

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on February 11, 2004.

1. Domicile and Activities

SembCorp Industries Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 30 Hill Street #05-04, Singapore 179360.

The principal activities of the Company are those of an investment holding company, as well as the corporate headquarters which gives strategic direction and provides management services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 41 to the financial statements.

The immediate and ultimate holding company during the financial year is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the "Group") and the Group's interests in associates and joint ventures.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standard (FRS) including related Interpretations (INT) promulgated by the Council on Corporate Disclosure and Governance (CCDG).

The financial statements were previously prepared in accordance with Singapore Statements of Accounting Standard (SAS). The transition from SAS to FRS did not give rise to any adjustments to the opening balances of revenue reserves of the prior and current years or changes in comparatives.

The financial statements, which are expressed in Singapore dollars thousands unless stated otherwise, are prepared on the historical cost basis.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are those companies controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another company.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In respect of acquisitions accounted for by the use of purchase method of accounting goodwill, which represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is accounted for in accordance with note 2 (e).

Business combinations which meet the criteria set out in Section 69B of the Act and in FRS No. 22, "Business Combinations", are accounted for under the pooling of interests method in the preparation of the consolidated financial statements. Under this method of accounting, the difference between the nominal value of the share capital issued and the nominal value of shares received is taken to the merger deficit/reserve.

(ii) Associates

Associates are companies in which the Group has significant influence, but not control, over the financial and operating policies.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another company.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued unless the Group has incurred obligations or made payments on behalf to satisfy obligations of the associates that the Group has guaranteed or otherwise committed.

2. Summary of Significant Accounting Policies *(continued)*

(b) Consolidation *(continued)*

(iii) Joint Ventures

Joint ventures are those enterprises whose activities the Group has joint control over, established by contractual agreement.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has joint control over the enterprise.

For incorporated joint ventures, the Group accounts for the results of the joint ventures in the same manner as associates, from the date joint control commences until the day that the joint control ceases.

For unincorporated joint ventures, the proportionate share in the unincorporated joint ventures' individual income, expenses, assets and liabilities are included in financial statements of the Group with items of a similar nature on a line by line basis.

(iv) Accounting for Associates and Joint Ventures

Investments in associates and joint ventures are stated in the Company's balance sheet at cost less impairment losses. The Group's investments in these entities includes goodwill on acquisition, net of accumulated amortisation.

The results of the associates and joint ventures are included in the Company's profit and loss account to the extent of dividends received and receivable, provided the Company's right to receive the dividend is established before the balance sheet date.

(v) Transactions Eliminated on Consolidation

All significant intra-group transactions, balances and unrealised gains are eliminated on consolidation. Unrealised gains resulting from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Disposals

On disposal of a subsidiary, an associate or a joint venture, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement in Group reserves is included in the calculation of the profit or loss on disposal.

(vii) Accounting Policies of Subsidiaries

Where necessary, accounting policies for subsidiaries and material associates and joint ventures have been adjusted on consolidation to be consistent with the policies adopted by the Group.

(c) Foreign Currencies

(i) Measurement Currency

Items included in the financial statements of each company in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that company ("the measurement currency"). The consolidated financial statements are presented in Singapore dollars, which is the measurement currency of the Company.

(ii) Foreign Currency Transactions

Monetary assets and liabilities in foreign currencies, except for foreign currency assets and liabilities hedged by forward exchange contracts, are translated into Singapore dollars at rates of exchange approximate to those ruling at the balance sheet date. Foreign currency assets and liabilities hedged by forward exchange contracts are translated into Singapore dollars at the contracted forward exchange rates. Transactions in foreign currencies are translated at rates ruling on transaction dates. Translation differences are included in the profit and loss account, except:

- Where foreign currency loans provide an effective hedge against the net investment in foreign subsidiaries, associates and joint ventures, exchange differences arising on the loans are recognised directly in equity until disposal of the investment.
- Where monetary items in substance form part of the Group's net investment in the foreign subsidiaries, associates and joint ventures, exchange differences arising on such monetary items are recognised directly in equity until disposal of the investments.

(iii) Foreign Operations

Where the Group's foreign operations are not considered an integral part of the Company's operations, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. The results of foreign operations are translated at the average exchange rates for the year. Exchange differences arising on translation are recognised directly in equity.

Where the foreign operations are integral to the Company's operations, the financial statements are translated as if all transactions had been entered into by the Company itself. Accordingly, monetary items of the foreign operation are translated into Singapore dollars at the rate of exchange approximate to those ruling at the balance sheet date; non-monetary items of the foreign operation which are carried at cost are translated into Singapore dollars at the rate of exchange approximate to those ruling at the transaction date. The results of the foreign operation are translated at the average exchange rate for the year. Exchange differences arising on translation are included in the profit and loss account.

2. Summary of Significant Accounting Policies *(continued)***(d) Property, Plant and Equipment****(i) Owned Assets**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Revaluation Surplus

Any increase on revaluation is credited to revaluation reserve unless it offsets a previous decrease in value recognised in the profit and loss account. A decrease in value is recognised in the profit and loss account where it exceeds the increase previously recognised in the revaluation surplus of the same asset.

(iii) Subsequent Expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Disposal

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

For property, plant and equipment carried at revalued amounts, any related revaluation surplus is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal.

(v) Finance Leased Assets

Finance leases are those leasing agreements that give rights approximating to ownership. Property, plant and equipment acquired by way of such leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account. Capitalised leased assets are depreciated over the shorter of the economic useful life of the asset and the lease term.

(vi) Provision for restoration costs

A provision is recognised for the costs expected to be incurred to dismantle, remove and restore the asset upon expiry of the lease agreement. The estimated costs forms part of the cost of the property, plant and equipment and is depreciated over the useful life of the asset.

(vii) Depreciation

Depreciation is provided on a straight-line basis so as to write off items of property, plant and equipment, and major components that are accounted for separately, over their estimated useful lives as follows:

| | |
|--|--|
| Leasehold land and wet berthage | Lease period ranging from 20 to 60 years |
| Land improvements | Lease period ranging from 20 to 60 years |
| Buildings | 60 years or remaining lease period, if lower |
| Improvements to premises | 1 to 10 years |
| Quays and dry docks | 60 years or remaining lease period, if lower |
| Floating docks | 20 years |
| Plant and machinery | 3 to 30 years |
| Marine vessels | 3 to 25 years |
| Tools and workshop equipment | 3 to 10 years |
| Motor vehicles | 2 to 10 years |
| Furniture, fittings and office equipment | 1 to 10 years |

No depreciation is provided on freehold land and capital work-in-progress.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

2. Summary of Significant Accounting Policies *(continued)*

(e) Intangible Assets

(i) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill arising on acquisitions of associates and joint ventures is included in investments in associates and investments in joint ventures respectively.

(ii) Negative Goodwill

Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable net assets acquired over the cost of acquisition. Negative goodwill is presented as a deduction from assets in the same balance sheet classification as goodwill.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

(iii) Goodwill/Negative Goodwill prior to January 1, 2001

Goodwill/Negative goodwill arising on acquisition that occurred prior to January 1, 2001, is taken to capital reserves and where this resulted in a net debit balance in the capital reserve account, the net debit balance was taken to revenue reserves. The attributable goodwill will be taken to the profit and loss account when (a) the business is disposed or discontinued or (b) the goodwill is impaired.

(iv) Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(v) Other Intangible Assets

Other intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

(vi) Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(vii) Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of the intangible assets. Goodwill is amortised from the date of initial recognition; other intangible assets are amortised from the date the asset is available for use. The estimated useful lives are as follows:

| | |
|-------------------------------|---------------|
| Goodwill | 1 to 20 years |
| Capitalised development costs | 10 years |

(f) Financial Assets

Debt and equity securities held for the long-term are stated at cost adjusted for amortisation of premium and accretion of discounts, less allowance for impairment loss which, in the opinion of the directors, is other than temporary. Premium or discount is amortised on acquisition of the investment on the straight line basis over the period of the investment.

Debt and equity securities held for the short-term are stated at lower of cost and market value, on a portfolio basis. Any increases or decreases in carrying amount are included in the profit and loss account.

Profits or losses on disposal of financial assets are determined as the difference between the net disposal proceeds and the carrying amount of the financial assets and are accounted for in the profit and loss account as they arise.

2. Summary of Significant Accounting Policies *(continued)*

(g) Derivative and Hedging

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes.

Forward exchange contracts are stated at fair value. Fair value differences are included in the profit and loss accounts, except where:

- Foreign exchange contracts are used to hedge anticipated future currency transactions, the fair value differences are deferred until the forecasted transaction occurs; and
- Foreign exchange contracts are used to hedge against net investment in foreign entity, the fair value differences are recognised in equity until the disposal of the investment.

The interest rate swap agreements are accounted for in a manner consistent with the costs of the underlying borrowings being hedged. Where there is an excess of such interest rate swap agreements over the underlying borrowings, these interest rate swap agreements are valued at market prices and the resultant profits and losses are taken up in the profit and loss account.

Contract for differences are accounted for based on the difference between contracted price entered with the counterparty and the reference price. Contract for differences gains and losses are taken to the profit and loss account upon settlement.

Fuel oil swaps hedge the price risk of anticipated future fuel oil transactions and the gains and losses are taken to the profit and loss account upon contract settlement. The hedge transactions are recognised at the contracted rate when materialised.

(h) Inventories

(i) *Finished Goods and Components*

Except for inventories of gold bullion and numismatic items containing gold which are stated at current market price, inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) *Long-term Contracts*

The accounting policy for recognition of contract revenue is set out in note 2 (r)(ii). When the outcome of a long-term contract can be estimated reliably, contract revenue and costs are recognised as income and expense using the percentage of completion method. When the outcome of a long-term contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that can probably be recovered and contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Long-term contracts-in-progress at the balance sheet date are recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress claims and allowance for foreseeable losses, and are presented in the balance sheet as "Work-in-progress" (as an asset) or "Excess of progress claims over work-in-progress" (as a liability), as applicable. Long-term contract costs include cost of direct materials, direct labour and costs incurred in connection with the project.

