



# A BRIGHTER TOMORROW

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## **CORPORATE PROFILE**

The Energy Market Authority (EMA) was established in the 2001 to forge a secure, long-term electricity industry that thrives on healthy competition. New market structures have been created to promote competition in the electricity and piped gas industries. EMA will also continue to promote cost competitive outcomes for consumers by ensuring a level playing field for competition within the electricity and piped gas industries.

## **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

A photograph of an industrial facility, likely a refinery or chemical plant. In the foreground, there are several large, colorful pipes (red, blue, green) running horizontally. In the background, there are large, cylindrical storage tanks supported by concrete pillars, and various industrial structures and scaffolding. The sky is blue with scattered white clouds.

# A LONGER VIEW

The energy market is buzzing along nicely with healthy competition. But beyond the here and now, can we cope with increasing demand for energy? To turn on a brighter tomorrow, EMA is exploring exciting new energy sources.



# A SMARTER APPROACH

What's better than sharing ideas and innovation within the local energy industry? Sharing ideas and innovation in the international arena. And the more we know, the more enlightened our solutions.



# A WIDER PERSPECTIVE

In fact, more global efforts are underway. EMA is holding the first-ever International Energy Week in Singapore, attracting thought leaders, energy enterprises, and think tanks. This international co-operation is expected to light the way in exploring new concepts in energy.



MR CHIANG CHIE FOO  
Chairman, EMA

# A GREATER ROLE

## CHAIRMAN'S MESSAGE

This had been another momentous year for EMA. A key milestone to secure future supply of natural gas to Singapore was achieved despite difficult market conditions. Two key agreements were signed. One designated PowerGas Limited to develop, build and operate the LNG Terminal and another appointed BG Asia Pacific Pte Limited to be the Aggregator for the first tranche of 3 million tonnes per annum of LNG. This decision by the Government to facilitate the import of LNG will establish the foundation for energy security in the next two decades at least.

EMA, working in close cooperation with the industry, finalised the Gas Network Code which is targeted for implementation in the third quarter of 2008. The implementation of the Gas Network Code will ensure an open access regime in gas and will ensure the smooth entry of LNG.

This was also a year spent in reviewing and fine-tuning the electricity market to enable stakeholders to achieve greater efficiencies. A key improvement arising out of consultation with the industry was to allow companies greater flexibility in embedding generation so that higher levels of thermal efficiency can be achieved. In doing so, care was taken not to distort economic signals and competition in the electricity market.

### INDUSTRY REFORMS COMPLETED

The reforms in the electricity sector have been completed. The market performance had validated the reforms and regulatory structures we have put in place.

The divestment of Temasek Holdings' generation companies represents the final phase to complete market liberalization.

### THE SEARCH FOR INNOVATION CONTINUES

An innovation by EMA and co-funded by The Enterprise Challenge (TEC) and SP Services Limited, the Electricity Vending System (EVS) system, if successful, will enable 1.2 million small consumers to be made contestable. By integrating the electricity meters with an e-payment system at the back end, the EVS can yield further efficiency gains. This is an innovation which has received strong support and funding from both the private sector and the government.

There has been good progress in the EVS project. Field-testing of the EVS system is expected to take place in the last quarter of 2008.

### THE CHALLENGES AHEAD

Now that EMA has largely settled the building blocks and the anchor pieces in the energy market, it will allocate more of its bandwidth to thinking about the future and the longer term strategic issues. The media had been awash with reports of tight oil supply. The media reports had also reflected increasing concerns over climate change. Put together both issues will create problems of energy security for many countries, including Singapore.

The world is not short of energy but cheap energy sources are fast depleting. New sources of energy will be expensive as they have to be extracted from difficult areas. Climate change concerns will place additional costs on energy.

Rising costs will provide the incentive for technological change and affect how we use energy. EMA must anticipate such changes and ensure that our system is able to accommodate as they present themselves in the market.

### PLANNING TO FACE THE CHALLENGES

Given Singapore's reliance on energy imports to fuel our economy, it is important for us to be cognizant of and understand global developments in energy and to stay a step ahead in preparing Singapore well for the resulting risks, challenges and opportunities.

EMA has set up the Energy Policy and Planning Division (EPPD) to focus on this strategic task. The EPPD will build up its capabilities in environment scanning, scenario planning, strategy/policy formulation, infrastructure planning and international engagements.

We will harness our resources to think about the future and to come to grips with these strategic issues. In all we do, we will continue to take our bearings from our corporate mission: "Think Ahead, Change Today – Forging a competitive and secure energy industry for our economy". I thank fellow members of the Authority for their contributions and commend my colleagues in EMA for their dedication in building together a brighter future for Singapore in the energy market.



**Chiang Chie Foo**  
Chairman

# MEMBERS OF THE AUTHORITY

## A STRONGER BOARD

Diverse talents and important experiences empower EMA to ramp up the energy industry.



## THE BOARD OF DIRECTORS

- 1 Chairman  
MR CHIANG CHIE FOO  
Permanent Secretary  
Ministry of Defence
- 2 Deputy Chairman  
MS CHAN LAI FUNG  
Permanent Secretary  
Ministry of Law
- 3 MR KHOO CHIN HEAN  
Chief Executive  
Energy Market Authority
- 4 MR SECK WAI KWONG  
Senior Executive Vice President  
Singapore Exchange Limited
- 5 MR JEN KWONG HWA  
Managing Director  
Micron Semiconductor Asia Pte Ltd
- 6 MR DAVID WONG  
Deputy Group CEO  
Bank of China (Hong Kong) Ltd
- 7 MR JOHN TEO WOON KENG  
Chief Financial Officer  
Singapore Pools (Private) Limited

Absent:



PROFESSOR RICHARD WHISH  
Professor of Law  
School of Law  
King's College London



MR PETER NG JOO HEE  
Director of Prisons  
Singapore Prison Service

# MEMBERS OF THE TEAM

## A CLOSER TEAM

Teamwork: the vital energy that sparks  
momentous results from motivated people.



1 MR KNG MENG HWEE Deputy Chief Executive (Power System Operation)  
2 MR YEO YEK SENG Deputy Chief Executive (Regulation)  
3 MR KHOO CHIN HEAN Chief Executive  
4 MR DAVID TAN Deputy Chief Executive (Energy Policy & Planning)

# A BETTER PERFORMANCE

THE YEAR IN REVIEW

### LIBERALISING OUR ELECTRICITY RETAIL MARKET

Singapore embarked on the liberalisation of its electricity market in order to ensure long-term diversity, reliability and security of its energy supply at competitive prices. 75 per cent of Singapore's total electricity demand has been opened up to retail competition.

### ADDRESSING THE NEEDS OF SMALL CONSUMERS

Current liberalisation efforts focus on opening up the market for the remaining 25 per cent of the market, comprising 1.2 million small consumers. This will require the installation of meters that can monitor consumption on a half-hourly basis. However such meters are expensive and can potentially raise the cost of implementing competition for small consumers.

To keep the costs of implementation down, EMA had in July 2007 embarked on a pilot project to develop the Electricity Vending System (EVS), an innovative concept of integrating state-of-the-art smart metering technologies and the existing e-Payment infrastructure. It is anticipated that this can improve the efficiency of existing business processes and keep costs of implementing competition for small consumers down. Good progress had been made in the development of the EVS. By the last quarter of 2008, the pilot project will be tested live with the involvement of 1,000 volunteer households.

If successful, EVS will enable small electricity consumers to purchase electricity from different retailers, whose pricing schemes will be posted at various points-of-sale such as payment kiosks, convenience stores. EVS has also been designed to encourage energy conservation by allowing consumers to monitor the electricity cost of their energy usage. This feedback can help consumers be more energy efficient.

Co-funded by The Enterprise Challenge (TEC) under the Prime Minister's Office, and SP Services Limited, completion of the pilot project for EVS is expected by the second half of 2009, after which a decision on nation-wide implementation will be made.

## A GREATER CHOICE

In 2008, 1,000 households will take part in a trial run of EMA's Electricity Vending System (EVS) pilot project. EMA aims to promote efficiency in energy consumption through the EVS which offers consumers freedom of choice in purchasing different electricity packages, and the opportunity to pro-actively monitor their energy usage.

### NEW ELECTRICITY LICENSES

2007 saw the emergence of new players with the EMA issuing wholesale generation licenses to Pfizer Asia Pacific Private Limited, Schering-Plough Limited and Banyan Utilities Pte Limited.

### MAINTAINING SYSTEM RELIABILITY

One of our objectives is to ensure a reliable electricity system. SP PowerGrid Ltd maintained its record for reliability. The System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) for the power grid, decreased from 2.45 minutes and 0.11 number of interruption respectively per customer in 2003 to 1.31 minutes and 0.03 number of interruption per customer in 2007.

