



ON AND ON

ANNUAL REPORT 2006/07
ENERGY MARKET AUTHORITY

CORPORATE PROFILE

The Energy Market Authority (EMA) was established in 2001 to forge a secure, long-term energy industry that thrives on healthy competition. New market structures have been created to promote competition in the electricity and piped gas industries. In January 2003, the National Electricity Market of Singapore commenced operation. In May 2007, the Gas (Amendment) Bill was passed, opening access to the gas sector. EMA continues to achieve cost competitive outcomes for consumers by ensuring a level playing field within the energy industry.

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OUR MISSION

Think Ahead, Change Today –

Forging a competitive and secure energy industry for our economy.

OUR VISION

To be a dynamic and cohesive organisation proactively promoting a competitive and reliable energy industry.

OUR GOALS

Forge a competitive market

Promote high quality performance in the industry

Nurture a progressive industry

Maintain a secure and reliable energy system

Safeguard consumers' interests

Achieve organisational excellence



Counting On Long-term Supply

Racing to face the future: Electricity demand in Singapore is expected to grow by about 4 percent per annum over the next 10 years. EMA has plans in place to meet rising energy demand, by exploring and securing new energy sources such as liquefied natural gas and renewable energy.



10MKW12CPS01
PRES G 50 PMP 2 A/S

Fair Competition? Right On!

Bring on the competition: About 78 percent of our electricity demand is now generated from natural gas. A competitive gas sector will further enhance competition in the electricity market. The upshot? More efficiency, less cost.



Linda Chire
restaurant

Linda Chire

TOPSHOP
KISSA

TOPSHOP

Pressing On for Consumers

Remaining calm amid the storm: Despite volatile oil prices on the global stage, electricity prices in Singapore have decreased 5 percent over the last six years; EMA safeguards consumer interests by keeping choices and reliability up, wastage down, and prices on an even keel.





Mr Chiang Chie Foo
Chairman

ONWARD!

Open, competitive, stable:

As we complete the liberalisation of the electricity and gas industries, EMA is setting its sights on the future. We are formalising the strategy that will sustain a stable and secure energy market in the future.

CHAIRMAN'S MESSAGE

ON THE RISE

Make way for energy:

EMA is spearheading the development of an LNG terminal. Slated to commence operations in 2012, it has a receiving capacity of 3 million tons per year.

3

million tons

is the receiving capacity of Singapore's upcoming LNG terminal.



In the six years since the Energy Market Authority (EMA) was established, we have forged a competitive and reliable energy industry. The National Electricity Market of Singapore (NEMS) was established in 2003. This year, Parliament passed the Gas (Amendment) Act, opening access to the gas sector. There is now greater efficiency in our energy market, prices have stayed competitive, and both the economy and consumers have benefited. Even as oil prices rose by 70 percent between April 2001 and April 2007, electricity prices in Singapore declined by 5 percent over the same period.

With the task of market liberalisation almost complete, EMA is closely watching strategic developments that will have an impact on energy security. Dramatic economic growth in India and China is driving an expansion in energy demand. At the same time, global supply is still constrained by many factors including refining capacity and perhaps even larger political factors. And global warming is spurring the search for other fuels, alternative technologies and greater energy efficiency. These trends pose new risks and opportunities for a stable, secure energy market.

EMA is therefore taking on a broader, more strategic role to ensure that Singapore has the strategies and technologies to deal with future energy challenges and uncertainties. We will look beyond electricity and gas, and handle energy issues holistically. We aim to position Singapore as an active participant in the international energy scene, able to shape and respond to an increasingly complex energy landscape.

To achieve this, we will build up the physical, intellectual and social capital within Singapore's energy sector. First, in terms of our energy infrastructure, we will remain an oil hub, go on to become a gas hub and grow to become an energy hub. We will promote strategic investments in the energy industry so that Singapore can be an important node in the global energy supply chain and the global energy trade.

Second, we will be a source of ideas and innovation in the energy industry. EMA is encouraging innovation from market participants by providing opportunities to test-bed new technologies and processes. EMA has established a \$5 million Market Development Fund to finance initiatives that push the boundaries of research and development in new energy technologies and add value to the energy industry. We will also develop deeper energy expertise and specialist knowledge within EMA. This will enhance our energy policy research and analysis capabilities and enable us to stay ahead.

Third, we will build strong networks with energy enterprises, think-tanks and thought-leaders. EMA is already actively engaging other players in regional energy networks and forums to share ideas, explore synergies, co-operate and innovate. Singapore will then be able to benefit from a progressive energy sector that is able to secure our future energy needs for economic growth. We will enjoy strong international relevance and a credible voice in the global energy arena.

To meet these new demands, we will establish a new Energy Policy and Planning Division within EMA. This restructuring will enhance the organisational capacity for EMA's expanded role.

Today, a vibrant competitive energy market thrives in Singapore and we enjoy a strong foundation for future accomplishments. This would not have been possible without the support of our industry partners, my fellow board members and our dedicated staff. Together, we will build on our successes as we rise up to the challenges ahead.



Mr Chiang Chie Foo
CHAIRMAN

SPOT ON

Exerting the right pressure:

A liberalised electricity market has resulted in downward pressure on electricity prices resulting in generation companies looking for the most economical fuel mix to increase margins.

In 2001,

70.5%

of electricity was generated using fuel oil.

In 2006,

77.8%

of electricity was generated using natural gas.





MEMBERS OF THE AUTHORITY



SEATED FROM LEFT

CHAIRMAN

Mr Chiang Chie Foo

PERMANENT SECRETARY
Ministry of Defence

DEPUTY CHAIRMAN

Ms Chan Lai Fung

PERMANENT SECRETARY
Ministry of Law

STANDING FROM LEFT

Mr Seck Wai Kwong

SENIOR EXECUTIVE VICE PRESIDENT
Singapore Exchange Limited

Mr Jen Kwong Hwa

MANAGING DIRECTOR
Micron Semiconductor Asia Private Limited

Mr Khoo Chin Hean

CHIEF EXECUTIVE
Energy Market Authority

Mr David Wong

MANAGING DIRECTOR AND
CHIEF EXECUTIVE, S.E.A.
ABN AMRO Bank N.V.

Members of the Authority not in
the main picture:



Mr Nizam Idris

DIRECTOR (STRATEGIST)
UBS AG



Professor Richard Whish

PROFESSOR OF LAW
School of Law
King's College London



Mr Peter Ng Joo Hee

ACTING DIRECTOR OF PRISONS
Singapore Prison Service

ON BOARD

Thought leaders:

With the right expertise and experiences on board, EMA is geared up to work seamlessly and power ahead.

KEY OFFICERS



Mr Yeo Yek Seng
DEPUTY CHIEF EXECUTIVE
(Regulation)

Mr Khoo Chin Hean
CHIEF EXECUTIVE

Mr Kng Meng Hwee
DEPUTY CHIEF EXECUTIVE
(Power System Operation)

**Teamwork is the fuel that allows
common people to attain
uncommon results.**

ON THE HORIZON

Primed for the future:

The year 2007 will see
EMA setting up a \$5,000,000
Market Development Fund
to finance initiatives that
will enhance value in the
electricity market and testbed
new energy technologies.

THE YEAR IN REVIEW

ELECTRICITY RETAIL MARKET LIBERALISATION

Phase 2 of the electricity retail market liberalisation was completed in February 2006, opening up 75 percent of Singapore's total electricity demand to retail competition. The remaining 25 percent comprises small consumers made up mainly of households. The Energy Market Authority (EMA) is actively exploring ways to leverage the latest technology to benefit this market segment before opening it up to retail competition.

To this end, EMA has in consultation with SP Services Ltd embarked on the Electricity Vending System (EVS) pilot project as a possible technology for small consumers to buy electricity by choosing from a list of competitive price schemes offered by retailers. The EVS will allow retailers to post their electricity supply pricing schemes at various points-of-sale, such as the Internet, payment kiosks, and convenience stores. This could help reduce the back-end administration and business costs associated with serving small consumers. Savings in costs can then be passed through to these consumers. The pilot project is co-funded by The Enterprise Challenge (TEC) under the Prime Minister's Office, and SP Services Ltd.

A ROBUST ELECTRICITY MARKET

In August 2005, EMA engaged PricewaterhouseCoopers (PwC) to carry out an independent review of the performance of the National Electricity Market of Singapore (NEMS). The review, revealed a net benefit of S\$128.6 million to the economy for the period from 1 January 2003 to 31 March 2005 due to the NEMS which was introduced in January 2003. The study also revealed that NEMS is sustainable over the next 10 years, from 2005 to 2015, in continuing to deliver net value to Singapore and provide the necessary market signals for new investments in generation capacity. The net present value of net benefits of NEMS over the period 2005 to 2015 inclusive would be \$552 million.

NEW PLAYERS ENTER THE MARKET

FY 2006 saw a fresh influx of applications for licences, pointing towards an increasingly robust and diversified energy market. In July 2006, EMA issued a transmission agent licence to SP PowerGrid Ltd to manage and operate the regulated transmission and distribution business on behalf of SP PowerAssets Ltd. Also in July 2006, Keppel Seghers Tuas Waste-to-Energy Plant Pte Ltd became the eighth electricity generation company in Singapore to receive its electricity licence from EMA. Other licences issued in 2006 include a wholesaler licence to Air Products Singapore Pte Ltd to sell interruptible load at the wholesale electricity market, as well as wholesaler licences to Biofuel Industries Pte Ltd and IUT Singapore Pte Ltd, authorising them to trade in the wholesale electricity market.

ENSURING RELIABILITY

A steadily improving trend is clearly discernible in the reliability of the power grid in Singapore. The System Average Interruption Duration Index (SAIDI) decreased from 2.57 minutes in 2001 to 1.03 minutes in 2006, while the System Average Interruption Frequency Index (SAIFI) shrunk from 0.06 interruptions per customer to 0.02 interruptions per customer over the same period. However, the SAIDI for the power system as a whole for 2006 was affected by a disruption of natural gas supply from Malaysia to Senoko Power Station on 21 December 2006. A load of about 264 megawatts (MW) was shed affecting about 70,000 consumers. Power was fully restored within 45 minutes.