Progress claims not yet paid by the customer are included in the balance sheet under "Trade receivables". Amounts received before progress claims are included in the balance sheet, as a liability, as "Advances on long-term contract".

(iii) *Properties held for sale*

Properties held for sale are stated at the lower of cost and net realisable value.

Cost includes cost of real estate purchased, construction cost, finance cost and other direct expenditure and related overheads incurred during construction. Net realisable value represents the estimated selling price less anticipated cost of disposal.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount, and if carrying values exceed this recoverable amount, assets are written down.

(i) *Deferred Asset Grants*

Asset related grants are credited to a deferred asset grants account and are released to the profit and loss account on the straight-line basis over the estimated useful lives of the relevant assets.

Income related grants are credited to the profit and loss account in the period to which they relate.

2. Summary of Significant Accounting Policies *(continued)*

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

(k) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the recoverable amount of an asset is less than its carrying amount. The impairment loss is charged to the profit and loss account unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(l) Liabilities and Interest-Bearing Liabilities

(i) Trade and other payables and interest bearing loans

These are recognised at cost.

(ii) Redeemable convertible loan stock

Convertible loan stock that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. The equity component of the convertible loan stock is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The equity component of the convertible loan stock is included in capital reserve. The interest expense is recognised in the profit and loss account on a straight line basis.

(m) Deferred Income

Deferred income relates mainly to advance payment received from customers in respect of connection and capacity charges for the supply and, delivery of gas and utilities. Deferred income is amortised on a straight-line basis over the period stipulated in the respective customer contract commencing from the date of supply and, delivery of gas and utilities.

(n) Employee Benefits

(i) Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense in the profit and loss account as incurred.

(ii) Defined Benefit Plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each defined benefit plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on high quality bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary on a regular basis using relevant actuary method such as projected unit credit method; in the intervening years the calculation is updated based on information received from the actuary.

When the benefits of a plan change, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit and loss account.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. They are recognised in the profit and loss account, over the expected average remaining working lives of the employees participating in the plan, only to the extent that their cumulative amount exceeds 10% of the greater of the present value of the obligation and of the fair value of plan assets. Unrecognised actuarial gains and losses are reflected in the balance sheet.

For defined benefit plans, the actuarial cost charged to the profit and loss account consists of current service cost, interest cost, expected return on plan assets and past service cost as well as actuarial gains or losses to the extent that they are recognised. The past service cost for the enhancement of pension benefits is accounted for when such benefit vests or becomes a constructive obligation.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iii) Short-term Compensated Absences

Provision is made when services are rendered by employees that increase their entitlement to future compensated absences.

2. Summary of Significant Accounting Policies *(continued)*

(n) Employee Benefits *(continued)*

(iv) Staff Retirement Benefits

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff retirement benefit plan or, in respect of unionised employees of a subsidiary who joined on or before December 31, 1988, based on an agreement with the Union.

The Group's net obligation in respect of retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected future salary increase and is discounted to its present value and the fair value of any related assets is deducted.

(v) Equity and Equity-Related Compensation Benefits

Share Option Plan

The share option programme allows the Group's employees to acquire shares of the Group companies. No compensation cost or obligation is recognised when share options are issued under Executives' Share Option Scheme. When options are exercised, equity is increased by the amount of the proceeds received.

Performance Share Plan

An initial estimate is made for the cost of compensation under the Group's performance share plan based on the number of shares expected to be awarded at the end of the performance period, valued at market price at the date of the grant of the award. The cost is charged to the profit and loss account on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance criteria relate.

At each reporting date, the compensation cost is remeasured based on the latest estimate of the number of shares that will be awarded considering the performance criteria and the market price of the shares at the reporting date. Any increase or decrease in compensation cost over the previous estimate is recorded in the profit and loss account for that reporting period.

The final measure of compensation cost is based on the number of shares ultimately awarded and the market price at the date the performance criteria are met.

Restricted Stock Plan

An estimate is made for the cost of compensation under the Group's restricted stock plan based on the numbers of shares expected to be awarded for the year upon satisfactory completion of time-based service condition, valued at market price at the reporting date. The cost is charged to the profit and loss account on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance criteria relate.

(o) Provisions

A provision is recognised in the balance sheet when there is a legal or constructive obligation as a result of a past event, the obligation can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Deferred Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

(q) Share Capital

(i) Preference Share Capital

Preference share capital is classified as equity if it is non-redeemable. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders.

(ii) Dividend

Dividends on redeemable convertible preference share capital are recognised as liability on an accrual basis. Other dividends are recognised as liability in the period in which they are declared.

Dividends on redeemable convertible preference share capital classified as a liability are accounted for as interest expense. Dividends on ordinary shares and redeemable convertible preference share capital classified as equity are accounted for as movements in revenue reserve.

2. Summary of Significant Accounting Policies *(continued)*

(r) Revenue Recognition

(i) *Income on goods sold and services rendered*

Revenue on goods sold is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue on service work is recognised when the work is completed. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) *Contract Revenue*

Revenue from repair work, engineering, overhaul, service work and marine and civil construction contracts is recognised based on the percentage of completion method measured by reference to the value of work performed relative to the total contract value. Allowance is made where applicable for any foreseeable losses on contracts as soon as the possibility of the loss is ascertained.

(iii) *Shipping income*

Shipping income, which comprises charter hire fees, is recognised on an accrual basis.

(iv) *Electricity revenue*

Revenue is billed and recognised upon delivery.

(v) *Dividend and interest income*

Dividend income is recognised in the profit and loss account when the right to receive payment is established.

Interest income is recognised on an accrual basis.

(s) Operating Leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease payments made.

(t) Interest Costs

Interest expense and similar charges are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale. The interest components of finance lease payments is recognised in the profit and loss account using the effective interest rate method.

(u) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(v) Discontinuing Operations

A discontinuing operation is a clearly distinguishable component of the Group's business that will be abandoned or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

3. Property, Plant and Equipment

| Group | Leasehold and | | | | Furniture, | | | | Total | |
|---|---|---------------------------|-----------------|-------------------|----------------|------------------------------|----------------------|----------------|----------|--------------------------|
| | freehold land, buildings and wet berthage | Improve-ments to premises | Quays and docks | Plant & machinery | Marine vessels | Tools and workshop equipment | and office equipment | Motor vehicles | | Capital work-in-progress |
| Cost | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Balance at January 1, 2003 | 988,558 | 95,756 | 332,002 | 1,494,032 | 80,746 | 32,505 | 138,841 | 73,818 | 45,774 | 3,282,032 |
| Translation adjustments | (5,631) | 486 | - | 2,178 | 2,729 | (63) | 247 | 83 | 813 | 842 |
| Additions | 10,593 | 4,446 | - | 62,895 | 14,982 | 2,367 | 9,574 | 5,236 | 36,257 | 146,350 |
| Acquisition of subsidiaries | 68,574 | 133 | - | 400,868 | - | 1,251 | 7,527 | 7,466 | 25,626 | 511,445 |
| Reclassification | 4,721 | (42) | - | 9,916 | (61) | 101 | 337 | 82 | (15,054) | - |
| Disposals | (2,285) | (229) | - | (23,392) | (8,057) | (2,584) | (3,246) | (12,696) | (9,066) | (61,555) |
| Disposals of subsidiaries | (55,220) | - | - | (27,001) | - | (4,797) | (8,739) | (1,213) | (15,477) | (112,447) |
| Balance at December 31, 2003 | 1,009,310 | 100,550 | 332,002 | 1,919,496 | 90,339 | 28,780 | 144,541 | 72,776 | 68,873 | 3,766,667 |
| Accumulated Depreciation and Impairment Losses | | | | | | | | | | |
| Balance at January 1, 2003 | 307,437 | 55,713 | 104,114 | 436,093 | 24,779 | 25,766 | 103,987 | 53,999 | 6,380 | 1,118,268 |
| Translation adjustments | (987) | 307 | - | (568) | 2,313 | (54) | 319 | 21 | - | 1,351 |
| Depreciation for the year | 28,981 | 5,154 | 7,601 | 102,842 | 4,878 | 2,217 | 15,230 | 6,104 | - | 173,007 |
| Acquisition of subsidiaries | 6,926 | 26 | - | 34,887 | - | 588 | 5,569 | 3,409 | - | 51,405 |
| Reclassification | 217 | 10 | - | 93 | - | 11 | (29) | (16) | (286) | - |
| Disposals | (1,053) | (64) | - | (20,035) | (7,414) | (2,459) | (2,682) | (11,265) | (1,767) | (46,739) |
| Disposals of subsidiaries | (25,259) | - | - | (17,727) | - | (2,347) | (4,876) | (621) | - | (50,830) |
| Allowance made for impairment losses - net | 5,478 | 66 | - | 426 | - | - | - | 12 | - | 5,982 |
| Balance at December 31, 2003 | 321,740 | 61,212 | 111,715 | 536,011 | 24,556 | 23,722 | 117,518 | 51,643 | 4,327 | 1,252,444 |
| Depreciation charge for 2002 | 31,526 | 4,722 | 7,683 | 92,875 | 4,641 | 4,238 | 17,862 | 10,002 | 1 | 173,550 |
| Carrying Amount | | | | | | | | | | |
| At December 31, 2003 | 687,570 | 39,338 | 220,287 | 1,383,485 | 65,783 | 5,058 | 27,023 | 21,133 | 64,546 | 2,514,223 |
| At December 31, 2002 | 681,121 | 40,043 | 227,888 | 1,057,939 | 55,967 | 6,739 | 34,854 | 19,819 | 39,394 | 2,163,764 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

3. Property, Plant and Equipment *(continued)*

(i) The depreciation charge of the Group in the profit and loss account for the year is arrived at as follows:

| | Note | 2003 | 2002 |
|--|-------|---------|---------|
| | | \$'000 | \$'000 |
| Charge for the year | | 173,007 | 173,550 |
| Amount capitalised in work-in-progress | | (652) | (2,797) |
| | 27(b) | 172,355 | 170,753 |

(ii) Property, plant and equipment with the following net book value have been pledged to secure loan and bank overdraft facilities granted to subsidiaries:

| | 2003 | 2002 |
|------------------------------|-----------|---------|
| | \$'000 | \$'000 |
| Freehold land and buildings | 173,150 | – |
| Leasehold land and buildings | 126,187 | 100,074 |
| Plant and machinery | 915,519 | 815,041 |
| Capital work-in-progress | 80 | 1,233 |
| Other assets | 31,114 | 7,002 |
| | 1,246,050 | 923,350 |

(iii) Assets with net book value of \$4,548,000 (2002: \$1,526,000) were acquired under finance lease.

