

Excel

In Operations

Enhance

People Capabilities

Expand

Growth

ABOUT SP GROUP

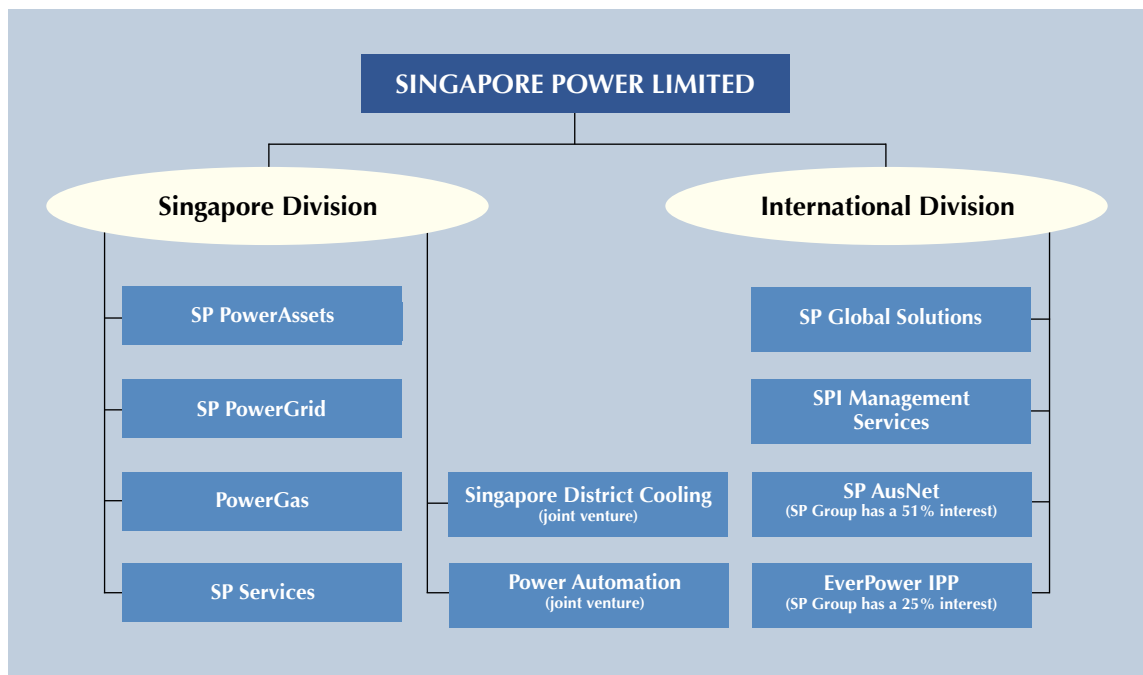
Singapore Power (SP) Group is one of Asia Pacific's leading energy utility companies. Headquartered in Singapore, the Group provides reliable and efficient energy utility services to enhance country economies and the quality of life of its customers.

Rated AA by Standard & Poor's and Aa1 by Moody's, it is one of Singapore's largest corporations with S\$5.2 billion revenue and S\$18.3 billion assets in FY2006/07. The Group's strong performance standards rate among the best in the global industry.

In Singapore, SP Group is the largest electricity and gas utility company. It provides electricity and gas transmission and distribution, and market support services to over a million industrial and domestic customers. The Singapore division has four main business units – SP PowerAssets, SP PowerGrid, PowerGas and SP Services.

In Australia, the Group has a 51 per cent stake in SP AusNet which is publicly-listed on the Australian and Singapore stock exchanges. SP AusNet delivers energy-related products and services to industrial and domestic customers in Victoria through its electricity transmission and distribution, and gas distribution networks. It also offers industrial customers world-class chemical testing and cable condition monitoring expertise.

GROUP STRUCTURE



SP Group's Singapore division has four main business units.

SP PowerAssets owns electricity transmission and distribution assets including 29,000 km of cables in service.

SP PowerGrid manages and operates these assets.

PowerGas owns and operates gas transmission and distribution assets including 2,800 km of pipelines.

SP Services provides market support services to electricity, gas and water customers.

The International division has **SP AusNet**, a diversified energy infrastructure business in Australia.

SP AusNet owns and operates Victoria's primary electricity transmission network, as well as an electricity distribution network in eastern Victoria and a gas distribution network in western Victoria.



AWARDS & ACCOLADES

Singapore Quality Class Certification

- **SP Services** by SPRING Singapore, 2006 to present

Business Continuity Management Certification

- **PowerGas** by SPRING Singapore, FY2004/05 to present

ISO 9001:2000 Certification for Quality Management System

- **SP PowerGrid** (Distribution Control & Customer Services Section) by Certification International, FY2006/07

- **SP PowerGrid** (Network Development) by Certification International, FY2002/03 to present

- **SP PowerGrid** (Network Management) by Certification International, FY2002/03 to present

- **SP Services** by BSI Management System, FY2004/05 to present

- **PowerGas** by SGS International Certification Services, FY2003/04 to present

- **SP AusNet** by NCS International, 2006

ISO/IEC 17025 for Calibration and Measurement of Meters

- **PowerGas** by Singapore Accreditation Council-Singapore Laboratory Accreditation Scheme, 2005 to present

AS4801 Certification for Safety Management System

- **SP AusNet** by NCS International, 2006

ISO 14001 Certification for Environmental Management System

- **SP AusNet** by NCS International, 2006

People Developer Standard by SPRING Singapore

- **Singapore Power**, 2000 to present
- **PowerGas**, 2003 to 2006
- **SP PowerGrid**, 2005 to present
- **SP Services**, 2005 to present

Singapore H.E.A.L.T.H. (Helping Employees Achieve Life-Time Health) Award, Gold

- **SP Group** by Health Promotion Board, 2004 to 2006

Work-Life Achiever Award

- **SP Group** by Ministry of Manpower, 2006

Minister for Defence Total Defence Award

- **SP Group** by Ministry of Defence, 2005 to 2010

EOWA Employer of Choice for Women

- **SP AusNet** by Equal Opportunity for Women in the Workplace Agency, 2007

Safety Performance Award 2005 Certificate of Merit

- **PowerGas**, Area West, by Ministry of Manpower, 2005

Safety Performance Award 2005 Certificate of Merit

- **PowerGas**, National Gas Control Centre (1st & 2nd Storey), by Ministry of Manpower, 2005

Silver Level Sponsor

- **SP AusNet** by Landcare Australia, 2006

Life Membership, Greening Circle Program

- **SP AusNet** by Greening Australia, 2006



“SP Group enters its second decade of operations stronger than it has ever been. We continue to sustain the strong growth pattern charted since our transformation – from a domestic utility company to a dynamic group with substantial business in Australia. While we continue to build on our core strengths, we are also seeking growth opportunities in the Asia Pacific and beyond. Our vision is to become a leading global energy utility company with network performance that sets new industry benchmarks.”
~ Ng Kee Choe

Excel, Enhance, Expand

FY2006/07 was yet another exciting year of significant progress in strategy execution. We continued to build on our core strengths to compete with the industry's best and we are now in an even more solid position to seize international opportunities. Our subsidiaries continued to excel in operational performance and we created new business units to spearhead our global expansion. Financially, we continued to grow steadily and prudently.

Financial Performance

The financial year ended 31 March 07 saw SP Group recording a net profit of S\$677 million, excluding exceptional and non-recurring items. Group revenue rose 8.5 per cent to S\$5.2 billion and total assets stood at S\$18.3 billion. Return on equity was a credible 17.4 per cent on the back of continued capital structure management.

Excelling In Operations

Our subsidiaries continued to surpass their performance targets. These were achieved through our strategy of careful planning for growth sectors, and consistently investing in and improving our systems and operations so that our network performance will be among the world's best.

Across the organisation, we continued to garner recognition for our operational excellence. SP Services achieved the prestigious Singapore Quality Class certification for business excellence in May 06.

Enhancing People Capabilities

Our holistic approach to staff development saw the Singapore People Developer Standard certification for the Group being renewed for another three years. The certification recognises organisations that bring out the best in employees and leverage human capital for better business results.

Our commitment to promoting healthy work-life balance among our staff has also enabled us to clinch the Singapore H.E.A.L.T.H (Helping Employees Achieve Life-Time Health) Gold Award in 2006. We also won the Work-Life Achiever Award in our first year of participation.

FROM THE CHAIRMAN

Growth Strategy

The year in review saw major initiatives to expand our international presence. We launched SP Global Solutions which leverages the Group's core competencies to provide training and consultancy services to country utilities and regulatory authorities. This business unit provides a vehicle to enter new markets, forge business relationships and tap expansion opportunities.

In just a year, SP Global Solutions has achieved an impressive pipeline of projects in China and the Gulf region. This demonstrates the strong traction in the international market for our superior network performance, track record, and experience in infrastructure planning and management for nascent and growing economies.

In March 07, Singapore Power International jointly with Australian investment bank Babcock & Brown International entered into a Scheme Implementation Agreement with Alinta Ltd ("Alinta") to acquire Alinta, Australia's largest energy infrastructure company. An Amended and Restated Scheme Implementation Agreement was entered into between the various parties in May 07.

Besides being a strong fit with our existing portfolio in Australia, this acquisition will provide sectoral and geographical diversification to improve the quality of our income. The Scheme is subject to approvals from Alinta's shareholders and the court as well as from the relevant regulatory authorities in Australia.

The period also saw our subsidiary, Singapore District Cooling, commencing a new urban utility service – supplying chilled water for air-conditioning to buildings in the new Marina Bay downtown area. The service will be expanded as the new Integrated Resort and commercial buildings are completed.

Partnering Our Customers

Through the years, we have deepened our partnership with our customers by helping them become more efficient in their energy usage, and by consistently delivering our promise of high reliability, superior service and affordable prices.

We value our open communications with our major customers, which remain a key cornerstone in our ability to serve them effectively. In FY2006/07, we set up interest groups for the island's Petrochemical and Pharmaceutical industries, to provide a platform for regular dialogue and knowledge sharing on power quality management. This follows the successful Semiconductor Interest Group formed the year before.

In Australia, SP AusNet encouraged its customers to provide feedback on its operations through four regional stakeholder forums held during the year.

Supporting Our Community

As a responsible corporate citizen, the Group is committed to contributing to the communities in which it operates.

In Singapore, the SP Heartware Fund raised over S\$1.22 million to support the work of six voluntary organisations that ensure the needy elderly living on their own have daily hot meals and necessary care.

In Australia, SP AusNet's commitment to protecting the environment saw the setting up of a Sustainability Working Group to drive its many sustainability projects. Its Landcare Australia environmental group was elevated to Silver Level status in recognition of its outstanding contribution to local environmental works and indigenous re-vegetation projects.

People Who Make It All Possible

FY2006/07 was a year of significant progress due to our employees' good efforts and commitment to our shared vision to be a leading global energy utility company.

We appreciate the Union of Power and Gas Employees' sterling service in upholding the interests of their members while working closely with the SP Group Management, and nurturing our long established good relationship.

I would like to thank my fellow Board directors for their generous advice and guidance. I also wish to extend my deep appreciation to Mr Tan Guong Ching and Dr George Allister Lefroy who have retired from the Board.

An International Leader

We are at an exciting phase of our development as we look to continue our international expansion, although in a disciplined and prudent manner. We have clear goals and our management and staff have demonstrated the expertise and passion to execute our strategies superbly. Our track record of world-class network performance, disciplined execution and service culture will differentiate us in the international market.

