycle plants into co-generation units were also completed to commence the steam supply to PetroChemical Corporation of Singapore in Q3 2009. These developments cement PowerSeraya's move to strengthen its competitive positioning as an integrated energy company that will offer greater value to its customers on Jurong Island.

The Utilities Group's operations and maintenance structure was also revamped from asset-based to function-based with a view to streamlining its technical core competencies to undertake most of the plant technical works with increased efficiency.

As part of its strive for excellence to provide beyond fuel oil tests under its accreditation of ISO/IEC 17025:2005, PowerSeraya's chemical laboratory has started to undertake trace elements analysis in waste water, limestone and gypsum testing. The computerised maintenance management system was also enhanced to incorporate more features for work efficiency and safety standards.

PowerSeraya continues to enhance its safe work standards by successfully transiting from OHSAS 18001:1999 to OHSAS 18001:2007 while maintaining its works standards of ISO 9001:2000 and environmental standards ISO 14001:2004. For the period in review, PowerSeraya has clocked about 940,000 manhours for staff and 1.7 million manhours for contractors without any lost time incidents.

The 10,000m^3 per day Desalination Plant with capability to produce potable water also saw its potable water sampling and safety plans approved by the relevant authorities. With that, PowerSeraya looks forward to generating revenue from its supply of potable water to its first customer.

Business Systems & Information Technology

PowerSeraya continues to use innovative technologies and the latest IT solutions to increase efficiency and streamline processes within the Group. This is supported strongly by its Process & Innovation (P&I) team through its focus on upgrading obsolete systems, implementing strategic business systems to aid the growth strategy of the various business groups and identifying new functions and technologies that will reduce overall costs, improve reliability and compliance as well as provide greater visibility for the company.

The P&I team provided critical support to the commissioning of PowerSeraya's 800MW Co-Gen CCP through activities that included changes to the various enterprise and plant systems as well as laying the groundwork for access to the company's network.

The P&I team also helped enhance the current system used for electricity bid submission, thereby effectively extending the shelf life of the application. Other improvements made included the implementation of the Utilities Group's dashboard to provide greater visibility of key performance measures in the plant and the phased implementation of the Chemistry and Environment Repository System that allows the Utilities Group to capture and analyse chemical and environmental samples.

P&I will continue to develop and optimise the effective use of the company's IT assets in line with business needs. It will also work closely with other organisations within the YTL Power Group to extract greater leverage and innovation on technologies used to enable businesses, thereby achieving greater synergies.

every collaboration: DRIVEN

OPERATIONS

Review

Building a Well-Rounded Workforce

PowerSeraya will continue to invest in its people to maintain its market competitive position and build a talented workforce which will enable it to attain its vision of being a leading integrated company based in Singapore.

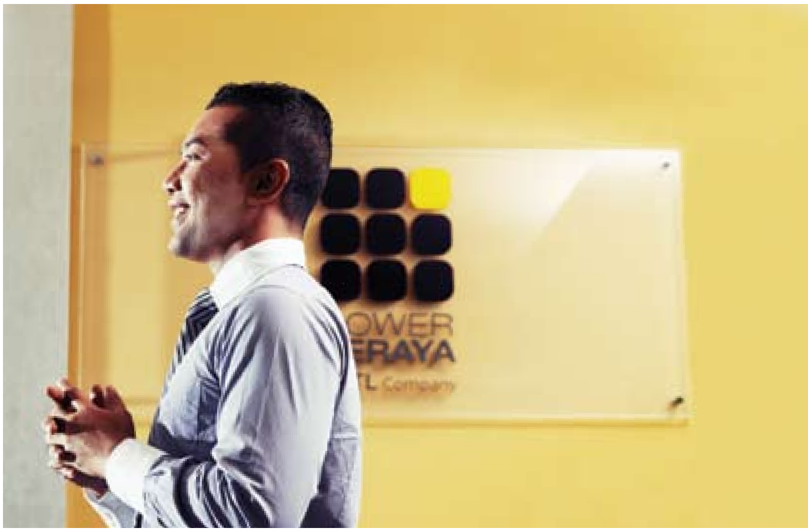
Through employer branding, PowerSeraya has reached out to potential recruits by providing scholarships, internships and industrial attachments. For the period in review, four scholarships were awarded to Nanyang Technological University undergraduates. A total of 19 internships and industrial attachments were offered to undergraduates and students from local and overseas educational institutions.