(iv) Included in the cost of leasehold land and buildings, quays and dry docks and plant and machinery are amounts of \$120,866,000, \$100,900,000 and \$667,000 respectively which were stated at valuation. The revaluation was done on a one off basis prior to January 1, 1997.

(v) During the year, interest and direct staff costs were capitalised amounting to \$44,000 (2002: \$592,000) and \$659,000 (2002: \$867,000), respectively.

(vi) The impairment losses relate mainly to the write-down of leasehold and freehold land and buildings to recoverable amount.

The recoverable amount was determined based on its value in use, calculated based on projections of future market related rents and using the average annual yield for rental of freehold and leasehold properties of 4% and 8% and, or, by independent valuers having appropriate professional qualifications and experience in the location and category of the property being valued, at open market values on an existing use basis.

Company

| | Leasehold improvements | Motor vehicles | Furniture, fittings and equipment | Total |
|---|---------------------------|-------------------|---|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost | | | | |
| Balance at January 1, 2003 | – | 399 | 2,322 | 2,721 |
| Additions | 241 | 464 | 429 | 1,134 |
| Disposals/write off | – | (61) | (434) | (495) |
| Balance at December 31, 2003 | 241 | 802 | 2,317 | 3,360 |
| Accumulated Depreciation and Impairment Losses | | | | |
| Balance at January 1, 2003 | – | 204 | 1,679 | 1,883 |
| Depreciation for the year | 57 | 174 | 432 | 663 |
| Disposals/write off | – | (11) | (368) | (379) |
| Balance at December 31, 2003 | 57 | 367 | 1,743 | 2,167 |
| Depreciation charge for 2002 | 280 | 80 | 415 | 775 |
| Carrying Amount | | | | |
| At December 31, 2003 | 184 | 435 | 574 | 1,193 |
| At December 31, 2002 | – | 195 | 643 | 838 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

4. Investments in Subsidiaries

| | Company | |
|---------------------------------|------------------|------------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Quoted equity shares, at cost | 1,693,165 | 1,693,165 |
| Unquoted equity shares, at cost | 810,864 | 807,864 |
| Preference shares, at cost | 347,500 | 190,000 |
| | 2,851,529 | 2,691,029 |

Details of subsidiaries are set out in note 41 to the financial statements.

5. Interests in Associates

| | Group | |
|----------------------------------|----------------|----------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Investment in associates | 613,870 | 691,740 |
| Allowances for impairment losses | (18,818) | (128,904) |
| Carrying value | 595,052 | 562,836 |

Carrying value as at year end include goodwill on acquisition as follows:

| | Group | |
|----------------------------------|--------------|---------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Balance at beginning of the year | 10,121 | 29,271 |
| Amortisation charge for the year | (3,151) | (5,832) |
| Disposal of subsidiary | - | (13,318) |
| Balance at end of the year | 6,970 | 10,121 |

The amortisation charge for the year is included as share of associates' results during the year.

Investment in one of the associates amounting to \$23,228,000 (2002: \$16,483,000) is pledged to banks to secure loan facilities granted to the associate.

Details of the associates are set out in note 42 to the financial statements.

6. Interests in Joint Ventures

| | Group | |
|---------------------------------|----------------|----------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Investment in joint ventures | 278,904 | 299,265 |
| Allowance for impairment losses | (28,290) | (28,290) |
| Carrying value | 250,614 | 270,975 |

Carrying value as at year end include negative goodwill on acquisition as follows:

| | Group | |
|----------------------------------|-----------------|-----------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Balance at beginning of the year | (28,425) | 1,221 |
| Acquisition during the year | - | (30,639) |
| Amortisation during the year | 1,704 | 993 |
| Balance at end of the year | (26,721) | (28,425) |

The amortisation charge for the year is included as share of joint ventures' results during the year.

Details of the joint ventures are set out in note 43 to the financial statements.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

7. Other Financial Assets

| | Group | | Company | |
|---|-----------|-----------|---------|--------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (a) Non-Current Financial Assets | | | | |
| Equity shares | 155,530 | 197,377 | – | – |
| Unit trusts | 6,568 | 6,567 | – | – |
| Bonds | 80,441 | 63,711 | – | – |
| Funds | 11,946 | 12,424 | – | – |
| Corporate club memberships | 2,202 | 1,542 | 90 | 90 |
| | 256,687 | 281,621 | 90 | 90 |
| Allowance for impairment losses | (130,341) | (140,130) | – | – |
| | 126,346 | 141,491 | 90 | 90 |
| (b) Current Financial Assets | | | | |
| | | | 1,592 | 1,537 |
| Bonds and loan stocks | | | – | 719 |
| Equity shares | | | 46 | 45 |
| Other investments | | | 1,638 | 2,301 |
| Allowance for impairment losses | | | – | (503) |
| | | | 1,638 | 1,798 |

8. Long-Term Receivables and Prepayments

| | Note | Group | |
|--|------|----------|----------|
| | | 2003 | 2002 |
| | | \$'000 | \$'000 |
| Lease receivables due after 12 months | 9 | 56,827 | 63,867 |
| Trade receivables | 22 | 125,401 | 156,626 |
| Loan receivables (unsecured) | | 3,958 | 5,070 |
| Amount due from related parties | 24 | 19,584 | 57,425 |
| Prepayments | (a) | 60,215 | 66,757 |
| Recoverables | (b) | 67,112 | 58,285 |
| | | 333,097 | 408,030 |
| Less: allowance for doubtful receivables | | (3,958) | (3,958) |
| | | 329,139 | 404,072 |
| Amount due within one year | 13 | (11,464) | (15,918) |
| | | 317,675 | 388,154 |

(a) Prepayments

Prepayments relate primarily to:

- (i) capacity charges prepaid under the End User Agreement for gas delivery pipelines;
- (ii) connection fees prepaid under the Generation Connection and Use of System Agreement for the use of the transmission lines;
- (iii) service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tanks;
- (iv) prepaid Singapore Electricity Pool membership fees;
- (v) prepayments for future gas deliveries under the End User Agreement; and
- (vi) prepaid rent for the usage of storage capacity for commercial use.

Prepayments are charged on a straight-line basis over the period of prepayments except for prepaid gas supplies which will be expensed upon (i) delivery of gas or (ii) expiry of the contracted delivery period, whichever is earlier.

(b) Recoverables

Recoverables relate primarily to costs incurred by a subsidiary on behalf of a customer for the construction of a warehouse. This amount is recoverable over the contract period in which the subsidiary provides services to the customer.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

9. Lease Receivables

| Group | Minimum lease payment | Estimated residual value | Total gross investment in lease | Unearned interest income | Allowance for doubtful receivables | Net value of lease receivables |
|---------------------------------|-----------------------|--------------------------|---------------------------------|--------------------------|------------------------------------|--------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | (1) | (2) | (3) | (4) | (5) | (3)+(4)+(5) |
| 2003 | | | | | | |
| Within 1 year | 8,903 | – | 8,903 | (2,547) | (675) | 5,681 |
| After 1 year but within 5 years | 29,389 | 3,000 | 32,389 | (7,663) | – | 24,726 |
| After 5 years | 31,642 | 4,500 | 36,142 | (4,041) | – | 32,101 |
| | 69,934 | 7,500 | 77,434 | (14,251) | (675) | 62,508 |
| Amount due within 1 year | (8,903) | – | (8,903) | 2,547 | 675 | (5,681) |
| | 61,031 | 7,500 | 68,531 | (11,704) | – | 56,827 |
| 2002 | | | | | | |
| Within 1 year | 25,223 | 8,943 | 34,166 | (4,092) | (8,123) | 21,951 |
| After 1 year but within 5 years | 32,801 | 3,000 | 35,801 | (8,887) | – | 26,914 |
| After 5 years | 37,970 | 4,500 | 42,470 | (5,517) | – | 36,953 |
| | 95,994 | 16,443 | 112,437 | (18,496) | (8,123) | 85,818 |
| Amount due within 1 year | (25,223) | (8,943) | (34,166) | 4,092 | 8,123 | (21,951) |
| | 70,771 | 7,500 | 78,271 | (14,404) | – | 63,867 |

Under the terms of the lease agreements, no contingent rents are recognised. These lease receivables relate mainly to leases of marine vessels which the lessees have the option to purchase the marine vessels during the term of the leases.