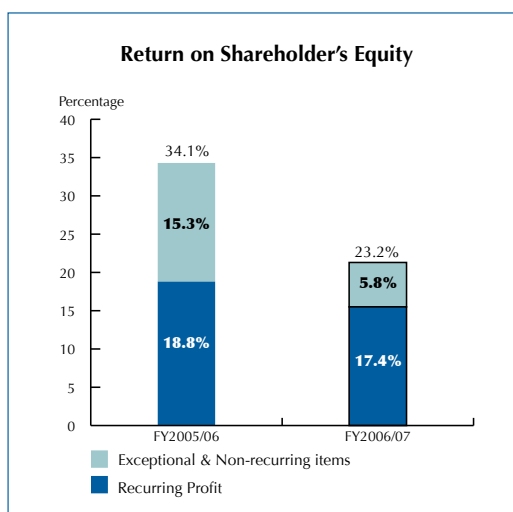
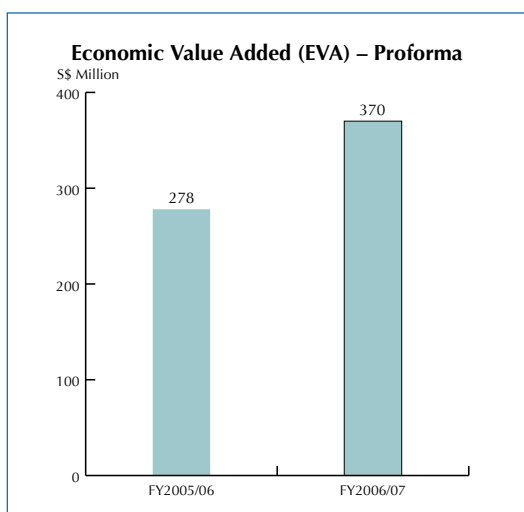
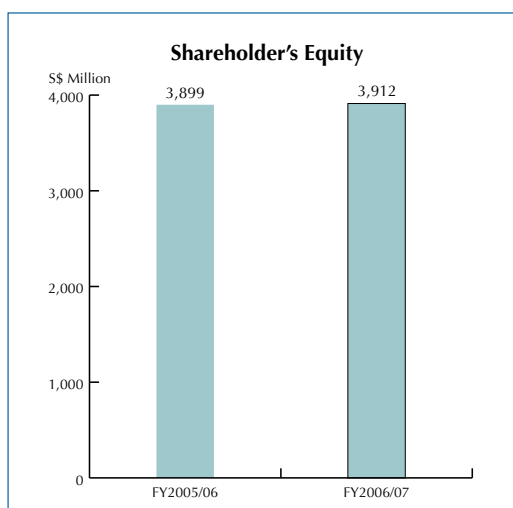
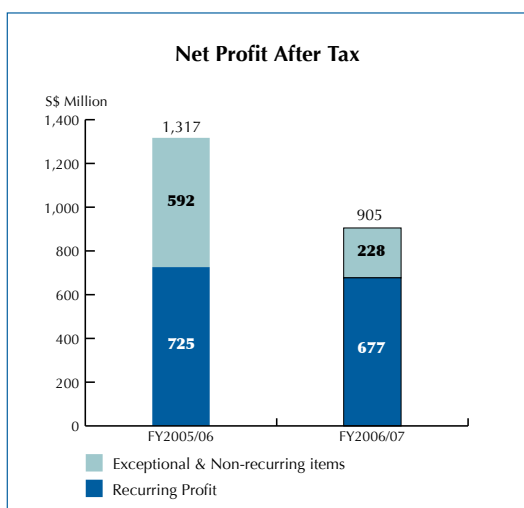
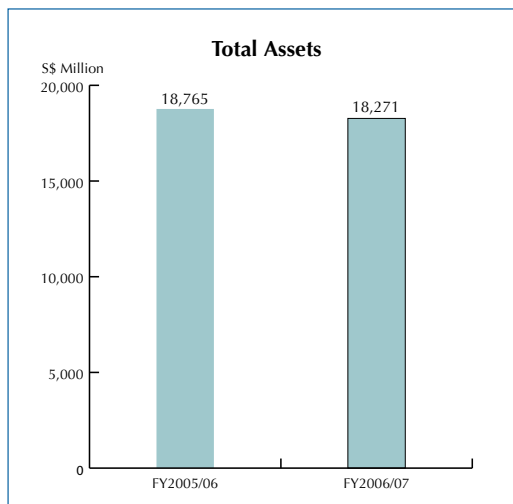
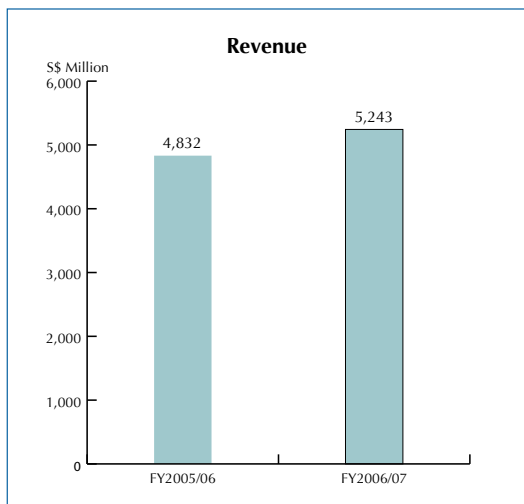
Thank you for your continued support as we strive to excel in operations, enhance our people's capabilities and expand globally to power SP Group into the future.



NG KEE CHOE
Chairman

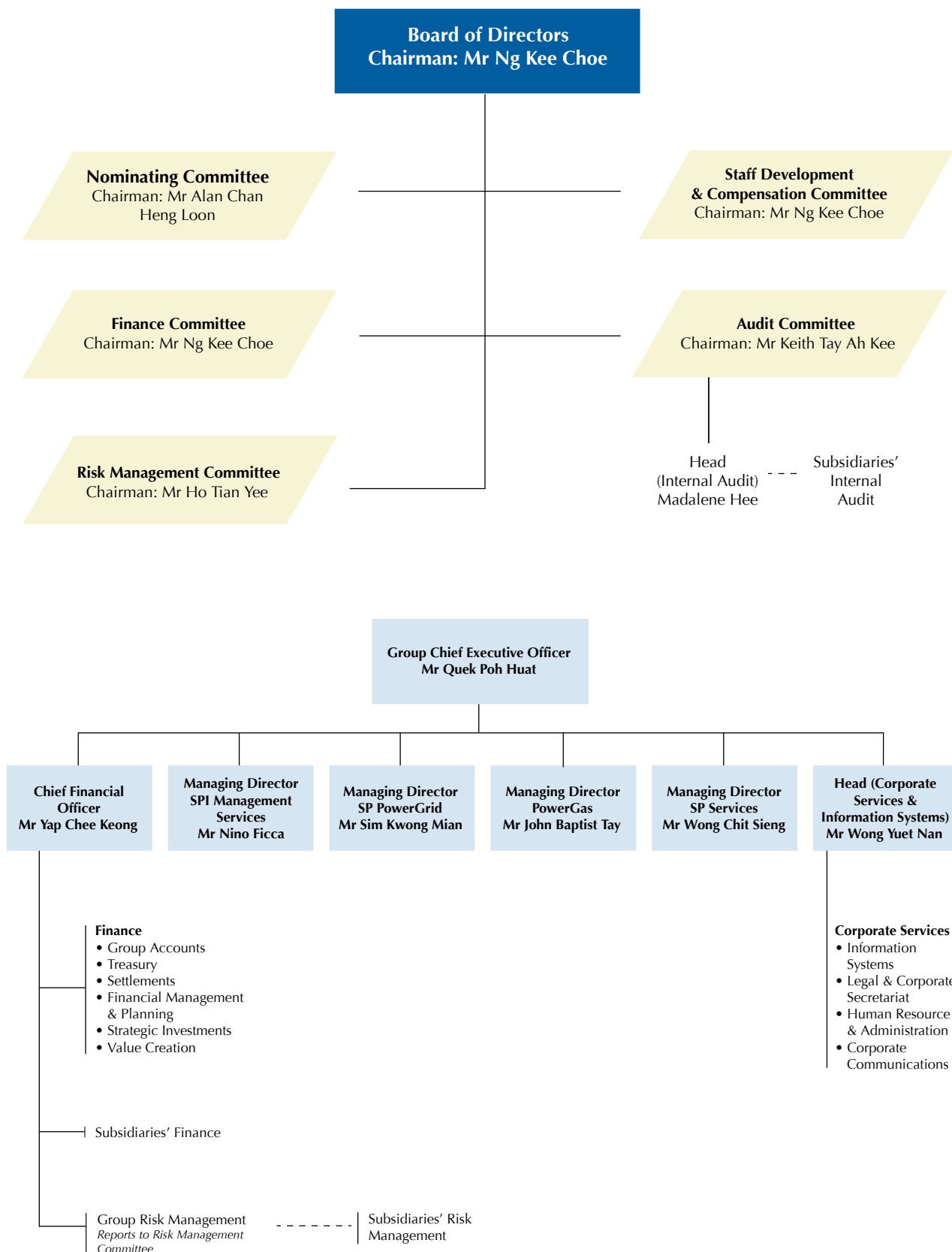
28 May 2007

Financials at a Glance



A full Financial Statement is available online at www.singaporepower.com.sg

Organisational Structure



BOARD OF DIRECTORS



MR NG KEE CHOE, CHAIRMAN



MR ALAN CHAN HENG LOON



MR ERIC GWEE TECK HAI



MR KEITH TAY AH KEE



MR HO TIAN YEE

MR NG KEE CHOE

Mr Ng Kee Choe, 62, is the non-executive Chairman of Singapore Power Limited. He was appointed Director on 1 September 2000 and became its Chairman on 15 September 2000. He is also the non-executive Chairman of SP AusNet*.

Mr Ng's other current board directorships include his position as Chairman of NTUC Income Insurance Cooperative Ltd, and Director of Singapore Airport Terminal Services Ltd and Singapore Exchange Limited. He is also the President Commissioner of PT Bank Danamon Indonesia Tbk, a member of the Temasek Advisory Panel and a member of the International Advisory Council of China Development Bank. For his contributions to public service, Mr Ng was conferred the Public Service Star in 2001.

MR ALAN CHAN HENG LOON

Mr Alan Chan Heng Loon, 54, is a non-executive independent Director of Singapore Power Limited. He was appointed Director on 1 June 2001 and is also the Chairman of SP PowerAssets Limited.

Mr Chan is currently the Chief Executive Officer and a Director of Singapore Press Holdings Ltd. He is the Chairman of the Urban Redevelopment Authority and SPH Magazines Pte Ltd. He is a member of the External Review Panel (Quality Assurance Framework for Universities), the Board of Trustees of the Courage Fund, the Board of Governors of The Singapore-China Foundation, INSEAD Singapore Council and INSEAD France.

Previously, Mr Chan was the Permanent Secretary for the Ministry of Transport and held directorships in DBS Group Holdings Ltd, The Development Bank of Singapore Ltd and PSA Corporation Ltd. He also sits on the boards of MediaCorp TV Holdings Pte Ltd, MediaCorp Press Ltd, Singapore Press Holdings Foundation Limited, TOM Outdoor Media Group Limited, TP Ventures Pte Ltd, GMM Times Company Limited, Magazines World Sdn Bhd, Blu Inc Holdings Malaysia Sdn Bhd and Blu Inc Media Sdn Bhd. Mr Chan was awarded the Public Service Medal (Gold) in 2002.