The company has also examined the re-employment of older workers beyond age 62 in view of an aging workforce in Singapore and the need to tap on the experience and expertise of our older workers. In consultation with UPAGE, PowerSeraya drew up the Re-employment Framework and Policy for implementation from 1 April 2010, ahead of the re-employment legislation intended for 2012. The Framework sought to recognise the contributions of its mature employees and engage them in more economically productive years beyond age 62.

Talent development of staff is also an important priority of the company, not only as a staff retention tool but also to meet changing job demands and external changes in the industry. Almost $600,000 for the fiscal period was invested in Training and Development programmes in Competency Acquisition and in enhancing Professional and Management Skills. The aim is to cultivate a workforce of continuous learning that will improve PowerSeraya's results and sustain competitive advantage by enabling its staff to anticipate and respond effectively to change.

Further, PowerSeraya actively engages employees through various communication channels such as Staff-Management Dialogues, online feedback portals and skip level meetings with CEO to allow staff to give feedback on any areas of their work. Management and staff retreats are also held annually to communicate group business plans and allow greater team bonding outside of work environments.

For their dedication and achievements, selected employees are given a "P.A.T" on their back through a new "PowerSeraya Achiever Treat" which provides for incentive trips to relax and recharge at affiliated YTL resorts. As part of its commitment to help employees harmonise their work and personal/family needs, a flexible/staggered start time scheme was implemented in April 2010 to enable employees to opt for a work schedule that suited them within management-set limits.



Environmental and Corporate Social Responsibility

Internalising Eco-Consciousness Among Staff

Throughout the year, PowerSeraya organises activities to galvanise its staff into eco-action. By placing importance in internalising environmental-friendly practices, the company hopes that staff too can become advocates of the environment.

For the third consecutive year, PowerSeraya supported Earth Hour to show our continued resolve to mitigate the effects of climate change. During the lights-off period, staff were encouraged to take advantage of natural lighting to do their work by rolling up the window blinds.

To raise awareness on plastic bottle recycling, the company also organised a month-long campaign to collect used plastic bottles. An estimated 250 used plastic bottles were subsequently collected and used to construct a feature wall in the company's sponsored Energy Learning Hub at its adopted Greenridge Secondary school.

Over the last fiscal period, PowerSeraya organised fun and engaging activities surrounding the sustainability message which included a terrarium workshop and an eco-gift competition to encourage the use of recycled office materials for festive gift wrapping. An estimated 50 staff also took part in the 'Green That Old Red Packet' workshops, which aimed to demonstrate the various ways of recycling old red packets into origami decorative items for Chinese New Year.

Monitoring Office Resources

At PowerSeraya's corporate headquarters, resources of energy, water and paper are monitored on a monthly basis to ensure that

resource consumption is kept in check. Since rolling out measures on the sustainable use of office resources two years ago, the company has accumulated a total estimated savings of about $15,000 and helped reduce more than 33,000 kg of carbon dioxide emissions (as of 31 December 2009). Paper conservation measures in 2009 alone also reduced 275,000 sheets of A4 sized paper – equivalent to 24 trees being saved! Paper pay slips were also not spared and dropped by more than 50% after a review of staff's need to receive hardcopy pay slips.

PowerSeraya continues its efforts in greening IT infrastructure by deploying virtualisation technology across more servers in its data centre. As of December 2009, the company had 110 virtual servers running on 11 physical servers. This reaps an annual energy consumption savings of close to 80% and an avoidance of approximately 175 tons of carbon emissions per annum.