EMA had also tightened measures to control voltage dips caused by failure of cables and equipment of SP PowerAssets Ltd (SPPA) and consumers. The number of voltage dips caused by consumer installations has been kept in check. There were 12 voltage dips caused by failure of consumer cables and equipment in 2006, compared to 13 in 2001. The number of dip incidents caused by failure of or damage to the equipment and cables of SPPA decreased from 11 in 2001 to five in 2006. SP PowerGrid Ltd, acting for and on behalf of SPPA had implemented a system to monitor and anticipate equipment failures. Such equipment were taken out of service before they failed thus averting voltage dips.

INTERNATIONAL ORGANISATION FOR STANDARDISATION (ISO)

In February 2007, EMA's Power System Operation Division (PSOD) was recertified with the ISO9001:2000 standard for the operation of Power System in Singapore. In April 2007, the Division had also successfully gone through the audit and conversion from BS7799-2:2002 to ISO 27001:2005 standards for the management and operation of the Energy Management System which monitors and controls the generation and transmission of power in Singapore.

INTERRUPTIBLE LOAD MONITORING SYSTEM AND GAS MONITORING SYSTEM

In September 2006, the PSOD commissioned an Interruptible Load Monitoring System (ILMS) to monitor Interruptible Load Facilities participating in the National Electricity Market of Singapore (NEMS). In March 2007, the PSOD commissioned a new Gas Monitoring System (GMS). The GMS interfaces with the SCADA Systems of PowerGas Ltd (the Gas System Operator) and SembCorp Gas Pte Ltd to receive real-time information of the natural gas transmission system. Information such as valve status, gas pressure, gas flow and survival time calculation from the GMS would enable the PSOD to better manage security of the electricity system.

ON A ROLL

Keeping electricity
prices stable:

Over the last six years,
oil prices have risen 70 percent.
Yet electricity prices have
declined by 5 percent.

19.87*
cents
for a kWh of electricity
* as at April 2001

18.88*
cents
for a kWh of electricity
* as at April 2007

ON SALE

**Accessible electricity:
The Electricity Vending
System allows consumers to
buy electricity from a retailer
of their choice.**

1,200,000

**customers are set to benefit from the unprecedented
convenience of the Electricity Vending System. **

PROGRESS ON RESTRUCTURING THE GAS INDUSTRY

Ensuring a fair and open access to the gas pipeline network is essential for the development of a competitive environment in the gas sector. The Gas Network Code, which sets out the common terms and conditions for transportation of gas through the gas pipeline network on a fair and non-discriminatory basis was approved by EMA on 25 October 2005, after a high level critique of the Code was conducted by an independent Consultant, KEMA International BV. EMA conducted public consultations in February 2006 and December 2006 to obtain feedback on the proposed amendments to the Gas Act. The Gas (Amendment) Act was passed in Parliament on 21 May 2007.

INTRODUCING LIQUEFIED NATURAL GAS (LNG)

A 2005 study conducted by Tokyo Gas Engineering Company Limited for EMA concluded that it was feasible to import LNG into Singapore.

Signals from the market indicates that gas is the current fuel of choice. Importing LNG in accordance with market signals will allow Singapore to diversify its gas supply sources at competitive prices.

The Government took a decision to proceed with the importation of LNG into Singapore in August 2006. The proposed LNG Receiving Terminal will be located on a 30-hectare site in the South Western region of Jurong Island. Construction of the Receiving Terminal will take approximately four years. Depending on market demand, the terminal is expected to be operational around 2012.

EMA is concurrently reviewing the LNG procurement process and the gas regulatory framework to facilitate the importation of LNG.

Financial Performance FY2006/07

The overall financial performance of the Group for the year ending 31 March 2007 was satisfactory. Total operating income was \$69.364 million. Overall Group surplus after non-operating income and taxes, contribution to Government Consolidated Fund (GCF) and minority interests was \$16.307 million. This was 38% higher than the previous year's surplus of \$11.806 million.

Capital Expenditure

Capital expenditure incurred for the Group was \$10.276 million. This included \$4.170 million spent on the enhancement of the subsidiary's computer systems, \$0.704 million on the review of National Electricity Market of Singapore (NEMS), \$3.616 million on the installation of the gas monitoring system and \$0.980 million on the Regulation Division Information System (RDIS) upgrade and \$0.806 million for other purchases such as personal computers, furniture and fittings and office equipment.

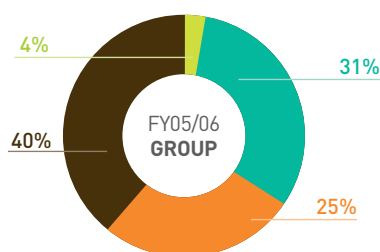
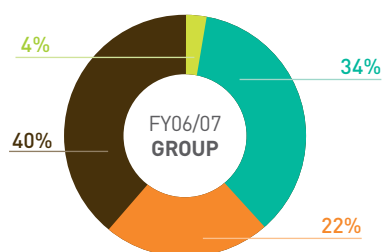
Financial Highlights

	Group		Authority	
	FY2006/07	FY2005/06	FY2006/07	FY2005/06
	S\$m	S\$m	S\$m	S\$m
Operating income	69.364	69.793	43.744	44.396
Operating expenses	52.660	59.295	33.892	38.175
Operating surplus	16.704	10.498	9.852	6.221
Non-operating income	5.563	3.771	6.830	5.048
Government grant	1.715	3.125	1.715	3.125
Surplus before contribution to GCF and income tax	23.982	17.394	18.397	14.394
Minority interests	2.962	1.794	-	-
Net surplus after GCF, income tax and minority interests	16.307	11.806	14.718	11.515

Operating Income

Operating income for the year totalled \$69.364 million. The breakdown is shown below:

	Group		Authority	
	FY2006/07 S\$m	FY2005/06 S\$m	FY2006/07 S\$m	FY2005/06 S\$m
Regulatory fees				
– Public licence fees	23.244	21.981	25.564	24.221
– Inspectorate licence fees	3.137	2.982	3.137	2.982
System operation charges	15.043	17.193	15.043	17.193
NEMS administration fees	27.940	27.637	–	–
Total operating income	69.364	69.793	43.744	44.396



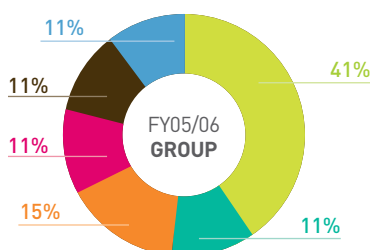
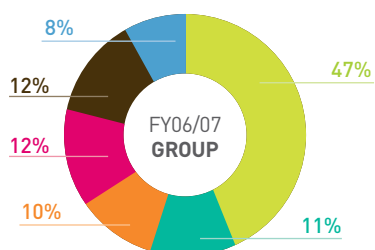
LEGEND

- Inspectorate Licence Fees
- Public Licence Fees
- System Operation Charges
- NEMS Administration Fees

Operating Expenses

Operating expenses for the year were \$52.660 million and \$33.892 million for the Group and Authority respectively.

	Group		Authority	
	FY2006/07 S\$m	FY2005/06 S\$m	FY2006/07 S\$m	FY2005/06 S\$m
Manpower	24.650	24.675	17.143	16.422
Administration	5.968	6.254	3.443	3.484
Depreciation	5.115	9.431	2.041	4.777
Amortisation	6.356	6.357	5.053	5.053
Maintenance	6.314	6.307	2.555	2.811
Others	4.257	6.271	3.657	5.628
Total operating expenses	52.660	59.295	33.892	38.175



LEGEND

- Manpower
- Administration
- Depreciation
- Maintenance
- Amortisation
- Others

Performance of Public Licensees (2006)