MR ERIC GWEE TECK HAI

Mr Eric Gwee Teck Hai, 68, is a non-executive independent Director of Singapore Power Limited. He was appointed Director on 1 January 2001. He is the Chairman of SP Services Limited and a Director of SP AusNet*.

Mr Gwee is also a Director of WorleyParsons Ltd and the Melbourne Business School Ltd. He was the Chairman of the Board of Governors for the Institute of Technical Education (ITE) and the Public Transport Council. He was also the Chairman of CPG Corporation Pte Ltd and a Director of ExxonMobil Singapore Pte Ltd till 2001. For his many years of dedicated service to the community, Mr Gwee was awarded the Public Service Star in 1994 and the Public Service Star (Bar)[BBM(L)] in 2004.

MR KEITH TAY AH KEE

Mr Keith Tay Ah Kee, 63, is a non-executive independent Director of Singapore Power Limited. He joined the Board on 1 January 2002. He is also a Director of SP PowerAssets Limited. He serves on the boards of several public companies, including Singapore Reinsurance Corporation Ltd, Singapore Post Limited and Stirling Coleman Capital Limited, of which he is Chairman. He is also the Chairman of Aviva Ltd.

Mr Tay is currently a board member of the Singapore International Chamber of Commerce, of which he was Chairman from 1995 to 1997. He is also Vice Chairman of the Singapore Institute of Directors.

He was the President of the Institute of Certified Public Accountants of Singapore from 1982 to 1992 and was the Singapore Representative on the Council of the International Federation of Accountants from 1987 to 1990. Mr Tay was Chairman and Managing Partner of KPMG Peat Marwick from 1984 to 1993. Mr Tay qualified as a Chartered Accountant in London, UK, in 1968, and is a Fellow of the Institute of Chartered Accountants in England and Wales. He was conferred the first International Award for outstanding contribution to the profession by the Institute of Chartered Accountants in England and Wales in 1988 and the Public Service Star (BBM) in 1990. The Institute of Certified Public Accountants of Singapore also conferred on Mr Tay the Gold Medal for distinguished service to the profession and made him an Honorary Fellow in 1993.

MR HO TIAN YEE

Mr Ho Tian Yee, 54, is a non-executive independent Director of Singapore Power Limited. He joined the Board on 1 May 2003. Currently, Mr Ho is the Executive Director of Pacific Asset Management (S) Pte Ltd and holds directorships in publicly-listed companies, including Fraser & Neave Ltd and Singapore Exchange Limited. He also sits on the board of Times Publishing Ltd and is a member of the Risk Committee of The Government of Singapore Investment Corporation Pte Ltd since 1 August 2004.

Mr Ho was a former director of Great Eastern Holdings Ltd, The Overseas Assurance Corporation Ltd and The Great Eastern Life Assurance Corporation Ltd. Mr Ho was awarded the Public Service Medal in 1997.

Information as at 15 May 2007

BOARD OF DIRECTORS



MR TAN CHEE MENG



MR BOBBY CHIN YOKE CHOONG



PROFESSOR JEREMY GUY ASHCROFT DAVIS



MR PAUL CHAN KWAI WAH



BG(NS) CHOI SHING KWOK



MR QUEK POH HUAT

MR TAN CHEE MENG

Mr Tan Chee Meng, 50, is a non-executive independent Director of Singapore Power Limited. He was appointed Director on 1 August 2005. He is also a Director of SP PowerAssets Limited. Mr Tan is the Managing Partner of Harry Elias Partnership. He was appointed a Senior Counsel in 2006, and a Specialist Judge for a period of two years from 1 July 2006.

Mr Tan is a Fellow of the Singapore Institute of Arbitrators and an Accredited Adjudicator of the Singapore Mediation Centre. He is a Regional Panel Arbitrator of the Singapore International Arbitration Centre and is on the Panel of Accredited Arbitrators of Badan Arbitrase Nasional Indonesia. Mr Tan also sits on the Board of Council of the National Council of Social Service.

MR BOBBY CHIN YOKE CHOONG

Mr Bobby Chin Yoke Choong, 55, is a non-executive independent Director of Singapore Power Limited. He was appointed Director on 23 January 2006. Currently, he is the Chairman of Singapore Totalisator Board and Changi Airports International Pte Ltd.

Mr Chin serves on the boards of the Competition Commission of Singapore and several publicly-listed companies including Oversea-Chinese Banking Corporation Limited, AV Jennings Limited, The Straits Trading Company Limited, Yeo Hiap Seng Limited, Stamford Land Corporation Ltd, Ho Bee Investment Limited and Neptune Orient Lines Ltd. He also sits on the Boards of Trustees of the Singapore Management University and the Singapore Indian Development Association (SINDA). He was the Managing Partner of KPMG Singapore from 1992 to 2005 and Chairman of Urban Redevelopment Authority from April 2001 to March 2006. In 2003, Mr Chin was awarded the Public Service Medal.

PROF JEREMY GUY ASHCROFT DAVIS

Prof Jeremy Guy Ashcroft Davis, 64, is a non-executive independent Director of Singapore Power Limited. He was appointed Director on 1 August 2006 and is also a Director of SP AusNet*.

Prof Davis is the Chairman of UNSW Professorial Superannuation Pty Ltd and the Deputy Chairman of AMWIN Management Pty Ltd. He currently serves as a Director of the Transurban Group, CHAMP Ventures Pty Ltd, Amdel Holdings Pty Ltd, Australian Institute of Management NSW & ACT Ltd and the Australian Institute of Management Canberra. He was the former AMP Society Professor at the Australian Graduate School of Management. Prof Davis earlier spent 10 years as a management consultant with the Boston Consulting Group. He also served as a Director of the Australian Stock Exchange from 1990 to 1996 and as a Director and Chairman of AIDC Limited.

MR PAUL CHAN KWAI WAH

Mr Paul Chan Kwai Wah, 53, is a non-executive independent Director of Singapore Power Limited. He was appointed Director on 1 August 2006. He is a Director of Singapore Telecommunications Limited, Verigy Ltd, SIA Engineering Company Ltd and National Healthcare Group Pte Ltd. He is also on the Advisory Board of the Lee Kong Chian School of Business at the Singapore Management University. He was a former Director of the Singapore Economic Development Board and Noel Gifts International Ltd.

Mr Chan was formerly the Senior Vice President & Managing Director (Asia Pacific & Japan) of Hewlett-Packard Asia Pacific Pte Ltd and the Vice President & Managing Director (Asia Pacific) of Compaq Computer Asia Pacific Pte Ltd. He was also a member of the Tax Review Committee, Ministry of Finance and the Listings Committee of the Stock Exchange of Singapore. Mr Chan was awarded the Public Service Star (PBM) in 2005.

BG(NS) CHOI SHING KWOK

BG(NS) Choi Shing Kwok, 48, is a non-executive independent Director of Singapore Power Limited. He was appointed Director on 1 August 2006. He is currently the Permanent Secretary of the Ministry of Transport.

He was formerly a Director of Singapore Technologies Electronics Limited, Sembawang Resources Development Corporation Ltd, Singapore Automotive Engineering Ltd and Chartered Ammunition Industries Pte Ltd. He also served as a member of the National University of Singapore Council, the Singapore Broadcasting Authority and the Jurong Town Corporation. BG(NS) Choi was awarded the Meritorious Service Medal in 2000 and the Long Service Award (25 years) in 2004 by the Government of Singapore, and has also received state awards from foreign governments.

MR QUEK POH HUAT

Mr Quek Poh Huat, 60, was appointed a Director of Singapore Power Limited in November 2001 and Group Chief Executive Officer in May 2004. Within the Singapore Power Group, Mr Quek serves as Director on the boards of SP PowerAssets Limited, SP Services Limited and SP AusNet*. He is currently also Chairman of SP PowerGrid Limited, PowerGas Limited and SPI Management Services Pty Ltd. He is a board director of publicly-listed Singapore Technologies Engineering Ltd.

Mr Quek is Singapore's non-resident Ambassador to Sweden. He was conferred the Public Service Star in 1994.

** A stapled group comprising SP Australia Networks (Transmission) Ltd, SP Australia Networks (Distribution) Ltd and SP Australia Networks (Finance) Trust, acting through its responsible entity, SP Australia Networks (RE) Ltd. It is dual listed on the Australian Stock Exchange and the Singapore Exchange Securities Trading Limited.*

Information as at 15 May 2007

Ethics and Accountability

The SP Board is committed to good corporate governance. The principles set out in the revised Code of Corporate Governance 2005 (the Code) for listed companies are followed closely by the Company. The Company has used the Code as its guide and best practice standard and has put in place an internal framework to ensure good corporate governance in its business practices and activities.

The Whistleblower Policy, which was launched in 2005, strengthens ethical business conduct in the Group. SP Group endeavours to enhance shareholder value by ensuring the highest standards of corporate governance, transparency and accountability.

SETTING DIRECTIONS

The Board provides broad strategic directions for the Group and undertakes key investment and funding decisions. In addition, the Board ensures that Management maintains a robust system of internal controls to protect the Group's assets and reviews the Group's financial performance.

The Board meets at least four times a year to review the Group's business performance. In the last financial year, the Board met seven times and held a Board Strategic Retreat.

ACCESS TO INFORMATION

The Board is provided with complete information prior to Board meetings and on an on-going basis. Board papers include management financial reports, annual budgets and performance against budget, announcement of results, matters requiring Board's decision, updates on key outstanding issues and disclosure documents as well as updates on new legislative developments.

Newly-appointed Board Directors attend an orientation programme to familiarise themselves with the Group's business and governance practices. The Group also provides on-going education on legislative updates and best practices.

The Board also has separate and independent access to Senior Management and the Company Secretary. Should the Directors, whether as a group or individually, require independent professional advice to carry out their duties, the Company will arrange to appoint, at the Company's expense, a professional advisor to render due advice.

ACCOUNTABILITY

In presenting the annual financial statements to the shareholder, the Board aims to provide the shareholder with a balanced and comprehensive assessment of the Group's position and prospects.

Management provides the Board with appropriately detailed management accounts of the Group's performance, prospects and a risk dashboard on a monthly basis.

There is a strong element of independence in the Board composition – independent non-executive Directors constitute more than three-quarters of the entire Board. The independence of each Director is reviewed annually by the Nominating Committee in accordance with the Code.

The current size of 11 Board members is appropriate for effective decision-making, taking into account the scope and nature of the Group's operations. Collectively, the Directors possess a wealth of expertise and experience in the management of business at senior and international levels.

SP AusNet as a publicly-listed stapled entity on the Australian Stock Exchange and the Singapore Exchange Securities Trading Limited, has established its own Audit and Risk Management Committee, Nomination and Remuneration Committee as well as Compliance Committee to ensure a high standard of corporate governance.

BOARD COMMITTEES

The SP Board is supported by specialised committees to facilitate effective supervision of Management. These are the Audit Committee, the Risk Management Committee, the Finance Committee, the Nominating Committee and the Staff Development and Compensation Committee. As and when required for specific projects, special board steering committees

and due diligence committees have been constituted to provide support and guidance to Management.

AUDIT COMMITTEE

The Audit Committee (AC) comprises five non-executive Directors, all of whom are independent Directors as defined in the Code. The Board is of the view that the members of the AC have the financial management expertise and experience to discharge the AC's responsibilities.

The main function of the AC is to assist the Board in discharging its statutory and oversight responsibilities relating to the financial reporting and audit processes, the systems of internal controls and the process of monitoring compliance with the applicable laws, regulations and codes of conduct.

