

PowerSeraya Group Annual Report 2008/09

FORGING A STRONG FUTURE





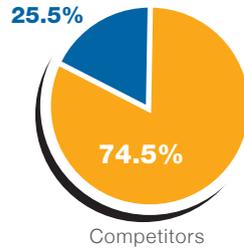
PowerSeraya is in the business of producing, wholesaling, trading and retailing of energy; with a primary focus on electricity. With its strategic location in Jurong Island and its excellent infrastructure, the company is expanding and moving into the integrated energy business which includes sale of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

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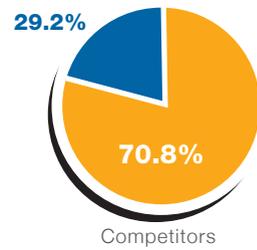
Market Share Generation

PowerSeraya

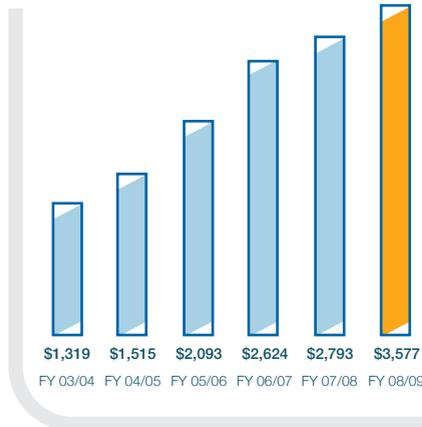


Market Share Retail Contestable Switched Load

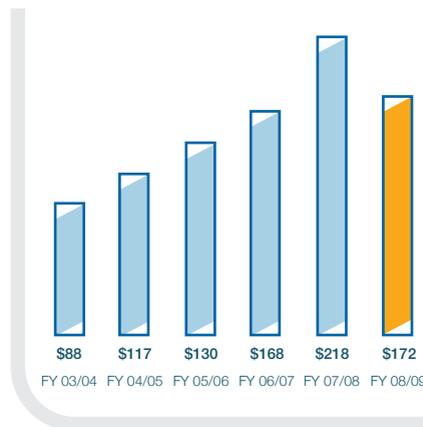
PowerSeraya



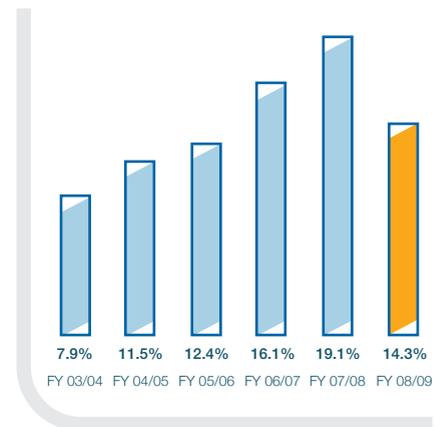
Revenue (\$mil)



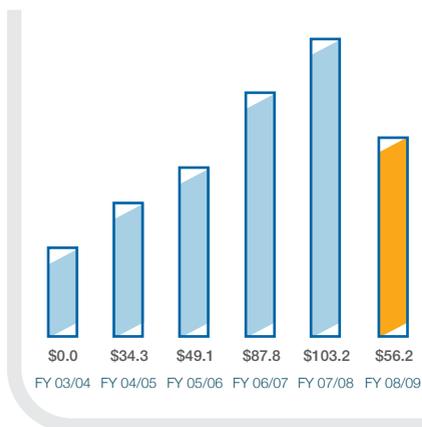
Net Profit After Tax (\$mil)



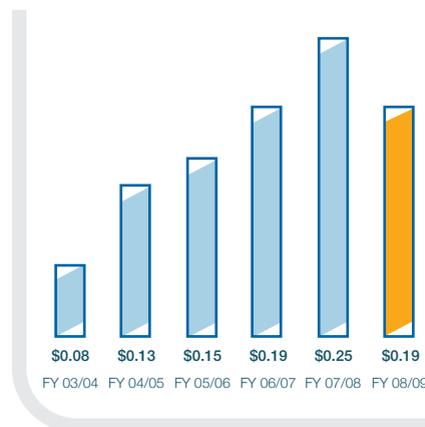
Return On Equity (%)



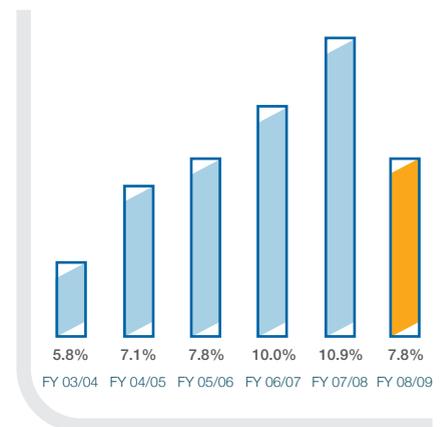
Economic Value Added (\$mil)



Earnings Per Share (\$)



Return On Assets (%)





THROUGH
BUSINESS

Backed by a wealth of experience, we have intent to drive continuous growth by focusing on building our core capabilities.

A man in a black suit stands on a sandy beach, holding a large white puzzle piece. The puzzle piece is shaped like a person and has a circular hole in the center. The background shows the ocean and a clear sky. The text 'SS AND PEOPLE CAPABILITIES' is overlaid on the image.

SS

AND

PEOPLE
CAPABILITIES



OUR
DIRECTOR'S
MESSAGE

“YTL Power’s growth is underpinned by a strategy focused on the development and acquisition of utility businesses. As part of the YTL Power Group, PowerSeraya will play a significant part in this strategy as the YTL Power Group continues to seek assets to grow its presence in the region.”

EMBARKING ON A NEW PATH

On 6 March 2009, YTL Power assumed ownership of PowerSeraya, following a successful acquisition of a 100 per cent stake in the company from Temasek Holdings.

Considered one of the leading power generation companies in Singapore, we believe that PowerSeraya will play a key role in furthering YTL Power's strategic intent to grow its utility presence in the region.

YTL Power's businesses cut across various geographies; encompassing power generation in Malaysia and Indonesia, power transmission in Australia, provision of water and sewerage services in the United Kingdom, as well as plant operations and maintenance in Indonesia. The addition of PowerSeraya's complementary multi-utility business will enable the YTL Power Group's stable of power businesses to expand and give them the opportunity to enter the Singapore energy market.

GREATER SYNERGIES TO DRIVE GROWTH

Given PowerSeraya's strong position in the energy industry, there are clear synergies between the two groups. The Board is keen to leverage the strengths of both companies to drive greater operational efficiencies and value across both groups.

PowerSeraya has made commendable efforts in transforming itself from a single commodity power company to a multi-commodity and multi-faceted energy company. While the global economic environment will remain challenging, we are confident that PowerSeraya will continue to reap consistent returns from its diversified energy business over the longer term.

Aligning and optimising the YTL Power core competencies together with PowerSeraya will be key as this will boost our competitive advantage by ensuring that we are ready to fully tap the opportunities available in the local electricity sector as it gets further liberalised. Our initial focus will be to strengthen PowerSeraya's operational and asset management capabilities by integrating with and tapping the expertise within the larger YTL Power Group.

We believe that people form one of the most strategic and valuable assets of our organisation, and are certain that the

integration with the YTL Power Group will give real opportunities to people to fulfil their career goals. We will seek to facilitate the transfer of knowledge and resources from the bigger YTL Power Group so as to present greater opportunities for staff to stretch their potential.

YTL Power's growth is underpinned by a strategy focused on the development and acquisition of utility businesses. As part of the YTL Power Group, PowerSeraya will play a significant part in this strategy as the YTL Power Group continues to seek assets to grow its presence in the region.