10. Intangible Assets

| Group | Note | Goodwill | Others | Total |
|---|-------|----------|--------|---------|
| | | \$'000 | \$'000 | \$'000 |
| Cost | | | | |
| Balance at beginning of the year | | 57,971 | 17,502 | 75,473 |
| Translation adjustments | | (651) | (64) | (715) |
| Acquisition of subsidiary | | (8,721) | – | (8,721) |
| Additions during the year | | 93,391 | 296 | 93,687 |
| Write off | | (9) | – | (9) |
| Disposal of subsidiary | | (1,494) | – | (1,494) |
| Balance at end of the year | | 140,487 | 17,734 | 158,221 |
| Accumulated Amortisation and Impairment Losses | | | | |
| Balance at beginning of the year | | 10,006 | 13,128 | 23,134 |
| Translation adjustments | | (8) | (3) | (11) |
| Amortisation charge for the year | 27(b) | 4,256 | 1,433 | 5,689 |
| Disposal of subsidiary | | (75) | – | (75) |
| Balance at end of the year | | 14,179 | 14,558 | 28,737 |
| Amortisation charge for 2002 | | 3,648 | 1,521 | 5,169 |
| Carrying Amount | | | | |
| At December 31, 2003 | | 126,308 | 3,176 | 129,484 |
| At December 31, 2002 | | 47,965 | 4,374 | 52,339 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

11. Deferred Tax

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

| Group | Charged/ (credited) to profit and | | | | At Dec 31, 2003 \$'000 |
|---------------------------------|---|-------------------------------------|--|--------------------------------------|------------------------------|
| | At Jan 1, 2003 \$'000 | loss account (note 28) \$'000 | Acquisition of subsidiary \$'000 | Translation adjustments \$'000 | |
| Deferred tax liabilities | | | | | |
| Property, plant and equipment | 82,013 | 11,313 | 35,459 | 258 | 129,043 |
| Interest in associates | 12,138 | 780 | – | – | 12,918 |
| Inventories | 2,101 | (2,101) | – | – | – |
| Other items | 706 | (41) | 285 | 10 | 960 |
| Total | 96,958 | 9,951 | 35,744 | 268 | 142,921 |
| Deferred tax assets | | | | | |
| Property, plant and equipment | (3,182) | (841) | – | (68) | (4,091) |
| Inventories | (1,084) | (274) | – | – | (1,358) |
| Trade receivables | (3,525) | (884) | (17) | (16) | (4,442) |
| Trade and other payables | (3,174) | 65 | – | (34) | (3,143) |
| Tax losses | (1,798) | 2,737 | (1,332) | (17) | (410) |
| Provisions | (2,923) | 3,173 | (26,281) | (412) | (26,443) |
| Other items | (2,818) | 1,889 | (75) | – | (1,004) |
| Total | (18,504) | 5,865 | (27,705) | (547) | (40,891) |

| Company | Charged/ (credited) to profit and | | |
|---------------------------------|---|-------------------------------------|------------------------------|
| | At Jan 1, 2003 \$'000 | loss account (note 28) \$'000 | At Dec 31, 2003 \$'000 |
| Deferred tax liabilities | | | |
| Property, plant and equipment | 195 | – | 195 |

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting are as follows:

| | Group | | Company | |
|--------------------------|------------------|-----------------|----------------|----------------|
| | 2003 \$'000 | 2002 \$'000 | 2003 \$'000 | 2002 \$'000 |
| Deferred tax liabilities | (117,203) | (83,780) | (195) | (195) |
| Deferred tax assets | 15,173 | 5,326 | – | – |
| | (102,030) | (78,454) | (195) | (195) |

The following items have not been included in the computation of deferred tax assets.

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2003 \$'000 | 2002 \$'000 | 2003 \$'000 | 2002 \$'000 |
| Deductible temporary differences | 101,685 | 116,834 | 596 | 1,187 |
| Tax losses | 312,703 | 257,757 | – | – |
| Capital allowances | 122,400 | 56,116 | – | – |
| | 536,788 | 430,707 | 596 | 1,187 |

The tax losses of the Group amounting to \$142,748,000 (2002: \$65,933,000) expire between 2004 and 2012 (2002: 2003 and 2007). The deductible temporary differences do not expire under current tax legislation.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

11. Deferred Tax (continued)

Deferred tax assets have not been recognised under the following circumstances:

- (a) where they are qualified for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; and
- (b) where it is uncertain that future taxable profit will be available against which the Group can utilise the benefits.

12. Inventories and Work-In-Progress

| | Note | Group | |
|--------------------------------------|------|----------|----------|
| | | 2003 | 2002 |
| | | \$'000 | \$'000 |
| Raw materials | | 40,060 | 78,426 |
| Finished goods | | 64,156 | 33,753 |
| | | 104,216 | 112,179 |
| Allowance for inventory obsolescence | | (10,481) | (8,191) |
| | | 93,735 | 103,988 |
| Work-in-progress | (a) | 459,766 | 386,430 |
| | | 553,501 | 490,418 |
| Properties held for sale, at cost | (b) | 154,886 | 196,201 |
| Allowance for foreseeable losses | | (52,269) | (65,144) |
| | | 102,617 | 131,057 |
| | | 656,118 | 621,475 |

(a) Work-in-progress:

| | | |
|---|-------------|-------------|
| Costs | 3,295,699 | 2,835,269 |
| Attributable profits | 63,246 | 93,047 |
| Allowance for foreseeable losses | (82,119) | (70,890) |
| | 3,276,826 | 2,857,426 |
| Progress billings received and receivable | (2,949,651) | (2,566,524) |
| | 327,175 | 290,902 |
| Comprising: | | |
| Work-in-progress | 459,766 | 386,430 |
| Excess of progress billings over work-in-progress | (132,591) | (95,528) |
| | 327,175 | 290,902 |

Inventory includes raw materials and finished goods stated at net realisable value of \$94,000,000 (2002: \$104,000,000).

Interest expenses capitalised as development costs, representing actual borrowing costs incurred in financing the purchases of land and development, amounted to \$Nil (2002: \$1,561,000) during the financial year.

- (b) Properties held for sale relates mainly to a 20-storey residential development at 130 Cairnhill Road, on a freehold land area of 4,304 sqm and with gross floor area of 12,051 sqm and a 10-storey residential development at 27 - 35 Yan Kit Road, on a freehold land area of 2,283 sqm and with gross floor area of 6,360 sqm.

13. Trade and Other Receivables

| | Note | Group | | Company | |
|---|------|-----------|-----------|---------|---------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade receivables | 22 | 781,562 | 741,688 | - | - |
| Other receivables, deposits and prepayments | 23 | 379,477 | 251,139 | 32,506 | 22,972 |
| Advance to suppliers | | 1,882 | 9,294 | - | - |
| Amount due from related parties | 24 | 156,725 | 276,166 | 233,505 | 335,005 |
| Current portion of long-term receivables | 8 | 11,464 | 15,918 | - | - |
| Current portion of lease receivables | 9 | 5,681 | 21,951 | - | - |
| | | 1,336,791 | 1,316,156 | 266,011 | 357,977 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

14. Cash and Cash Equivalents

| | Note | Group | | Company | |
|--|------|-----------------|----------|---------------|--------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Bank balances, fixed deposits and cash | | 679,000 | 482,059 | 18,907 | 16,241 |
| Bank overdrafts | | | | | |
| - secured | | (96) | (1,635) | - | - |
| - unsecured | | - | (10,217) | - | - |
| | | (96) | (11,852) | - | - |
| | | 678,904 | 470,207 | 18,907 | 16,241 |
| Restricted cash balances | (i) | (55,716) | (53,831) | - | - |
| Amounts used in cash flow statements | | 623,188 | 416,376 | 18,907 | 16,241 |

Included in the bank balances, deposits and cash of the Group are the following:

- (i) Restricted cash balances represent fixed deposits of \$54,379,000 (2002: \$53,754,000) pledged as security for bank facilities granted to certain subsidiaries and cash at bank of \$1,337,212 (2002: \$76,856) frozen in foreign banks which are not immediately available for use.
- (ii) Cash at bank amounting to \$38,743,135 (2002: \$12,045,629) held under The Project Account Rules under the Housing Developers, withdrawals of which is restricted to payments for development expenditure incurred for property developed for sales.
- (iii) The use of subsidiaries' cash and cash equivalents of \$145,087,175 (2002: \$95,896,115) is restricted to working capital purpose and repayments of loan in accordance with the terms stipulated in the loan agreement entered by the subsidiary with its bankers.

15. Trade and Other Payables

| | Note | Group | | Company | |
|------------------------------------|------|------------------|-----------|------------------|-----------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade payables | | 615,607 | 626,251 | - | - |
| Advance payments from customers | | 59,100 | 61,910 | - | - |
| Amount due to related parties | 24 | 88,978 | 78,022 | 1,379,562 | 1,279,527 |
| Other payables and accrued charges | 25 | 709,405 | 757,864 | 16,579 | 14,974 |
| | | 1,473,090 | 1,524,047 | 1,396,141 | 1,294,501 |

16. Provisions

| Group | Obligations relating to Loan undertakings | | Net exposure arising from legal claims | Legal, professional, and other related expenses | Provision for onerous contract | | Provision for claims and Others | | Total |
|---|---|---------|--|---|--------------------------------|--------|---------------------------------|----------|-------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | | |
| Balance at beginning of year | 30,889 | 8,554 | 156,000 | 50,000 | - | - | 10,740 | 256,183 | |
| Translation adjustments | 33 | - | - | - | 515 | - | 557 | 1,105 | |
| Acquisition of subsidiaries | - | - | - | - | 43,429 | - | 8,952 | 52,381 | |
| Provision made/(written back) during the year | 8,223 | (1,977) | - | - | - | 11,997 | 5,180 | 23,423 | |
| Provisions utilised during the year | - | (5,140) | - | - | (8,503) | - | (3,056) | (16,699) | |
| Balance at end of year | 39,145 | 1,437 | 156,000 | 50,000 | 35,441 | 11,997 | 22,373 | 316,393 | |
| Provision due: | | | | | | | | | |
| - within 1 year | 39,145 | 1,437 | 156,000 | 50,000 | 2,100 | 11,997 | 12,544 | 273,223 | |
| - after 1 year | - | - | - | - | 33,341 | - | 9,829 | 43,170 | |
| | 39,145 | 1,437 | 156,000 | 50,000 | 35,441 | 11,997 | 22,373 | 316,393 | |

16. Provisions *(continued)*

Loan Undertakings

This relates to the Group's share of loan undertakings of joint ventures, associates and other investee companies.

Obligations Relating to Disposal of Business

This mainly relates to the disposal of marine services business in which a subsidiary retains certain obligations in respect of outstanding receivables, salvage and insurance claims, and vessels condition pursuant to the Sales and Purchase Agreement.

Net Exposure Arising from Legal Claims

The provision represents the Group's exposure to the ongoing litigations, as detailed in note 36 (a) and (b).

Provision for onerous contracts

A subsidiary, which was acquired by the Group during the year, has long-term power purchase and site service agreements with a customer. Based on certain contract terms which the subsidiary considered to be onerous, a provision has been made for the future anticipated excess costs that are expected to be incurred. These are calculated based on forward commodity market prices and discounted to net present value using a rate of 11%. This provision is remeasured at each year-end.