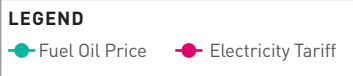
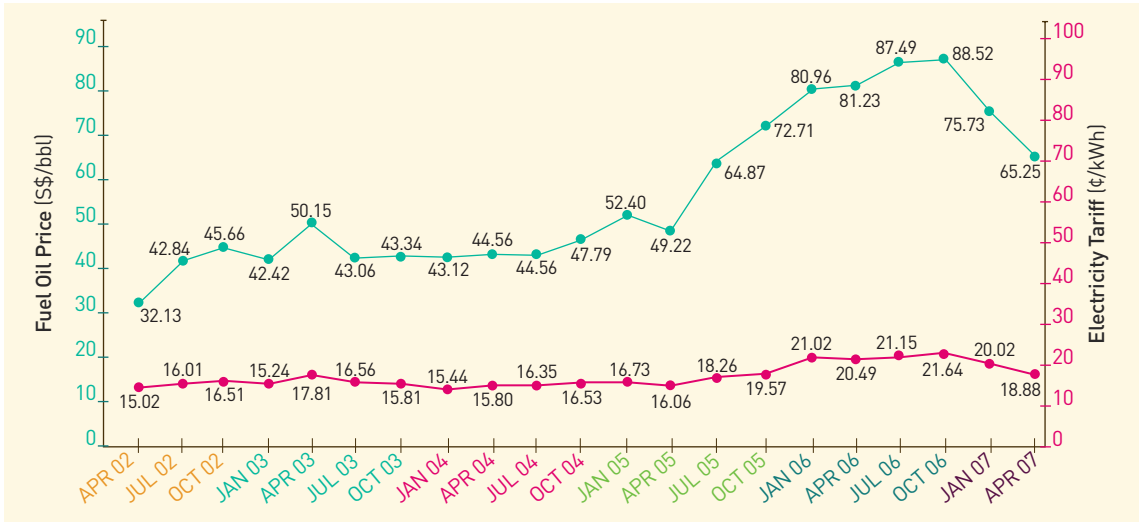
Service Dimension	Service Indicator	Responsibility of	Service Standard	Performance %	Target %
Availability of Supply	a) Minimum duration of notice of interruption of electricity or piped gas supply	SP PowerAssets Ltd PowerGas Ltd	7 days consecutive 2 working days	100.00 100.00	(≥95) (≥95)
	b) Time taken to restore gas supply following outage caused by network fault	PowerGas Ltd	24 hours	100.00	(≥95)
	c) Time taken to restore supply for each power failure due to failure of, damage to, or operation of equipment or cables rated at 22kV and below	SP PowerAssets Ltd SP PowerAssets Ltd	3 hours Exceeds 2 hrs but does not exceed 3 hrs	100.00 0.78	(=100) (≤10)
Quality of Supply	a) Time taken to rectify voltage complaint or limit violation	SP PowerAssets Ltd	2 days consecutive	100.00	(≥95)
	b) Time taken to correct voltage complaint which requires network reinforcement	SP PowerAssets Ltd	6 months	No Complaint	(≥99)
	c) Time taken to respond to reported piped gas leaks	PowerGas Ltd City Gas Pte Ltd	1 hour 1 hour	100.00 100.00	(=100) (=100)
Providing Supply	a) Time taken to process electricity supply application and to reply to applicant	SP Services Ltd	14 days	98.13	(≥85)
	b) Time taken to implement electrification scheme requiring new substations after take-over of substation (up to 22kV)	SP PowerAssets Ltd	10 weeks	100.00	(≥90)
	c) Time taken to implement service connection requiring cable installation work after premises to be supplied is ready to receive cable	SP PowerAssets Ltd	6 weeks	100.00	(≥90)
	d) Lead time taken to inspect large electrical installation (supply capacity greater than 45kVA) and turn-on electricity supply upon request	SP Services Ltd	7 days	100.00	(≥90)
	e) Lead time taken to test small electrical installation (supply capacity less than or equal to 45kVA) and turn-on electricity supply upon request	SP Services Ltd	10 days	99.92	(≥90)
	f) Time taken to inspect pre-tested electrical installation and turn-on electricity supply upon request after opening of account	SP Services Ltd	3 days	100.00	(≥98)
	g) Waiting time at site for appointment to turn-on or cut-off electricity or piped gas supply	SP Services Ltd City Gas Pte Ltd	1.5 hours 2 hours	99.99 99.80	(≥90) (≥99)
	h) Time taken to process and approve submission of plans for application of supply of piped gas to new large commercial complexes, condominiums and developmental projects	City Gas Pte Ltd	3 weeks	100.00	(≥99)
	i) Time taken to process and approve submission of plans for application of supply of piped gas to new restaurants, food courts, coffee houses in existing buildings, eating houses, hawker centres etc	City Gas Pte Ltd	2 weeks	100.00	(≥99)
	j) Time taken to carry out piped gas service connection from the date when customer's premises is ready to receive connection and where the premises is within piped gas supply network	City Gas Pte Ltd	6 weeks	100.00	(≥90)
Customer Contact	a) Time taken to reply to written enquiry or complaint	SP PowerAssets Ltd	7 working days	100.00	(≥95)
		City Gas Pte Ltd	7 working days	100.00	(≥95)
		SP Services Ltd ¹	7 working days	100.00	(≥95)
		SP Services Ltd ²	7 working days	98.19	(≥95)
b) Queuing time at customer service counter (enquiries and opening/closing of accounts)	SP Services Ltd	20 minutes	99.32	(≥90)	
c) Time taken by customer service officer to pick up ringing telephone	SP Services Ltd	30 seconds	92.68	(≥90)	
Meter Services	a) Time taken to attend to meter problem upon notification	SP PowerAssets Ltd SP Services Ltd	8 days 8 days	100.00 100.00	(≥95) (≥95)
	b) Time taken to respond (make appointment, visit or reply) to metering problem or dispute upon notification	City Gas Pte Ltd	5 working days	100.00	(≥95)
		SP Services Ltd	5 working days	100.00	(≥95)
c) Time interval between successive reading of billing meter(s)	SP Services Ltd	2 monthly	100.00	(≥95)	

¹ Performance indicator for supply of electricity

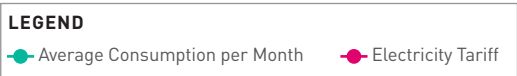
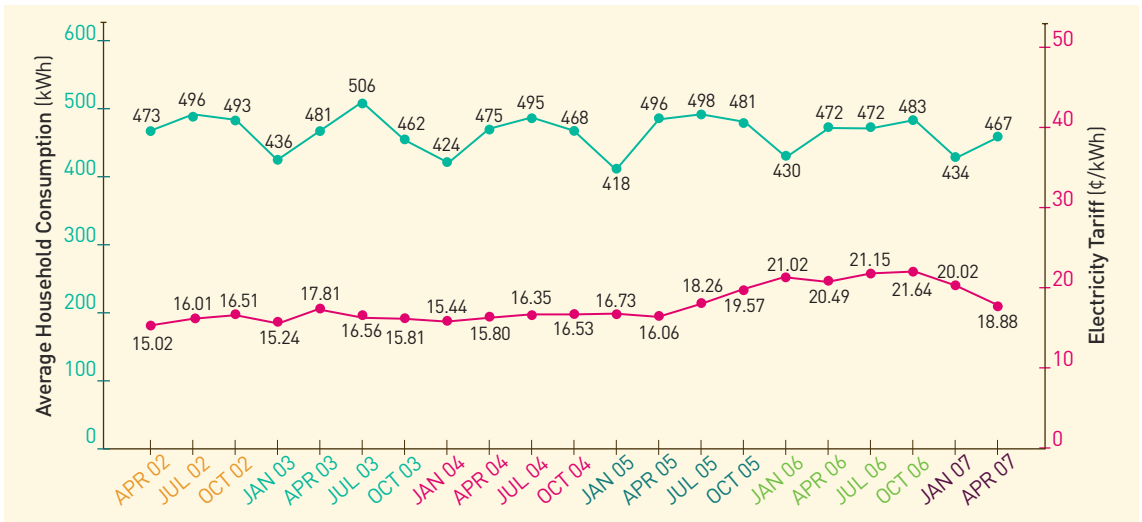
² Performance indicator for utilities support services

Energy Statistics

Electricity Tariff vs Fuel Oil Price

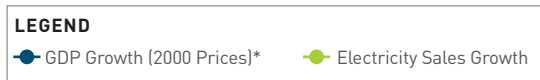
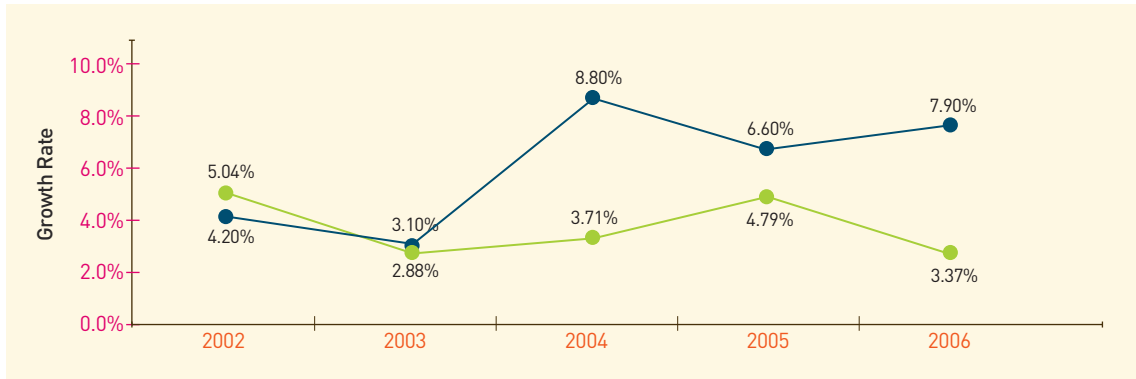


Electricity Tariff vs Average Household Consumption



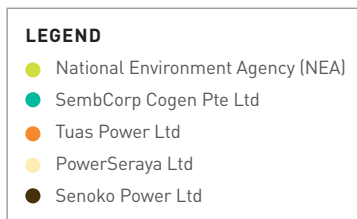
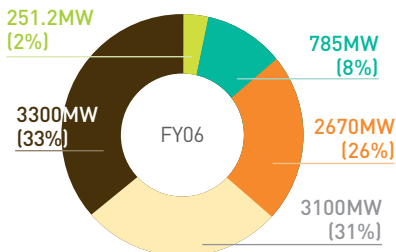
Energy Statistics (continued)

Electricity Sales and GDP Growth

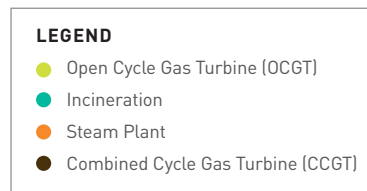
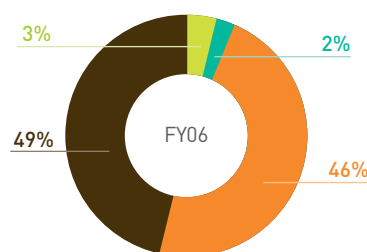