Community Engagements

For the third time, PowerSeraya organised the 'One Degree Up' Challenge in alignment with World Environment Day on 5 June 2010. Organised in partnership with its landlord Mapletree, the event called upon all office tenants at HarbourFront Towers to raise their office temperature by one degree with the primary objective of spreading the message on climate change. The initiative was well received with a participation rate of close to 78% from 40 companies in HarbourFront Towers – this added up to 3,000 office workers who helped made a difference. To raise greater awareness, a mini exhibition cum energy conservation games was also organised at the lobby of the office building to engage participants.

In another community collaboration, the company led a team which comprised not only its staff, but also participants from Singapore Polytechnic and Carlson Hotels, to pick up debris in the annual International Costal Cleanup held at East Coast Park.

Additionally, PowerSeraya teamed up with Nokia for the first time to bring the 'Recycle a Phone, Adopt a Tree' programme to the wider community within the vicinity of its office at HarbourFront Towers. Done in partnership with its landlord Mapletree, this two-month programme helped raise awareness on the environmental benefits of phone recycling.

every detail:
METICULOUS

OPERATIONS

Review

Environmental Investments

PowerSeraya's continued partnership with Greenridge Secondary School led to an investment of $170,000 to establish the school's Energy Learning Hub. Launched in August 2009, the Hub marks a significant milestone for PowerSeraya in promoting environmental stewardship to not only students within the school, but also to those from 10 other schools in the same school cluster and to the wider community. As of December 2009, close to 1,100 students, teachers and parents have visited the Hub since its launch.

PowerSeraya also became a two-time sponsor for Clean and Green Singapore, which is the country's largest environmental event organised by the National Environment Agency (NEA).

In addition, PowerSeraya lent its support to six environmental and social NGOs through sponsoring the annual NEA-Mediacorp Semakau Run (formerly known as Pulau Semakau CEO Run). The event saw the company's third round of participation in 2009 when PowerSeraya's CEO took part in this run along with a few of the company's employees on Pulau Semakau, Singapore's offshore landfill island.

Social Investments

As part of the company's efforts to reach out to the socially disadvantaged, PowerSeraya invited the Metta Welfare Association for the first time to be part of its bi-annual Family Day celebrations. During the event, staff volunteers hosted 27 members and their families from Metta Day Activity Centre which runs programmes for intellectually-disabled people to help them develop daily living skills.

Book prizes worth $1,000 each were awarded to four of PowerSeraya's employees' children. Set up in year 2007, this book prize was created in honour of the late Mr Nithiah Nandan, former executive secretary of the Union for Power and Gas Employees (Singapore) for his support for lifelong education and dedication to serving others. As of December 2009, seven of its employees' children have received this book prize.

Over the last fiscal period, PowerSeraya also donated a combined sum of $77,000 to the UPAGE Endowment Fund and the UPAGE Bursary Awards. The former aims to help UPAGE ensure that membership services such as welfare and training needs are well covered while the annual UPAGE Bursary Awards are awarded to the children of UPAGE members based on their academic performance and family financial needs.

Last but not least, the company's retail arm Seraya Energy sponsored the YTL Concert of Celebration, organised by PowerSeraya and its parent company YTL. The free concert featured Italian tenor Andrea Bocelli and played to an audience of around 12,000 at the Singapore Botanic Gardens. During the event, YTL also presented a cheque of $850,000 to the Community Chest.

every disclosure:
TIMELY

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.

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 internal auditors. In addition, the external auditors also review the effectiveness of key controls as part of its audit plan for each year.

Internal Audit

The internal auditor's functions 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 Group 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 meets regularly to deliberate on enterprise-wide risk matters.

During FY2009/2010, the committee was chaired by the Chief Executive Officer. Members include Executive Director, Chief Risk Officer, Head of Legal & Regulatory Affairs and Enterprise Risk Manager.

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 and implemented.

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