Provision for claims

This provision relates to the obligations arising from contractual and commercial arrangements in a subsidiary's operations, based on the best estimate of the outflow considering both contractual and commercial factors. These claims are expected to be settled by the middle of 2004.

Others

This relates mainly to provision for:

- (i) Losses and other claims in respect of customers' inventories managed by a subsidiary;
- (ii) Warranty in respect of a completed project. The provision is based on estimates made from historical warranty data associated with similar projects;
- (iii) Deferred contingent consideration in respect of amounts payable by a subsidiary under the purchase agreement for assets and working capital subject to the satisfaction of certain conditions; and
- (iv) Restoration costs relating to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The subsidiary expects to incur the liability upon termination of the lease.

17. Employee Benefits

| | Note | Group | | Company | |
|---|------|---------------|--------|--------------|--------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Compensation cost for Share option plan | (a) | 2,238 | 1,142 | 2,238 | 1,142 |
| Provision for retirement benefit and gratuities | (b) | 51,135 | 4,877 | – | – |
| | | 53,373 | 6,019 | 2,238 | 1,142 |
| Current | | 3,542 | 809 | 1,684 | 809 |
| Non-current | | 49,831 | 5,210 | 554 | 333 |
| | | 53,373 | 6,019 | 2,238 | 1,142 |

(a) Compensation Costs for Share option plan

Movements in compensation cost for share option plan are as follows:

| | Note | Group | | Company | |
|--|-------|--------------|---------|--------------|---------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at beginning of the year | | 1,142 | 3,224 | 1,142 | 2,224 |
| Provision (written back)/ made during the year | 27(a) | 1,096 | (1,082) | 1,096 | (1,082) |
| Disposal of subsidiary | | – | (1,000) | – | – |
| Balance at end of the year | | 2,238 | 1,142 | 2,238 | 1,142 |

17. Employee Benefits *(continued)*

(a) Compensation Costs for Share option plan *(continued)*

Share-based Incentive Plans

The Company's Share Option Plan, Performance Share Plan and Restricted Stock Plan (collectively, the "Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 3, 2000.

The Executive Resource and Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Peter Seah Lim Huat (Chairman)
Goh Geok Ling
K Shanmugam
S Iswaran (Appointed on March 11, 2003)

The Share Option Plan is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the Performance Share Plan and Restricted Stock Plan are aimed primarily at key executives of the Group.

The Share Option Plan provides the Company with means whereby non-executive directors and employees of the Group, and certain categories of persons who can make significant contributions through their close working relationship with the Group, such as non-executive directors and employees of the Company's Parent Group and non-executive directors and employees of the Company's associates, are given an opportunity to participate in the equity of the Company.

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group, Parent Group or the Company's associates by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc. or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised Options. The Committee may determine the number of Shares comprised in that Option which may be exercised and the period during which such Option shall be exercisable, being a period not later than the expiry of the Exercise Period in respect of that Option. Such Option may be exercised at any time notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Exercise Period in respect of such Option.

The Company designates Temasek Holdings (Private) Limited as the Parent Company and the Singapore Technologies Pte Ltd Group as being part of the Parent Group.

The Performance Share Plan and Restricted Stock Plan award fully-paid shares to participants to achieve pre-determined targets that create and enhance economic values for shareholders of the Company, or to accomplish time-based service conditions. Awards will be released to participants as fully-paid shares, or their equivalent cash value or combinations thereof, free-of-charge provided that the conditions of the awards are achieved and subject to approval by the Committee.

Awards granted under the Performance Share Plan are released at the end of the performance period only when the pre-determined targets have been achieved. There are no vesting periods beyond the performance achievement periods. Awards granted under the Restricted Stock Plan vest only after satisfactory completion of time-based service conditions, or where the award is performance related, after a further period of service beyond the performance target completion date. No minimum vesting period is prescribed under the Restricted Stock Plan and the length of the vesting period in respect of each award will be determined on a case-by-case basis. Performance-based restricted awards differ from awards granted under the Performance Share Plan in that an extended vesting period is imposed beyond the performance target completion date.

The Share Plans are intended to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group.

Other information regarding the Share Option Plan is as follows:

- (i) The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.
- (ii) The options can be exercised 12 months after the grant for market price options and 24 months for discounted options. Further vesting period for the exercise of the options may be set.
- (iii) The options granted expire after 5 years for non-executive directors, associates' employees and 10 years for the employees of Group and Parent Group.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

17. Employee Benefits (continued)

(a) Compensation Costs for Share option plan (continued)

As at the end of the financial year, details of the options granted under the Share Option Plan on the unissued ordinary shares of \$0.25 each of the Company were as follows:

Movements of share options outstanding:

| Date of grant of options | Exercise price \$ | Number of options outstanding at Jan 1, 2003 | Options granted | Options exercised | Options cancelled/ lapsed/ not accepted | Number of options outstanding at Dec 31, 2003 | Number of options exercisable at Jan 1, 2003 | Number of options exercisable at Dec 31, 2003 | Proceeds on options exercised during the year | |
|--------------------------|-------------------|--|-----------------|-------------------|---|---|--|---|---|-------------------------|
| | | | | | | | | | Credited to share capital \$'000 | Credited premium \$'000 |
| 21/04/1998 | 1.294 | 2,156,106 | - | - | (2,156,106) | - | 2,156,106 | - | - | - |
| 12/05/1998 | 1.172 | 741,745 | - | (334,682) | (407,063) | - | 741,745 | - | 84 | 308 |
| 19/05/1999 | 2.260 | 497,968 | - | - | (91,779) | 406,189 | 497,968 | 406,189 | - | - |
| 15/09/1999 | 2.120 | 14,000 | - | - | - | 14,000 | 14,000 | 14,000 | - | - |
| 26/06/2000 | 1.990 | 734,000 | - | - | - | 734,000 | 382,000 | 558,000 | - | - |
| 26/06/2000 | 1.990 | 11,300,600 | - | - | (826,700) | 10,473,900 | 7,481,250 | 8,564,225 | - | - |
| 24/07/2000 | 2.260 | 6,810,220 | - | - | (389,736) | 6,420,484 | 6,810,220 | 6,420,484 | - | - |
| 24/07/2000 | 2.120 | 204,455 | - | - | - | 204,455 | 204,455 | 204,455 | - | - |
| 19/04/2001 | 1.550 | 777,000 | - | - | - | 777,000 | 220,500 | 406,000 | - | - |
| 19/04/2001 | 1.550 | 13,494,200 | - | - | (873,200) | 12,621,000 | 6,368,975 | 7,870,850 | - | - |
| 07/05/2002 | 1.590 | 405,000 | - | - | - | 405,000 | - | 114,375 | - | - |
| 07/05/2002 | 1.590 | 7,881,500 | - | - | (276,000) | 7,605,500 | 84,500 | 3,480,875 | - | - |
| 17/10/2002 | 0.980 | 361,000 | - | (1,000) | - | 360,000 | - | 102,375 | -* | 1 |
| 17/10/2002 | 0.980 | 7,593,000 | - | (513,375) | (247,500) | 6,832,125 | - | 2,679,375 | 128 | 375 |
| 02/06/2003 | 1.140 | - | 381,500 | - | (2,000) | 379,500 | - | 17,500 | - | - |
| 02/06/2003 | 1.140 | - | 9,434,000 | (4,500) | (1,682,500) | 7,747,000 | - | 224,500 | 2 | 4 |
| 18/11/2003 | 1.290 | - | 418,500 | - | (39,000) | 379,500 | - | - | - | - |
| 18/11/2003 | 1.290 | - | 8,958,500 | - | (1,371,500) | 7,587,000 | - | - | - | - |
| | | 52,970,794 | 19,192,500 | (853,557) | (8,363,084) | 62,946,653 | 24,961,719 | 31,063,203 | 214 | 688 |

* less than \$1,000

17. Employee Benefits *(continued)*

(b) Provision for retirement benefits and gratuities

Movements in provision for retirement benefits and gratuities are as follows:

| | Note | Group | | Company | |
|--|-------|--------|--------|---------|--------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at beginning of the year | | 4,877 | 3,696 | – | – |
| Translation adjustments | | 775 | – | – | – |
| Acquisition of subsidiaries | | 43,408 | – | – | – |
| Provision made during the year, net of amount written back | 27(a) | 2,507 | 1,647 | – | – |
| Provision utilised | | (432) | (466) | – | – |
| Balance at end of the year | | 51,135 | 4,877 | – | – |

(c) Defined Benefit Obligations

Our Group's two subsidiaries in United Kingdom provides pension arrangement to its employees through a defined benefit plan and the related costs are assessed in accordance with the advice of professionally qualified actuaries. The pension scheme is funded by the payment of contributors to separately administered trust funds.

The details of the plans are as follows:

| | Group | |
|---|-----------|----------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Present value of unfunded obligations | 24,648 | 21,628 |
| Present value of funded obligations | 230,516 | 36,369 |
| Fair value of plan assets | (186,456) | (36,369) |
| Present value of net obligations | 68,708 | 21,628 |
| Actuarial losses not recognised in accordance with FRS 19 | (22,003) | (21,886) |
| Net liability/(asset) | 46,705 | (258) |

| | Group | |
|---|---------|---------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Movements in the net liability/(assets) are as follows: | | |
| At beginning of the year | (258) | – |
| Acquired in business acquisition | 44,089 | – |
| Contributions to pension fund | (6,994) | (2,797) |
| Expenses recognised during the year | 9,785 | 2,591 |
| Translation difference | 83 | (52) |
| | 46,705 | (258) |

Expense recognised in the profit and loss account

| | Note | Group | |
|--------------------------------|--------|---------|---------|
| | | 2003 | 2002 |
| | | \$'000 | \$'000 |
| Current service costs | | 7,582 | 2,760 |
| Interest on obligation | | 9,492 | 2,843 |
| Expected return on plan assets | | (8,316) | (3,251) |
| Actuarial losses | | 1,027 | 239 |
| | 27 (a) | 9,785 | 2,591 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

17. Employee Benefits (continued)

(c) Defined Benefit Obligations (continued)

The expense is recognised in the following line items in the profit and loss account:

| | Group | |
|---|----------------|---------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Cost of sales | 7,112 | 2,244 |
| Administrative expenses | 2,226 | 347 |
| Interest cost | 447 | – |
| | 9,785 | 2,591 |
| Actual (return)/decline in value of plan assets | (8,442) | 11,859 |

Principal actuarial assumptions

Principal actuarial assumptions at the balance sheet date (expressed range):

| | 2003 | 2002 |
|---|-----------|------|
| | % | % |
| Discount rate at December 31 | 5.3 - 5.4 | 5.5 |
| Expected return on plan assets at December 31 | Note (i) | 6.9 |
| Future annual salary increases | 3.8 - 4.3 | 3.3 |
| Future pension increases | 2.8 - 3.7 | 3.6 |

Note (i) The expected return on plan assets at December 31, 2003 are 2.7% and 7.2% for the two defined benefit plans.