We are confident that we will be able to realise synergies between the two groups to create greater value for our stakeholders and ensure stability and strength in our business performance.

ACKNOWLEDGEMENT AND THANKS

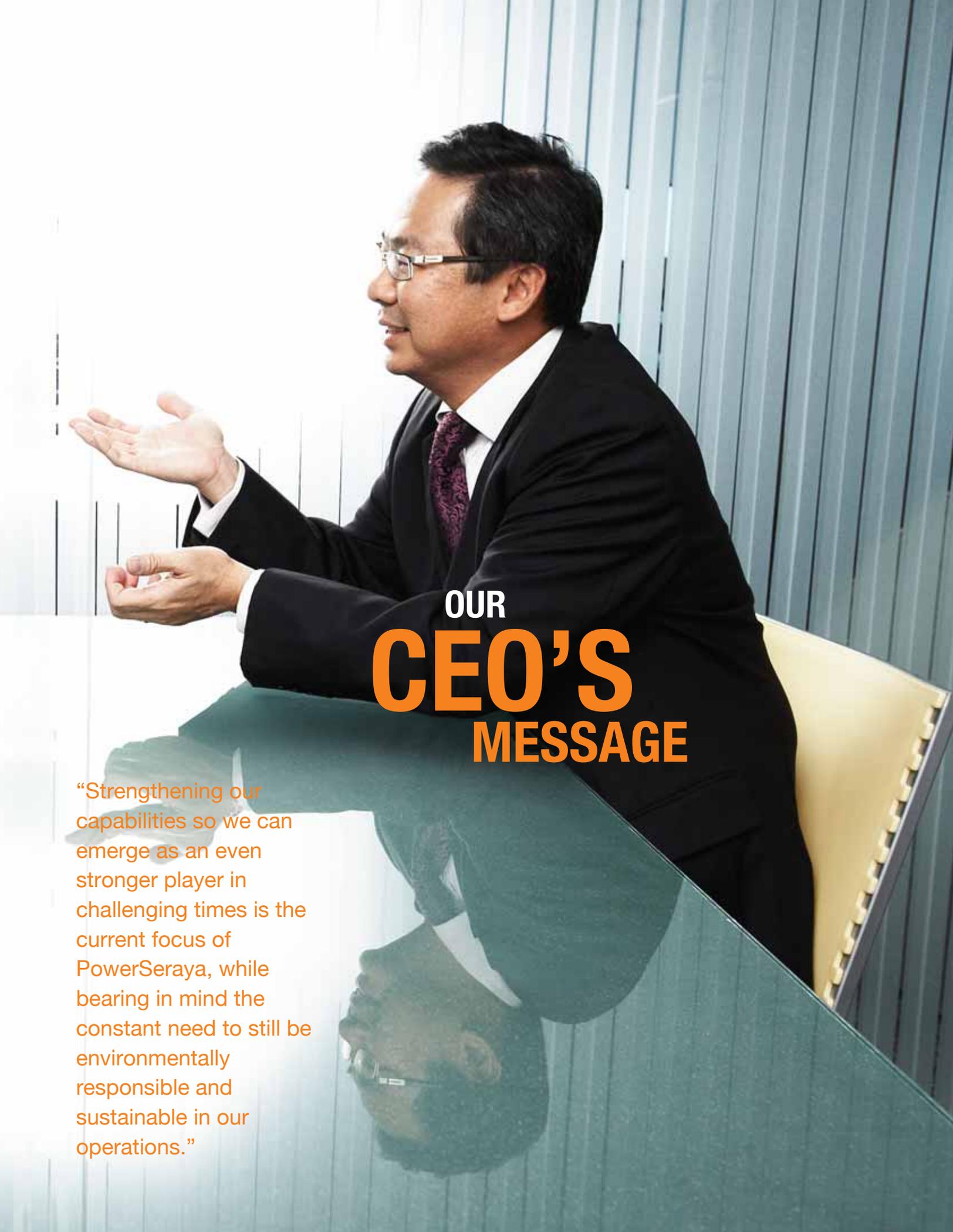
The Board would like to extend its deepest appreciation to the previous Board of Directors for their diligent stewardship of the Company. We are also proud of the management team of PowerSeraya, and thank them for their professionalism and commitment in ensuring a smooth transition in the acquisition process.

We are glad to have also received the support of the Union of Power and Gas Employees (UPAGE) who have facilitated open communication between management and staff throughout the ownership transfer process. Additionally, we would like to express our gratefulness to our business partners for sharing the company's goals and evolving with us as our business needs changed.

Our sincere thanks goes out too to the staff of PowerSeraya for embracing the Company vision and demonstrating the resilience needed to build the company to where it is today. With the same continuing spirit, we look forward to strengthening the presence of PowerSeraya in the energy sector and thereby, forging a strong future for all.



DATO' YEOH SEOK HONG
DIRECTOR

A man in a dark suit, white shirt, and patterned tie is seated at a dark, reflective table. He is wearing glasses and has his hands raised in a gesturing motion. The background consists of vertical blinds. The text 'OUR CEO'S MESSAGE' is overlaid on the image in white and orange.

OUR CEO'S MESSAGE

“Strengthening our capabilities so we can emerge as an even stronger player in challenging times is the current focus of PowerSeraya, while bearing in mind the constant need to still be environmentally responsible and sustainable in our operations.”

MAINTAINING GROWTH

Amidst the global economic turmoil which started towards the final quarter of last year, PowerSeraya continued to deliver a stable and profitable performance. For the year in review, PowerSeraya recorded revenues of S\$3.6 billion, an increase of approximately 28% over the last year of S\$2.8 billion. Net Profit After Tax (NPAT) was S\$172 million, while Return on Equity and Return on Total Assets were at 14.3% and 7.8% respectively. These results prove that with careful planning and well-thought business strategies, the company could continue its growth path to remain financially well-positioned. PowerSeraya has performed well in both the regulated and non-regulated aspects of the business. Our core business of power generation contributed more than 80% of our revenue, and was supported equally strongly by our complementary business of energy retailing as well as physical oil trading and storage.

STRENGTHENING CAPABILITIES

PowerSeraya has been well-positioned for growth with the sound business plan it has put in place to anticipate changes in the business climate. The company continues to stay focused on maximising its capabilities and core assets to address the global business fallout.

With a diversified energy portfolio – which already includes our 10,000m³ Seawater Reverse Osmosis Desalination Plant, as well as a new 800MW Co-Generation Combined Cycle Plant that is well on track to join the stable in 2010 to provide a new platform of growth for the future – the company is well-positioned to strengthen and expand its core multi-utilities business to offer competitive bundled sales that include electricity, steam and water.

Given that PowerSeraya is strategically located on Jurong Island, we are also seeking to enhance the use of fuel-related assets such as tank farms, pipelines and deep water jetties to boost our whole value chain and maximise revenue. Already, the construction of two new oil blending tanks with a combined capacity of 25,000m³ and due for completion

by the last quarter of 2009 is expected to give our physical oil trading arm PetroSeraya the capability to perform fine blending to optimise its value. With these two new tanks, our fuel storage capacity in Jurong Island will increase to 835,000m³.

The company broke new ground after it successfully entered the gas market when it was liberalised late last year. The experience gained from our role as a gas shipper has provided us a good start to strengthen our position in this area. To boost our fuel access and range, PowerSeraya is seeking to be a significant purchaser of Liquefied Natural gas (LNG) when the government completes its plans to establish a LNG terminal in Singapore by 2013.

Investing in our staff so they are empowered with the knowledge and expertise to cover many facets of the energy business has also reaped significant results. To address the volatility of the fuel oil market, our team adopted prudent and effective hedging strategies, as well as the adept procurement and management of fuel to manage our core business costs.