* GDP figures from Singapore Department of Statistics

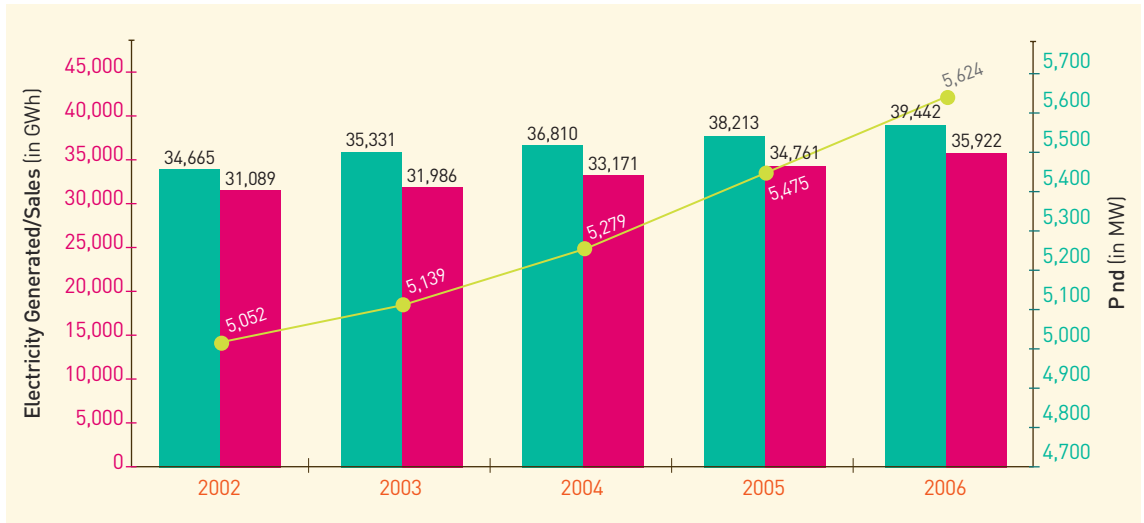
Licensed Capacity by Generation Companies



Licensed Capacity by Plant Type



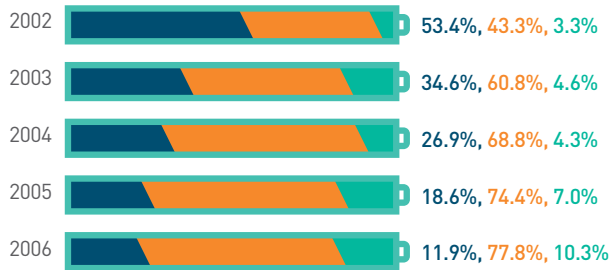
Electricity Generated, Sales and Peak Demand



LEGEND

■ Electricity Generated (in GWh)
 ■ Electricity Sales (in GWh)
 ● Peak Demand

Fuel Mix for Electricity Generation



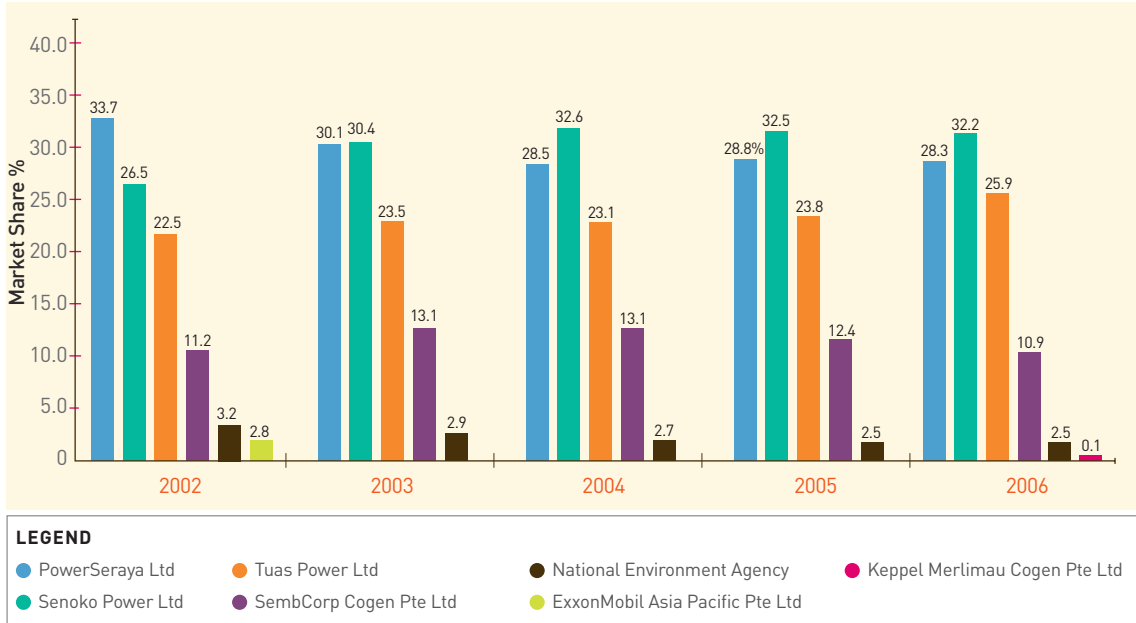
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● Fuel Oil
 ● Natural Gas
 ● Others*

* Others consists of orimulsion fuel, synthetic gas, diesel and refuse incineration.

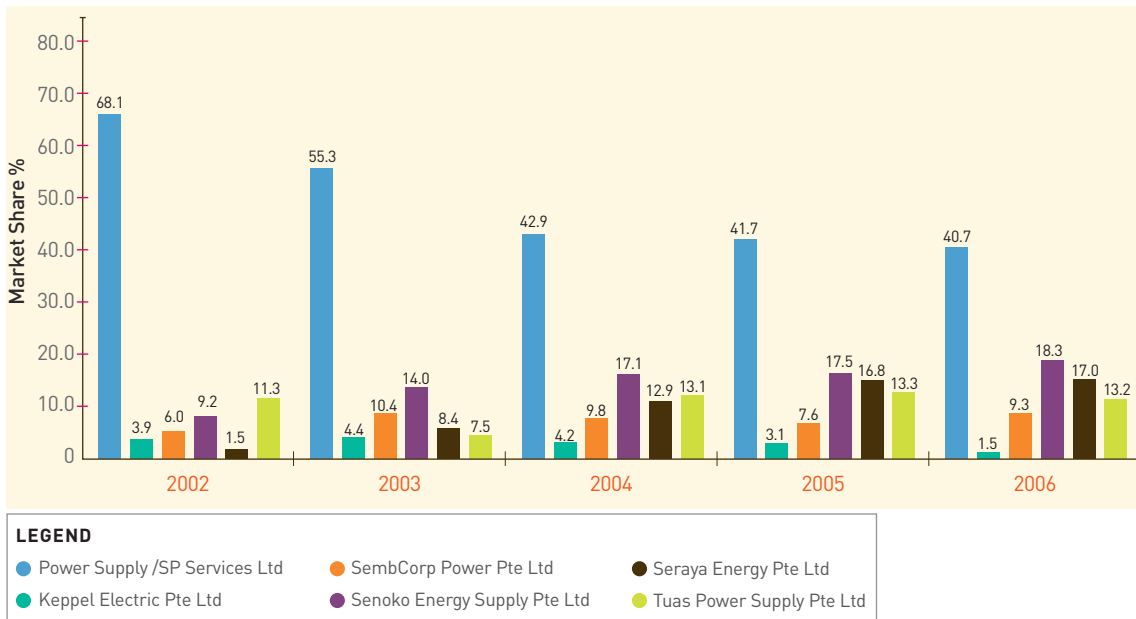
Energy Statistics (continued)

Market Share of Generation Companies

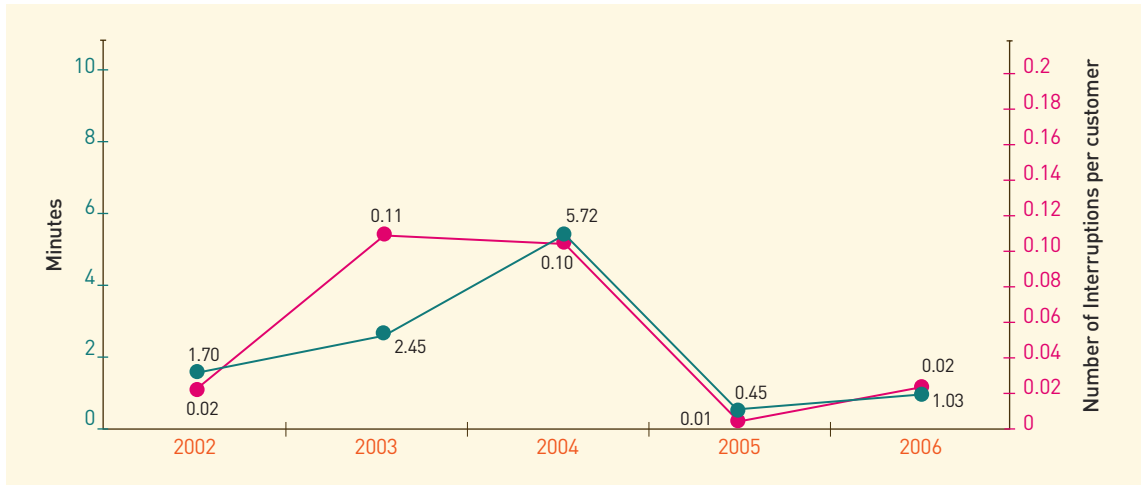


Note: ExxonMobil Asia Pacific Pte Ltd ceased to be a participant at the wholesale electricity market in 2003
Keppel Merlimau Cogen Pte Ltd commenced operations in 2006

Market Share of Electricity Retailers



Transmission System Performance

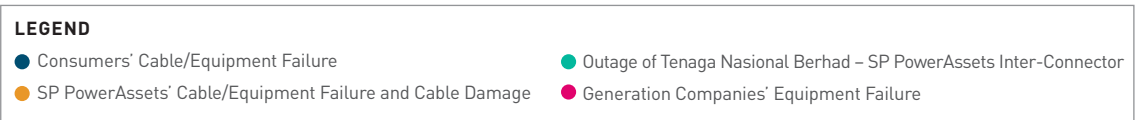
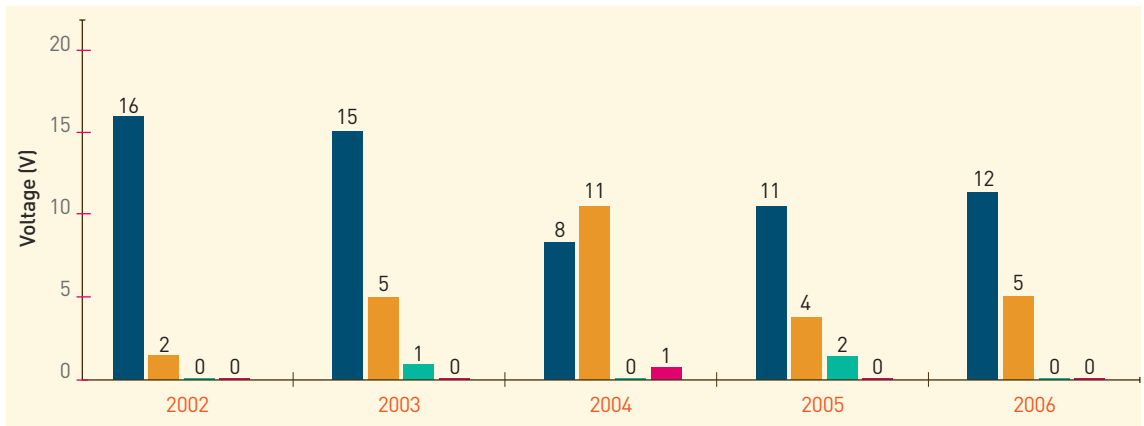


SAIDI (System Average Interruption Duration Index) measures the average interruption time per customer in minutes.