### TAKING GAS INDUSTRY REFORMS TO COMPLETION

The development of a competitive environment in the gas sector rests on fair and open access to the gas pipeline network.

The Gas Network Code, which sets out the common terms and conditions for transportation of gas, was finalised in October 2005 following a high level review of the Code by an independent consultant, who confirmed that the Code provides open access to the gas pipeline network on a fair and non-discriminatory basis.

In 2006, PowerGas Limited, the gas transporter, started work on the IT system to implement the Gas Network Code. The operational trial to test the readiness of the IT system and internal processes of gas industry participants for operation in the new gas industry was held between March and July 2008. Following the successful completion of the operational trial, the Gas Network Code is expected to take effect in the third quarter of 2008.

The Gas Act was amended and came into force on 14 February 2008. This empowered EMA to fully implement the Gas Network Code and the Government's policy on allowing all gas importers and retailers open competitive access to the gas pipeline infrastructure, and strengthen the regulatory oversight on ownership of critical infrastructure which enhances the security of Singapore's gas system. The Act amendment incorporates security safeguard on ownership and top management of critical infrastructure which will enhance system security.

EMA issued PowerGas Limited a gas transporter's license, which authorises it to convey gas and operate its onshore receiving facilities. This new gas license replaced PowerGas Limited's gas supply license issued under the Public Utilities Act. With the coming into operation of the Gas Act on 14 February 2008, the Gas (Supply) Regulations 2008 also came into effect on the same day to replace the Public Utilities (Gas Supply) Regulations 1997 in regulating the safety in the supply to and use of piped gas supply by consumers and the licensed gas service worker scheme.

### DIVERSIFYING NATURAL GAS SUPPLY

The Government made a key decision in 2006 to import LNG to meet future demand for energy and to diversify Singapore's sources of energy. In September 2007, EMA designated PowerGas Limited, a wholly-owned subsidiary of Singapore Power Limited, to build and operate Singapore's first LNG import terminal.

A 30.5 hectare site on Jurong Island has been identified for the development of the LNG import terminal. When completed, the terminal will have a send-out capacity of 3 million tonnes per annum (Mtpa) with room for expansion. Preparatory works are being carried out on the site to enable actual construction work to commence in 2009.

Given Singapore's small market size, it is necessary to create economies of scale by aggregating the amount of LNG to be imported. After a rigorous process of selection, EMA appointed BG Asia Pacific Pte Limited to be the LNG Aggregator for Singapore. The role of the Aggregator is to aggregate regasified LNG demand from all potential end-users in Singapore and to procure LNG supply on behalf of these end-users. The Aggregator will have an exclusive license to import and sell LNG into Singapore up to an initial demand of 3 Mtpa of regasified LNG.

### MAINTAINING QUALITY STANDARDS IN POWER SYSTEM OPERATIONS AND CONTROL

Quality standards set by the Power System Operation Division (PSOD) were ISO re-certified in February 2008.

The System Control Department of the PSOD was recertified with the ISO9001:2000 standard for its processes to ensure the smooth operation of Singapore's power system.

The Energy Management Systems Department was recertified with the ISO 27001:2005 standard for its processes in monitoring and controlling the generation and transmission of power in Singapore.

### RENEWING THE ELECTRICITY MANAGEMENT SYSTEM

In September 2007, the PSOD embarked on a project to replace the critical servers in the Electricity Management System (EMS). These servers have been in operation for more than eight years and require replacement to maintain the availability and reliability of the EMS system. The new generation of servers were successfully installed and commissioned in March 2008.

### GROWTH IN DISTRIBUTED GENERATION

The number of small electric power generators connected into the Singapore power system increased. Such small distributed generation are connected to the electricity distribution grid either directly or through a consumer's installation.

A Distributed Generation Monitoring System was commissioned in September 2007 for PSOD to monitor the performance and status of these facilities.

## ENSURING SINGAPORE'S FUTURE ENERGY SUPPLY

“ We have taken a significant step into the global LNG market and with the entry of BG, Singapore will gain greater access to competitive, reliable and secure gas supplies from different parts of the world ”

*said Mr S Iswaran, Senior Minister of State for Trade and Industry, Singapore at the appointment of BG Asia Pacific Pte Limited as LNG Aggregator in April 2008*

### IMPROVING LEARNING OPPORTUNITIES

PSOD conducts in-house training for its staff on specialised technical topics which are not offered by external training providers.

PSOD had developed an e-learning Training Programme to enable officers to access the training online and to undergo training and refresher training at their convenience. With almost half of the PSOD staff working shifts, this Simulator will help ensure staff undergo the mandatory training at their convenience. This minimises the conflict between shift duty rostering and in-house course scheduling.

### LOOKING TO THE FUTURE WITH EPPD

The Energy Policy and Planning Division (EPPD) was established in September 2007 to scan the horizon for risks as well as opportunities and to identify the appropriate policy response to position Singapore to be able to address and beneficially exploit such eventualities.

The EPPD has launched itself into a variety of programmes including scenario planning, setting up an information repository on energy matters and networking with regional and international organisations.

### INTERNATIONAL ENERGY WEEK

Come November 2008, the EPPD in partnership with the Energy Studies Institute (ESI), will be organising Singapore's first-ever International Energy Week (IEW). To be held from 3 to 7 November 2008, the IEW will see a lively exchange of ideas among international and local policy makers, academics, and industry players on energy options and strategies for the future.

### MARKET DEVELOPMENT FUND

EMA launched the Market Development Fund (MDF) to support the development of innovative energy solutions in Singapore. This forward-looking fund will facilitate the test-bedding of evolving and viable non-traditional generation technologies by providing the support needed to enable such technologies being test bedded to gain access and to be tested in the market.

# FINANCIAL HIGHLIGHTS

## FINANCIAL PERFORMANCE FY2007/08

The Group achieved overall net surplus of \$12.848 million, 21.2% lower than the previous year's surplus of \$16.307 million. Total operating income was 2.7% lower at \$67.517 million attributed to lower public licence fees; while overall operating expenses increased by 5.1% to \$55.323 million arising from higher manpower and rental expenses.

## CAPITAL EXPENDITURE

Capital expenditure incurred for the Group was \$9.619 million. This included \$4.658 million spent on the enhancement of the subsidiary's computer systems, \$1.439 million on the EMS system servers replacement, \$1.228 million on the Regulation Division Information System (RDIS) upgrade, \$0.216 million on the gas market programme, \$1.566 million on furniture and fittings (including subsidiary's renovation expenditure for its office relocation) and \$0.512 million for other purchases such as personal computers and office equipment.

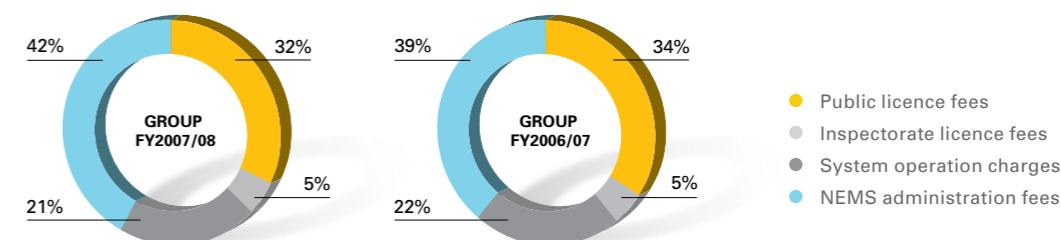
## FINANCIAL RESULTS

	Group		Authority	
	FY2007/08 S\$m	FY2006/07 S\$m	FY2007/08 S\$m	FY2006/07 S\$m
Operating income	67.517	69.364	41.783	43.744
Operating expenses	55.323	52.660	34.388	33.892
<b>Operating surplus</b>	<b>12.194</b>	16.704	<b>7.395</b>	9.852
Non-operating income	5.312	5.563	7.652	6.830
Government grant	1.121	1.715	1.121	1.715
<b>Surplus before contribution to GCF and income tax</b>	<b>18.627</b>	23.982	<b>16.168</b>	18.397
Minority interests	1.975	2.962	-	-
<b>Net surplus after GCF, income tax and minority interests</b>	<b>12.848</b>	16.307	<b>13.258</b>	14.718

## OPERATING INCOME

Operating income for the year totalled \$67.517 million. The breakdown is shown below:

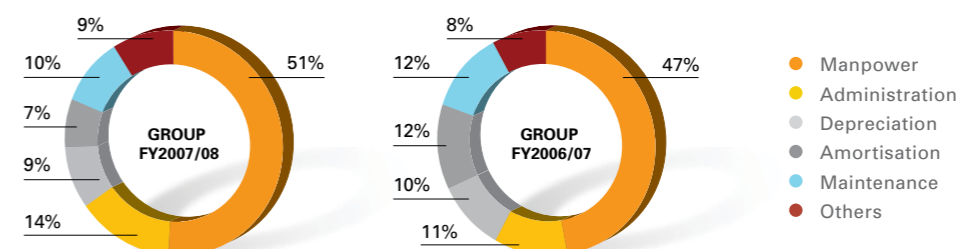
	Group		Authority	
	FY2007/08 S\$m	FY2006/07 S\$m	FY2007/08 S\$m	FY2006/07 S\$m
Regulatory fees				
- Public licence fees	21.806	23.244	24.066	25.564
- Inspectorate licence fees	3.304	3.137	3.304	3.137
System operation charges	14.413	15.043	14.413	15.043
NEMS administration fees	27.994	27.940	-	-
<b>TOTAL OPERATING INCOME</b>	<b>67.517</b>	69.364	<b>41.783</b>	43.744



## OPERATING EXPENSES

Operating expenses for the year were \$55.323 million and \$34.388 million for the Group and Authority respectively.