In addition, our fuel oil testing laboratory team was lauded for its proficiency and expertise in carrying out oil tests and calibrations. It received the ISO/IEC 17025:2005 laboratory accreditation in June 2008, an affirmation of the service assurance that our team provides.

To further enhance our competitiveness, improving cost efficiencies to drive business agility and add value across the Group will be key. We will continue to develop our resources and people – who form the backbone of PowerSeraya's growth – so we can seek to maximise returns for our shareholder and meet the ever-changing needs of our customers.

OVERCOMING CHALLENGES IN... POWERSERAYA

The economic downturn which started towards the end of last year had generally slowed businesses' demand for electricity. Yet, our team's ability to adapt swiftly to changes and execute definitive plans, coupled with a combination of astute plant and capital management, has secured us a steady Generation market share.

In particular, improvements made to the gas reception facilities of our Utilities operations and investments in our new 800MW Co-Generation Combined Cycle Plant Greater will place greater emphasis on the use of natural gas as a fuel source for power generation. With a competitive energy supply market, acquiring natural gas will be a key focus to further diversify our energy source and enhance our plants' efficiency.

SERAYA ENERGY

Seraya Energy managed to turn in a fairly impressive performance despite the market challenges, with an increase in total volume sales over the last fiscal year. The retail subsidiary achieved a higher growth rate of 16.5% to post a Net Profit After Tax (NPAT) of S\$13.7 million. Additionally, Seraya Energy continues to be the leading private electricity retailer in Singapore, servicing a wide range of customers across various industry sectors.

Despite its success in the face of rising challenges, the team at Seraya Energy is not resting on its laurels. They recognise the continuous need to deliver excellent service and create even greater value for its customers in order maintain its leadership position. They have also been gearing up to face the exciting opportunities and challenges that will be posed by the liberalisation of the domestic electricity market once that takes place.

PETROSERAYA

Our physical trading arm, PetroSeraya, displayed consistent growth, more than doubling its Net Profit After Tax (NPAT) to S\$12.2 million despite volatile oil prices. Total revenue was S\$673.6 million, with a Total Volume of Transactions at 900,000 metric tonne. As a relatively new entrant to the industry which started its operations in April 2007, PetroSeraya has delivered a resolute performance. The commencement of a physical trading desk has been successful and we expect PetroSeraya to grow steadily over the next few years.

With a resource-constraint environment, the company will continue to place emphasis on procuring key economic fuels to optimise the value of our electricity product offerings to customers.

OWNERSHIP TRANSFER

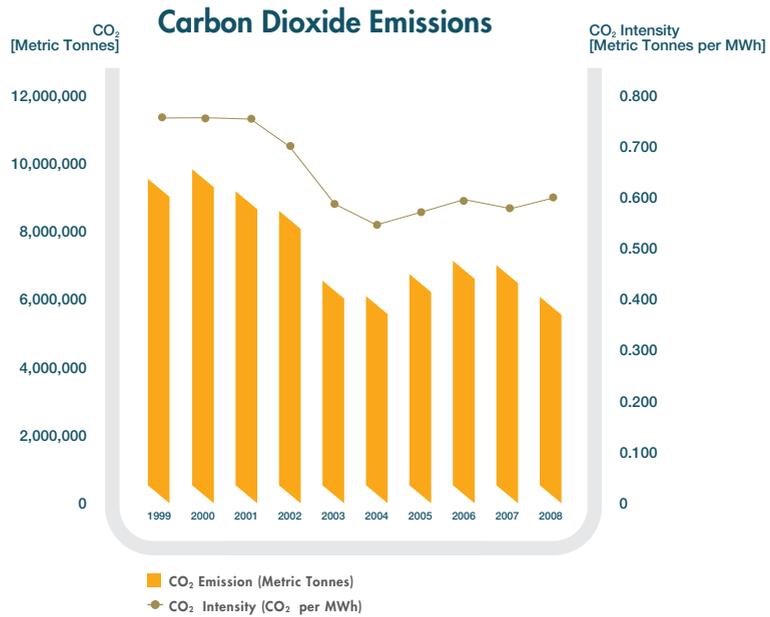
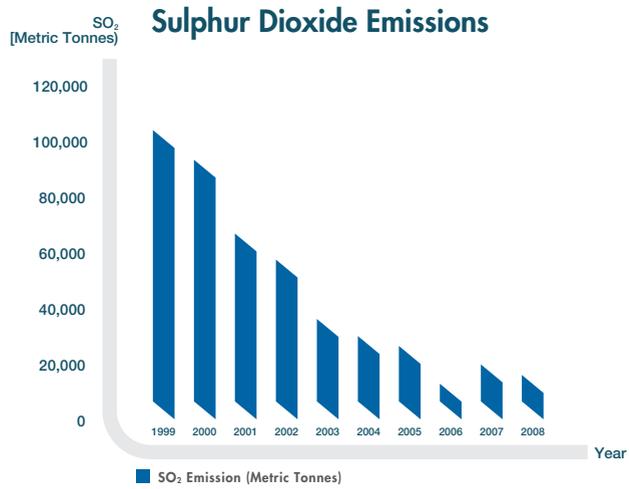
The year was also significant for the company with the transition of ownership from Temasek Holdings (Private) Limited to YTL Power International Berhad (YTL Power). Preparation for the divestment was thorough, which culminated in a strong relationship forged between the new shareholder and management team. The Union of Power and Gas Employees (UPAGE) and staff also played proactive roles to enhance the acquisition process, thereby making the transition a smooth and successful one.

The introduction of our new board of directors from YTL Power will add new perspectives to the business and open new doors of opportunities to drive growth.

Already, PowerSeraya is working closely with YTL Power to further strengthen our performance. The strategy is straightforward and aligned as a Group – focusing mainly on building our portfolio of multi-utilities services to augment our reach.

YTL Power's similar breath and scale of expertise in the energy sector – in addition to the YTL Group's range of other services – will provide synergistic opportunities for both Groups. This extracts not only greater value for our business and customers, but will also seek to enhance our staff's personal growth and development as they acquire even greater knowledge in their focus areas, which can in turn facilitate the company's progress.





RESPONSIBILITY TO THE ENVIRONMENT

In 2008, PowerSeraya obtained ISO 14001 re-certification, a reaffirmation of its commitment to responsible environmental management. On carbon dioxide emissions, PowerSeraya managed to maintain at approximately the same levels as the previous year. The year also saw a significant increase in the use of desalinated water for plant operations, thus placing less strain on the country's scarce freshwater resources.

Besides minimising the environmental impact of its plant operations, the company also started monitoring its office resource consumption at its corporate headquarters. Additionally, PowerSeraya has continually sought to reach out to its key stakeholders with an aim to raise environmental awareness.

Managing our carbon emissions

Carbon dioxide emissions experienced a 5.9 per cent drop in 2008 over the previous year. On the other hand, the carbon intensity for 2008 increased marginally by 1.2% to 0.592 tons/MWh due to a slight dip in the overall plant efficiency. Based on historical data, carbon dioxide emissions are now close to 35% lower compared to a decade ago. Looking into the future, the construction of our 800MW Co-Generation Combined Cycle Power Plant (CCPP) will potentially deliver a further 10% reduction in carbon dioxide emissions from current levels when it is completed by the first half of year 2010.

Minimising air emissions

The sulphur dioxide emissions arising from our plant operations were reduced by 17.5% in 2008 over the previous year due to the higher availability of the Flue Gas Desulphurisation (FGD) unit as well as the continued high efficiency of the FGD unit throughout the year. Compared to ten years ago, our sulphur dioxide emissions today is six 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.