Past service cost and net actuarial results are amortised over the estimated service life of the employees under plan benefits. The estimated service life for pension plans is 16 years.

18. Interest-Bearing Borrowings

| | Group | | Company | |
|--------------------------------|------------------|------------------|----------------|----------------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-current liabilities | | | | |
| Secured term loans | 781,185 | 662,648 | – | – |
| Unsecured term loans | 468,997 | 601,640 | 400,000 | 500,000 |
| Finance lease liabilities | 2,069 | 1,621 | – | – |
| | 1,252,251 | 1,265,909 | 400,000 | 500,000 |
| Current liabilities | | | | |
| Bank overdrafts | 96 | 11,852 | – | – |
| Secured term loans | 104,262 | 90,654 | – | – |
| Unsecured term loans | 575,204 | 259,913 | 100,000 | – |
| Finance lease liabilities | 2,487 | 1,059 | – | – |
| Loan stocks | – | 4,709 | – | – |
| | 682,049 | 368,187 | 100,000 | – |
| | 1,934,300 | 1,634,096 | 500,000 | 500,000 |

Maturity of liabilities (excluding finance lease liabilities)

| | Group | | Company | |
|---------------------------------|------------------|------------------|----------------|----------------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within 1 year | 679,562 | 367,128 | 100,000 | – |
| After 1 year but within 5 years | 860,473 | 758,389 | 400,000 | 350,000 |
| After 5 years | 389,709 | 505,899 | – | 150,000 |
| Total borrowings | 1,929,744 | 1,631,416 | 500,000 | 500,000 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

18. Interest-Bearing Borrowings (continued)

The terms of unsecured medium term notes issued by the Company are as follows:

| | Amount \$'000 | Redeemable at par on: |
|-----------|------------------|-----------------------|
| Tranche 1 | 250,000 | October 31, 2005 |
| Tranche 2 | 150,000 | June 6, 2008 |
| Tranche 3 | 100,000 | June 7, 2004 |
| | 500,000 | |

The secured loans are collateralised by the following assets:

| | Net Book Value | |
|------------------------------------|------------------|----------------|
| | 2003 \$'000 | 2002 \$'000 |
| Property, plant and equipment | | |
| – leasehold and freehold land | 243,320 | 41,728 |
| – plant and machinery | 906,318 | 803,736 |
| – others | 31,114 | 7,002 |
| Capital work-in-progress | 80 | 990 |
| Net assets of certain subsidiaries | – | 6,476 |
| Trade receivables | 7,698 | 21,859 |
| Other current assets | 106 | 158 |
| | 1,188,636 | 881,949 |

Bank overdraft of \$96,000 (2002: \$1,635,000) is secured by certain assets of a subsidiary with net book value of \$24,470,000 (2002: \$46,154,000).

Finance leases liabilities

The Group has obligations under finance leases that are payable as follows:

| | 2003 | | | 2002 | | |
|---------------------------------|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|
| | Payments \$'000 | Interest \$'000 | Principal \$'000 | Payments \$'000 | Interest \$'000 | Principal \$'000 |
| Group | | | | | | |
| Within 1 year | 2,751 | 264 | 2,487 | 1,354 | 295 | 1,059 |
| After 1 year but within 5 years | 2,224 | 226 | 1,998 | 1,825 | 447 | 1,378 |
| After 5 years | 80 | 9 | 71 | 257 | 14 | 243 |
| | 2,304 | 235 | 2,069 | 2,082 | 461 | 1,621 |
| Total | 5,055 | 499 | 4,556 | 3,436 | 756 | 2,680 |

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 2.5% to 12.28% (2002: 3.0% to 15.08%) per annum.

Loan stocks (unsecured)

The redeemable convertible loan stocks of a subsidiary were redeemed on October 31, 2003. The cumulative interest charged at 4% to 6% per annum amounting to \$1,760,000 were paid on the same date.

19. Other Long-term Liabilities

| | Note | Group | |
|-------------------------------|------|----------------|----------------|
| | | 2003 \$'000 | 2002 \$'000 |
| Deferred income | (a) | 52,850 | – |
| Deferred grants | | 1,058 | 6 |
| Amount due to related parties | 24 | 73,840 | 164,971 |
| Other long term loan | (b) | 4,000 | 4,089 |
| Deposits from customers | | 1,125 | 1,165 |
| | | 132,873 | 170,231 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

19. Other Long-term Liabilities *(continued)*

- (a) Deferred income relates mainly to advance payment received from customers in respect of connection and capacity charges for the supply and delivery of gas and utilities.
- (b) Included in other long-term loan is a loan to a subsidiary from a shareholder of an investee company held by that subsidiary amounting to \$2,500,000 (2002: \$2,500,000). The loan is unsecured, interest free and is repayable after 12 months. The subsidiary has granted an option to this shareholder to purchase all of the subsidiary's interest in the investee company for \$2,500,000 (2002: \$2,500,000).

20. Share Capital

| | Group and Company | |
|--|-------------------|---------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Authorised: | | |
| 2,000,000,000 ordinary shares of \$0.25 each | 500,000 | 500,000 |
| Issued and fully paid: | | |
| 1,821,715,064 (2002: 1,820,861,507) ordinary shares of \$0.25 each | 455,429 | 455,215 |

During the financial year, the Company issued 853,557 ordinary shares of \$0.25 each fully paid for cash upon the exercise of the options under the Company's Share Option Plan.

As at December 31, 2003, the Company's issued and paid up capital comprised 1,821,715,064 (December 31, 2002: 1,820,861,507) ordinary shares of \$0.25 each. In addition, there were 62,946,653 (December 31, 2002: 52,970,794) unissued ordinary shares of \$0.25 each granted under the Company's Share Option Plan.

21. Reserves – The Group and The Company

Share Premium

The application of the share premium account is governed by Section 69 of the Companies Act, Chapter 50.

Merger Reserve

Merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling of interest method.

Capital Reserve

The capital reserve includes the Group's share of capital reserves of associates and joint ventures, capitalisation of accumulated profits for issue of bonus shares by subsidiaries, and capital reserve (net of goodwill) on consolidation of subsidiaries, capital redemption reserve and convertible loan stock reserve.

Currency Translation Reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group, as well as from the translation of liabilities that hedge the Group's net investment in foreign entities.

22. Trade Receivables

| | Note | Group | |
|---|------|-----------|-----------|
| | | 2003 | 2002 |
| | | \$'000 | \$'000 |
| Trade receivables including work completed but unbilled | | 953,301 | 946,970 |
| Allowance for doubtful receivables | | (46,338) | (48,656) |
| Amount due after one year | 8 | (125,401) | (156,626) |
| | | 781,562 | 741,688 |

Included in trade receivables are retention monies on contracts amounting to \$61,068,342 (2002: \$27,795,218).

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

23. Other Receivables, Deposits and Prepayments

| | Note | Group | | Company | |
|------------------------------------|------|-----------------|----------|---------------|--------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Deposits | | 10,338 | 12,906 | 380 | 237 |
| Prepayments | | 41,747 | 35,754 | 849 | 793 |
| Tax recoverable | | 82,444 | 70,257 | 30,709 | 19,896 |
| Sundry receivables | (a) | 110,003 | 67,269 | 613 | 2,091 |
| Unbilled receivables | (b) | 107,336 | 63,437 | – | – |
| Loan receivables | | 8,822 | 27,943 | – | – |
| Recoverables | (c) | 45,232 | 16,252 | – | – |
| Interest receivable | | 830 | 446 | – | – |
| | | 406,752 | 294,264 | 32,551 | 23,017 |
| Allowance for doubtful receivables | | (27,275) | (43,125) | (45) | (45) |
| | | 379,477 | 251,139 | 32,506 | 22,972 |

(a) Sundry receivables include the following:

- (i) Amount due from external party on the sale of a joint venture, which is repayable in three instalments and will be fully repaid by December 31, 2004.
- (ii) Amount due from the end-users in respect of the Take-or-Pay arrangement under the End-Users Agreements.
- (iii) Amount of \$351,839 (2002: \$451,340) in respect of loans to directors of the subsidiaries and associates which were granted in accordance with employee loan schemes approved by the members of the subsidiaries and associates.

(b) Unbilled receivables represent revenue accrued for sale of utilities services, gas and other related products.