	Group		Authority	
	FY2007/08 S\$m	FY2006/07 S\$m	FY2007/08 S\$m	FY2006/07 S\$m
Manpower	28.460	24.650	20.242	17.143
Administration	7.829	5.968	4.306	3.443
Depreciation	5.076	5.115	1.277	2.041
Amortisation	3.756	6.356	2.452	5.053
Maintenance	5.259	6.314	2.030	2.555
Others	4.943	4.257	4.081	3.657
<b>TOTAL OPERATING INCOME</b>	<b>55.323</b>	52.660	<b>34.388</b>	33.892

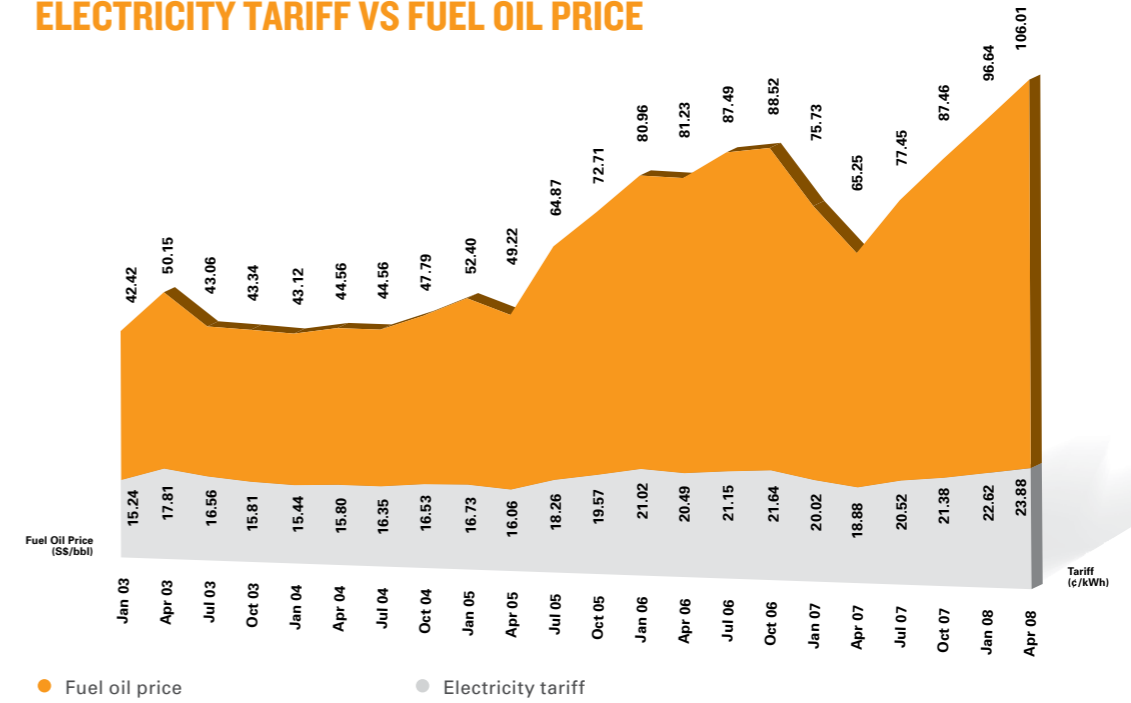


# PERFORMANCE OF PUBLIC LICENSEES (2007)

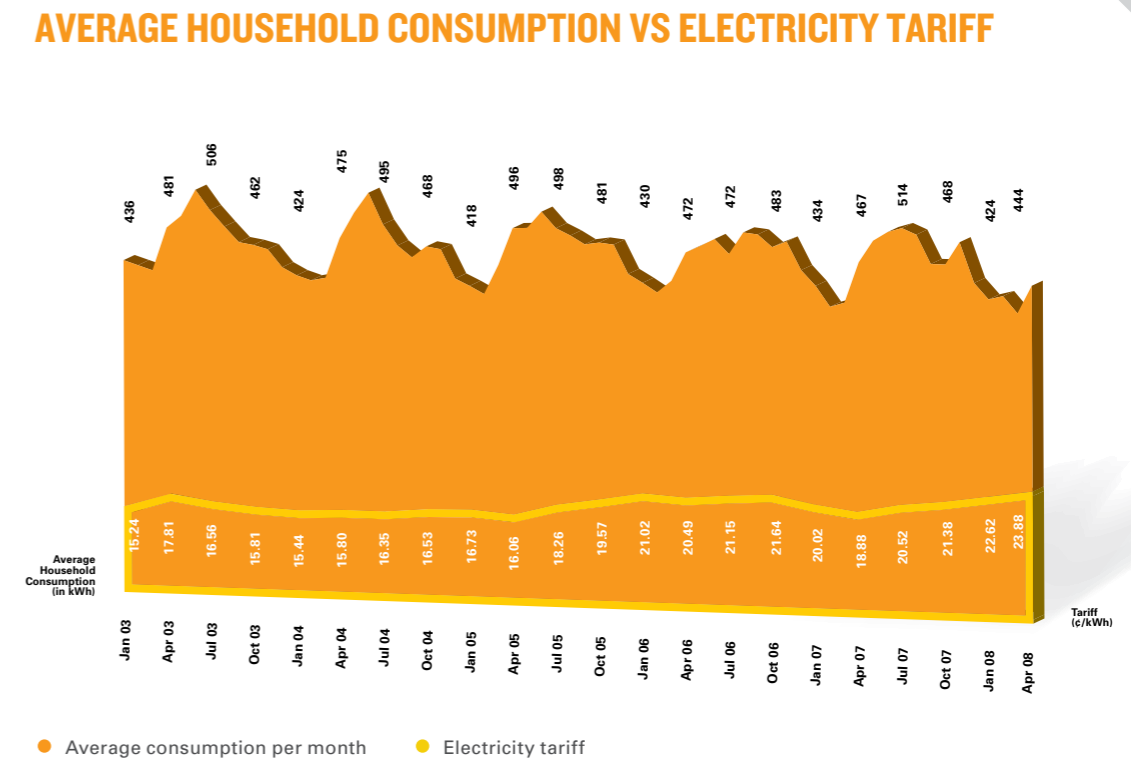
Service Dimension	Service Indicator	Responsibility of	Service Standard	Performance/ %	(Target)
Availability of Supply	(a) Minimum duration of notice of interruption of electricity or piped gas supply	SP PowerAssets Ltd PowerGas Ltd	7 days consecutive 2 working days	100.00 100.00	(≥95) (≥95)
	(b) Time 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 hours but does not exceed 3 hours	100.00 0.00	(=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	97.87	(≥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	99.74	(≥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	99.98	(≥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 99.81	(≥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 City Gas Pte Ltd SP Services Ltd <sup>1</sup> SP Services Ltd <sup>2</sup>	7 working days 7 working days 7 working days 7 working days	100.00 100.00 100.00 98.50	(≥95) (≥95) (≥95) (≥95)
	(b) Queuing time at customer service counter (enquiries and opening/closing of accounts)	SP Services Ltd	20 minutes	99.01	(≥90)
	(c) Time taken by customer service officer to pick up ringing telephone	SP Services Ltd	30 seconds	92.66	(≥90)
Metering 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 SP Services Ltd	5 working days 5 working days	100.00 100.00	(≥95) (≥95)
	(c) Time interval between successive reading of billing meter(s)	SP Services Ltd	2 months	100.00	(≥95)

<sup>1</sup> Performance indicator for supply of electricity  
<sup>2</sup> Performance indicator for utilities support services