Responsible water use

In terms of water use, the water consumed for power plant operations from our seawater desalination plant increased significantly from about 20% in 2007 to over 70% in 2008. 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 two projects. This includes the rainwater recovery system where rainwater is harnessed for general washing, while the other is a modified drainage system with the waste water being reused for cooling purposes.



Solid waste recycling

Of the total solid wastes that were generated from the power plant operations in 2008, close to 90% were recycled with gypsum comprising the main bulk of waste recycled. Gypsum, which is produced via a chemical process involving limestone and sulphur dioxide, is shipped overseas under the Basel Convention as a by-product for use in the construction industry.

Environmental Awareness and Action with the Community

Our environmental sustainability extends beyond our power plant to include the workplace and the community. In 2008, we embarked on a programme to actively monitor our office resource consumption at our corporate headquarters and exceeded our 3% reduction target set for energy and water consumption. These achievements were made possible through various initiatives rolled out throughout the year to raise environmental awareness among the employees.

Similarly, the year also saw further partnerships and collaborations with our various stakeholders. This included a joint initiative with our landlord Mapletree on the '1 Degree Up Challenge' – an initiative where HarbourFront Towers tenants raised their office temperature by 1 degree Celsius on World Environment Day; our continued support for our adopted school Greenridge Secondary School in their annual outreach programme and our partnership with the Singapore Polytechnic on a beach cleanup activity at East Coast Park during the International Coastal Cleanup Day.

Further details of environmental activities involving the community can also be found on our online Sustainability Report which is publicly available on our corporate website.



WORDS OF APPRECIATION

I would like to express my deepest gratitude to all who have contributed to the success of PowerSeraya thus far: our previous Board of Directors before the transfer of ownership; my predecessor Neil McGregor who had helmed the company for five and a half years as Managing Director; the Senior Management Team, our customers, business partners, and particularly UPAGE. Also, to our shareholder YTL Power, for their belief and trust in us that PowerSeraya possesses the potential to take the energy industry to new heights of growth.

Last but not least, my heartfelt appreciation to each and every staff of PowerSeraya, for their contribution to the company and unwavering support through the divestment exercise as well as the economic downturn.

Despite the on-going uncertain economic climate, our outlook remains positive. With the support and expertise of YTL Power, backed by an industrious and talented senior management team and staff, I have the confidence that the company will be poised to reach higher levels of business excellence to become the leading Integrated Energy Company based in Singapore.

JOHN NG
CHIEF EXECUTIVE OFFICER



BOARD OF DIRECTORS

A new Board of Directors was appointed following the divestment of PowerSeraya from Temasek Holdings to YTL Power International Berhad, on 6 March 2009.

Mr. John Ng Peng Wah was also appointed as Chief Executive Officer of the Group and a Director of the PowerSeraya Board on 16 May 2009*.

The company extends a warm welcome to the new Board of Directors, Dato' Yeoh Seok Hong, Dato' Mark Yeoh Seok Kah and Mr. John Ng Peng Wah, and would also like to express its thanks to its former board members, namely: Mr. Tan Yam Pin; Mr. Bob Tan Beng Hai; Mr. Koh Kim Wah; Mr. Tan Ek Kia; Mr. Lam Chuan Leong; Mr. Peter Sim Swee Yam and Mr. Neil McGregor for their strong leadership and dedicated service to PowerSeraya during their tenure.

**This falls outside the company's Financial Year of 2008/09 (year ended 31 March 2009).*

Dato' Yeoh Seok Hong, Executive Director

YTL Corporation Berhad & YTL Power International Berhad

Dato' Yeoh Seok Hong is an Executive Director of YTL Corporation Berhad and YTL Power International Berhad. He heads the power and utility, construction and high-speed rail division of the YTL Group.

Dato' Yeoh was the project director responsible for the development and construction of YTL Power's two Independent Power Producer power plants in Malaysia as well as YTL Corp's Express Rail Link Project linking the Kuala Lumpur International Airport and Kuala Lumpur Sentral Station.

Dato' Yeoh also led the YTL Power project team in the acquisition of ElectraNet S.A. in Australia, Wessex Water in the UK, Jawa Power in Indonesia and also the acquisition of PowerSeraya in Singapore.

He obtained his Bachelor of Engineering (Hons) in Civil & Structural Engineering Degree from University of Bradford, UK and is a member of the Faculty of Building, UK.

Dato' Mark Yeoh Seok Kah, Executive Director

YTL Corporation Berhad & YTL Power International Berhad

Dato' Mark Yeoh is an Executive Director of YTL Corporation Berhad and YTL Power International Berhad. He heads the hotels and resorts division of the YTL Group.

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

Dato' Mark is also part of YTL Power's project team involved in the acquisition of ElectraNet SA in Australia, Wessex Water in the UK, Jawa Power in Indonesia and the acquisition of PowerSeraya in Singapore.

He graduated from King's College, University of London with an LLB (Hons) and was called to the Bar at Gray's Inn, London.

John Ng Peng Wah, Chief Executive Officer

PowerSeraya Ltd

Mr. John Ng Peng Wah was appointed as the PowerSeraya Group's Chief Executive Officer on 16 May 2009. An industry veteran with more than 20 years of experience, Mr. Ng was until then the Group's Senior Vice President of Retail & Regulation.

Mr. Ng has been with the Company since 1985, and has transitioned with the Company from its PUB days to the current PowerSeraya Group. He was promoted to Deputy General Manager (Business) in September 2001 and subsequently appointed as Senior Vice President of Retail & Regulation in April 2004. He was responsible for the planning, development and implementation of business development and retail business strategies, policies and procedures.

He graduated from Nanyang Technological Institute with 2nd Upper Honours in Mechanical Engineering. Mr. Ng also holds a Master of Science in Systems Engineering from National University of Singapore and a Master of Science in Material Science from Carnegie Mellon University, USA.

OUR SENIOR MANAGEMENT



[from left]

Quek Khai Hor

*Senior Vice President
Utilities*

Chan Swee Huat

*Senior Vice President
Trading & Fuel Management*

Timothy Goh

*Vice President & General Counsel
Legal & Internal Audit*

Dil Devaser

*Vice President
Planning & Development*

[from left]