* SAIDI for 2004 was affected by one-off outage at a transmission substation in April 2004. This single incident alone accounted for 3.86 minutes.

SAIFI (System Average Interruption Frequency Index) measures the average number of interruptions per customer.

Voltage Dip Incidents





ON THE WHOLE
Here's an
overview of
our financial
performance
FY06/07.

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FINANCIAL REPORT

Independent Auditors' Report

Members of the Authority
Energy Market Authority of Singapore

We have audited the accompanying financial statements of Energy Market Authority of Singapore (the "Authority") and its subsidiary (the "Group"), which comprise the balance sheets of the Group and the Authority as at 31 March 2007, the statements of income and expenditure, statements of changes in equity of the Group and the Authority and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 64. The financial statements for the financial year ended 31 March 2006 were audited by another firm of Certified Public Accountants whose report dated 30 June 2006 expressed an unqualified opinion on those financial statements.

Management's responsibility for the financial statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Energy Market Authority of Singapore Act, Chapter 92B (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet, statement of income and expenditure, and statement of changes in equity of the Authority are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to present fairly in all material respect the state of affairs of the Group and of the Authority as at 31 March 2007, the results and changes in equity of the Group and the Authority, and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Authority have been properly kept in accordance with the provisions of the Act.

During the course of our audit, nothing came to our notice that caused us to believe that the receipt, expenditure and investments of monies and the acquisition and disposal of assets by the Authority during the financial year have not been in accordance with the provisions of the Act.



KPMG

Certified Public Accountants

Singapore
2 July 2007

Statements of Income and Expenditure

for the year ended 31 March 2007

	Note	Group		Authority	
		2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Operating income	3	69,364	69,793	43,744	44,396
Operating expenses	3	(52,660)	(59,295)	(33,892)	(38,175)
Operating surplus		16,704	10,498	9,852	6,221
Non-operating income	4	5,563	3,771	6,830	5,048
Surplus before Government grant		22,267	14,269	16,682	11,269
Government grant	3.3	1,715	3,125	1,715	3,125
Surplus before contribution to Government Consolidated Fund (GCF) and income tax		23,982	17,394	18,397	14,394
Contribution to GCF	5	(3,679)	(2,879)	(3,679)	(2,879)
Income tax	6	(1,034)	(915)	-	-
		(4,713)	(3,794)	(3,679)	(2,879)
Surplus after contribution to GCF and income tax		19,269	13,600	14,718	11,515
Minority interests		(2,962)	(1,794)	-	-
Net surplus after GCF, income tax and minority interests		16,307	11,806	14,718	11,515



Chiang Chie Foo
CHAIRMAN



Khoo Chin Hean
CHIEF EXECUTIVE

The accompanying notes form an integral part of these financial statements.

Balance Sheets

as at 31 March 2007

	Note	Group		Authority	
		2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Capital account	7	105,541	105,541	105,541	105,541
Accumulated surplus		54,182	42,875	49,979	40,261
		159,723	148,416	155,520	145,802
Market development fund		5,000	–	5,000	–
		164,723	148,416	160,520	145,802
Minority interests		6,440	7,363	–	–
		171,163	155,779	160,520	145,802
Non-current assets					
Fixed assets	8	13,605	9,149	5,362	2,123
Intangible assets	9	11,369	17,020	3,873	8,221
Investment in subsidiary	10	–	–	2,550	5,100
Other non-current assets	11	198	199	143	194
		25,172	26,368	11,928	15,638
Current assets					
Other receivables and prepayments	12	6,378	4,662	2,840	2,029
Cash and receivables under NEMS	20	213,652	224,348	–	–
Cash and cash equivalents	13	161,395	143,214	158,811	137,125
		381,425	372,224	161,651	139,154
Current liabilities					
Other payables	14	(12,096)	(11,513)	(6,110)	(4,811)
Payables under NEMS	20	(213,652)	(224,348)	–	–
Provision for contribution to Government Consolidated Fund	5	(3,679)	(2,879)	(3,679)	(2,879)
		(229,427)	(238,740)	(9,789)	(7,690)
Net current assets		151,998	133,484	151,862	131,464
Non-current liabilities					
EVS fund	15	(3,270)	(1,300)	(3,270)	(1,300)
Deferred tax liabilities	16	(2,737)	(2,773)	–	–
		(6,007)	(4,073)	(3,270)	(1,300)
		171,163	155,779	160,520	145,802

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 March 2007

	Capital account \$'000	Accumulated surplus \$'000	Market development fund \$'000	Total attributable to the Authority \$'000	Minority interests \$'000	Total \$'000
GROUP						
At 1 April 2005	105,541	31,069	–	136,610	7,083	143,693
Net surplus and total recognised income for the year	–	11,806	–	11,806	1,794	13,600
Dividends paid to minority shareholder	–	–	–	–	(1,514)	(1,514)
At 31 March 2006	105,541	42,875	–	148,416	7,363	155,779
Net surplus and total recognised income for the year	–	16,307	–	16,307	2,962	19,269
Transfer during the year	–	(5,000)	5,000	–	–	–
Dividends paid to minority shareholder	–	–	–	–	(1,435)	(1,435)
Capital reduction by subsidiary	–	–	–	–	(2,450)	(2,450)
At 31 March 2007	105,541	54,182	5,000	164,723	6,440	171,163

	Capital account \$'000	Accumulated surplus \$'000	Market development fund \$'000	Total \$'000
AUTHORITY				
At 1 April 2005	105,541	28,746	–	134,287
Net surplus and total recognised income for the year	–	11,515	–	11,515
At 31 March 2006	105,541	40,261	–	145,802
Net surplus and total recognised income for the year	–	14,718	–	14,718
Transfer during the year	–	(5,000)	5,000	–
At 31 March 2007	105,541	49,979	5,000	160,520

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2007

	Note	Group	
		2006/07 \$'000	2005/06 \$'000
Operating Activities			
Surplus before grant and contribution to Government Consolidated Fund and income tax		22,267	14,269
<i>Adjustments for:</i>			
- Depreciation of fixed assets		5,115	9,431
- Amortisation of intangible assets		6,356	6,357
- Profit on disposal of fixed assets		(6)	(7)
- Interest income		(5,326)	(3,025)
- Interest expense		-	23
Operating profit before working capital changes		28,406	27,048
<i>Changes in working capital:</i>			
- Other receivables		(1,641)	1,259
- NEMS receivables		10,696	(65,614)
- NEMS payables		(10,696)	65,614
- Other payables		(174)	415
- Payable to related companies of subsidiary's minority shareholder		(313)	197
Cash generated from operations		26,278	28,919
Payment to Government Consolidated Fund		(2,879)	(1,907)
Net cash flows from operating activities		23,399	27,012
Investing Activities			
Purchase of fixed assets		(9,571)	(4,773)
Expenditure on intangible assets		(705)	(503)
Proceeds from disposal of fixed assets		6	8
Interest income received		5,207	2,547
Net cash flows from investing activities		(5,063)	(2,721)
Financing Activities			
Capital reduction by subsidiary paid to minority shareholder		(2,450)	-
Grants received from the Government		1,760	3,593
Dividends paid by subsidiary to minority shareholder		(1,435)	(1,902)
Interest paid		-	(23)
Repayment of bank borrowings		-	(3,600)
Net cash flows from financing activities		(2,125)	(1,932)
Net increase in cash and cash equivalents		16,211	22,359
Cash and cash equivalents at beginning of year		141,914	119,555
Cash and cash equivalents at end of year	13	158,125	141,914

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2007

1 DOMICILE AND ACTIVITIES

Energy Market Authority of Singapore (the "Authority") is a statutory board incorporated in the Republic of Singapore under the Energy Market Authority of Singapore Act (Chapter 92B) and has its registered office at 111 Somerset Road, #15-05, Singapore 238164.

The principal activities of the Authority are to create and regulate a competitive market framework for the electricity and gas industries as well as district cooling in designated areas. It also undertakes the system operation function of the electricity industry.

The principal activity of the subsidiary, Energy Market Company Pte Ltd ("EMC") is that of administration and operation of the National Electricity Market of Singapore ("NEMS").

EMC was issued with a Market Operator's licence (Licence No. EMA/MC/001) by the Energy Market Authority of Singapore on 16 September 2002 to administer and operate, for an initial period of 10 years from 1 January 2003, the launch date of NEMS. The NEMS is governed by the Singapore Electricity Market Rules.

