

Financial Management

FUNDING

In the course of the year, we increased our Medium Term Note Programme from S\$500 million to S\$2 billion in line with our strategy to diversify our sources of funding. We continue to seek to expand our relationships with banks in Singapore for access to bilateral facilities. The increase in funding resources will allow SembCorp Industries to grasp opportunities as they arise.

We reduced our net borrowings by about S\$900 million by utilising proceeds from divestments and cashflows generated from our operations. Net gearing was reduced to 0.6 times from 1.3 times, attributable to the lower borrowings and improved shareholders' funds from the share placement during the year, and proceeds from divestments and profits for the year.

We are focused on maintaining an appropriate mix of committed and uncommitted facilities, fixed and floating rate borrowings, prudent financial ratios and reducing the cost of funding. As such, committed funding consists of 84 per cent of the Group's borrowings and 66 per cent of the overall debt portfolio is not exposed to

interest rate fluctuations. The maturity profile of SembCorp Industries is now more evenly spread over different maturities that reduce the impact of refinancing risks. The weighted average cost of funding has been reduced to 4.0 per cent from 4.6 per cent in the previous year.

IMPROVEMENT IN WORKING CAPITAL MANAGEMENT

We have made a concerted effort towards improvement of our cashflow generation and have generated an improved cashflow from operations of S\$530 million compared to a negative cashflow of S\$109 million in the previous year. This improvement of cashflow by S\$639 million was achieved through greater efficiency of debt collection and a more effective creditor management.

RISK MANAGEMENT

We have strengthened our risk management through an Enterprise Risk Management programme to raise the awareness of the importance of risk management in all activities carried out throughout SembCorp Industries. Steps are underway to incorporate risk management perspectives in core operational activities.

Chief Risk Officers have been appointed in SembCorp Industries and its Key Businesses to coordinate and implement the Enterprise Risk Management programme and a structured and systematic approach towards risk management, risk assessment plans and reporting.

FINANCIAL DISCIPLINE AND CORPORATE GOVERNANCE

A systematic approach has been introduced for SembCorp Industries and its Key Businesses to review financial discipline in the Group.

We have set up a certification process for our major subsidiaries to confirm their commitment to and compliance with a prudent financial discipline framework. The framework provides for checklists to systematically highlight the requirements of new accounting standards, recognition of foreseeable losses and impairment of assets. It also establishes the propriety of revenue and cost recognition, assets valuation, liabilities recording and allows for early identification of areas of potential exposures which can then be addressed to minimise any adverse impact to the Group.

FINANCING & TREASURY HIGHLIGHTS

	2002	%	2001	%
	S\$m		S\$m	
SOURCE OF FUNDING				
Funded bank facilities, capital markets and available funds				
Funded facilities available for drawdown	4,520		3,379	
Cash and cash equivalents	482		409	
Total facilities and available funds	5,002		3,788	
Less: Amount drawn down	(1,615)		(2,384)	
Unutilised funded facilities and funds available	3,387		1,404	
Unfunded bank facilities				
Unfunded facilities available for drawdown	1,285		1,076	
Less: Amount drawn down	(890)		(736)	
Unutilised unfunded facilities available	395		340	
Total unutilised facilities and funds available	3,782		1,744	
Committed facilities				
Committed facilities available	1,517		1,669	
Amount drawn	1,517		1,669	
PROFILE OF GROUP BORROWINGS				
Maturity profile				
Due within 1 year	408	22	1,153	44
Due between 1 to 2 years	252	14	21	1
Due between 2 to 5 years	575	32	455	17
Due after 5 years	580	32	979	38
	1,815	100	2,608	100
Debt mix				
Floating rate debt	612	34	1,442	55
Fixed rate debt	1,203	66	1,166	45
	1,815	100	2,608	100
Currency denomination of debt				
SGD	1,562	86	2,223	85
USD	176	10	339	13
Others	77	4	46	2
	1,815	100	2,608	100
DEBT RATIOS				
Interest cover ratio				
Net profit before interest, tax, depreciation and amortisation	508		484	
Interest on borrowings	94		90	
Interest cover (times)	5.4		5.4	
Debt/equity ratio				
Non-recourse project financing	657	36	562	22
Long term debt	811	45	947	36
Short term debt	347	19	1,099	42
	1,815	100	2,608	100
Less: Cash and cash equivalents	(482)		(409)	
Net Debt	1,333		2,199	
Net Debt excluding project financing	772		1,777	
Net Gearing excluding project financing (times)	0.4		1.0	
Net Gearing including project financing (times)	0.6		1.3	
Cost of Funding				
Floating		2.8		3.7
Fixed		4.5		5.2
Weighted Average Cost of Capital		4.0		4.6