John Ng

Chief Executive Officer

Pui Yim Retnam

Vice President

Corporate Services

Bernard Lee

Vice President

Process & Innovation

Low Boon Tong

Senior Vice President

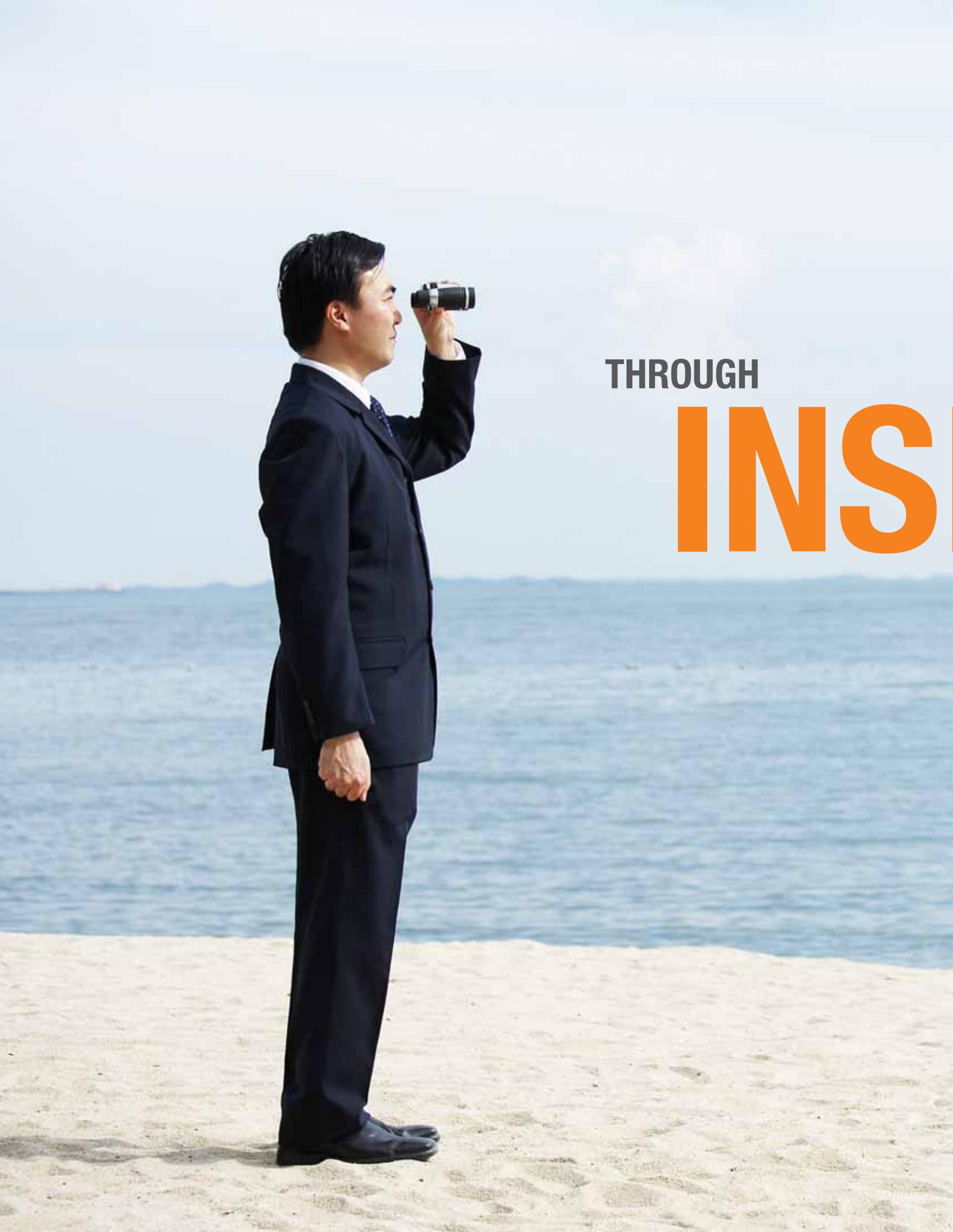
Energy Markets

(Absent from photo:

Thomas Ho

Chief Financial Officer)





THROUGH

INS



IIGHTS

Fresh perspectives drive our business forward with endless possibilities so we can achieve a unified vision.



MILESTONES

FROM APRIL 2008 TO MARCH 2009



MAY 2008

PetroSeraya receives Singapore Global Trader Award

PetroSeraya, a subsidiary of the PowerSeraya Group, was presented the Global Trader Award from International Enterprise (IE) Singapore, a first for a power generation company. The award, which recognises companies that base their offshore trading and operations in Singapore, has allowed PetroSeraya to enjoy a concessionary tax incentive.

PetroSeraya's admission into the Global Trader Programme serves as an excellent platform for the company to scale up its operations.

JUN 2008

Affirmation for service assurance

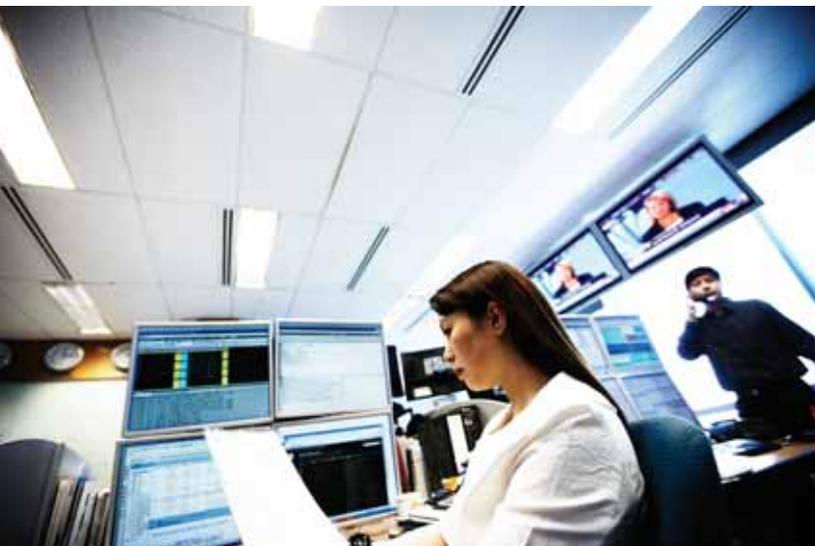
PowerSeraya's oil testing laboratory has successfully received the ISO/IEC 17025:2005 laboratory accreditation from The Singapore Accreditation Council-Singapore

Laboratory Accreditation Scheme (SAC-SINGLAS). This accreditation underscores the team's proficiency and technical competence in carrying out fuel oil tests and calibrations.

Desalination Plant earns prestigious distinction award

In June, PowerSeraya's 10,000m³ per day Seawater Reverse Osmosis Desalination Plant – which was designed and built by CH₂M Hill and is the world's first to use Graham Tek's 16-inch (400mm) large diameter membrane technology – earned a distinction award at the coveted Global Water Intelligence Awards 2008 for 'Desalination Plant of the Year'.

Widely recognised as the top accolade for the greatest technology achievement in the international water industry, the award is a testament to PowerSeraya's commitment of staying at the forefront of innovation to meet industry needs.



FEB 2009

PowerSeraya and Seraya Energy listed as top ‘Singapore 1000 Company’

PowerSeraya and Seraya Energy have both been listed amongst the “Singapore 1000 Company” rankings. This is an annual listing provided by DP Information Group, Singapore’s leading credit and business information bureau, that confers recognition to companies which have achieved and sustained corporate growth based on their annual financial performance of sales, profit and return on equity.

MAR 2009

Green IT efforts recognised as top 100 in Asia!

PowerSeraya was listed in the CIO Asia’s 2009 CIO 100 Index for deploying Green IT solutions in response to its increased business growth and forecasts. The CIO 100 Index is a prestigious annual listing that recognises the top 100 Asian

companies for their best practices in innovative IT solutions to yield the greatest returns for their key operations and businesses.

The move towards greening its IT infrastructure by virtualising its existing hardware servers has eliminated the need for additional floor space to house more physical servers, as well as led to an energy consumption savings of about 75 per cent and carbon emissions avoidance of about 168 tons per year.

PowerSeraya welcomes new owner on board

The PowerSeraya Group was divested from Temasek Holdings (Private) Limited to YTL Power International Berhad on 6 March 2009 for S\$3.8 billion. The divestment formed part of the government’s efforts to liberalise the electricity market in Singapore.



FINANCIAL HIGHLIGHTS

FROM APRIL 2008 TO MARCH 2009

		FY08/09	FY07/08
Revenue	S\$m	3,577	2,793
Return on Equity	%	14.3%	19.1%
Earnings Per Share	S\$	0.19	0.25
Net Profit after Tax	S\$m	172	218
Economic Value Added	S\$m	56.2	103.2
Return on Assets	%	7.8%	10.9%

Operating Revenue

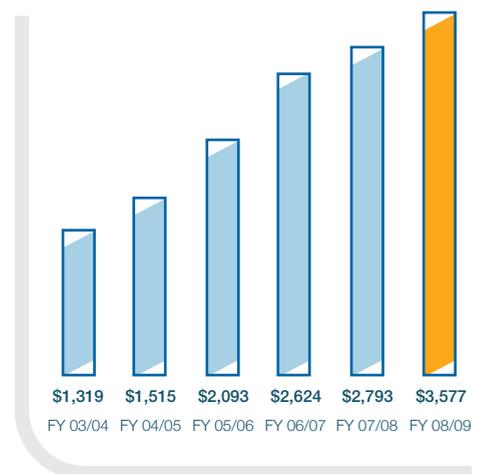
The Group's operating revenue grew by S\$784 million, a 28.1% increase over FY07/08 to S\$3.6 billion contributed mainly by higher electricity prices, increased revenue from the sale of oil and a full-year operation of PetroSeraya.