The AC holds at least three meetings each year and is responsible for the following:

- review and approval of the audit plans of external and internal auditors;
- review of the adequacy of the internal audit function;
- review of the financial accounts of the Group and the Company;
- review of the independence and objectivity of the external auditors; and
- nomination of external auditors for re-appointment.

The members are:

Mr Keith Tay Ah Kee (Chairman)

Mr Tan Chee Meng

BG(NS) Choi Shing Kwok

Mr Bobby Chin Yoke Choong (*wef 15 May 07*)

Mr Timothy Chia Chee Ming (co-opted external member)

CORPORATE GOVERNANCE

RISK MANAGEMENT COMMITTEE

The Risk Management Committee (RMC) assists the Board in fulfilling its oversight responsibilities.

The RMC reviews and approves:

- the type and level of business risks (risk appetite) that the Company, its wholly-owned subsidiaries and joint venture companies undertake on an integrated basis to achieve their business strategy; and
- the Group-wide risk policies, procedures and methodologies for identifying, measuring, monitoring and managing risks that are consistent with its risk appetite.

The RMC meets at least three times a year.

The members are:

Mr Ho Tian Yee (Chairman)
Mr Paul Chan Kwai Wah
Mrs Oon Kum Loon (co-opted external member)
Mr Quek Poh Huat (ex-officio)*

The RMC is supported by the Group Risk Management Office in its governance of SP Group risks.

Although the risk management responsibilities of the Board are executed through the organisational set-up mentioned above, the ultimate risk ownership rests with the business groups.

FINANCE COMMITTEE

The Finance Committee (FC) assists the Board to review proposed mergers, acquisitions, disposals and corporate financial structuring for the SP Group.

The responsibilities of the FC are to:

- consider and recommend, for the Board's approval, SP Group's annual operating and capital expenditure budgets and business plans;

- approve or endorse mergers, acquisitions, divestments or corporate restructuring;
- approve or endorse SP Group's borrowings and financings; and
- approve or endorse such other matters as provided from time to time in the Authority Manual of SP Board.

The FC holds at least two meetings a year.

The members are:

Mr Ng Kee Choe (Chairman)*
Mr Ho Tian Yee
Mr Eric Gwee Teck Hai
Mr Quek Poh Huat*

NOMINATING COMMITTEE

The Nominating Committee (NC) is responsible for formulating policies and guidelines on matters relating to Board appointments, re-appointments, retirement and rotation of Directors. The Directors' performance, contribution and independence are taken into consideration in the Committee's review and assessment.

The NC, in consultation with the Chairman of the Board, considers and makes recommendations to the Board concerning the appropriate size and needs of the Board. New Directors are currently appointed by way of a Board resolution after the NC has endorsed their appointment. The new Directors must submit themselves for re-election at the next Annual General Meeting (AGM) of the Company pursuant to the Articles of Association of the Company. The Articles of Association of the Company also requires not less than one-third of Directors to retire by rotation at every AGM.

* *Non-independent*

The NC meets at least twice a year. The NC comprises three Directors. The Chairman of the NC is an independent non-executive Director.

The members are:

Mr Alan Chan Heng Loon (Chairman)

Mr Ng Kee Choe*

Mr Quek Poh Huat *

STAFF DEVELOPMENT AND COMPENSATION COMMITTEE

The Staff Development and Compensation Committee (SDCC) oversees the remuneration of the Group Chief Executive Officer and senior executives. The SDCC establishes and maintains an appropriate and competitive level of remuneration to attract, retain and motivate senior executives to manage the Group successfully.

No Director is involved or has participated in any proceedings in respect of his own remuneration.

The SDCC meets at least twice a year. The SDCC comprises three Directors, two of whom are independent Directors.

The members are:

Mr Ng Kee Choe (Chairman)*

Mr Alan Chan Heng Loon

Mr Bobby Chin Yoke Choong

COMMUNICATION WITH SHAREHOLDER

The Company values communication and ensures that timely and adequate disclosures of material information on the Company are made available to the shareholder, and has regular dialogue and liaison with the shareholder.

BOARD COMPOSITION

Board Members	Audit Committee	Risk Management Committee	Finance Committee	Nominating Committee	Staff Development & Compensation Committee
Mr Ng Kee Choe, Chairman	-	-	Chairman	Member	Chairman
Mr Alan Chan Heng Loon	-	-	-	Chairman	Member
Mr Eric Gwee Teck Hai	-	-	Member	-	-
Mr Keith Tay Ah Kee	Chairman	-	-	-	-
Mr Ho Tian Yee	-	Chairman	Member	-	-
Mr Tan Chee Meng	Member	-	-	-	-
Mr Bobby Chin Yoke Choong	Member	-	-	-	Member
Prof Jeremy Guy Ashcroft Davis	-	-	-	-	-
Mr Paul Chan Kwai Wah	-	Member	-	-	-
BG(NS) Choi Shing Kwok	Member	-	-	-	-
Mr Quek Poh Huat	-	Ex-officio	Member	Member	-
Board Committee Members					
Mr Timothy Chia Chee Meng	Member	-	-	-	-
Mrs Oon Kum Loon	-	Member	-	-	-

* *Non-independent*

SENIOR MANAGEMENT



MR QUEK POH HUAT
Group Chief Executive Officer



MR YAP CHEE KEONG
Chief Financial Officer



MR NINO FICCA
Managing Director (SP AusNet)



MR SIM KWONG MIAN
Managing Director (SP PowerGrid)



MR JOHN BAPTIST TAY
Managing Director (PowerGas)



MR WONG CHIT SIENG
Managing Director (SP Services)

MR QUEK POH HUAT

Mr Quek Poh Huat, Group Chief Executive Officer, is Chairman of SP PowerGrid Limited and PowerGas Limited, and a Director on the boards of SP PowerAssets Limited and SP Services Limited. At the Group's Australian operations, he is Chairman of SPI Management Services Pty Limited and a Director of SP AusNet, SP AusNet Distribution, and the Responsible Entity.

Mr Quek is also a Director of Singapore Technologies Engineering Limited, and he is Singapore's non-resident Ambassador to Sweden. He was conferred the Public Service Star in August 1994.

Mr Quek has a Bachelor of Science (Chemical Engineering) degree with First-Class Honours from the University of Leeds and a Master of Science (Management) with Distinction from the Naval Postgraduate School, Monterey, US. He has also completed the Advanced Management Program at the Harvard Business School.

MR YAP CHEE KEONG

Mr Yap Chee Keong, Chief Financial Officer, is responsible for providing financial strategy and leadership throughout the SP Group. This includes overseeing the corporate finance, treasury, financial management, tax planning and risk management functions. He is also responsible for corporate planning, strategic investments and value creation.

Prior to joining SP, Mr Yap worked with several multinational, listed and private companies as Chief Financial Officer and in other senior management positions.

Mr Yap has a Bachelor of Accountancy degree from the National University of Singapore and is a Fellow of the Institute of Certified Public Accountants of Singapore.

MR NINO FICCA

Mr Nino Ficca, Managing Director of SPI Management Services Pty Limited, is also Managing Director of SP AusNet. He is also a Director of SP Australia Networks (Transmission) Limited, SP Australia Networks (Distribution) Limited, SP Australia Networks (RE) Limited, and a Managing Director of SPI PowerNet Pty Limited.

Mr Ficca has worked in the energy industry for over 25 years, including in a number of senior management roles. He is a Director and Deputy Chairman of the Energy Supply Association of Australia, and a Member of the National Electricity Market Operations Committee.

Mr Ficca holds a Bachelor of Engineering (Electrical) (Honours) degree and a Graduate Diploma in Management, both from Deakin University.

MR SIM KWONG MIAN

Mr Sim Kwong Mian, Managing Director of SP PowerGrid Limited, has been with the Group for 12 years. Prior to this, he was with the Public Utilities Board for 18 years.

Mr Sim represents Singapore in the Heads of ASEAN Power Utilities/Authorities, which leads the power interconnection project to link the member countries' electricity networks. He also represents Singapore in the Association of Electricity Supply Industry of East Asia and Western Pacific (AESIEAP).

Mr Sim is a registered Professional Engineer with the Professional Engineers Board, Singapore, and a Senior Member of the Institution of Engineers Singapore. He holds a Bachelor of Engineering (Electrical) degree from the University of Singapore, a Master of Science (Electrical) from the University of Manchester Institute of Science & Technology, and a Diploma in Management Studies from the Singapore Institute of Management. He has also completed the Advanced Management Program at the Harvard Business School.

MR JOHN BAPTIST TAY

Mr John Baptist Tay, Managing Director of PowerGas Limited, is responsible for the gas transportation business of the company.

For the last 30 years, Mr Tay has been involved in various aspects of the gas business, including commercial and industrial gas utilisation, metering, town gas production and network planning and development. He has been instrumental in the overall master plan and development of Senoko Gasworks (now under City Gas) which produces town gas, and the planning and development of the natural gas transmission network.

Mr Tay, a Professional Engineer in Mechanical Engineering, graduated with a First-Class Honours degree from Sheffield University (UK) in Mechanical Engineering.

MR WONG CHIT SIENG

Mr Wong Chit Sieng, Managing Director of SP Services Limited, has over 28 years' experience in strategic business IT planning, and the development and management of banking application systems.

He was previously the Group's Head (Information Systems). Before joining SP, Mr Wong was Director of Operations and Principal Consultant, Asia Pacific & Japan at a US banking software company. He was also with Overseas Union Bank for nine years as its Senior Vice President & Deputy CIO, and as Vice President at Chase Manhattan Bank for 10 years.

Mr Wong has a Bachelor of Business Administration (Distinction) degree and a Master of Business Administration degree from the Royal Melbourne Institute of Technology, Australia.

SENIOR MANAGEMENT



MR WONG YUET NAN
Head (Corporate Services & Information Systems)



MRS LYNN LOH
Head (Human Resource & Administration)



MS CHI PING HUEY
Head (Legal & Corporate Secretariat)



MR LIM HOWE RUN
Head (Strategic Investments & Group Risk Management)



MR WONG TOON SUAN
Head (Business Development)

MR WONG YUET NAN

Mr Wong Yuet Nan, Head (Corporate Services & Information Systems), is responsible for the information systems, legal & corporate secretariat, human resource and corporate communications functions.

Prior to this, Mr Wong was Vice President, Asia Pacific & Japan Region IT at Hewlett-Packard where he played a key role in the HP-Compaq IT integration. Mr Wong has also worked with Compaq Asia Pacific, Abacus Distribution Systems and Times Publishing. He started his career in the public sector, holding various positions at the National Computer Board and Ministry of Defence.

Mr Wong has a Bachelor's and Master's degree in Engineering Science from Oxford University and a Master of Business Administration degree from the University of California, Los Angeles.

MRS LYNN LOH

Mrs Lynn Loh, Head (Human Resource & Administration), has over 20 years' experience in human resource.

Before joining the Group, she was with the Central Provident Fund Board, Changi International Airport Services, PepsiCo Group International and Singapore General Hospital. She is Vice President on the Council of the Singapore Human Resource Institute and a National Assessor for the People Developer Standard. She is also a member of the Manpower Skills and Training Council of the Singapore Workforce Development Agency. Mrs Loh was also a resource member of the Government Parliamentary Committee for Manpower.

Mrs Loh holds a Bachelor of Arts degree from the National University of Singapore and a Master of Business Administration (Accountancy) degree from Nanyang Technological University.

MS CHI PING HUEY

Ms Chi Ping Huey, Head (Legal & Corporate Secretariat), is responsible for the Group's legal affairs, and is company secretary for SP and its key subsidiaries. She also coordinates the Whistleblower Policy.