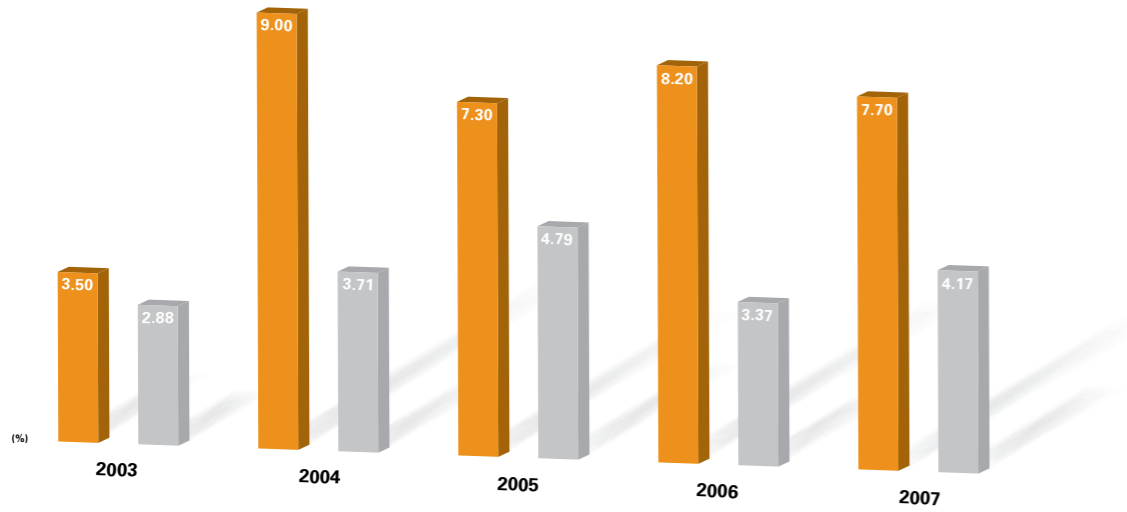
# ENERGY STATISTICS ELECTRICITY TARIFF VS FUEL OIL PRICE



# AVERAGE HOUSEHOLD CONSUMPTION VS ELECTRICITY TARIFF

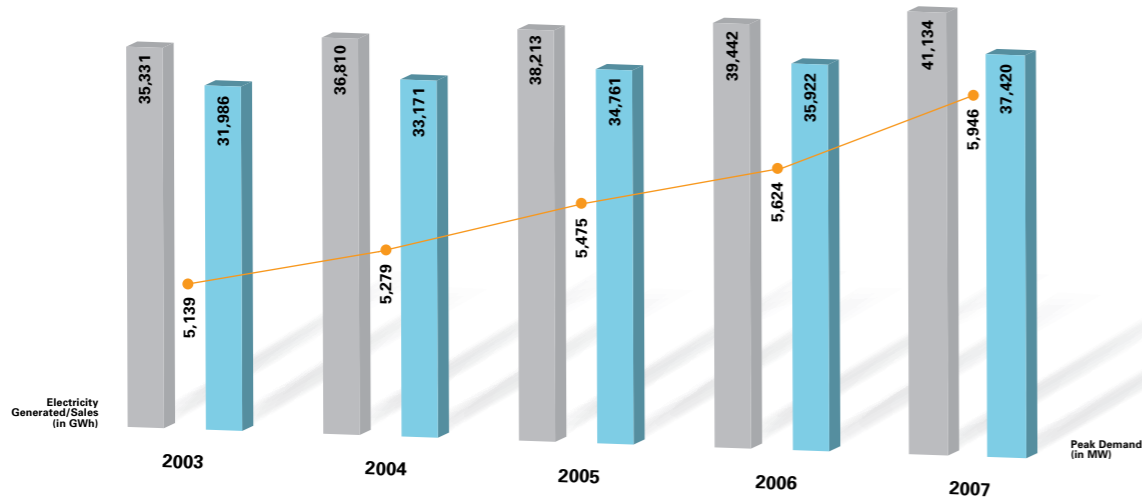


## ELECTRICITY SALES AND GDP GROWTH



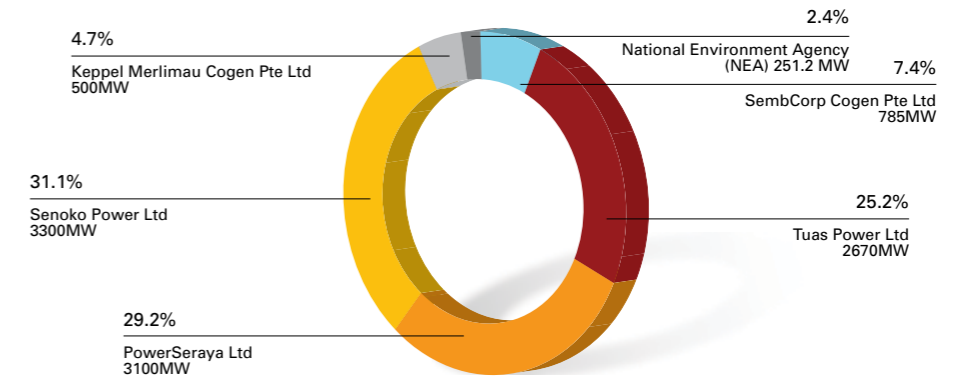
● GDP growth (2000 prices)\*  
● Electricity sales growth  
\* Figures retrieved from DOS' website.

## ELECTRICITY GENERATED, SALES AND PEAK DEMAND

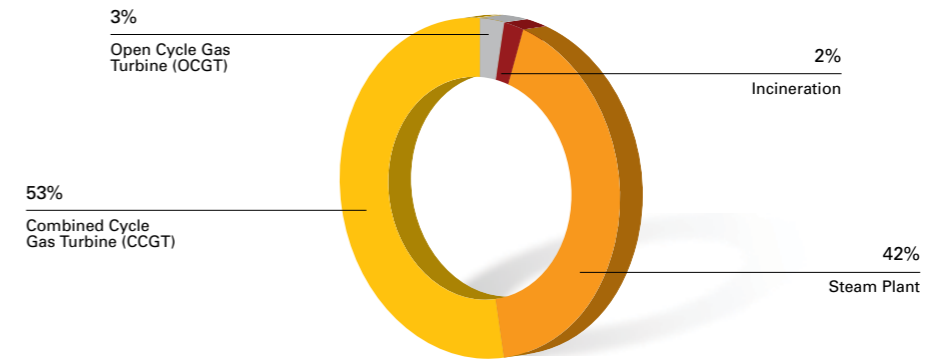


● Electricity generated (in GWh)  
● Electricity sales (in GWh)  
● Peak demand

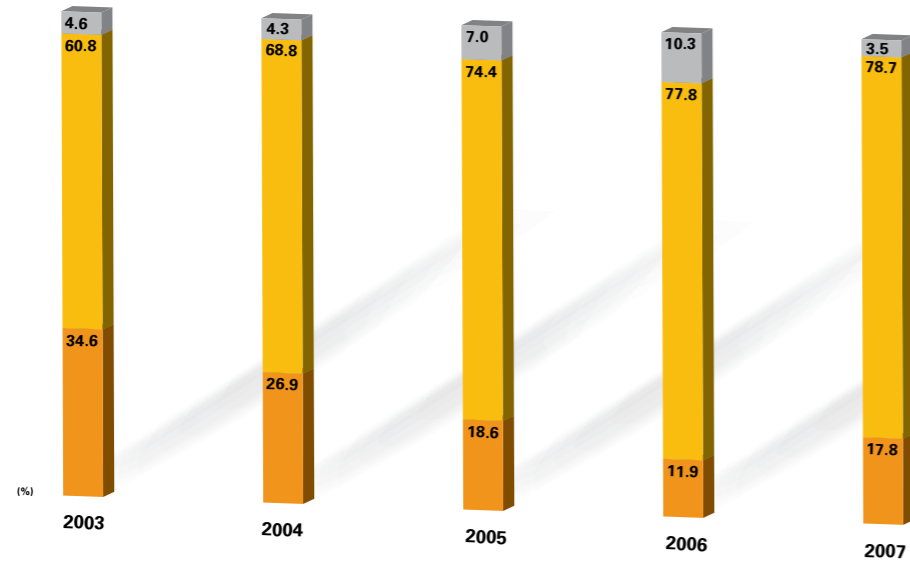
## LICENSED CAPACITY BY GENERATION COMPANIES IN OPERATION