The average vesting contract hedge price, which was pegged to three-month fuel oil forward, increased from \$143/MWh in FY07/08 to \$190/MWh in FY08/09. This was due primarily to a fuel oil price increase over the period. Spot electricity prices during the year also rose in tandem with the vesting contract hedge price.

Generation Units Sold was 9,541 GWh or 6.3% lower than FY07/08 due to increased competition.

Overall system demand fell by 0.7% from FY07/08. Despite system demand contraction, retail market share grew by 2.2%. Total units sold through the retail arm for the year was 7,004 GWh.

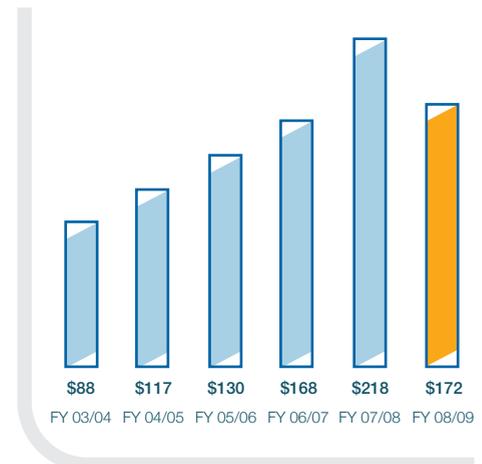
Revenue (\$mil)



Profitability

The Group's net profit after tax of S\$171.9m was mainly the result of the higher fuel cost, unfavourable economic environment resulting in lower generation volume from the power plant and lower electricity demand, as well as provision for fuel inventory at lower cost.

Net Profit After Tax (S\$mil)



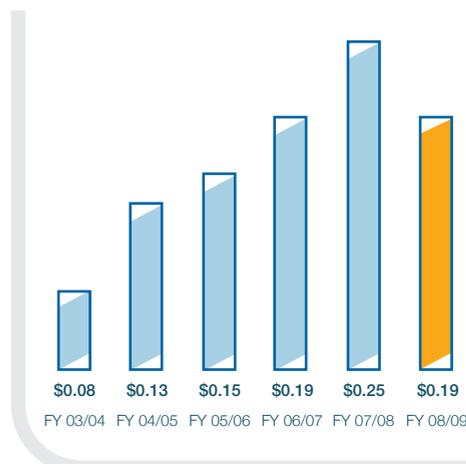
Return on Equity & Earnings Per Share

The Group's Return on Equity (ROE) for the year was 14.3% and Earnings Per Share (EPS) amounted to 19 cents for the year.

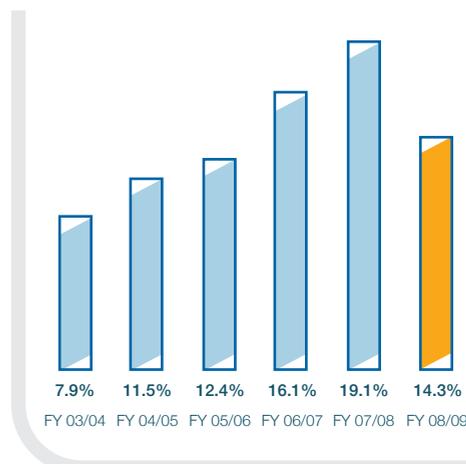
Basic EPS decreased by 24% to 19 cents in FY08/09 from 25 cents in FY07/08, in line with the lower profits after tax for the Group.

Return on Equity was 14.3% in FY08/09, which represented a decrease of 25% from last FY's 19.1%. This was due to lower profits as a result of the provision made to fuel inventory.

Earnings Per Share (S\$)



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.

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 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 meets regularly to deliberate on enterprise-wide risk matters.

During FY2008/2009, the committee was chaired by the Managing Director Mr. Neil McGregor. Members include John Ng*, Timothy Goh, Quek Khai Hor and Sim Meng Khuan.

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.

**With effect from 16 May 2009, John Ng has taken over the chairman role for the Risk Management Committee.*

CORPORATE INFORMATION

Registered Office

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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

Yeoh Seok Hong
Yeoh Seok Kah
John Ng

Company Secretary

Koay Swee Teik

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
Oversea-Chinese Banking Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
ING Bank N.V., Singapore Branch

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Seraya Energy Pte Ltd

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THROUGH

DIVERSITY

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A commitment to move beyond our core electricity business into a multi-commodity energy business in steam, water, oil and gas.



OPERATIONS REVIEW



STRATEGISED GROWTH FOR THE FUTURE

In line with PowerSeraya's plans to grow beyond its core business of power generation to become an integrated energy company based in Singapore, the company continues to build its resource capabilities and ride on the emerging opportunities in the local and regional energy environment. The core of its business strategy is to develop a framework that will strengthen the reach and scale of the company, in order to deliver superior returns to its shareholders. This is marked by an on-going commitment to move into a multi-commodity energy business in steam, water, oil and gas markets, as well as increasing its access to key economic fuels to strengthen the company's position.

PowerSeraya's steam sales agreement with Petrochemical Corporation of Singapore, which is well on track to commence from the third quarter of 2009 through its new S\$800 million Co-Generation Combined Cycle Power Plant (CCPP), will kick start the company's foray into the multi-utilities arena. The conversion of its existing Combined

Cycle Power to supply steam will also further reinforce its service offering, thereby creating additional revenue streams.

As the only company that currently has the widest, full-length service corridor on Jurong Island to service the Seraya-Merbau cluster, it underscores PowerSeraya's strategic foresight and competitive advantage of providing additional steam as well as service and industrial water capacity to meet the increased demand of multinational oil, gas and petrochemical companies situated on Jurong Island.

Improving fuel supply security by procuring alternative fuel sources that will maximise generation efficiency and minimise its carbon footprint continues to remain a key focus.

Moving forward into the new fiscal year, the company continues to diversify its revenue base by building its multi-utilities platform so customers can enjoy enhanced energy service offerings from PowerSeraya.



UTILITIES

In the last fiscal year of 2008/09, PowerSeraya's mix of 2X370MW Combined Cycle Power Plants (CCPP) and 8X250MW Oil-fired Plants supplied approximately 26% of Singapore's total energy requirements. Despite the challenging business climate, the company's multi-fuel approach strategy has helped maintain its market share.

Its focus on service excellence has also reaped results for the company. PowerSeraya's chemical laboratory on Jurong Island has been accredited to ISO/IEC 17025:2005 in June 2008 for its technical competence in carrying out fuel oil tests. This reflects the chemical team's quality of service in providing water, oil, environmental and chemical testing services to the Utilities Group's profit centres. With the capability and expertise of the team to provide fuel analysis, they continue to play a pivotal role in supporting PetroSeraya's oil trading and blending activities.

Strengthening its safety practices and work place efficiency has always been one of the key priorities on the company's corporate agenda. Having attained certification for OHSAS 18001:1999 in 2007, PowerSeraya continues to benchmark against best practices and is aiming to transit to OHSAS18001:2007 in 2009.

To improve work place efficiency and reduce overall operating costs, innovative integrated information management systems were also implemented.