Ms Chi has over 20 years' legal experience. She has worked with the Singapore Technologies Group, where she held various senior positions including Head (Legal) and Assistant Vice President (Corporate Affairs) at ST Aerospace Limited. She began her career with a major local bank and has also been in private practice.

Ms Chi is a member of the Singapore Law Academy. An OCBC scholar, she has a Bachelor of Law (Honours) degree from the National University of Singapore and was admitted as an Advocate and Solicitor in 1985.

MR LIM HOWE RUN

Mr Lim Howe Run, Head (Strategic Investments & Group Risk Management), is responsible for the development of new business initiatives and for implementing Group-wide risk policies and institutionalising risk management practices.

This includes overseeing SP Global Solutions, which provides advisory, training and consultancy services to utility companies and country regulatory authorities worldwide.

Prior to this, Mr Lim held various positions in asset management and business development within the Group. Mr Lim holds a Bachelor of Engineering (Mechanical) degree from the National University of Singapore.

MR WONG TOON SUAN

Mr Wong Toon Suan, Head (Business Development), is responsible for business development in markets such as China, South Asia and the Gulf region.

Before this, he was with the Group's Australian division, assisting with the integration of its subsidiaries. He was also previously Managing Director of PowerGas and was a key member of the negotiating team that secured the US\$9 billion Indonesian natural gas contract in 2000. Mr Wong is President of the Gas Association of Singapore. He has over 30 years' experience in utilities including 18 years with the Public Utilities Board.

Mr Wong is a registered Professional Engineer (Electrical) and a Senior Member of the Institution of Engineers Singapore. He has a Bachelor of Engineering (Electrical) degree from the University of Singapore and has completed the Advanced Management Program at the Harvard Business School.



EXCELLING IN OPERATIONS

Singapore Operations

SP Group is the leading utility company in Singapore, with major operations in electricity and gas transmission and distribution, and utility market support services.

The Singapore division comprises four main subsidiaries – SP PowerAssets, SP PowerGrid, PowerGas and SP Services.

SP POWERASSETS



A 230kV 500MVA phase-shift transformer has been installed at a substation in the East for more efficient power flow control.

Outstanding Infrastructure

Singapore's electricity network has achieved world-class performance standards through far-sighted expansion and operational strategies. SP PowerAssets continues to introduce better and more cost-effective technical solutions to ensure power supply reliability, quality and affordability for its customers.

SP PowerAssets is the sole provider of electricity transmission and distribution services in Singapore. Its S\$6.7 billion fixed assets comprise modern and robust networks at 400kV, 230kV and 66kV for transmission, and 22kV, 6.6kV and 400V for distribution.

MEETING FUTURE NEEDS

During the year in review, SP PowerAssets continued its intensive network development programme, planning ahead for the growing power needs of the population and Singapore economy. Several major 400kV and 230kV projects were completed and good progress continues to be made on the rest of its infrastructure enhancements.

- A 400kV substation at Paya Lebar was commissioned in August 06. To enhance power quality to customers, the 230kV network was then split into four blocks in January 07. In the event of a transmission incident in one block, the other blocks will be electrically buffered and their power quality will remain unaffected.

- Two 400kV cable circuits are being installed to connect the output from Seraya Power Station in 2009 to the grid in the western part of Singapore. A second cable tunnel is now being constructed to house the cable circuit, to complement the first tunnel built in October 05.
- A 230kV substation was commissioned in April 06 to meet the load growth in the northern part of Singapore.
- A 230kV 500MVA phase-shift transformer was installed in August 06 at a substation in the east for more efficient power flow control.
- Two 230kV circuits were commissioned in August 06 to support Keppel Merlimau Cogen's power export. In addition, nine other 230kV circuits were commissioned to meet load growth in various parts of the island.

GRID PRICING: SHARING PRODUCTIVITY GAINS

With SP PowerAssets' increased operational efficiency, the average grid charge was reduced from 3.67 cents to 3.60 cents per kWh. This fifth consecutive year of price reduction will help SP Group's industrial and commercial customers in Singapore improve their competitiveness in the global market.

SP POWERGRID



SP PowerGrid's network performance is better than those of its peers in other countries operating comparable underground networks.

EXCELLING IN OPERATIONS
SP POWERGRID

Management



MR SIM KWONG MIAN
Managing Director



MR CHANG SWEE TONG
Deputy Managing Director



MR CHENG SEE TAU
General Manager
(Network Management)



MR CHAN ENG KIAT
General Manager
(Network Planning)



MR LOY SAI CHIN
Acting General Manager
(Network Development)



MR CHUNG CHOON HEONG
General Manager
(Projects)



MR HAN TEK FONG
Director
(Asset Management)



DR YOON KOK THEAN
Director
(Procurement)



MR LAW CHIN HO
Director (Finance)
& Head (Regulatory)



MR ALBERT TEOW
Director
(Corporate Services)

Strong Network Performance

SP PowerGrid manages and operates the transmission and distribution assets of SP PowerAssets.

International benchmarking studies show that SP PowerGrid's network performance is among the best in the world. Based on SAIDI and SAIFI, internationally recognised indices that measure network performance, SP PowerGrid's performance is better than those of its peers in other countries operating comparable underground networks.

SAIDI (System Average Interruption Duration Index) represents the average duration of unplanned interruptions a consumer experiences in a year, while SAIFI (System Average Interruption Frequency Index) shows the average number of such interruptions.

During the year, SP PowerGrid's commitment to excellence saw it achieving the ISO 9001:2000 quality management system certification for the development and management of its distribution network.



The Geographical Mapping System provides a unified view of land, electrical facilities and schematic information for SP PowerGrid's staff all over the island.



An engineer ensures that network operations run smoothly.

This is in addition to achieving the ISO 9001:2000 certification for the development and management of its transmission network for the sixth consecutive year.

WITHIN REGULATORY TARGETS

During the year of review, network performance was within regulatory targets. Key performance indicators held steady compared to the previous year.

CONDITION MONITORING BREAKTHROUGH

SP PowerGrid's innovative efforts in condition monitoring, which help identify potential network failures before they occur, continued to contribute to better performance. Ninety-three potential failures were averted during the year. Since 2001, a total of 348 potential failures have been prevented, saving repair costs of S\$32.6 million.

Significantly, SP PowerGrid has achieved a breakthrough in condition monitoring – it is now able to apply the technology to underground cables. Following collaboration with Delft University Research Centre, Netherlands, SP PowerGrid has successfully applied the Oscillating Wave Test System to the condition monitoring of distribution cables at 22kV and 6.6kV.

Going forward, SP Group will apply this technology more intensively, as a key strategic tool for our fully underground cable network in Singapore, and as a competitive advantage in our international projects.

EXCELLING IN OPERATIONS SP POWERGRID



SP PowerGrid has institutionalised Japanese safety practices into its standard operating procedures to further enhance operational safety.



SP PowerGrid has successfully applied the Oscillating Wave Test System to the condition monitoring of distribution cables, achieving a significant breakthrough.

OPERATIONAL SAFETY: ENHANCEMENTS MADE

Staff safety is paramount and SP PowerGrid constantly seeks ways to create an even safer working environment. It has implemented a robust risk management process that meets the requirements of the Workplace Safety and Health Act enacted in March 06.

It has also institutionalised Japanese safety practices into its standard operating procedures to further enhance operational safety. These include the “Kenyoichi” (Toolbox Meeting) system before starting work, and the “Point and Announce” procedure when carrying out high-voltage switching on the network.

ENGAGING OUR CUSTOMERS

SP PowerGrid has a pro-active customer management programme to stay engaged with its key customers. Thirty-five engineers have taken on the additional role of customer managers serving some 150 key clients.

They visit their allotted customers quarterly and act as a single point of contact for all services provided by the SP Group and its subsidiaries.

They also help these key customers leverage the Group’s innovative solutions and expertise to improve their operational efficiencies.

EXCELLING IN OPERATIONS SP PowerGrid

Three Power Quality Interest Groups, one each for the Semiconductor, Petrochemical and Pharmaceutical industries, meet regularly to share knowledge and experiences in power quality management.

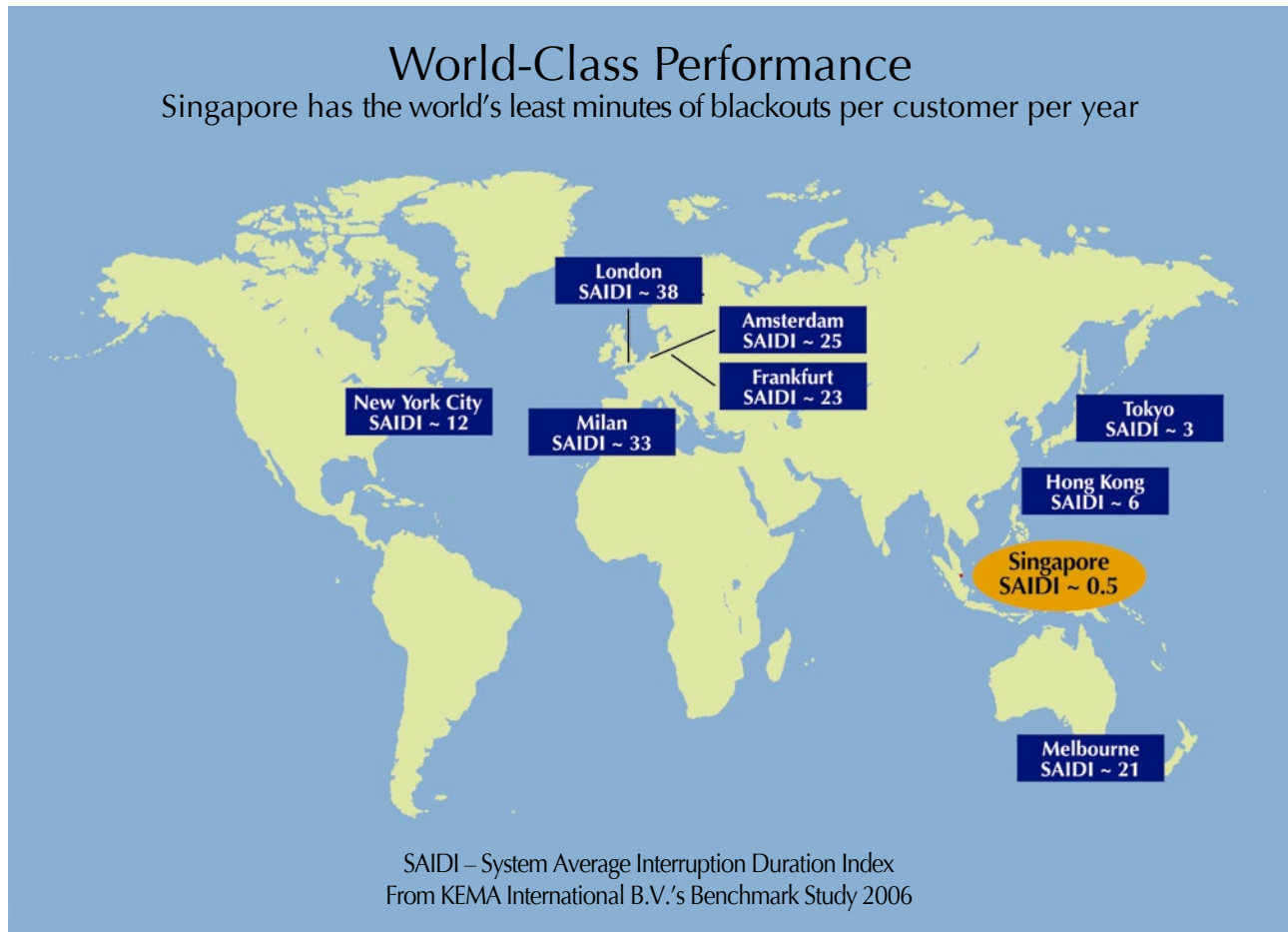
A quarterly e-bulletin “PowerConnect” keeps key customers informed of new developments and initiatives that serve to improve network performance and services for them.