The consolidated financial statements relate to the Authority and its subsidiary (together referred to as the "Group").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority is required under Section 13 of the Energy Market Authority of Singapore Act (Chapter 92B) to exercise its powers and perform its functions to ensure that the total revenues of the Authority are sufficient, taking one financial year with another, to meet its total outgoings properly chargeable to the revenue account, including depreciation and interest on capital and to meet a reasonable proportion of the cost of the development of the services of the Authority.

In determining the significant accounting policies and the format of the financial statements to be adopted, the Authority has taken into consideration the special nature of its objectives and activities.

A summary of the significant policies, which have been adopted in the preparation of these financial statements, are detailed below:

2.1 Basis of preparation

Except as disclosed below, the financial statements have been prepared on a historical cost basis and in accordance with the EMA Act and Singapore Financial Reporting Standards ("FRS").

The financial statements are presented in Singapore dollars (S\$), which is the Authority's functional currency. All financial information presented in Singapore dollar has been rounded to the nearest thousand (S\$'000). The accounting policies applied by the Group are consistent with those used in the previous financial year.

2.2 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the accounts. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Amortisation of intangible assets

The cost of intangible assets is amortised on a straight-line basis over their useful lives which are estimated by the management to be 5 to 10 years. This is based on the estimated economic useful lives and market licence period. The carrying amount of the Group's intangible assets as at 31 March 2007 was \$11,369,000 (2006: \$17,020,000). Changes in the market rules and operating environment could impact the economic useful life of these assets. Therefore, future amortisation charges could be revised.

Depreciation of fixed assets

The cost of fixed assets is depreciated on a straight-line basis over the assets' useful lives, which are estimated by the management to be within 3 to 10 years. These are common life expectancies applied in the relevant industry. The carrying amount of the Group's fixed assets as 31 March 2007 was \$13,605,000 (2006: \$9,149,000). Changes in the market rules and operating environment could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised.

Income taxes

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The subsidiary recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the subsidiary's income tax payable and deferred tax liabilities at 31 March 2007 were S\$1,069,000 (2006 : Nil) and S\$2,737,000 (2006 : S\$2,773,000) respectively.

(b) Key judgement made in applying accounting policies

The following is a judgement made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Notes to the Financial Statements

for the year ended 31 March 2007

2.2 Significant accounting estimates and judgements (continued)

(b) Key judgement made in applying accounting policies (continued)

Cash, receivables and payables under NEMS - Adjustments to balances arising from post-transaction changes in metering data

The subsidiary acts as a principal in the NEMS. In the NEMS, the Market Support Services Licensee ("MSSL") is responsible for the provision and accuracy of the metering data, which is used in calculation of settlements.

From time to time, the subsidiary may be advised by the MSSL of the post-fact changes to the metering data and the quantities of electricity traded. This may result in the adjustments to the settlement amounts due to or due from the market participants.

Under the Market Rules, the subsidiary shall not recalculate the settlement amounts in the final settlement statements. Any such adjustments made after the issue of a final settlement shall be made in the preliminary settlement statements issued immediately following the resolution of disputes. No adjustments are made to the trade receivable or trade payable balances at the balance sheet date for changes arising from changes in the metering data relating to transactions made during the financial year.

2.3 Subsidiary

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investment in subsidiary is stated in the Authority's balance sheet at cost less accumulated impairment losses.

2.4 Principles of consolidation

The consolidated financial statements comprise the financial statements of the Authority and its subsidiary as at the balance sheet date. The financial statements of the subsidiary are prepared for the same reporting date as the Authority. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiary is fully consolidated from the date of incorporation and will continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets in subsidiary not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated income and expenditure statement.

Notes to the Financial Statements

for the year ended 31 March 2007

2.5 Foreign currency transactions

Transactions in foreign currencies are translated at the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

2.6 Fixed assets

On 1 April 2001, with the establishment of the Energy Market Authority, the fixed assets of the former Regulation Department of the Public Utilities Board were vested in the Authority at net book values.

All fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of fixed assets.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the income and expenditure statement in the year the asset is derecognised.

Depreciation

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the fixed assets as follows:

	Years
Computer systems	3 – 5
Microcomputer and software	3
Furniture and fittings	3
Office/ Works equipment	3
Vehicles	10

Fixed assets costing less than S\$2,000 are fully depreciated in the year of purchase by the Authority.

Fully depreciated fixed assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of them.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

Notes to the Financial Statements

for the year ended 31 March 2007

2.7 Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Deferred Development costs

Development costs incurred by the Authority which relate to the restructuring of the utilities industry in Singapore and development costs incurred by the subsidiary which relate to the design and testing of the settlement system for the NEMS are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

The Authority amortises the deferred development costs upon completion of the consultancy work and implementation of the regulatory framework in the utilities industry on a straight-line basis over their estimated economic useful lives of 5 years.

The subsidiary amortises the deferred development costs from the date of the launch of the NEMS on a straight-line basis over the market licence period of 10 years.

2.8 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of income and expenditure.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise other receivables and prepayments, cash and receivables under NEMS, cash and cash equivalents, financial liabilities, and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Notes to the Financial Statements

for the year ended 31 March 2007

2.9 Financial instruments (continued)

Non-derivative financial instruments (continued)

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, ie, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial liabilities

Financial liabilities include other payables, which are normally settled on normal trade terms, and payables under NEMS. Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of income and expenditure when the liabilities are derecognised as well as through the amortisation process.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at banks and fixed deposits with banks.

2.10 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of income and expenditure.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of income and expenditure, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Notes to the Financial Statements

for the year ended 31 March 2007

2.11 Provisions (continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.12 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income and expenditure on a straight-line basis over the lease term.

2.13 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

2.14 Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

- (a) licence fees from public licensees are recognised as income on an accrual basis;
- (b) interest income is recognised on an accrual basis; and
- (c) subsidiary's NEMS administration fees is recognised when service is rendered.

2.15 Government grant

Government grant is recognised at its fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the statement of income and expenditure over the periods necessary to match it on a systematic basis, to the costs, which it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of income and expenditure over the expected useful life of the relevant asset by equal annual instalments.

2.16 Market development fund

The market development fund ("MDF") is set up to provide financing for market development initiatives that would enhance value in the electricity market. It will be used to dispense grants to help companies develop and test-bed innovative ideas for the industry. All successful grants will be dispensed directly from the MDF. The fund is reviewed periodically and additional contribution or refund will be made to or from the fund as appropriate.

Notes to the Financial Statements

for the year ended 31 March 2007

2.17 Employee benefits

Defined contributions scheme

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

Employees' entitlement to annual leave is recognised when it accrues to the employees. A provision is made for the estimated liability for unconsumed leave as a result of services rendered by employees up to the balance sheet date.

2.18 EVS Fund

The EVS Fund is set up to account for money held in trust for external parties. Income and expenditure of these funds are taken directly to the liabilities and the assets relating to these funds are shown in the Balance Sheet.

2.19 Income taxes

Income tax expense is provided by the subsidiary. It comprises current and deferred tax as follows:

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2.20 Borrowing costs

Borrowing costs are expensed as incurred.

Notes to the Financial Statements

for the year ended 31 March 2007

3 SURPLUS BEFORE CONTRIBUTION TO GOVERNMENT CONSOLIDATED FUND (GCF) AND INCOME TAX

	Note	Group		Authority	
		2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Operating Income					
Regulatory fees					
– public licence fees		23,244	21,981	25,564	24,221
– other licence fees		3,137	2,982	3,137	2,982
Systems operation charges		15,043	17,193	15,043	17,193
NEMS administration fees		27,940	27,637	–	–
		69,364	69,793	43,744	44,396
Operating Expenses					
Manpower	3.1	(24,650)	(24,675)	(17,143)	(16,422)
Administration	3.2	(5,968)	(6,254)	(3,443)	(3,484)
Depreciation of fixed assets		(5,115)	(9,431)	(2,041)	(4,777)
Amortisation of intangible assets		(6,356)	(6,357)	(5,053)	(5,053)
Maintenance		(6,314)	(6,307)	(2,555)	(2,811)
Others		(4,257)	(6,271)	(3,657)	(5,628)
		(52,660)	(59,295)	(33,892)	(38,175)
Operating surplus		16,704	10,498	9,852	6,221
Non-operating income	4	5,563	3,771	6,830	5,048
Surplus before government grant		22,267	14,269	16,682	11,269
Government grant	3.3	1,715	3,125	1,715	3,125
Surplus before contribution to GCF and income tax		23,982	17,394	18,397	14,394

3.1 Manpower expenses include the following:

	Group		Authority	
	2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Salaries and related expenses	21,593	21,444	14,934	14,069
CPF contributions	1,510	1,478	1,103	1,092

Notes to the Financial Statements

for the year ended 31 March 2007

3.2 Administration expenses include the following:

	Group		Authority	
	2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Operating lease expenses	2,920	2,923	1,990	1,994
Interest expense on bank loan	-	23	-	-

3.3 Government Grant

The government grant was for expenditure on a consultancy project relating to liquefied natural gas feasibility study.

4 NON-OPERATING INCOME

	Group		Authority	
	2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Interest earned on				
– employee loans	11	14	11	14
– bank deposits	5,315	3,011	5,222	2,905
Dividend income from subsidiary	-	-	1,494	1,576
Penalty charges/fines	79	534	79	534
NEMS registration fees	34	28	-	-
Course fees from industrial training	89	144	-	-
Profit on disposal of fixed assets	6	7	4	5
Others	29	33	20	14
	5,563	3,771	6,830	5,048

5 CONTRIBUTION TO GOVERNMENT CONSOLIDATED FUND (GCF)

In lieu of income tax, the Authority is required to make contribution to the GCF in accordance with the Statutory Corporations (Contributions to Consolidated Fund) Act. This contribution is based on 20% (2006 : 20%) of the surplus of the Authority for the year.