Additionally, progress has been on track for the construction of the new 800MW CCPP which began in November 2007, and is expected to be completed by 2010. This project will replace three Oil-fired plants with the highly efficient CCPP, which is capable of producing electricity and steam supply to customers simultaneously using state-of-the-art technology. When completed, this will significantly reduce PowerSeraya's carbon footprint by a further 10 per cent. Conversion works for the existing CCPP to supply interim steam to Petrochemical Corporation of Singapore as part of a 15-year deal secured with the company also continues to stay on track for completion by September 2009.

Jurong Island presents vast opportunities for PowerSeraya to diversify its revenue base as many petrochemical, oil and gas companies have facilities that would require steam, cooling water as well as industrial and potable water. With PowerSeraya's 10,000m³ per day Seawater Reverse Osmosis Desalination Plant that was introduced to its energy portfolio in 2008, the company is well-equipped to generate higher revenue margins beyond its regulated business of electricity generation and electricity sales.

Tapping on the expertise and resources of both PowerSeraya and its new parent company YTL Power, the company will continue to realise its vision of becoming a leading integrated energy company through a strategic focus on strengthening its multi-utilities platform.



MARKET OPERATIONS

The volatile oil market and financial crisis in the second half of 2008 posed a challenge to the company's hedging and fuel management activities. In addition, the drop in Singapore's electricity demand also impacted its core revenue stream.

Despite the challenging market conditions, PowerSeraya's risk management strategy and on-going prudent approach aided in the protection of its revenue stream. Even with a competitive environment, the team continued to adopt a dynamic strategy to optimise its revenue portfolio.

Importantly, the long-awaited liberalisation of the Gas Market in Singapore was also officially launched in September 2008. PowerSeraya took on a new challenge as a gas shipper to manage one of the gas contracts. A new Gas Exchange Management System was also put in place to better manage the hourly gas nominations and associated operational and financial risks for this new role. Moving forward, the company will continue to seek opportunities to further build its capabilities in this area as part of its diversified energy portfolio.

It will also continue its search for additional gas sources to improve its fuel range and reach. In line with this, the company is also exploring opportunities to secure a long-term gas Liquefied Natural Gas (LNG) contract.

BUSINESS SYSTEMS & INFORMATION TECHNOLOGY

PowerSeraya has implemented and completed a number of new innovative solutions to increase its operational efficiency.

In particular, its major two-year project on virtualisation or 'green' IT solutions has been completed and now reaps significant benefits for the company.

To date, the company runs about 100 virtual servers that sit on ten physical servers. This has resulted in an energy consumption savings of about 75 per cent and an avoidance of approximately 168 tons of carbon emissions per year. The resulting savings in space, money and energy reflected the strategic foresight of the IT planning team who had then anticipated an increase in demand for physical servers to support the company's expanding business needs.

The Process & Innovation (P&I) team continues to work closely with all the company's business functions to maximise value from its IT solutions portfolio. In line with the liberalisation of the Gas Market in September 2008, a gas procurement system that allows the company to better forecast demand has been put in place for the Energy Market team.

The upgrade of Maximo, the company's Enterprise Asset Management System, has also been successfully completed for the Utilities Group. For PowerSeraya, the system has provided a robust platform to help improve the maintenance and availability management of high value assets and work management processes. A new data centre at Pulau Seraya Power Station was also upgraded to include the full suite of IT facilities and supporting services to host the servers in Jurong Island and facilitate the operations.

P&I will continue to source for innovative ways to provide IT solutions that is not only cost effective, but at the same time, reduces the carbon footprint of the company. It plans to bring on board more production systems onto its virtual server platforms, as well as initiate studies into storage virtualisation technology. New systems will also be implemented to provide greater transparency and efficient tracking of the company's robust IT environment.

High emphasis continues to be placed on forward planning, while keeping a close eye on the ever-changing business environment to anticipate future IT needs.

Additionally, P&I will continue to seek ways to identify, develop and optimise the effective use of its components and new IT solutions that will help meet the company's business requirements and maximise gains from an efficient IT system.

BUILDING AND SUSTAINING PEOPLE ADVANTAGE

To enable PowerSeraya to attain its vision of being a leading integrated energy company based in Singapore, the company continues to invest in building and sustaining its people in order to keep pace with the competitive environment.

Attract, Develop, Retain

In anticipation of an aging workforce and to build up its talent pipeline, the company aims to rejuvenate its talent base by attracting, developing and retaining new talents.

In talent sourcing, PowerSeraya's employees have been its biggest hiring ambassadors with 28 per cent of new hires recruited via employee referrals. In the area of green harvesting, the company has become the first local energy company to partner with Nanyang Technological University to sponsor outstanding undergraduates in their university studies under the PowerSeraya Scholarship Programme.

People development is a priority for PowerSeraya as it develops its leaders and workforce to maximise their potential so they can grow with the company. Currently, there are 29 staff who are on the Employee Sponsorship Scheme doing further studies in diplomas, degrees and master programmes. This is in addition to the diverse work-related training schemes offered to our employees – such as in Technical, IT, Regulatory, Quality/Safety, General Management and soft-skills training.

To build an engaged workforce, PowerSeraya believes in looking after the total well-being of its staff. Through the Vibrancy Committee which organised an interesting array of corporate events such as themed dinner functions, as well as workplace health and family life programmes aimed at promoting their physical and emotional well-being, employees were facilitated in their drive for an optimal work-life balance.

PowerSeraya's success has been built on its team of highly dedicated and talented workforce. Fifty-six staff members who received their Long Service awards ranging from 10 to 40 years of service last year is a strong testament of their dedication towards the company.

The role of every individual has been instrumental in driving the company's success, and PowerSeraya will continue to nurture its employees so they can play an even greater role to shape the future of the company.

UPAGE Endowment Fund

As a responsible employer, PowerSeraya is committed to the principles of the Tripartite approach in Singapore and has pledged a phased contribution for S\$350,000 over a period of five years from 2008 at S\$70,000 per year to the Union of Power and Gas and Employees (UPAGE). The objective of the fund is to aid UPAGE in diversifying and developing new revenue streams, so as to ensure the optimal delivery of membership services in the areas of welfare, leadership development and training.



ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILITY

To support PowerSeraya's Corporate Social Responsibility (CSR) vision in promoting a sustainable environment and improving its social contribution, the company continues to push the envelope and spread the environmental message to its staff, as well as the wider community.

Raising Staff's Awareness Of The Environment

Throughout the year, the company organised various initiatives to raise staff's awareness of the environment. On Earth Day 2008, PowerSeraya invited the Waterways Watch Society (recipient of the President's Award for the Environment in 2006) to speak to its staff on the importance of keeping our waterways clean and pollution-free. This was followed by a Singapore River Cleanup the following month where staff had the opportunity to 'walk the talk'. In July, the company organised a trip to the Climate change exhibition held at the Singapore Science Centre, which saw close to 80 employees and their staff participating in this event.

As part of PowerSeraya's efforts to get its employees to move from awareness to action, it also organised a craft-making session with students from its adopted school, Greenridge Secondary School, to make items from recycled materials which were displayed during the community outreach event held annually.

Monitoring Office Resources

Office resource consumption such as energy, water and paper consumption is measured on a monthly basis. The company's data centre which consumes a significant amount of energy has implemented virtualisation technology to save energy and space at the same time. With virtualisation, PowerSeraya's data centre is now able to yield 75 per cent of energy savings by having 100 virtual servers running on ten physical servers. While paper consumption on a per head basis increased about 5 per cent on the back of the documentation work done for the divestment exercise, the company was able to minimise the impact of the high paper usage with the purchase of FSC (Forest Stewardship Council) paper, which takes into consideration responsible forest management practices.