SP PowerGrid’s customers are pleased with the service enhancements, according to the results of an annual customer survey in February 07. The business unit’s customer satisfaction rating of 8.1 out of 10, is a significant improvement over the previous period’s rating of 7.5.

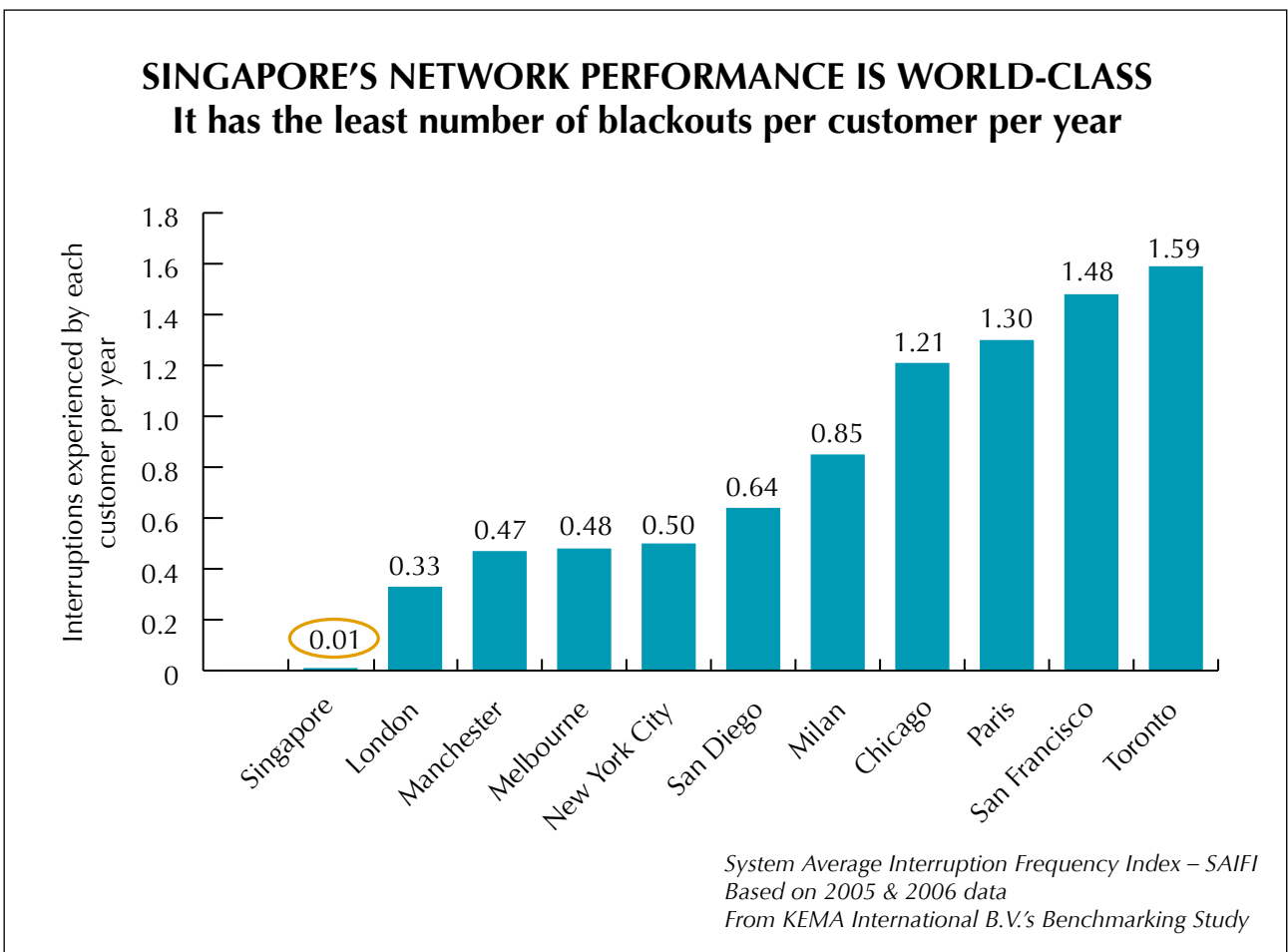
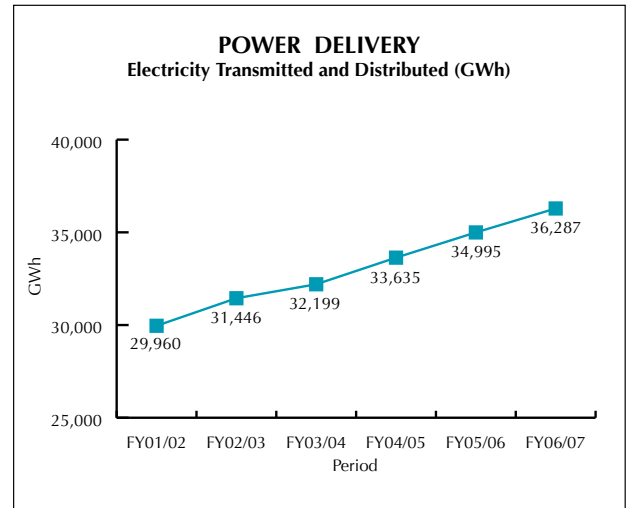
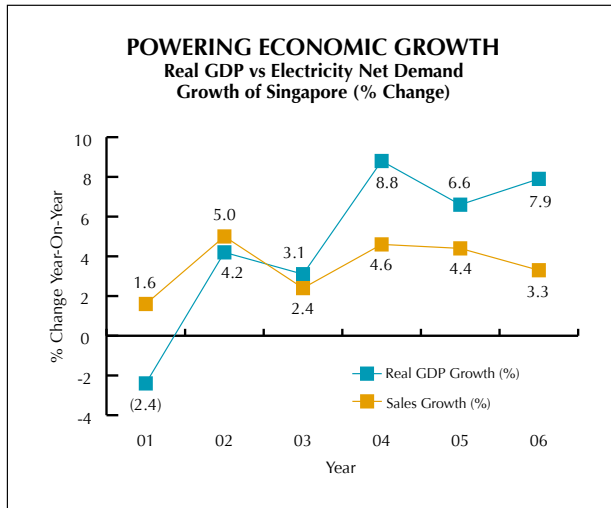
CABLE DAMAGE PREVENTION

SP PowerGrid’s earthworks management and cable protection programme has proven highly effective. The number of high-voltage cable damage cases has declined over the years, dipping to a low of six in FY2006/07. The programme ensures that contractors carrying out works near underground cables adopt rigorous cable damage prevention practices.

A card registration system was also introduced for registered and provisional excavator operators. Once linked with SP PowerGrid, these operators are updated on the latest cable damage prevention practices through regular briefings and refresher training.



Key Network Indicators



POWERGAS



PowerGas can now calibrate all commercial and industrial meters up to a maximum flow capacity of 2,500 cubic metres per hour.

EXCELLING IN OPERATIONS
POWERGAS

Management



MR JOHN BAPTIST TAY
Managing Director



MR LIM SONG HAU
Director
(Network Development)



MR CHIN TERK CHUNG
Director
(Network Management)



MR TAI SENG CHONG
Director
(System Operation)



MR BANNY KOH SIEW LIM
Deputy Director
(Transmission Projects)



MR ONG MIN SING
Deputy Director (Transmission
Operations & Maintenance)



MR DION TAY MENG TECK
Deputy Director
(Distribution Projects)



MR GERARD M PEREIRA
Deputy Director (Distribution
Operations & Maintenance)

Enhancing Gas Networks and Capabilities

PowerGas, as the sole gas transporter and system operator in Singapore, plays a pivotal role in the efficient and reliable delivery of natural and town gas to industrial and residential consumers across the country. It manages more than 2,800 km of transmission and distribution pipelines as part of its transportation network.

The year in review saw several major projects making good progress or completed to enhance and extend the delivery of natural and town gas.

NATURAL GAS: EXTENDING REACH

PowerGas extended a transmission pipeline on Jurong Island to enable the supply of Sumatran gas to the 500MW Keppel Merlimau Cogen Plant. The 4 km extension was completed and commissioned in July 06. A 2 km pipeline extension in Woodlands was also completed to enable future injection of Malaysian gas into the pipeline network.

In July 06, enhancement works began on a natural gas station on Jurong Island to meet the projected increase in demand for natural gas in 2008.

At the distribution level, expansion and enhancement of the natural gas network continued with the commissioning of an offtake station in the west in February 07 and the extension of 5.7 km of pipelines to four industrial gas users in Sungei Kadut.



A sophisticated Supervisory Control and Data Acquisition system lies at the heart of PowerGas' operations.



PowerGas plays a pivotal role in the efficient and reliable delivery of natural and town gas to industrial and residential consumers.

Development of two other offtake stations in the western part of Singapore to enable additional injection points into the distribution network is continuing and will be completed in mid-2007. Extension of high pressure distribution pipelines to various users in the pharmaceutical industry for co-generation is also in progress.

TOWN GAS: ENHANCING NETWORK

The town gas network was extended by 14.2 km to reach more customers in new public housing estates as well as private residential and commercial premises. The year also saw the renewal of 12 km of old pipelines, and the diversion of 1.3 km of pipelines

affected by the Mass Rapid Transit system (subway) extension works.

METER TESTING: EXPANDING CAPABILITY

Accreditation of the Meter Testing Laboratory under the Singapore Accreditation Council-Singapore Laboratory Accreditation Scheme was renewed in April 07. Commissioning of two new test benches for the calibration of turbine meters up to a rated capacity of 2,500 cubic metres per hour was completed.

NEW GAS MARKET: GEARING UP

Development of standard operating procedures (SOPs) in consultation with the SOP Industry Working Group continued throughout the year with the completion of four SOPs. These standard procedures will operate within the framework of the Gas Network Code.

To meet the requirements of the Gas Network Code, preparations to resume development work on the Gas Transportation System Solution (GTSS) are in progress. A web-based system, the GTSS will facilitate gas nominations by shippers, as well as the scheduling and balancing of gas injections and withdrawals in the transportation network.



Routine checks for gas leakage ensure safety

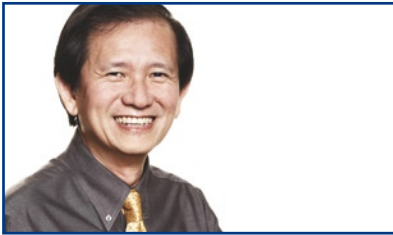
SP SERVICES



Delivering efficient and responsive customer services has won SP Services the Singapore Quality Class certification for business excellence.

EXCELLING IN OPERATIONS
SP SERVICES

Management



MR WONG CHIT SIENG
Managing Director



MRS JEANNE CHENG
General Manager
(Services & Marketing)



MR LIM AH KUAN
Director
(Operations)



MS LILY TAN
Acting Director
(Information Systems)



MR HEY BONG KOI
Head
(Finance & Accounts)



MS DERBIN KWEK
Deputy Director
(Finance & Accounts)

EXCELLING IN OPERATIONS
SP SERVICES

Convenient “One-Stop” Service

SP Services provides households and businesses in Singapore with a convenient “one-stop” service for their utility needs through its consolidated billing and collection, and customer management systems.