## LICENSED CAPACITY BY PLANT TYPE IN OPERATION



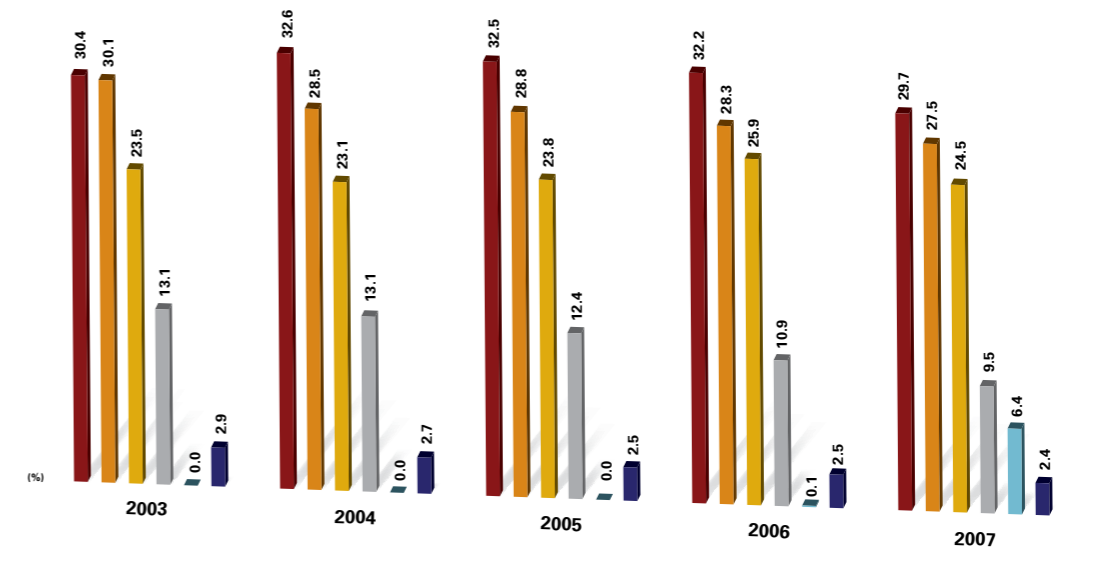
## FUEL MIX FOR ELECTRICITY GENERATION



● Fuel oil      ● Natural gas      ● Others\*

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

## MARKET SHARE OF GENERATION COMPANIES

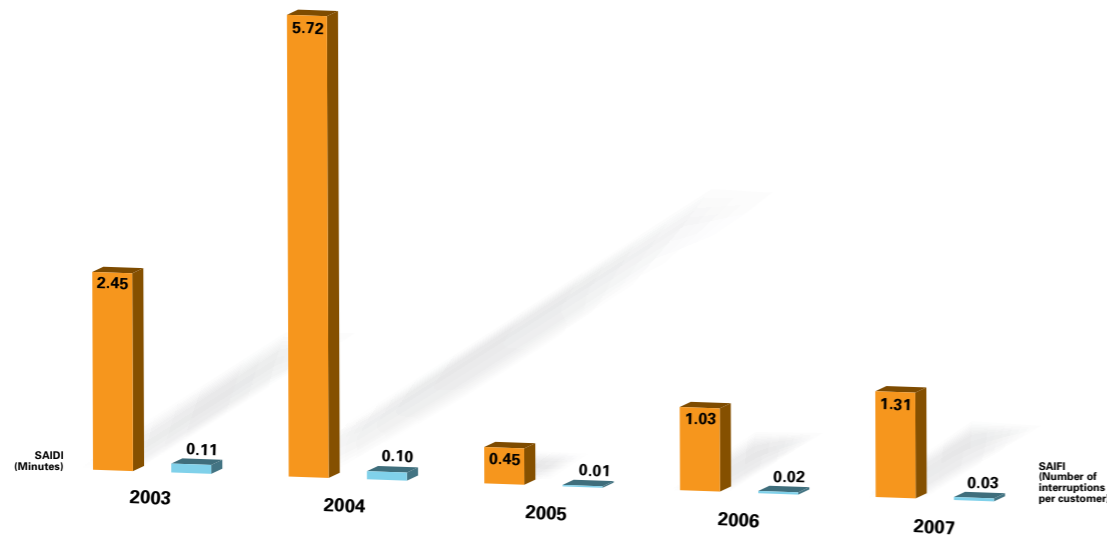


● Senoko Power Ltd      ● Tuas Power Ltd      ● Keppel Merlimau Cogen Pte Ltd\*

● PowerSeraya Ltd      ● SembCorp Cogen Pte Ltd      ● National Environment Agency

\* Keppel Merlimau Cogen Pte Ltd started commissioning of its power plant on 30 October 2006. It commenced commercial operation on 25 April 2007.

## TRANSMISSION SYSTEM PERFORMANCE



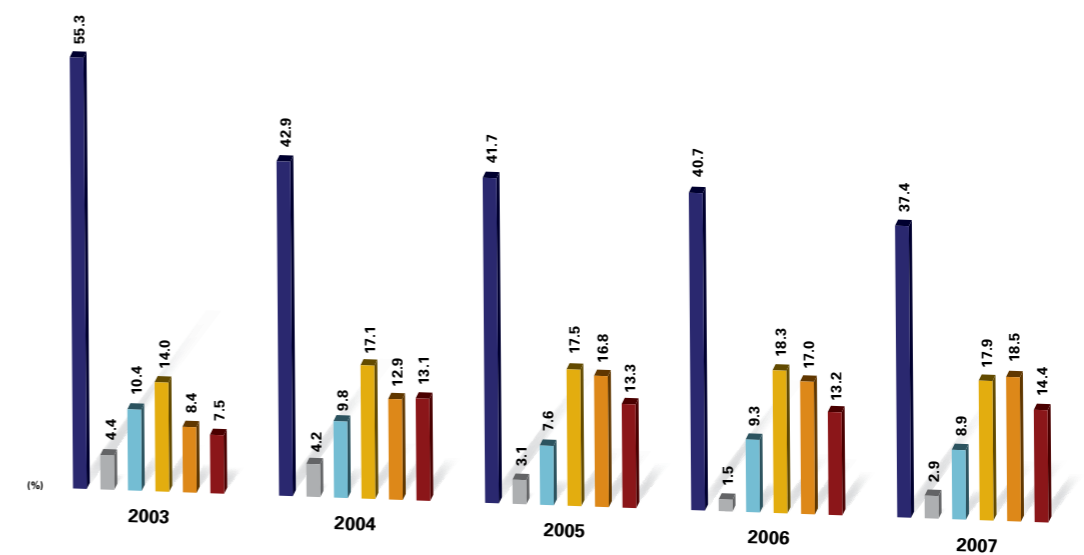
● SAIDI\*      ● SAIFI

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.

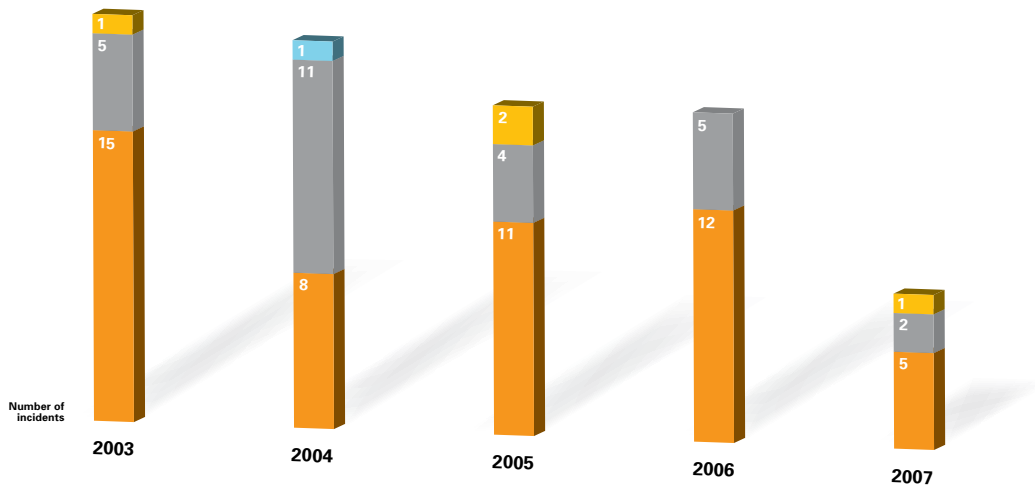
## MARKET SHARE OF ELECTRICITY RETAILERS



● Power Supply/SP Services Ltd      ● SembCorp Power Pte Ltd      ● Seraya Energy Pte Ltd

● Keppel Electric Pte Ltd      ● Senoko Energy Supply Pte Ltd      ● Tuas Power Supply Pte Ltd

## VOLTAGE DIP INCIDENTS



- Consumers' Cable/Equipment Failure
- SP PowerAssets' Cable/Equipment Failure and Cable Damage
- Generation Companies' Equipment Failure
- Outage of Tenaga Nasional Berhad - SP PowerAssets Inter-Connector

# FINANCIAL REPORT 2007/08

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33	Balance Sheets
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35	Consolidated Cash Flow Statement
36	Notes to the Financial Statements

## 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 2008, 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 32 to 64.