Reaching Out to the Community

On World Environment Day 2008, PowerSeraya partnered its landlord Mapletree to roll out the 'One Degree Challenge' and successfully gathered the full support of all tenants at HarbourFront Towers to raise their office temperature by one degree Celsius in a bid to fight climate change. In another community collaborated event, the company also teamed up with Singapore Polytechnic to clean up the beaches of East Coast Park. PowerSeraya's continued support for its adopted school Greenridge Secondary School saw its students organising the 'Care for the Community, Care for the Environment' annual community outreach programme to raise environmental awareness to the general public.



Environmental and Social Investments

For the first time, PowerSeraya was a major sponsor for the National Environment Agency's Clean and Green Singapore 2009 – the largest environmental event aimed at raising environmental awareness to the general public.

The company also participated in the Pulau Semakau CEO Run for the second consecutive year and was a Platinum sponsor in its donation towards this fund-raising event in support of the work of six environmental NGOs in Singapore.

In line with its CSR vision, PowerSeraya also did its part for the Sichuan Earthquake and Cyclone Nagis. Under the company's dollar for dollar matching initiative, close to \$18,000 went towards the relief efforts of the twin disasters.

In the year, close to 60 per cent of the staff contributes to the Community Chest's SHARE (Social Help and Assistance Raised by Employees) Programme through a fixed monthly deduction from their salary.

In addition, PowerSeraya staff took time off their work commitments to accompany the children from Child@Street 11 on a trip to the Singapore Zoological Gardens, as part of a yearly activity organised by NEMS (National Energy Market of Singapore).

The company also partnered the Society of the Physically Disabled (SPD) last year to produce its year-end greeting cards. This move is aligned with PowerSeraya's corporate value of 'nurture'. The collaboration with SPD encouraged its beneficiaries to showcase their design talent and formed an extension of PowerSeraya's belief that everyone in society deserves an opportunity to discover their full potential.

Investing in Today's Youths for Tomorrow

In 2008, PowerSeraya launched the NTU Scholarship Programme and became the first energy company to establish a scholarship programme with the institution. The bond-free scholarship was awarded to two deserving students with strong academic results and community involvement work from the College of Engineering and the Nanyang Business School.

The last fiscal year also saw three of PowerSeraya's employees' children being the first recipients of the Nithiah Nandan Book Prize, an award set up in honour of the late Mr. Nithiah Nandan, former Executive Secretary of UPAGE (Union of Power and Gas Employees). The Book Prize is open to the children of PowerSeraya's employees and is aimed at recognising their contribution to the environment, community or society.



SERAYA ENERGY

Stable Momentum

It was a challenging year for Seraya Energy with economic factors such as a fall in oil prices and electricity demand affecting its performance. Yet, Seraya Energy's continued success was encouraging. It generated Net Profit after Tax (NPAT) of S\$13.7 million, a 16.5% rise over the previous year. Revenue rose by 19.8% to S\$1.433 billion and sales volume reached 7,004 GWh, a slight increase over the last year. Having sold 18.3% of Singapore's total electricity, Seraya Energy continues to capture the largest market share among private retailers in FY 2008/09, thereby retaining its market leader position for the second year running.

Customers have always formed the heart of Seraya Energy's business orientation. The dedication to complete customer satisfaction and enabling their business success is evidenced in the company's mantra, "Energy for Success". Since its inception in 2001, the profitability and sales volume of the retail subsidiary have experienced a consistent growth path. Its excellent performance is indication of the exemplary



teamwork put in by its dedicated staff. The key accounts management and telesales teams, backed by the operations, customer care and portfolio management teams, seek to ensure that customer expectations are always met and surpassed each time, all the time.

Enhancing Customer Relationships

Seraya Energy believes that good customer relationships are best evidenced by repeat customers and long-standing business partnerships. This has long been a priority since Seraya Energy began its operations and it has continued to work closely with customers to find innovative solutions to meet their business and energy needs.

One of the greatest challenges for the team this fiscal year was the drop in electricity demand. While the team was unable to avoid such changes due to external influences, they aimed to improve its internal capabilities and optimise its service strategy so as to enhance and strengthen the relationship the team has built over the years with its existing customers.



The year in review has seen the launch of a few initiatives to enhance the customer experience. The SEnergy portal, a retail billing system and customer e-portal, was re-launched with added features to better serve its customers. Based on customer feedback received, the team added graph and report customisation features which allow customers to analyse their electricity consumption patterns up to a period of six months.

Seraya Energy constantly keeps its pulse on the industry by keeping its eyes and ears close to the market. Similarly, the company understands that customers like to be equipped with the necessary knowledge to make informed purchase decisions. Hence, it has also made market commentaries on the latest industry news available on the portal for customers' easy retrieval.

Another added feature that was launched simultaneously through the customer e-portal was the e-Billing system. With this paperless system, customers' bills can now be automatically posted on the portal, with customers being notified via SMS or email. By offering this billing mode to customers, it also highlights the company's bid to encourage its customers to go 'green', as part of its wider social responsibility initiatives.

Apart from delivering and enhancing its customer service, Seraya Energy also holds regular networking events and movie launches to foster good working relationships. In particular, it held a "Towards Green Mark Certification" seminar

in October 2008 to share with customers the assessment criteria of achieving Green Mark certification. In line with this 'green' themed event, Seraya Energy took the opportunity to launch its new product category during the seminar – 'Greenplus', which consists of various green-related energy solutions.

Further, Seraya Energy joined hands with United Premas Energy to organise efficiency training courses for its customers. These were aimed at helping them understand how they can increase the energy efficiency of major equipments in the office.

Setting New Benchmarks

In the new fiscal year, the team is working to push out new initiatives that will enable greater convenience and cost-savings for customers, thereby pushing its service standards up a notch. This includes exploring opportunities to seek more payment mode options.

To stay ahead of the competition, Seraya Energy will also look at rolling out programmes to promote its bundled multi-utilities services – with an emphasis on steam sales – to key target customers.

Looking forward to a challenging year ahead, Seraya Energy will continue to adopt a highly integrated approach to ensure that customer satisfaction is met at every level, which ultimately, will translate into business success.



PETROSERAYA



PetroSeraya – the Trading and Fuel Management subsidiary of PowerSeraya – continues to fully utilise its operational assets to maintain its contributions to the Group in spite of the economic downturn in late 2008. Revenue was S\$673.6 million for the financial year ending 31 March 2009, and Net Profit after Tax was S\$12.2 million.

PetroSeraya has been able to optimise the use of its fuel-related assets to create a strong value chain for the company. In the earlier part of 2008, the oil market peaked at USD147 per barrel, thereby contributing to the healthy sale of oil. While the economic situation later took a turn with oil prices plummeting, the team was swift to adopt prudent strategies

to address the situation by reducing its trading volume. With the anticipation that the economic turmoil would continue, PetroSeraya optimised the use of its tanks by switching from trading to tank leasing through two short-term contracts.

During the last fiscal year, PetroSeraya also focused on strengthening its tank assets with the construction of two new oil blending tanks which are on track for completion by last quarter of 2009. The addition of these 25,000m³ of oil blending tanks will improve the company's fuel oil access and flexibility to meet the needs of its customers. It will also provide an additional avenue of revenue for the

company. The completion of the reconfiguration of fuel pipelines in the plant has also increased the flexibility of the company, leading to more operational efficiency in the internal and external transfer of oil.

In May 2008, PetroSeraya officially received the Global Trader Award from International Enterprise (IE) Singapore, a first for a power generation company. This has been a boost for PetroSeraya, as it is able to enjoy a concessionary corporate tax incentive.

The company's foray into the non-regulated business such as trading has helped mitigated the impact of the uncertain economic climate on its overall energy business. Looking forward, PetroSeraya will continue to support the core business with adept fuel management strategies, in tandem with the ever-changing market environment.



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