As the Market Support Services Licensee in Singapore’s National Electricity Market, SP Services provides meter reading, data management, and billing services to the electricity market. It also processes consumer registration and transfers for electricity retailers, thus playing a key role in facilitating competition and consumer choice in the liberalised electricity market.

In addition, SP Services provides billing and payment collection on behalf of other utilities service providers such as the Public Utilities Board, City Gas and refuse collection companies.

BUSINESS EXCELLENCE: WORLD-CLASS STANDARD

SP Services’ efforts to deliver highly efficient and responsive customer services have been recognised.

In May 06, it was awarded the prestigious Singapore Quality Class certification for business excellence. The certification programme recognises companies that have instituted a framework of sound

management processes and, as a result, achieved superior business performance.

In its latest “Mystery Shopping Audit”, which it conducts annually to ensure consistently high levels of



Our service performance index has leapt to 90 per cent in our latest “Mystery Shopping Audit”.

customer service, its service performance index leapt to 90 per cent from 77 per cent in 2004.

In another customer survey conducted in FY2006/07, its compliments index which measures customer satisfaction scored a high 94 per cent in the final quarter, compared to 81 per cent in the first quarter. Similarly, the compliments versus complaints ratio climbed from an average of 14 compliments per complaint to 50 compliments per complaint.

A comprehensive customer service survey conducted in the third quarter of 2006, saw SP Services with a satisfaction rating of 77 per cent, ahead of six other leading peer organisations.

SP Services' commitment to service excellence is evidenced by its exceeding all regulated service levels set by the Energy Market Authority.

In November 06, 15 staff were conferred the Excellent Service Award by SPRING Singapore. The coveted national award recognises individuals who have delivered outstanding service.

SP Services also made it to the finals of the Contact Centre Association of Singapore's 2006 awards for Best Contact Centre Manager of the Year and Best Contact Centre Team Leader of the Year.



SP Services is ahead of six other leading peer organisations in a comprehensive customer satisfaction survey.

EXCELLING IN OPERATIONS SP SERVICES

NEW INITIATIVES: RISING TO THE CHALLENGE

In FY2006/07, SP Services continued to leverage technology to improve convenience and service quality for its customers.

In November 06, it began using a Wireless Workforce Management System in field operations such as meter reading, installation testing, and support services. The mobile system provides technical staff in the field with real-time information for better customer servicing and optimal resource allocation.

SP Services' customer management and billing system is being upgraded to enable more efficient bill processing and resource allocation for improved customer servicing.

Its Pay-As-You-Use metering scheme continues to help about 13,000 customers better manage their consumption while paying their arrears over time. This innovative scheme was introduced in 2005.



The Wireless Workforce Management System is used in field operations to provide real-time information for better customer servicing and optimal resource allocation.

New Utility Service

Singapore District Cooling, a joint venture with French energy company Dalkia, started commercial operations during the year.

District cooling is an innovative utility service involving the centralised production of chilled water which is piped to commercial buildings for air-conditioning. With attributes similar to public electricity supplies, district cooling is energy efficient. It supplies a 24-hour reliable flow of chilled water at a stable temperature to meet the most demanding air-conditioning needs of modern commercial buildings.

District cooling eliminates the need for an in-house chiller plant in buildings, freeing up valuable space and constraints to allow for more creative building design. It also enables lower initial cost for new buildings and reduces overall operating cost.

CHILLED WATER FOR THE NEW DOWNTOWN

During the planning for common service tunnels for Singapore's Marina Bay new downtown, district cooling was identified as an urban utility desirable for the new business district.

Singapore District Cooling began providing chilled water supplies to One Raffles Quay, the host development of the first district cooling plant, in May 06. Supplies will be extended to the Integrated Resort, Marina Bay Financial Centre and other new commercial buildings in the Marina Bay area as they are completed over the next few years.

This SP joint venture is on a solid foundation to benefit from district cooling becoming the new essential service for the new downtown.



A centralised cooling tower eliminates the need for an in-house chiller plant in buildings.



EXCELLING IN OPERATIONS

International Operations

Building on our core capabilities, our strategy involves international expansion to accelerate our growth, and substantially enlarge the scale of our operations and earnings platform.

We have significant presence in Australia through our publicly-listed subsidiary, SP AusNet, Victoria's largest energy transmission and distribution company. SP Group also has a stake in an independent power producer in Taiwan.

SP AUSNET



For the year under review, SP AusNet invested A\$406 million in its networks, up from A\$375 million during the previous year.

EXCELLING IN OPERATIONS
SP AusNET

Management



MR NINO FICCA
Managing Director



MR PAUL ADAMS
General Manager
(Network Services)



MR NORM DREW
General Manager
(Network Development)



MR JOHN AZARIS
General Manager
(Human Resource
and Communications)



MR ADRIAN HILL
General Manager
(Corporate Development
and Investor Relations)



MR PETER MERRITT
General Manager
(Business Systems and Services)



MR CHARLES POPPLE
General Manager
(Regulatory and Business Strategy)



MR GEOFF NICHOLSON
Chief Financial Officer



MS ELIZABETH MILDWATER
General Counsel
and Company Secretary

Delivering Results

The first full year of its public listing saw SP AusNet delivering robust financial performance and solid operating results. SP AusNet recorded EBITDA (earnings before interest, tax, depreciation and amortisation) of A\$624.7 million, in line with prospectus forecasts. Net profit for the year, excluding discontinued operations, was A\$161.2 million, which exceeded prospectus forecasts by 3.2 per cent.

In FY2006/07, SP AusNet continued with its strategy of providing solid, reliable investment for its security holders and sustainable, reliable energy networks for its customers.

During the year, over 22,500 new connections were made to SP AusNet's electricity and gas distribution networks. The volume of electricity transported by its transmission and distribution networks rose by an average 3.4 per cent over the previous year, while 8 per cent more natural gas flowed through its gas distribution network.

In all, over A\$400 million was committed to capital expenditure projects to support network growth and refurbishment.

The business also endured a hazardous summer period, when bushfires threatened its electricity distribution and transmission lines and burnt out some 1.2 million hectares. Only 42 distribution poles were lost in

the fires – the small number was due to bushfire mitigation works carried out over the previous winter.

The impact on the transmission network was more significant when the 330kV interconnector linked to the New South Wales network tripped as fire crossed the transmission easement. This led to widespread outages across Melbourne and throughout the State. During the 60 continuous days of the bushfire crisis, SP AusNet teams remained at the ready and responded immediately when it was safe to restore lines and customer supplies.



The roll out of natural gas in western Victoria continues with the extension of the gas distribution network to another five towns.



The volume of electricity transported has risen by an average 3.4 per cent over the previous year.

NETWORK INVESTMENT

During the year under review, SP AusNet invested A\$406 million in its networks, up from A\$375 million in the previous period.

Transmission projects included the installation of new transformers and network connections at Rowville and Moorabool, connection works at Ringwood and Altona terminal stations, and the complete rebuilding of the Brunswick and Malvern terminal stations. All these will support growth in urban demand for electricity in Melbourne.

In the regional areas of the State, terminal stations are being rebuilt at Ballarat, Horsham, Red Cliffs, Shepparton and Terang to reinforce the “western loop” of the transmission network, ensuring that rural communities’ supplies are secure for years to come.

New housing subdivisions in the rural centres of Benalla, Bairnsdale and Leongatha in the north and east of the State also drove the expansion of the electricity distribution network. In Melbourne’s growth corridors, Ferntree Gully zone substation was rebuilt, while the Clyde North Stage Two and Doreen zone substations were commissioned.

The roll out of natural gas to 12 communities in western Victoria continued with the gas distribution network extended to another five towns during the year. Residents and businesses in Gisborne, New Gisborne, Macedon, Port Fairy and Woodend all enjoyed the convenience of natural gas for the first time, joining Creswick which was connected in early 2006. The remaining six towns in the programme are on schedule for connection by the end of 2007.



Expanding Growth Extending Boundaries

“SParking” across boundaries aptly describes our growth strategy. Our people are challenged to redefine geographical and business boundaries to provide reliable and efficient utility services to enhance economies and quality of life.

We search the region for strategic investments such as the proposed acquisition of Australian energy utility company **Alinta Ltd.**

SP Global Solutions went into operation to engage country utilities and regulatory authorities through the provision of consultancy and training services.

EXPANDING GROWTH
CORPORATE FINANCE & STRATEGIC INVESTMENTS

Disciplined and Focused Approach

Over the last five years, the Group has transformed into a major utility infrastructure player in the Asia Pacific, by leveraging its merger and acquisition capability and financial strength.

We have unlocked significant shareholder value through proactive capital management, divestment of assets and the listing of our Australian business.

The Group's proforma return on equity for the year under review was a steady 17.4 per cent.

In executing our growth strategy, we adopt a disciplined approach to acquisition opportunities and are selective of the assets we acquire. We only pursue businesses where we can add value (operational and



SP Group has transformed into a major utility infrastructure player in the Asia Pacific.

EXPANDING GROWTH CORPORATE FINANCE & STRATEGIC INVESTMENTS

financial), and through our participation, enhance the local economy and quality of life for our customers.

During the year, we raised S\$950 million of debt in the domestic and international markets. As a reflection of our financial prudence and disciplined growth strategy, Moody's and Standard & Poor's have reaffirmed our Group's credit rating of Aa1 and AA respectively.

INCREASED PRESENCE IN AUSTRALIA

We are looking to expand our presence in Australia. In March 07, SP International jointly with Babcock & Brown International Pty Ltd entered into a Scheme Implementation Agreement to acquire Alinta Ltd. Alinta is Australia's largest energy infrastructure company.

This will be another strategic acquisition for the SP Group, providing a strong fit between Alinta's wires and pipes businesses with our existing portfolio of assets in Australia. In addition, these businesses will provide sectoral and geographical diversification for our Australian portfolio, providing us with an enlarged footprint that will include Queensland and New South Wales.

An Amended and Restated Scheme Implementation Agreement was entered into between the various parties in May 07. The Scheme is subject to approvals from Alinta's shareholders and the court as well as from the relevant regulatory authorities in Australia.



SP Group is looking to expand its presence in Australia.

EXPANDING GROWTH
SP GLOBAL SOLUTIONS

Ideal Partner for Utility Needs

SP Global Solutions coordinates and markets SP Group's wealth of knowledge and expertise in operating energy utility businesses. Launched in April 06, the business unit provides specialised training and consultancy services for country utilities and development authorities.

SP Group's knowledge spans the entire energy utility value chain from regulatory management, network planning, design, development and maintenance to metering, data management, billing and customer services.



SP Global Solutions shares our wealth of knowledge and expertise with country utilities and development authorities.

As both owner and operator of energy delivery networks, SP Group has the experience to provide solutions that are both cost effective and pragmatic to implement.

Our combined Group's unique expertise spans underground networks to overhead transmission lines. We have also pioneered application of state-of-the-art technology in condition monitoring, network reliability enhancement and quality power delivery.

Our excellent track record of delivering first-class network performance, and successful infrastructure planning and management to support rapid growth, commands considerable traction in the international energy market.

GROWING SALES PIPELINE

Since its inception, SP Global Solutions has successfully secured S\$2.7 million worth of training and consultancy projects in China and the Gulf region. In its sales pipeline are another S\$10 million worth of projects.



Enhancing Capabilities

With SP Group's expansion, staff skills and expertise need to be constantly enhanced. Systems and practices need to keep pace with market changes and increased volumes.