(c) Recoverable amount for the Group includes \$32 million (2002: nil) in respect of financing provided by a subsidiary to their customer for a vessel repair. It carries an interest rate of 4% per annum and this receivable, together with the trade receivable of \$21 million (2002: \$27 million) is secured by the first legal mortgage over the vessel.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

24. Amounts Due from/(to) Related Parties

| Group | Ultimate holding company | | | | Associates | | | | Joint ventures | | | | Related companies | | | | Minority shareholders of subsidiaries | | | | Total | |
|------------------------------------|--------------------------|--------|-----------|-----------|------------|----------|---------|---------|----------------|--------|--------|-----------|-------------------|--------|--------|--------|---------------------------------------|--------|--------|--------|---------|---------|
| | 2003 | | 2002 | | 2003 | | 2002 | | 2003 | | 2002 | | 2003 | | 2002 | | 2003 | | 2002 | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | | |
| Amounts due from: | | | | | | | | | | | | | | | | | | | | | | |
| Trade | - | - | 24,480 | 26,187 | 19,150 | 20,448 | 34,104 | 30,960 | 1,442 | - | - | - | - | - | - | - | - | - | - | - | 79,176 | 77,595 |
| Loans | - | - | 108,634 | 180,726 | 37,784 | 121,493 | - | 943 | - | - | - | - | - | - | - | - | - | - | - | - | 146,418 | 303,162 |
| Non-trade | 164 | 164 | 88,512 | 24,674 | 20,032 | 14,163 | 24,450 | 71,499 | 122 | 6,228 | 6,228 | 133,280 | 116,728 | 122 | 6,228 | 6,228 | 122 | 6,228 | 6,228 | 6,228 | 358,874 | 497,485 |
| Allowance for doubtful receivables | (164) | - | (148,446) | (130,394) | (30,733) | (30,647) | (3,222) | (2,853) | - | - | - | (182,565) | (163,894) | - | - | - | - | - | - | - | 176,309 | 333,591 |
| | - | 164 | 73,180 | 101,193 | 46,233 | 125,457 | 55,332 | 100,549 | 1,564 | 6,228 | 6,228 | 176,309 | 163,894 | - | - | - | - | - | - | - | 176,309 | 333,591 |
| Amounts due: | | | | | | | | | | | | | | | | | | | | | | |
| Within 1 year | 13 | - | 54,811 | 59,865 | 45,018 | 109,546 | 55,332 | 100,363 | 1,564 | 6,228 | 6,228 | 156,725 | 276,166 | 13 | - | - | - | - | - | - | 156,725 | 276,166 |
| After 1 year | 8 | - | 18,369 | 41,328 | 1,215 | 15,911 | - | 186 | - | - | - | 19,584 | 57,425 | 8 | - | - | - | - | - | - | 19,584 | 57,425 |
| | - | 164 | 73,180 | 101,193 | 46,233 | 125,457 | 55,332 | 100,549 | 1,564 | 6,228 | 6,228 | 176,309 | 333,591 | - | - | - | - | - | - | - | 176,309 | 333,591 |

(i) Included in loans due from joint ventures is 1% unsecured loan stocks 1999 of \$5,250,000 (2002: \$5,250,000) which may, at option of a subsidiary, be converted at a certain ratio into shares in whole or in part at any time prior to the maturity date provided that all the stockholders shall convert the stocks at the same time. The maturity date of the loan stocks has been extended from October 16, 2003 to October 16, 2006.

(ii) Included in non-trade balance due from related companies are floating rate notes of \$23,500,000 (2002: \$70,000,000) issued by a related corporation, ST Treasury Services Limited and guaranteed by a related corporation, Singapore Technologies Pte Ltd. Interest on the floating rate notes range from 0.79% to 1.26% (2002: 0.95% to 2.88%) per annum.

(iii) Except as disclosed above, the remaining non-trade balances are unsecured, repayable on demand and interest free.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

24. Amounts Due from/(to) Related Parties (continued)

| Group | Note | Associates | | Joint ventures | | Related companies | | Minority shareholders | | Total | |
|-----------------|------|-----------------|-----------------|-----------------|-----------------|-------------------|-----------------|-----------------------|------------------|------------------|------------------|
| | | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Amounts due to: | | | | | | | | | | | |
| Trade | | (12,220) | (8,463) | (502) | (4,112) | (3,454) | (3,000) | (405) | – | (16,581) | (15,575) |
| Non-trade | | (6,877) | (30,901) | (9,532) | (10,653) | (2,380) | (5,809) | (9,403) | (8,911) | (28,192) | (56,274) |
| Loan | | (28,203) | (16,154) | – | (506) | (5,680) | (44,084) | (84,162) | (110,400) | (118,045) | (171,144) |
| | | (47,300) | (55,518) | (10,034) | (15,271) | (11,514) | (52,893) | (93,970) | (119,311) | (162,818) | (242,993) |
| Amounts due to: | | | | | | | | | | | |
| Within 1 year | 15 | (46,573) | (35,651) | (6,448) | (11,689) | (5,309) | (9,036) | (30,648) | (21,646) | (88,978) | (78,022) |
| After 1 year | 19 | (727) | (19,867) | (3,586) | (3,582) | (6,205) | (43,857) | (63,322) | (97,665) | (73,840) | (164,971) |
| | | (47,300) | (55,518) | (10,034) | (15,271) | (11,514) | (52,893) | (93,970) | (119,311) | (162,818) | (242,993) |

Included in loan due to minority shareholders of subsidiaries is a loan amounting to \$55,195,000 (2002: \$55,195,000) repayable in twenty semi-annual instalments commencing on the sixtieth month after the first draw down and the first repayment was due on April 22, 2002. The loan bears interest at three-months Singapore Dollar deposit rate plus 1.5%. The loan is secured against the leasehold land and building and plant and machinery of a subsidiary. The net book value of these assets amounted to \$65,218,000 (2002: \$69,896,000).

| Company | Note | Subsidiaries | | Associates | | Joint ventures | | Related companies | | Total | |
|-------------------|------|--------------------|--------------------|-------------|--------------|----------------|------------|-------------------|----------------|--------------------|--------------------|
| | | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Amounts due from: | | | | | | | | | | | |
| Non-trade | | 26,138 | 28,145 | 42 | 2,706 | 703 | 799 | 278 | 280 | 27,161 | 31,930 |
| Loans | | 206,344 | 303,075 | – | – | – | – | – | – | 206,344 | 303,075 |
| | 13 | 232,482 | 331,220 | 42 | 2,706 | 703 | 799 | 278 | 280 | 233,505 | 335,005 |
| Amounts due to: | | | | | | | | | | | |
| Non-trade | | (1,287,301) | (1,278,418) | (14) | (5) | – | – | (92) | (1,052) | (1,287,407) | (1,279,475) |
| Loans | | (92,155) | (52) | – | – | – | – | – | – | (92,155) | (52) |
| | 15 | (1,379,456) | (1,278,470) | (14) | (5) | – | – | (92) | (1,052) | (1,379,562) | (1,279,527) |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

25. Other Payables and Accrued Charges

| | Group | | Company | |
|----------------------------|----------------|----------------|---------------|---------------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Accrued operating expenses | 591,955 | 639,864 | 12,158 | 11,105 |
| Deposits | 13,775 | 11,244 | – | – |
| Accrued interest payable | 21,749 | 20,787 | 2,550 | 2,550 |
| Other payables | 81,926 | 85,969 | 1,871 | 1,319 |
| | 709,405 | 757,864 | 16,579 | 14,974 |

26. Turnover

Turnover comprises the following:

| | Group | |
|--|------------------|------------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Utilities services | 354,133 | 196,242 |
| Sale of gas, water and electricity | 1,008,114 | 539,368 |
| Construction and engineering related activities | 1,373,632 | 1,209,294 |
| Environmental management and related services | 187,131 | 133,770 |
| Integrated logistics and related services | 389,889 | 362,145 |
| Ship repair, building, conversion and related services | 1,040,313 | 992,588 |
| Abattoir, auction and related services | – | 141,031 |
| Food supplies | – | 251,258 |
| Rental income and property management service fees | 31,221 | 15,674 |
| Sales of goods | 157,264 | 183,133 |
| Miscellaneous services rendered (net) | 58,912 | 100,939 |
| Property sales | 33,218 | 49,739 |
| Others | 7,833 | 9,392 |
| | 4,641,660 | 4,184,573 |

27. Profit from Ordinary Activities before Taxation

Profit from ordinary activities before taxation include the following:

| | Note | Group | |
|---------------------------------------|-------|---------------|---------------|
| | | 2003 | 2002 |
| | | \$'000 | \$'000 |
| (a) Staff costs | | | |
| Staff costs | | 554,229 | 594,927 |
| Included in staff costs are: | | | |
| Directors' remuneration | | 2,314 | 2,935 |
| Provision made/(written back) for: | | | |
| – share-based incentives | 17(a) | 1,096 | (1,082) |
| – retirement benefits and gratuities | 17(b) | 2,507 | 1,647 |
| Contributions to: | | | |
| – defined benefit plan | 17(c) | 9,785 | 2,591 |
| – defined contribution plan | | 32,305 | 36,865 |
| Number of employees as at December 31 | | 15,898 | 15,135 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

27. Profit from Ordinary Activities before Taxation (continued)

| | | Group | |
|---|------|---------------|---------------|
| | Note | 2003 | 2002 |
| | | \$'000 | \$'000 |
| (b) Other expenses | | | |
| Allowance made/(written back) for impairment losses | | | |
| – property, plant and equipment | 3 | 5,982 | (5,722) |
| – interests in associates | | – | (490) |
| – investments held for short term | | – | 132 |
| – long-term investments | | (2,954) | (4,255) |
| – intangible assets | | – | 981 |
| Amortisation | | | |
| – intangible assets | 10 | 5,689 | 5,169 |
| – loan stock discount | | 425 | 98 |
| – goodwill for associates and joint ventures | | 1,447 | 4,839 |
| Non-audit fees paid/payable | | | |
| – auditors of the Company | | 873 | 1,059 |
| – other auditors | | 399 | 649 |
| Depreciation of property, plant and equipment | 3 | 172,355 | 170,753 |
| Professional fee paid to a firm in which a director is a member | | 410 | 860 |
| Operating lease expenses | | 37,808 | 23,643 |
| Property, plant and equipment written off | | 280 | 796 |
| Research and development expenditure | | – | 758 |
| (c) Non-operating income | | | |
| Exchange gain/(loss) | | 3,801 | (2,520) |
| Grants received | | | |
| – assets related | | – | 272 |
| – income related | | 610 | 246 |
| Gross dividend income | | 699 | 310 |
| Interest income | | | |
| – related companies | | 3,257 | 3,854 |
| – associates and joint ventures | | 5,782 | 4,415 |
| – banks and others | | 14,355 | 15,315 |
| Gain/(Loss) from disposal of | | | |
| – property, plant and equipment (net) | | 9,911 | 1,518 |
| – subsidiaries | | (471) | – |
| – associates | | 8,111 | 3,951 |
| – joint ventures | | 1,951 | – |
| – financial assets | | 5,012 | (138) |
| Rental income | | | |
| – related companies | | 357 | 373 |
| – associates and joint ventures | | 97 | 154 |
| (d) Interest costs | | | |
| Interest paid and payable to | | | |
| – related companies | | 351 | 1,872 |
| – associates and joint ventures | | 210 | 263 |
| – unsecured loan stocks | | 1,760 | 92 |
| – bank loans and others | | 76,912 | 91,294 |
| | | 79,233 | 93,521 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