#### 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 Statutory Board Financial Reporting Standards prescribed by the Accountant-General. This responsibility includes:

- (a) 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;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

#### AUDITOR'S 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 Statutory Board Financial Reporting Standards prescribed by the Accountant-General to present fairly in all material respect the state of affairs of the Group and of the Authority as at 31 March 2008, 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**  
Public Accountants and Certified Public Accountants

Singapore  
19 June 2008

## STATEMENTS OF INCOME & EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2008

	Note	Group		Authority	
		2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
Operating income	3	67,517	69,364	41,783	43,744
Operating expenses	3	(55,323)	(52,660)	(34,388)	(33,892)
<b>Operating surplus</b>		<b>12,194</b>	16,704	<b>7,395</b>	9,852
Government grant	3	1,121	1,715	1,121	1,715
<b>Operating surplus after grant</b>		<b>13,315</b>	18,419	<b>8,516</b>	11,567
Non-operating income	4	5,312	5,563	7,652	6,830
<b>Surplus before contribution to Government Consolidated Fund (GCF) and income tax</b>		<b>18,627</b>	23,982	<b>16,168</b>	18,397
Contribution to GCF	5	(2,910)	(3,679)	(2,910)	(3,679)
Income tax	6	(894)	(1,034)	–	–
		(3,804)	(4,713)	(2,910)	(3,679)
<b>Surplus after contribution to GCF and income tax</b>		<b>14,823</b>	19,269	<b>13,258</b>	14,718
Minority interests		(1,975)	(2,962)	–	–
<b>Net surplus after GCF, income tax and minority interests</b>		<b>12,848</b>	16,307	<b>13,258</b>	14,718



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 2008

	Note	Group		Authority	
		2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
<b>Capital account</b>	7	<b>105,541</b>	105,541	<b>105,541</b>	105,541
<b>Accumulated surplus</b>		<b>67,030</b>	54,182	<b>63,237</b>	49,979
		<b>172,571</b>	159,723	<b>168,778</b>	155,520
<b>Market development fund</b>		<b>5,000</b>	5,000	<b>5,000</b>	5,000
<b>Minority interests</b>		<b>6,046</b>	6,440	–	–
		<b>183,617</b>	171,163	<b>173,778</b>	160,520
<b>Represented by:</b>					
<b>Non-current assets</b>					
Fixed assets	8	17,930	13,605	7,246	5,362
Intangible assets	9	7,829	11,369	1,637	3,873
Investment in subsidiary	10	–	–	2,550	2,550
Other non-current assets	11	136	198	117	143
		<b>25,895</b>	25,172	<b>11,550</b>	11,928
<b>Current assets</b>					
Other receivables and prepayments	12	5,259	6,378	1,867	2,840
Cash and receivables under NEMS	21	198,590	213,652	–	–
Cash and cash equivalents	13	184,003	161,395	176,739	158,811
		<b>387,852</b>	381,425	<b>178,606</b>	161,651
<b>Current liabilities</b>					
Other payables	14	(19,196)	(12,096)	(10,206)	(6,110)
Payables under NEMS	21	(198,590)	(213,652)	–	–
Provision for contribution to GCF	5	(2,910)	(3,679)	(2,910)	(3,679)
		<b>(220,696)</b>	(229,427)	<b>(13,116)</b>	(9,789)
<b>Net current assets</b>		<b>167,156</b>	151,998	<b>165,490</b>	151,862
<b>Non-current liabilities</b>					
EVS fund	15	(3,262)	(3,270)	(3,262)	(3,270)
Bank loan	17	(3,421)	–	–	–
Deferred tax liabilities	16	(2,751)	(2,737)	–	–
		<b>183,617</b>	171,163	<b>173,778</b>	160,520

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

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2008

	Capital account \$'000	Accumulated surplus \$'000	Market development fund \$'000	Total attributable to the Authority \$'000	Minority interests \$'000	Total \$'000
<b>Group</b>						
At 1 April 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
Net surplus and total recognised income for the year	–	12,848	–	12,848	1,975	14,823
Dividends paid to minority shareholder	–	–	–	–	(2,369)	(2,369)
At 31 March 2008	105,541	67,030	5,000	177,571	6,046	183,617
<b>Authority</b>						
At 1 April 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
Net surplus and total recognised income for the year			–	13,258	–	13,258
Balance as at 31 March 2008			105,541	63,237	5,000	173,778

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

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Note	Group 2007/08 \$'000	2006/07 \$'000
<b>Operating activities</b>			
Surplus before grant and contribution to GCF and income tax		17,506	22,267
<i>Adjustments for:</i>			
Depreciation of fixed assets		5,076	5,115
Amortisation of intangible assets		3,756	6,356
Profit on disposal of fixed assets		(2)	(6)
Interest income under NEMS		(136)	(716)
Interest income		(4,417)	(5,315)
Interest expense		111	–
Operating profit before working capital changes		21,894	27,701
<i>Changes in working capital:</i>			
Other receivables		847	(1,641)
NEMS receivables		15,062	10,695
NEMS payables		(15,062)	(10,695)
Other payables		6,232	(174)
Payable to related companies of subsidiary's minority shareholder		4	(313)
<b>Cash generated from operations</b>		28,977	25,573
Tax paid by subsidiary		(1,069)	–
Payment to GCF		(3,679)	(2,879)
<b>Net cash flows from operating activities</b>		24,229	22,694
<b>Investing activities</b>			
Purchase of fixed assets		(9,403)	(9,571)
Expenditure on intangible assets		(216)	(705)
Proceeds from disposal of fixed assets		4	6
Interest received under NEMS		136	716
Interest income received		4,751	5,196
<b>Net cash flows from investing activities</b>		(4,728)	(4,358)
<b>Financing activities</b>			
Capital reduction by subsidiary paid to minority shareholder		–	(2,450)
Grants received from the Government		1,121	1,760
Dividends paid by subsidiary to minority shareholder		(2,369)	(1,435)
Interest paid		(111)	–
Proceeds from bank borrowings		5,000	–
Repayment of bank borrowings		(526)	–
<b>Net cash flows from financing activities</b>		3,115	(2,125)
<b>Net increase in cash and cash equivalents</b>		22,616	16,211
Cash and cash equivalents at beginning of year		158,125	141,914
<b>Cash and cash equivalents at end of year</b>	13	180,741	158,125

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2008

### 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 and energy development of Singapore.

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

The financial statements are prepared in accordance with the applicable requirements of the EMA Act and Statutory Board Financial Reporting Standards ("SB-FRS"). SB-FRS include Statutory Board Financial Reporting Standards, Interpretations of SB-FRS and SB-FRS Guidance Notes as promulgated by the Accountant-General. The financial statements were previously prepared in accordance with Singapore Financial Reporting Standards (FRS).

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### 2.1 BASIS OF PREPARATION *(cont'd)*

The adoption of SB-FRS did not give rise to any adjustment in relation to the Authority's opening accumulated surplus or current year's surplus. Except as disclosed below, the financial statements have been prepared on a historical cost basis.

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 financial statements. 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 five to ten 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 2008 was \$7,829,000 (FY2006/07: \$11,369,000). 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 three to ten years. These are common life expectancies applied in the relevant industry. The carrying amount of the Group's fixed assets as 31 March 2008 was \$17,930,000 (FY2006/07: \$13,605,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

#### (a) Key sources of estimation uncertainty *(cont'd)*

##### *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 2008 were \$880,000 (FY2006/07: \$1,069,000) and \$2,751,000 (FY2006/07: \$2,737,000) 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:

*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 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.

The 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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2008

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 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 derecognition 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.

#### 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 five 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 ten years.

#### 2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 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.

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.

### 2.10 IMPAIRMENT OF FINANCIAL ASSETS *(cont'd)*

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 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.

### 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 2008

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

Note	Group		Authority	
	2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
<b>Operating income</b>				
Regulatory fees				
– public licence fees	21,806	23,244	24,066	25,564
– other licence fees	3,304	3,137	3,304	3,137
Systems operation charges	14,413	15,043	14,413	15,043
NEMS administration fees	27,994	27,940	–	–
	67,517	69,364	41,783	43,744
<b>Operating expenses</b>				
Manpower	3.1 (28,460)	(24,650)	(20,242)	(17,143)
Administration	3.2 (7,829)	(5,968)	(4,306)	(3,443)
Depreciation of fixed assets	(5,076)	(5,115)	(1,277)	(2,041)
Amortisation of intangible assets	(3,756)	(6,356)	(2,452)	(5,053)
Maintenance	(5,259)	(6,314)	(2,030)	(2,555)
Others	(4,943)	(4,257)	(4,081)	(3,657)
	(55,323)	(52,660)	(34,388)	(33,892)
Operating surplus	12,194	16,704	7,395	9,852
Government grant	1,121	1,715	1,121	1,715
Surplus after government grant	13,315	18,419	8,516	11,567
Non-operating income	4 5,312	5,563	7,652	6,830
Surplus before contribution to GCF and income tax	18,627	23,982	16,168	18,397

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## 3 SURPLUS BEFORE CONTRIBUTION TO GOVERNMENT CONSOLIDATED FUND (GCF) AND INCOME TAX (cont'd)

### 3.1 MANPOWER EXPENSES INCLUDE THE FOLLOWING:

	Group		Authority	
	2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
Salaries and related expenses	24,820	21,593	17,650	14,934
CPF contributions	1,842	1,510	1,350	1,103