Notes to the Financial Statements

for the year ended 31 March 2007

6 INCOME TAX

	Group	
	2006/07	2005/06
	\$'000	\$'000
Current income tax		
Current income taxation	1,070	–
Deferred tax expense		
Movement in temporary differences	209	915
Effect of change in tax rate	(277)	–
Underprovision in prior year	32	–
	<u>1,034</u>	<u>915</u>

The income tax of the Group comprises entirely the income tax of the subsidiary. A reconciliation of the statutory rate to the subsidiary's effective tax rate applicable to surplus before income tax for the financial years ended 31 March was as follows:

	%	%
Singapore statutory corporate tax rate	18.0	20.0
Effect of change in tax rate	(4.0)	–
Non-deductible expenses	0.1	0.4
Tax rebate	(0.4)	–
Underprovision in prior year	0.4	–
Others	0.5	(0.4)
Effective tax rate	<u>14.6</u>	<u>20.0</u>

7 CAPITAL ACCOUNT

The capital account comprises the reserves transferred from the Public Utilities Board to the Authority for its establishment and for the financing of fixed and development assets acquisitions.

Notes to the Financial Statements

for the year ended 31 March 2007

8 FIXED ASSETS

8.1 Group

	As at 1 April 2005 \$'000	Additions \$'000	Disposals \$'000	As at 31 March 2006 \$'000
At Cost				
Computer systems	43,513	4,280	(295)	47,498
Microcomputer and software	786	134	(32)	888
Vehicles	320	176	(320)	176
Furniture and fittings	1,491	151	–	1,642
Office/Works equipment	589	32	(8)	613
	46,699	4,773	(655)	50,817
Accumulated Depreciation				
Computer systems	30,144	9,092	(295)	38,941
Microcomputer and software	605	199	(32)	772
Vehicles	314	9	(320)	3
Furniture and fittings	1,299	70	–	1,369
Office/Works equipment	529	61	(7)	583
	32,891	9,431	(654)	41,668
	As at 1 April 2006 \$'000	Additions \$'000	Disposals \$'000	As at 31 March 2007 \$'000
At Cost				
Computer systems	47,289	8,051	(732)	54,608
Microcomputer and software	888	313	(79)	1,122
Vehicles	176	–	–	176
Furniture and fittings	1,852	105	(2)	1,955
Office/Works equipment	612	122	(8)	726
Project-in-Progress	–	980	–	980
	50,817	9,571	(821)	59,567
Accumulated Depreciation				
Computer systems	38,933	4,609	(732)	42,810
Microcomputer and software	772	162	(79)	855
Vehicles	3	17	–	20
Furniture and fittings	1,458	249	(2)	1,705
Office/ Works equipment	502	78	(8)	572
	41,668	5,115	(821)	45,962

Notes to the Financial Statements

for the year ended 31 March 2007

8 FIXED ASSETS (CONTINUED)

8.1 Group (continued)

	31 March 2007 \$'000	31 March 2006 \$'000
Net Book Value		
Computer systems	11,798	8,557
Microcomputer and software	267	116
Vehicles	156	173
Furniture and fittings	250	273
Office/ Works equipment	154	30
Project-in-Progress	980	–
	13,605	9,149

8.2 Authority

	As at 1 April 2005 \$'000	Additions \$'000	Disposals \$'000	As at 31 March 2006 \$'000
At Cost				
Computer systems	25,248	–	(245)	25,003
Microcomputer and software	786	134	(32)	888
Vehicles	320	176	(320)	176
Furniture and fittings	436	135	–	571
Office/ Works equipment	257	21	–	278
	27,047	466	(597)	26,916
Accumulated Depreciation				
Computer systems	19,139	4,497	(245)	23,391
Microcomputer and software	605	199	(32)	772
Vehicles	314	9	(320)	3
Furniture and fittings	396	30	–	426
Computer systems	159	42	–	201
	20,613	4,777	(597)	24,793

Notes to the Financial Statements

for the year ended 31 March 2007

8 FIXED ASSETS (CONTINUED)

8.2 Authority (continued)

	As at 1 April 2006 \$'000	Additions \$'000	Disposals \$'000	As at 31 March 2007 \$'000
At Cost				
Computer systems	25,003	3,881	(688)	28,196
Microcomputer and software	888	313	(79)	1,122
Vehicles	176	–	–	176
Furniture and fittings	571	68	(2)	637
Office/ Works equipment	278	38	(6)	310
<i>Project-in-Progress</i>	–	980	–	980
	26,916	5,280	(775)	31,421
Accumulated Depreciation				
Computer systems	23,391	1,697	(688)	24,400
Microcomputer and software	772	162	(79)	855
Vehicles	3	17	–	20
Furniture and fittings	426	114	(2)	538
Office/ Works equipment	201	51	(6)	246
	24,793	2,041	(775)	26,059
			31 March 2007	31 March 2006
			\$'000	\$'000
Net Book Value				
Computer systems			3,796	1,612
Microcomputer and software			267	116
Vehicles			156	173
Furniture and fittings			99	145
Office/ Works equipment			64	77
<i>Project-in-Progress</i>			980	–
			5,362	2,123

Notes to the Financial Statements

for the year ended 31 March 2007

9 INTANGIBLE ASSETS

9.1 Group

	As at 1 April 2005 \$'000	Additions \$'000	Reclassifi- cations \$'000	As at 31 March 2006 \$'000
At Cost				
Development of the electricity market	31,183	–	–	31,183
Development of the gas market	6,591	–	–	6,591
District cooling project	480	–	–	480
<i>Project-in-Progress</i>				
Development of the electricity market	–	503	–	503
	38,254	503	–	38,757
Accumulated Amortisation				
Development of the electricity market	12,058	4,943	–	17,001
Development of the gas market	3,141	1,318	–	4,459
District cooling project	181	96	–	277
	15,380	6,357	–	21,737
	As at 1 April 2006 \$'000	Additions \$'000	Reclassifi- cations \$'000	As at 31 March 2007 \$'000
At Cost				
Development of the electricity market	31,183	–	1,208	32,391
Development of the gas market	6,591	–	–	6,591
District cooling project	480	–	–	480
<i>Project-in-Progress</i>				
Development of the electricity market	503	705	(1,208)	–
	38,757	705	–	39,462
Accumulated Amortisation				
Development of the electricity market	17,001	4,942	–	21,943
Development of the gas market	4,459	1,318	–	5,777
District cooling project	277	96	–	373
	21,737	6,356	–	28,093

Notes to the Financial Statements

for the year ended 31 March 2007

9 INTANGIBLE ASSETS (CONTINUED)

9.1 Group (continued)

	31 March 2007 \$'000	31 March 2006 \$'000
Net Book Value		
Development of the electricity market	10,448	14,182
Development of the gas market	814	2,132
District cooling project	107	203
<i>Project-in-Progress</i>		
Development of the electricity market	–	503
	11,369	17,020

9.2 Authority

	As at 1 April 2005 \$'000	Additions \$'000	Reclassifi- cations \$'000	As at 31 March 2006 \$'000
At Cost				
Development of the electricity market	18,147	–	–	18,147
Development of the gas market	6,591	–	–	6,591
District cooling project	480	–	–	480
<i>Project-in-Progress</i>				
Development of the electricity market	–	503	–	503
	25,218	503	–	25,721
Accumulated Amortisation				
Development of the electricity market	9,125	3,639	–	12,764
Development of the gas market	3,141	1,318	–	4,459
District cooling project	181	96	–	277
	12,447	5,053	–	17,500

Notes to the Financial Statements

for the year ended 31 March 2007

9 INTANGIBLE ASSETS (CONTINUED)

9.2 Authority (continued)

	As at 1 April 2006 \$'000	Additions \$'000	Reclassifi- cations \$'000	As at 31 March 2007 \$'000
At Cost				
Development of the electricity market	18,147	–	1,208	19,355
Development of the gas market	6,591	–	–	6,591
District cooling project	480	–	–	480
<i>Project-in-Progress</i>				
Development of the electricity market	503	705	(1,208)	–
	<u>25,721</u>	<u>705</u>	<u>–</u>	<u>26,426</u>
Accumulated Amortisation				
Development of the electricity market	12,764	3,639	–	16,403
Development of the gas market	4,459	1,318	–	5,777
District cooling project	277	96	–	373
	<u>17,500</u>	<u>5,053</u>	<u>–</u>	<u>22,553</u>
			31 March 2007	31 March 2006
			\$'000	\$'000
Net Book Value				
Development of the electricity market			2,952	5,383
Development of the gas market			814	2,132
District cooling project			107	203
<i>Project-in-Progress</i>				
Development of the electricity market			–	503
			<u>3,873</u>	<u>8,221</u>

10 INVESTMENT IN SUBSIDIARY

Details of the Authority's subsidiary are as follows:

Name of subsidiary	Cost		Equity interest	
	2006/07 \$'000	2005/06 \$'000	2006/07	2005/06
Energy Market Company Pte Ltd *	<u>2,550 (a)</u>	5,100	51 %	51 %

* Audited by another firm of Certified Public Accountants.

(a) The Authority's investment in the subsidiary was reduced from \$5.1 million to \$2.55 million when the subsidiary returned \$2.55 million via a capital reduction exercise which was approved by the shareholders and directors of the subsidiary on 25 July 2006.

Notes to the Financial Statements

for the year ended 31 March 2007

11 OTHER NON-CURRENT ASSETS

	Note	Group		Authority	
		2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Loans to employees – receivable after 1 year	12.1	143	194	143	194
Prepayment for maintenance of computer system after 1 year		55	5	–	–
		198	199	143	194

12 OTHER RECEIVABLES AND PREPAYMENTS

	Note	Group		Authority	
		2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Accrued interest income		891	772	891	772
Net goods and services tax receivable		–	13	–	–
Deposits		348	334	112	103
Prepayments		1,161	947	3	28
Loans to employees – receivable within 1 year	12.1	51	48	51	48
Festival advance paid to employees		85	–	85	–
Amount due from NEMS market participants		3,063	2,481	934	1,019
Other receivables		779	67	764	59
		6,378	4,662	2,840	2,029

12.1 The loans to employees are repayable by monthly instalments and at an effective interest rate of 5% per annum on a monthly rest basis.