We invest in developing our human resources and in ensuring our information systems facilitate operational efficiency. We have in place an enterprise-wide risk management framework to monitor risk at all levels of our operations.

ENHANCING CAPABILITIES
HUMAN RESOURCES

Developing Our People's Potential

Our people's expertise, and their drive to set new benchmarks and achieve our shared goals, are critical to the Group's superior performance. We invest considerable resources to develop our staff's skills and nurture their work-life balance so they lead healthy and enriching lives. We stress a culture of open communication so each staff has a sense of empowerment, and ownership of the company and its performance.

With almost 3,900 staff in Singapore and Australia, enhancing our employees' skills is key to strengthening our core competencies and sustaining our world-class performance standards.

During the year in review, each staff went through 56 hours of training in areas ranging from technical and computer skills to customer service, safety and crisis management, and leadership training. At the same time, we continued to expand our talent pool through our undergraduate scholarship programme and selective recruitment to meet staffing needs.

In January 07, SP Group was again awarded the People Developer Standard for another three years. The certification by SPRING Singapore, since 2000, recognises the Group's exceptional staff development and training initiatives. The award is given to companies that have successfully implemented a Total People Development System to bring out the best in

their employees and leverage human capital for better business results.

As part of their career development plan, five staff received overseas work experience. Three employees, from SP Holdings, SP PowerGrid and PowerGas, were assigned to SP AusNet, while two employees from SP AusNet were attached to SP PowerGrid and PowerGas. These overseas attachments help our employees to better understand cross-cultural business issues and encourage sharing of best practices within the SP family.

EXPANDING OUR TALENT POOL

The expansion of our talent pool saw the sponsoring of four local scholars who will join us as Management Associates upon graduation. As part of their development plan, they will be given leadership training and exposure to different aspects of our business through challenging fast-paced assignments and job rotation across subsidiaries.

To ensure that we employ some of the best talent every year to support our new IT-related business initiatives, the Group has committed to recruit four IT scholars over the next four years under the Infocomm Development Authority of Singapore's scholarship scheme.

ENHANCING CAPABILITIES HUMAN RESOURCES

In Australia, we recruited more apprentices and trainees in the first quarter of 2007, as part of our efforts to ensure our ability to manage electricity and gas networks well into the future, and address the issue of an ageing workforce in Australia's energy industry.

RECOGNISING AND ENGAGING OUR PEOPLE

Our performance management system is designed to nurture a culture of superior performance with a fair and transparent reward system. Our staff work towards clear targets that accelerate achievement of the Group's goals. Successful attainment of these targets determines each staff's increment, promotion and incentive rewards.

Schemes such as the ACE (Appreciation for Commitment and Excellence) Awards further recognise employees who excel in their work performance and help the company achieve its goals. Five employees received Special Awards during the Management Annual Plan Seminar 2007 for their exemplary customer-oriented attitude.

NURTURING WORK-LIFE BALANCE

To nurture a dynamic and meaningful work environment, we strive to promote healthy work-life balance among our staff. The SP Quality Life Programme is under the purview of an enthusiastic committee that has introduced activities and tools for staff to better manage work-life issues. These range



Trust in colleagues is one of the deliverables demanded of our staff attending leadership training at the Outward Bound School.

from physical fitness and family-bonding activities to personal financial management talks.

These innovative efforts have been recognised. The Group won the Singapore H.E.A.L.T.H (Helping Employees Achieve Life-Time Health) Gold Award from the Health Promotion Board in 2006, as well as the Work-Life Achiever Award from the Ministry of Manpower in our first year of participation.

In Australia, SP AusNet was named an “Employer of Choice for Women” by the Equal Opportunity for Women in the Workplace Agency. This prestigious status is unrivalled in the Australian energy network sector.



SP AusNet is an “Employer of Choice for Women” – a status unrivalled in the Australian energy network sector.



We continue to expand our talent pool through our undergraduate scholarship programme and selective recruitment to meet staffing needs.

SOLID UNION-MANAGEMENT PARTNERSHIP

SP enjoys a strong partnership with the Union of Power and Gas Employees (UPAGE) through a consultative and open approach to resolving operational and strategic issues. In May 06, a union-management breakfast get-together was held to warmly welcome the union’s newly-elected executive committee following its triennial conference. The event provided yet another opportunity for interaction as part of the long-term relationship of cooperation and rapport between union and management.

ENHANCING CAPABILITIES
INFORMATION SYSTEMS

New Systems To Support Growth

Our information systems infrastructure supports millions of transactions monthly, and is key to our delivering superior customer service and operational efficiency. FY2006/07 saw a major upgrading of our information technology infrastructure and software to better support growth, empower staff and increase productivity.

We upgraded our Data Centre to a Tier 3 infrastructure with power upgrade, in line with industry standards for major data centres. The strengthened power infrastructure provides better resilience to support the critical functions of the computer centre and increases our capacity to prepare for future growth. The upgrade also involved



Our upgraded information technology infrastructure better supports growth, empowers staff and increases productivity.

the installation of fewer and more compact servers, reducing space utilised for computers by 20 per cent.

The MSSL Server infrastructure, which supports services to our key customers, was upgraded to cater for the projected growth to 15,000 major customers in three years. This enhancement ensures high service levels are maintained for our industrial customers, even as volumes grow. Fewer but more efficient servers were installed, resulting in savings of S\$540,000 annually on hardware and software maintenance costs.

The upgrading of workgroup switches and cabling at SP Services provided our staff with dedicated rather than shared switch ports, increasing their ability to process bills and transactions more speedily. The new switches also support higher bandwidth to allow further security enhancements and future video screening applications.

During the year, the various sub-systems that support our human resource management functions were fully integrated into one system incorporating personnel, leave, benefits, recruitment, payroll and performance management modules. Each staff can now self-administer payroll statement printing, expense claims and leave applications. The system is part of our strategy to use technology to improve our efficiency in human capital management.

An Enterprise Portal, installed in November 06, facilitates our staff's increasingly mobile work style. With secure access provided through a virtual private network, the web-based portal can be accessed from anywhere, anytime. The "one-stop" hub gives our employees quick access to information



The robust infrastructure of the Enterprise Portal facilitates our staff's increasingly mobile work style.

on developments within the Group, important events, staff recreational activities, as well as perform administrative tasks. The hub also facilitates communication of our shared vision, goals and accomplishments to bond and motivate our staff.

An Enterprise Fax Server system installed in March 07 enables our staff to send and receive faxes through their email and do away with fax paper and machines. At the SP Services Call Centre, the fax server system reduces turnaround time as faxes no longer have to be separately updated into the Customer Management System. The project is expected to save the Call Centre and other departments over S\$200,000 in three years.

ENHANCING CAPABILITIES
ENTERPRISE RISK MANAGEMENT

Ownership and Accountability

During the year in review, SP Group continued to advance its risk management practices through clearer ownership and accountability of risk in all business units.

Building on the traditional qualitative approach, SP Group adopted stochastic risk assessment models in its enterprise-wide risk management framework to evaluate and quantify risk at all levels of operations. Standard risk assessment tools, metrics and procedures

have been institutionalised into the business processes of the Group. Risk management considerations are now also embedded into all decision-making processes.

SP Group is committed to good risk management practices beyond corporate governance, extending into the key drivers of our business. Next year, SP Group will embark on a group-wide communication initiative making every employee a risk manager in his area of responsibility.



Every employee will be a risk manager in his area of responsibility.

Caring Corporate Citizen

As a responsible corporate citizen, SP Group is committed to contributing to the welfare of the communities in which it operates. SP Group's employees have a year-long calendar of fund-raising events and volunteer activities to support the needy elderly in Singapore and youth development in Australia. We also invest our resources in helping to protect the environment and promote energy conservation.

SUPPORTING THE NEEDY ELDERLY

In Singapore, our staff raised over S\$1.22 million for the SP Heartware Fund, surpassing the S\$1 million-a-year target set in October 05. The fund helps the needy elderly live with dignity. It ensures they have hot meals daily, and provides personal hygiene care, laundry service, and transport for medical check-ups. These services are administered under the Community



At our Electricity Efficiency Centre, visitors – even the very young – can obtain information and advice on the efficient use of electricity.

COMMUNITY & ENVIRONMENT



Raising S\$600,000 for the SP Heartware Fund at the SP Charity Dinner Concert

Chest's Home Help Service programme run by six voluntary organisations.

Major fund-raising events such as a charity dinner concert, charity golf game, two appeal mailers, and a staff pledge-card drive with dollar-for-dollar matching by the Group, raised more than S\$1 million.

We donated three vans and an ambulance worth S\$195,000 for the elderly at Sunlove Home Help Service, Moral Home Help Service and TOUCH Home Care. We also contributed to the Community Chest SHARE programme and various charities such as the Assisi Home & Hospice, Singapore Action Group of Elders, Kidney Dialysis Foundation and The Salvation Army.

Several staff sacrificed their lunchtimes in December 06 to gift-wrap over 1,000 items collected for the elderly in a major Gift Donation Drive. Our

employees also spent time bringing the elderly from the SWAMI Home Help Service to a Christmas Light-Up Tour of Orchard Road, and in organising a Lunar New Year party for residents of the Sunlove Home Help Service.

SP Group has a long history of supporting Singapore's National Day celebrations. As principal sponsor, we contributed S\$200,000 to the 2006 event.

CARING FOR YOUTHS

In Australia, the SP AusNet Community Development Fund sponsors the Victorian Energy Education and Training programme which provides young people with short stints of industrial training. The initiative provides the youths with hands-on understanding of the energy industry and maximises their opportunities for successful job placement. The fund also supports rural firefighting agencies.

CONSERVING ENERGY

We are committed to helping our customers conserve energy. SP Services operates the Electricity Efficiency Centre where consumers can obtain information and advice on the efficient use of electricity.

The refurbished SP Building serves as a useful example when persuading our clients to use energy-efficient products that will help them save money over time and protect the environment.



Raising funds for the needy elderly with the SP Charity Golf Game

The SP Building was revitalised with modern aluminium cladding which eases maintenance as well as provides an extra layer of insulation against heat. The building's energy efficiency and sound and thermal insulation were significantly improved with

new double-glazed windows and the replacement of chillers, chilled water pipes and air-handling units.

SP Services has also switched to double-sided printing of monthly utility bills to reduce paper usage. Its new enterprise fax system enables staff to send and receive faxes through email and do away with fax paper.

PROTECTING THE LAND AND VEGETATION

In Australia, SP AusNet focused its commitment to protecting the environment by establishing a Sustainability Working Group to drive development of its sustainability strategies, monitoring and reporting. This strategic approach will help increase the effectiveness of the company's various environmental projects.



The SP Building has improved energy efficiency and sound and thermal insulation.

COMMUNITY & ENVIRONMENT

SP AusNet's long-standing partnership with the Landcare Australia environmental group was elevated to Silver Level status in recognition of its substantial contributions to local environmental works and indigenous re-vegetation projects in both urban and rural areas.

Its Landcare Australia sponsorship funding is designed to effect landscape change, develop native growth corridors near transmission easements and educate landowners on managing vegetation.

This was boosted by SP AusNet's further involvement as a founding member of Greening Australia's Greening Circle, as well as the establishment of its own in-house Green Team.

Greening Australia works with farmers, community groups, land agencies, schools, companies and individuals to protect and restore indigenous vegetation.



SP AusNet employees planting over 800 grasses and shrubs in a single morning on the transmission easement near Merri Creek in inner Melbourne.

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