### 3.2 ADMINISTRATIVE EXPENSES INCLUDE THE FOLLOWING:

	Group		Authority	
	2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
Operating lease expenses	4,423	2,920	2,783	1,990
Interest expense on bank loan taken by subsidiary company	111	–	–	–

## 4 NON-OPERATING INCOME

	Group		Authority	
	2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
Interest earned on bank deposits	4,417	5,315	4,341	5,222
Dividend income from subsidiary company	–	–	2,466	1,494
Penalty charges/fines	804	79	804	79
NEMS registration fee	33	34	–	–
Profit on disposal of fixed assets	2	6	2	4
Others	56	129	39	31
	5,312	5,563	7,652	6,830

## 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 18% (FY2006/07: 20%) of the surplus of the Authority for the year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

## 6 INCOME TAX

	Group	
	2007/08 \$'000	2006/07 \$'000
<i>Current income tax</i>		
Current income taxation	880	1,070
<i>Deferred tax expense</i>		
Movement in temporary differences	14	209
Effect of reduction in tax rate	-	(277)
Underprovision in prior year	-	32
<b>Income tax expense recognised in the income statement</b>	<b>894</b>	<b>1,034</b>

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the years ended 31 March 2008 and 2007 is as follows:

	Group	
	2007/08 \$'000	2006/07 \$'000
<b>Profit of subsidiary before tax</b>	<b>4,926</b>	<b>7,077</b>
Tax at statutory tax rate of 18% (FY2006/07: 18%)	887	1,274
<i>Adjustments:</i>		
Effect of reduction in tax rate	-	(277)
Non-deductible expenses	33	10
Underprovision in respect of previous years	-	32
Effect of tax exemption	(27)	(27)
Others	1	22
<b>Income tax expense recognised in the income statement</b>	<b>894</b>	<b>1,034</b>

## 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.

## 8 FIXED ASSETS

### 8.1 GROUP

	As at 1 April 2006 \$'000	Additions \$'000	Disposals \$'000	Reclassi- fications \$'000	As at 31 March 2007 \$'000
<b>At cost</b>					
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
<b>Accumulated depreciation</b>					
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 2008

### 8 FIXED ASSETS (cont'd)

#### 8.1 GROUP (cont'd)

	As at 1 April 2007 \$'000	Additions \$'000	Disposals \$'000	Reclassi- fications \$'000	As at 31 March 2008 \$'000
<b>At cost</b>					
Computer systems	54,608	6,362	(801)	2,208	<b>62,377</b>
Microcomputer and software	1,122	155	(138)	–	<b>1,139</b>
Vehicles	176	–	–	–	<b>176</b>
Furniture and fittings	1,955	1,566	(10)	–	<b>3,511</b>
Office/Works equipment	726	92	(9)	–	<b>809</b>
<i>Project-in-Progress</i>	980	1,228	–	(2,208)	–
	59,567	9,403	(958)	–	<b>68,012</b>

#### Accumulated depreciation

Computer systems	42,810	4,580	(801)	–	<b>46,589</b>
Microcomputer and software	855	181	(135)	–	<b>901</b>
Vehicles	20	18	–	–	<b>38</b>
Furniture and fittings	1,705	195	(11)	–	<b>1,889</b>
Office/Works equipment	572	102	(9)	–	<b>665</b>
	45,962	5,076	(956)	–	<b>50,082</b>

	31 March 2008 \$'000	31 March 2007 \$'000
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#### Net Book Value

Computer systems	<b>15,788</b>	11,798
Microcomputer and software	<b>238</b>	267
Vehicles	<b>138</b>	156
Furniture and fittings	<b>1,622</b>	250
Office/Works equipment	<b>144</b>	154
<i>Project-in-Progress</i>	–	980
	<b>17,930</b>	13,605

### 8 FIXED ASSETS (cont'd)

#### 8.2 AUTHORITY

	As at 1 April 2006 \$'000	Additions \$'000	Disposals \$'000	Reclassi- fications \$'000	As at 31 March 2007 \$'000
<b>At cost</b>					
Computer systems	25,003	3,881	(688)	–	<b>28,196</b>
Microcomputer and software	888	313	(79)	–	<b>1,122</b>
Vehicles	176	–	–	–	<b>176</b>
Furniture and fittings	571	68	(2)	–	<b>637</b>
Office/Works equipment	278	38	(6)	–	<b>310</b>
<i>Project-in-Progress</i>	–	980	–	–	<b>980</b>
	26,916	5,280	(775)	–	<b>31,421</b>

#### Accumulated depreciation

Computer systems	23,391	1,697	(688)	–	<b>24,400</b>
Microcomputer and software	772	162	(79)	–	<b>855</b>
Vehicles	3	17	–	–	<b>20</b>
Furniture and fittings	426	114	(2)	–	<b>538</b>
Office/Works equipment	201	51	(6)	–	<b>246</b>
	24,793	2,041	(775)	–	<b>26,059</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2008

### 8 FIXED ASSETS (cont'd)

#### 8.2 AUTHORITY (cont'd)

	As at 1 April 2007 \$'000	Additions \$'000	Disposals \$'000	Reclassi- fications \$'000	As at 31 March 2008 \$'000
<b>At cost</b>					
Computer systems	28,196	1,704	(796)	2,208	<b>31,312</b>
Microcomputer and software	1,122	155	(138)	–	<b>1,139</b>
Vehicles	176	–	–	–	<b>176</b>
Furniture and fittings	637	27	(10)	–	<b>654</b>
Office/Works equipment	310	49	(3)	–	<b>356</b>
Project-in-Progress	980	1,228	–	(2,208)	–
	<b>31,421</b>	<b>3,163</b>	<b>(947)</b>	<b>–</b>	<b>33,637</b>
<b>Accumulated depreciation</b>					
Computer systems	24,400	962	(796)	–	<b>24,566</b>
Microcomputer and software	855	181	(135)	–	<b>901</b>
Vehicles	20	18	–	–	<b>38</b>
Furniture and fittings	538	56	(11)	–	<b>583</b>
Office/Works equipment	246	60	(3)	–	<b>303</b>
	<b>26,059</b>	<b>1,277</b>	<b>(945)</b>	<b>–</b>	<b>26,391</b>

	31 March 2008 \$'000	31 March 2007 \$'000
<b>Net Book Value</b>		
Computer systems	<b>6,746</b>	3,796
Microcomputer and software	<b>238</b>	267
Vehicles	<b>138</b>	156
Furniture and fittings	<b>71</b>	99
Office/Works equipment	<b>53</b>	64
Project-in-Progress	–	980
	<b>7,246</b>	5,362

### 9 INTANGIBLE ASSETS

#### 9.1 GROUP

	As at 1 April 2006 \$'000	Additions \$'000	Reclassi- fications \$'000	As at 31 March 2007 \$'000
<b>At cost</b>				
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)	–
	<b>38,757</b>	<b>705</b>	<b>–</b>	<b>39,462</b>
<b>Accumulated amortisation</b>				
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
	<b>21,737</b>	<b>6,356</b>	<b>–</b>	<b>28,093</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2008

### 9 INTANGIBLE ASSETS (cont'd)

#### 9.1 GROUP (cont'd)

	As at 1 April 2007 \$'000	Additions \$'000	Reclassi- fications \$'000	As at 31 March 2008 \$'000
<b>At cost</b>				
Development of the electricity market	32,391	–	–	<b>32,391</b>
Development of the gas market	6,591	–	–	<b>6,591</b>
District cooling project	480	–	–	<b>480</b>
<i>Project-in-Progress</i>				
Development of the gas market	–	216	–	<b>216</b>
	<b>39,462</b>	<b>216</b>	<b>–</b>	<b>39,678</b>

#### Accumulated amortisation

Development of the electricity market	21,943	3,150	–	<b>25,093</b>
Development of the gas market	5,777	510	–	<b>6,287</b>
District cooling project	373	96	–	<b>469</b>
	<b>28,093</b>	<b>3,756</b>	<b>–</b>	<b>31,849</b>

	31 March 2008 \$'000	31 March 2007 \$'000
<b>Net Book Value</b>		
Development of the electricity market	<b>7,298</b>	10,448
Development of the gas market	<b>304</b>	814
District cooling project	<b>11</b>	107
<i>Project-in-Progress</i>		
Development of the gas market	<b>216</b>	–
	<b>7,829</b>	11,369

### 9 INTANGIBLE ASSETS (cont'd)

#### 9.2 AUTHORITY

	As at 1 April 2006 \$'000	Additions \$'000	Reclassi- fications \$'000	As at 31 March 2007 \$'000
<b>At cost</b>				
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)	–
	<b>25,721</b>	<b>705</b>	<b>–</b>	<b>26,426</b>
<b>Accumulated amortisation</b>				
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
	<b>17,500</b>	<b>5,053</b>	<b>–</b>	<b>22,553</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