Notes to the Financial Statements

for the year ended 31 March 2007

13 CASH AND CASH EQUIVALENTS

	Note	Group		Authority	
		2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Fixed deposits	13.1	158,350	141,150	156,500	135,300
Cash and bank balances		3,045	2,064	2,311	1,825
Cash and cash equivalents per balance sheets		161,395	143,214	158,811	137,125
Less:					
Cash balances pertaining to EVS fund	15	(3,270)	(1,300)		
Cash and cash equivalents per cash flow statements		158,125	141,914		

13.1 Fixed deposits are made for varying periods of between one to twelve months. The effective interest rate of the fixed deposits of the Group was 3.36% (2006 : 2.13%) per annum and the Authority was 3.34% (2006 : 2.15%) per annum.

14 OTHER PAYABLES

	Note	Group		Authority	
		2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Other creditors and accruals		9,004	8,318	5,304	3,825
Net goods and services tax payable		32	168	32	168
Accrued employee benefits		1,962	1,734	774	818
Payable to related companies of subsidiary's minority shareholder	14.1	29	342	-	-
Amount due to NEMS market participants	14.2	-	951	-	-
Income tax payable		1,069	-	-	-
		12,096	11,513	6,110	4,811

14.1 The amounts payable are trade-related, unsecured, interest-free and repayable within the next 12 months.

14.2 The amounts payable to NEMS market participants were related to over-recovery of NEMS administration charges, which had been fully refunded to the NEMS market participants during the current financial year.

Notes to the Financial Statements

for the year ended 31 March 2007

15 EVS FUND

On 22 March 2006, a tripartite agreement was signed amongst the Government of Singapore (acting through the Enterprise Challenge Unit of the Prime Minister's Office), SP Services Ltd ("SPS") and the Authority. The agreement sets forth the terms and conditions for conducting the Electricity Vending System ("EVS") pilot project. The EVS fund comprises monies contributed by the Government and SPS for purposes of the EVS pilot project. The Authority administers the EVS fund on behalf of all parties to the agreement, in accordance with the terms of the agreement. Any unused funds will be returned to the Government of Singapore and SPS respectively after the end of the funding period (36 months from the date of the agreement) or earlier termination of the agreement, as the case may be.

	Note	Group		Authority	
		2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
As at 1 April		1,300	–	1,300	–
Funds received during the year		1,970	1,300	1,970	1,300
As at 31 March		3,270	1,300	3,270	1,300
Represented by:					
Cash at bank	13	3,270	1,300	3,270	1,300

16 DEFERRED TAX LIABILITIES

The deferred tax liabilities relate solely to the subsidiary which is a private limited company incorporated in the Republic of Singapore and is liable to pay income tax under the Singapore Income Tax Act as detailed below:

	Group	
	2006/07 \$'000	2005/06 \$'000
Balance at beginning of financial year	2,773	1,858
Provided during the financial year	241	915
Effect of change in tax rate	(277)	–
Balance at end of financial year	2,737	2,773
Deferred tax liabilities at end of the financial year relate to the following:		
Deferred tax liabilities		
Difference in depreciation and amortisation	2,764	2,853
Deferred tax assets		
Provisions	(27)	(37)
Others	–	(43)
Gross deferred tax assets	(27)	(80)
Net deferred tax liabilities	2,737	2,773

Notes to the Financial Statements

for the year ended 31 March 2007

17 OUTSTANDING CAPITAL COMMITMENTS

The Group has purchased commitments for fixed assets and intangible assets incidental to its ordinary course of business. The outstanding capital commitments as at 31 March 2007 for the Group and the Authority amounted to \$2,626,000 (2006: \$3,917,000) and \$2,327,000 (2006: \$1,342,000) respectively.

18 OPERATING LEASE COMMITMENTS

The Group has entered into commercial leases for its office, employee's accommodation and office equipment. These leases have remaining non-cancellable terms of between one and five years.

Future minimum rentals under non-cancellable leases are as follows:

	Group		Authority	
	2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Payable:				
Within 1 year	3,763	2,964	2,827	2,037
After 1 year but within 5 years	5,880	1,047	5,625	14
	9,643	4,011	8,452	2,051

Future payments under non-cancellable agreements for professional and technical support services which have remaining non-cancellable terms of between one and five years, are as follows:

	Group	
	2006/07 \$'000	2005/06 \$'000
Payable:		
Within 1 year	2,583	1,905
After 1 year but within 5 years	6,502	2,771
After 5 years	-	531
	9,085	5,207

19 RELATED PARTY DISCLOSURES

(a) Sale and purchase of services

Other than those related party information disclosed elsewhere in the financial statements, there were the following significant related party transactions:

	Group	
	2006/07 \$'000	2005/06 \$'000
Minority Shareholder		
Staff secondment fees paid	212	1,034
Rental and service fees received	-	(35)
Others	-	17

Notes to the Financial Statements

for the year ended 31 March 2007

19 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Key management personnel compensation

	Group		Authority	
	2006/07 \$'000	2005/06 \$'000	2006/07 \$'000	2005/06 \$'000
Directors' fees/Authority members' allowance	318	311	53	46
Salaries, bonuses and allowances	2,919	4,304	1,517	1,432
CPF contributions	58	96	29	32
	3,295	4,711	1,599	1,510

20 CASH, RECEIVABLES AND PAYABLES UNDER NEMS

At 31 March 2007, the subsidiary, EMC has outstanding receivables and payables in respect of sale of electricity to market participants and purchase of electricity and ancillary services from market participants in the NEMS as follows:

	Group	
	2006/07 \$'000	2005/06 \$'000
(a) Cash and receivables under NEMS		
Cash at bank	10,540	12,233
Receivables from market participants (retailers)	203,112	211,164
Amount due from EMC for over-recovery of administration charges	-	951
Total assets	213,652	224,348

	Group	
	2006/07 \$'000	2005/06 \$'000
(b) Payables under NEMS		
Payables to market participants (generators)	(210,228)	(220,522)
Net goods and services tax payable	(94)	(77)
Amounts due to		
– ancillary service providers	(602)	(832)
– EMC for administration charges	(2,130)	(1,462)
Other payables	-	(359)
Amounts due to market participants for		
– over-recovery of administration charges	(584)	(951)
– over-recovery of ancillary service charges	-	(64)
– interest refund compensation	(14)	-
– MSCP penalty charged refundable to market participants	-	(81)
Total liabilities	(213,652)	(224,348)

Notes to the Financial Statements

for the year ended 31 March 2007

20 CASH, RECEIVABLES AND PAYABLES UNDER NEMS (CONTINUED)

The cash at bank under the NEMS represents cash balances held in various bank accounts opened by EMC solely for the operation of the NEMS. The manner in which these bank accounts can be operated are defined in the Market Rules. The bank balances are not available to EMC for payments of its administration and operating costs.

Each of the wholesale retailers is required under the Market Rules to provide adequate credit support to EMC to protect EMC and other Market participants from payment defaults.

The Market Rules stipulate that the credit support to be given by each market participant must not be less than 30 times the estimated average daily exposure of each market participant. The Market Rules specify the type of credit support to be provided and assigned to EMC. These include bankers' guarantees or irrevocable commercial letters of credit from reputable financial institutions, cash deposits and Singapore Government Treasury bills. The credit support given as at 31 March 2007 were wholly in the form of bankers' guarantees and have an aggregate value of \$363,700,000 (2006: \$354,580,000).

In addition, EMC is entitled to recover any default receivables from all market participants under the Market Rules and therefore the credit risk exposure is minimal.

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The Group has established processes to monitor and manage these risks in a timely manner.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its surplus funds.

Surplus funds are placed in fixed deposits with reputable banks which yield better returns than cash at banks. The deposits generally have short-term maturities so as to provide the Group with the flexibility to meet working capital and capital investment needs.

As at 31 March 2007, the Group exposure to interest rate risk was minimal.

Credit risk

The carrying amount of other receivables and cash and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Notes to the Financial Statements

for the year ended 31 March 2007

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

As disclosed in Note 20, the subsidiary is required to ensure that market participants maintain certain levels of prudential security in discharging its obligations under the NEMS Market Rules. In addition, the subsidiary is entitled to recover any default receivables from all market participants under the Market Rules. Consequently, the Group's exposure to credit risk arising from the market participants is minimal.

Cash and bank balances are placed with reputable financial institutions. Management believes that minimal credit risks exists with respect to these financial instruments.

There is no significant concentration of credit risk within the Group.

22 FINANCIAL INSTRUMENTS

Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and receivables under NEMS, trade and other receivables, receivable from a related party, cash and cash equivalents, payables under NEMS, other payables, payables to related parties, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

23 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

During the year, several accounting standards and interpretations were issued but not yet effective as at balance sheet date. Some of the relevant standards are as follows:

- FRS 107 Financial Instruments: Disclosures and the Amendment to FRS 1 Presentation of Financial Statements: Capital Disclosures
- INT FRS 109 Reassessment of Embedded Derivatives

The Group have assessed the above standards and are of the view that the standards do not have any material impact in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below:

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

Notes to the Financial Statements

for the year ended 31 March 2007

24 EVENTS AFTER BALANCE SHEET DATE

Draw down of term loan facility

On 26 April 2007, the subsidiary had drawn down an amount of \$2,500,000 from a term loan facility extended by a bank. This loan bears interest at 3.17% per annum for an initial period of 90 days and thereafter, it bears interest at SIBOR plus a margin of 0.45% or at a fixed rate to be agreed between the Subsidiary and the bank. The loan is unsecured and repayable every three months in 19 equal instalments, with the first instalment payable on 25 October 2007.

25 COMPARATIVE INFORMATION

The comparative figures relating to the financial statements for the year ended 31 March 2006 were audited by another firm of certified public accountants.

26 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Authority for the year ended 31 March 2007 were authorised for issue by the Authority on 2 July 2007.



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