## 9 INTANGIBLE ASSETS (cont'd)

### 9.2 AUTHORITY (cont'd)

	As at 1 April 2007 \$'000	Additions \$'000	Reclassi- fications \$'000	As at 31 March 2008 \$'000
<b>At cost</b>				
Development of the electricity market	19,355	–	–	19,355
Development of the gas market	6,591	–	–	6,591
District cooling project	480	–	–	480
<i>Project-in-Progress</i>				
Development of the gas market	–	216	–	216
	26,426	216	–	26,642
<b>Accumulated amortisation</b>				
Development of the electricity market	16,403	1,846	–	18,249
Development of the gas market	5,777	510	–	6,287
District cooling project	373	96	–	469
	22,553	2,452	–	25,005
			31 March 2008 \$'000	31 March 2007 \$'000
<b>Net Book Value</b>				
Development of the electricity market			1,106	2,952
Development of the gas market			304	814
District cooling project			11	107
<i>Project-in-Progress</i>				
Development of the gas market			216	–
			1,637	3,873

## 10 INVESTMENT IN SUBSIDIARY

Details of the Authority's subsidiary are as follows:

Name of subsidiary	Cost		Equity interest	
	2007/08 \$'000	2006/07 \$'000	2007/08	2006/07
Energy Market Company Pte Ltd*	2,550	2,550	51%	51%

\* Audited by another firm of Certified Public Accountants.

## 11 OTHER NON-CURRENT ASSETS

	Note	Group		Authority	
		2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
Loans to employees					
– receivable after 1 year	12.1	117	143	117	143
Prepayment for maintenance of computer system after 1 year		19	55	–	–
		136	198	117	143

## 12 OTHER RECEIVABLES AND PREPAYMENTS

	Note	Group		Authority	
		2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
Accrued interest income		557	891	557	891
Deposits		788	348	112	112
Prepayments		514	1,161	77	3
Loans to employees					
– receivable within 1 year	12.1	26	51	26	51
Festival advance paid to employees		81	85	81	85
Amount due from NEMS market participants		3,133	3,063	884	934
Other receivables		160	779	130	764
		5,259	6,378	1,867	2,840

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. The loan receivable after one year approximates to its fair value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

## 13 CASH AND CASH EQUIVALENTS

	Note	Group		Authority	
		2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
Fixed deposits	13.1	<b>174,900</b>	158,350	<b>172,400</b>	156,500
Cash and bank balances		<b>9,103</b>	3,045	<b>4,339</b>	2,311
Cash and cash equivalents per balance sheets		<b>184,003</b>	161,395	<b>176,739</b>	158,811
Less:					
Cash balances pertaining to EVS fund	15	<b>(3,262)</b>	(3,270)		
Cash and cash equivalents per cash flow statements		<b>180,741</b>	158,125		

13.1 Fixed deposits are made for varying periods of between one to 12 months. The effective interest rate of the fixed deposits of the Group was 2.53% (FY2006/07: 3.36%) per annum and the Authority was 2.52% (FY2006/07: 3.34%) per annum.

## 14 OTHER PAYABLES

	Note	Group		Authority	
		2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
Other creditors and accruals		<b>14,709</b>	9,036	<b>9,400</b>	5,336
Accrued employee benefits		<b>2,521</b>	1,962	<b>806</b>	774
Payable to related companies of subsidiary's minority shareholder	14.1	<b>33</b>	29	–	–
Bank loan	17	<b>1,053</b>	–	–	–
Income tax payable		<b>880</b>	1,069	–	–
		<b>19,196</b>	12,096	<b>10,206</b>	6,110

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

## 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	
		2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
As at 1 April		<b>3,270</b>	1,300	<b>3,270</b>	1,300
Receipts during the year		–	1,970	–	1,970
Less: Disbursements during the year		<b>(8)</b>	–	<b>(8)</b>	–
As at 31 March		<b>3,262</b>	3,270	<b>3,262</b>	3,270
<b>Represented by:</b>					
Cash at bank	13	<b>3,262</b>	3,270	<b>3,262</b>	3,270

## 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	
	2007/08 \$'000	2006/07 \$'000
Balance at beginning of financial year	<b>2,737</b>	2,773
Provided during the financial year	<b>14</b>	241
Effect of change in tax rate	–	(277)
Balance at end of financial year	<b>2,751</b>	2,737

Deferred tax liabilities at end of the financial year relate to the following:

<i>Deferred tax liabilities</i>		
Difference in depreciation and amortisation	<b>2,783</b>	2,764
<i>Deferred tax assets</i>		
Provisions	<b>(32)</b>	(27)
<b>Net deferred tax liabilities</b>	<b>2,751</b>	2,737

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

## 17 BANK LOAN

	Note	Group	
		2007/08 \$'000	2006/07 \$'000
Bank loan – payable within one year	14	1,053	–
Bank loan – payable after one year		3,241	–
<b>Total bank loan</b>		<b>4,294</b>	<b>–</b>

On 23 April 2007, the subsidiary, EMC undertook a term loan with Development Bank of Singapore (“DBS”) for up to an amount of \$5,000,000. EMC had fully drawn down amounts of \$2,500,000 each on 26 April 2007 and 23 July 2007. The loan offers interest rates options of either a floating rate at DBS Swap Rate plus a margin of 0.45% or a fixed rate agreed between EMC and the Bank.

The loan is unsecured and repayable every three months in 19 equal instalments with the first instalment on 25 October 2007 and the final instalment on 26 April 2012.

## 18 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 2008 for the Group and the Authority amounted to \$850,000 (FY2006/07: \$2,626,000) and \$595,000 (FY2006/07: \$2,327,000) respectively.

## 19 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	
	2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
Payable				
Within 1 year	4,372	3,763	2,839	2,827
After 1 year but within 5 years	5,942	5,880	2,864	5,625
	<b>10,314</b>	<b>9,643</b>	<b>5,703</b>	<b>8,452</b>

## 19 OPERATING LEASE COMMITMENTS (cont'd)

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	
	2007/08 \$'000	2006/07 \$'000
Payable		
Within 1 year	2,702	2,583
After 1 year but within 5 years	3,756	6,502
	<b>6,458</b>	<b>9,085</b>

## 20 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	
	2007/08 \$'000	2006/07 \$'000
<b>Minority shareholder</b>		
Staff secondment fees paid	–	212
Business development expenses	182	–

(b) Key management personnel compensation

	Group		Authority	
	2007/08 \$'000	2006/07 \$'000	2007/08 \$'000	2006/07 \$'000
Directors’ fees/Authority members’ allowance	352	318	87	53
Salaries, bonuses and allowances	3,550	2,919	1,944	1,517
CPF contributions	77	58	35	29
	<b>3,979</b>	<b>3,295</b>	<b>2,066</b>	<b>1,599</b>

(c) With the adoption of SB-FRS by the Authority during the financial year, the Authority need not comply with the requirements of paragraphs 17 to 22 of SB-FRS 24 with respect to the disclosures of transactions and balances with parent Ministry and other state-controlled entities.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2008

### 21 CASH, RECEIVABLES AND PAYABLES UNDER NEMS

At 31 March 2008, 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	
	2007/08 \$'000	2006/07 \$'000
<b>(a) Cash and receivables under NEMS</b>		
Cash at bank	10,186	10,540
Receivables from market participants (retailers)	188,334	202,825
Receivables from market participants for under recovery of administrative charges	70	287
<b>Total assets</b>	<b>198,590</b>	213,652
<b>(b) Payables under NEMS</b>		
Payables to market participants (generators)	(195,674)	(210,228)
Net Goods and Services Tax payable	(139)	(94)
Amounts due to ancillary service providers	(567)	(602)
Amount due to market participants for:		
– Under/(Over)-recovery of administration charges	39	(584)
– Interest refund compensation	–	(14)
Amount due to the Company for administration charges	(2,249)	(2,130)
<b>Total liabilities</b>	<b>(198,590)</b>	(213,652)

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 2008 were wholly in the form of bankers' guarantees and have an aggregate value of \$374,700,000 (FY2006/07: \$363,700,000).

### 21 CASH, RECEIVABLES AND PAYABLES UNDER NEMS (cont'd)

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.

### 22 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 2008, 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.

As disclosed in Note 21, the subsidiary is required under the NEMS Market Rules to ensure that market participants maintain certain levels of prudential security. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

## 23 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.

## 24 SB-FRS NOT YET ADOPTED

The Authority has not applied the following accounting standard (including its consequential amendments) that has been issued as of balance sheet date but are not yet effective:

- SB-FRS 108 Operating Segments

The Authority is evaluating the initial application of the above standard for the impact on the Authority's financial statements. The Authority has not considered the impact of the accounting standards issued after the balance sheet date.

## 25 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Authority for the year ended 31 March 2008 were authorised for issue by the Authority on 19 June 2008.



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