27. Profit from Ordinary Activities before Taxation (continued)

| | Group | |
|--|----------------|---------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| (e) Exceptional items included in: | | |
| Cost of goods sold | | |
| Allowance made for foreseeable losses on work-in-progress | – | (64,447) |
| Write-down of development property arising from change of use | – | (27,495) |
| General and administrative expenses | | |
| Allowances made for impairments in | | |
| – property, plant and equipment | – | (53,548) |
| – interests in associates | – | (1,309) |
| – long-term investment | – | (12,593) |
| Allowance made for amounts due from related parties | – | (2,585) |
| Impairment loss on goodwill and intangible assets | – | (11,797) |
| Others | – | (583) |
| Non-operating income | | |
| Gain/(Loss) on disposals/dilution of | | |
| – associates | 107,784 | 40,919 |
| – subsidiaries | (1,702) | 167,951 |
| – long-term investment | – | 557 |
| | 106,082 | 35,070 |
| Share of results of associates | | |
| Impairment loss on goodwill arising from the acquisition of a subsidiary | – | (48,406) |

28. Income Taxes

| | Group | |
|--|----------------|-----------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Current tax expense | | |
| Current year | 34,725 | 53,737 |
| Under/(Over) provided in prior years | 1,828 | (586) |
| | 36,553 | 53,151 |
| Deferred tax expense | | |
| Movements in temporary differences | 15,987 | (6,597) |
| Reduction in tax rate | – | (6,357) |
| Over provided in prior years | (171) | (3,959) |
| | 15,816 | (16,913) |
| | 52,369 | 36,238 |
| Share of taxation: | | |
| – associates | 25,305 | 9,842 |
| – jointly-controlled entities | 10,533 | 8,288 |
| Income tax expense | 88,207 | 54,368 |
| Reconciliation of effective tax rate | | |
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Group | | |
| Profit before share of results of associates and joint ventures, and tax | 325,173 | 227,428 |
| Income tax using Singapore tax rates | 71,538 | 50,034 |
| Effect of reduction in tax rates | – | (6,357) |
| Effect of different tax rates in other countries | 2,867 | 6,722 |
| Tax incentives and income not subject to tax | (47,219) | (72,927) |
| Expenses not deductible for tax purposes | 30,727 | 26,723 |
| Utilisation of tax losses | (3,097) | (2,375) |
| Under/(Over) provided in prior years | 1,657 | (4,545) |
| Deferred tax benefit not recognised | 14,190 | 36,354 |
| Group tax relief | (18,889) | – |
| Others | 595 | 2,609 |
| Income tax expense | 52,369 | 36,238 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

29. Earnings Per Share – The Group

| | 2003 | 2002 |
|--|------------------|-----------|
| | \$'000 | \$'000 |
| (a) Basic earnings per share | | |
| Basic earnings per share is based on: | | |
| (i) Net profit for the year | 285,135 | 171,554 |
| (ii) Weighted average number of ordinary shares: | | |
| Issued ordinary shares at beginning of the year | 1,820,861 | 1,606,343 |
| Weighted average number of shares issued under | | |
| – Share placement | – | 196,146 |
| – Share Option Plan | 332 | 455 |
| | 1,821,193 | 1,802,944 |

(b) Diluted earnings per share

The average fair value of one ordinary share during 2003 was \$1.1946 (2002: \$1.3238) per share.

In calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the effects of all dilutive potential ordinary shares.

The weighted average number of ordinary shares adjusted for the unissued ordinary shares under the Share Option Scheme can be specified as follows:

| | 2003 | 2002 |
|---|------------------|-----------|
| | \$'000 | \$'000 |
| Weighted average number of shares issued used in the calculation | | |
| of basic earnings per share | 1,821,193 | 1,802,944 |
| Weighted average number of unissued ordinary shares under Share Option Plan | 14,869 | 10,852 |
| Number of shares that would have been issued at fair value | (13,287) | (8,653) |
| Weighted average number of ordinary shares | 1,822,775 | 1,805,143 |

30. Dividends

The directors have proposed a final dividend of 5.0 cents per share less tax (2002: final dividend of 3.0 cents per share less tax and special dividend of 1.5 cents per share less tax) in respect of the financial year ended December 31, 2003. The proposed dividend is subject to approval by shareholders at the next Annual General Meeting to be convened and has not been included as a liability in the financial statements.

Together with the interim dividend of 2.0 cents per share less tax, total dividend for the current financial year will be 7.0 cents per share less tax (2002: 4.5 cents per share less tax).

31. Discontinuing Operations

In 1998, pursuant to the merger between Singapore Technologies Industrial Corporation Ltd and Sembawang Corporation Limited, the Board of Directors approved the Group's plan to exit from its non-core businesses, namely property development, financial services and hotels and resorts so as to focus on its core businesses.

During the financial year, certain subsidiaries in the "Others" segment were sold or placed under voluntary liquidation. The Group continues to actively seek buyers for its non-core businesses.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

31. Discontinuing Operations *(continued)*

The total assets and liabilities, results and cash flows of the discontinuing operations are as follows:

| | Property development | Financial services | Hotels and resorts | Total |
|---|-------------------------|-----------------------|-----------------------|-----------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 2003 | | | | |
| Balance Sheet | | | | |
| Total assets | 149,512 | 7,936 | 250,459 | 407,907 |
| Total liabilities | (279,318) | (5,574) | (264,527) | (549,419) |
| Profit and Loss account | | | | |
| Turnover | 33,818 | 554 | 42,478 | 76,850 |
| Total expenses | (31,158) | 848 | (61,881) | (92,191) |
| Profit/(Loss) before taxation | 2,660 | 1,402 | (19,403) | (15,341) |
| Taxation | 1,607 | 52 | 231 | 1,890 |
| Profit/(Loss) after taxation | 4,267 | 1,454 | (19,172) | (13,451) |
| Minority interests | – | – | 134 | 134 |
| Net profit/(loss) attributable to shareholders | 4,267 | 1,454 | (19,038) | (13,317) |
| Cash Flows | | | | |
| Cash inflow/(outflow) from operating activities | 34,370 | 15,585 | (3,801) | 46,154 |
| Cash inflow/(outflow) from investing activities | 82 | 326 | (1,223) | (815) |
| Cash (outflow)/inflow from financing activities | (8,856) | (8,994) | 6,849 | (11,001) |
| Net cash inflow | 25,596 | 6,917 | 1,825 | 34,338 |
| 2002 | | | | |
| Balance Sheet | | | | |
| Total assets | 158,207 | 18,886 | 324,394 | 501,487 |
| Total liabilities | (292,280) | (17,979) | (309,912) | (620,171) |
| Profit and Loss account | | | | |
| Turnover | 139,066 | 1,777 | 46,707 | 187,550 |
| Total expenses | (158,629) | (2,197) | (65,460) | (226,286) |
| Loss before taxation | (19,563) | (420) | (18,753) | (38,736) |
| Taxation | (151) | (66) | (490) | (707) |
| Loss after taxation | (19,714) | (486) | (19,243) | (39,443) |
| Minority interests | – | – | 3,017 | 3,017 |
| Net loss attributable to shareholders | (19,714) | (486) | (16,226) | (36,426) |
| Cash Flows | | | | |
| Cash inflow from operating activities | 180,812 | 13,378 | 9,096 | 203,286 |
| Cash inflow/(outflow) from investing activities | – | 29,768 | (6,561) | 23,207 |
| Cash outflow from financing activities | (170,627) | (43,810) | (2,879) | (217,316) |
| Net cash inflow/(outflow) | 10,185 | (664) | (344) | 9,177 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

32. Prior Year Adjustment

On July 28, 2003, the Group announced the accounting anomalies uncovered at its SembCorp Logistics' Indian subsidiary. The effect of the accounting anomalies has been accounted for by restating comparatives and adjusting the opening balance of accumulated profits at January 1, 2002.

The impact is as follows:

| | Group | |
|--|----------------|----------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Effect of prior year adjustment on net profit for the year: | | |
| Net profit before effects of accounting anomalies | 285,135 | 178,333 |
| Prior year adjustment | – | (6,779) |
| Net profit for the year | 285,135 | 171,554 |
| Effect of prior year adjustment on accumulated profits: | | |
| Opening accumulated profits before effects of accounting anomalies | 677,953 | 539,978 |
| Prior year adjustment | (12,119) | (5,340) |
| Opening accumulated profits as restated | 665,834 | 534,638 |

33. Acquisitions and Disposals of Subsidiaries

During the financial year, there were the following acquisitions and disposals of subsidiaries:

| | Date of acquisition | Effective equity interest acquired | Cash Consideration | Impact on |
|--------------------------------------|---------------------|------------------------------------|--------------------|--------------------|
| | | | | Group's net profit |
| | | % | \$'000 | \$'000 |
| (a) Acquisitions by: | | | | |
| Utilities | | | | |
| SembCorp Utilities Teesside Ltd | April 15, 2003 | 100 | 289,780 | 17,494 |
| Nanjing SembCorp Suiwu Co Ltd | October 1, 2003 | 75 | 4,222 | (631) |
| SembCorp Gas Pte Ltd | December 1, 2003 | 20 | 53,451 | 600 |
| Environmental Engineering | | | | |
| SembWaste Cleantech Pte Ltd | April 21, 2003 | 100 | 8,120 | 1,006 |
| SembEnviro Tay Paper Pte Ltd | April 23, 2003 | 60 | 5,008 | 2,190 |
| Shanghai SembEnviro Reliance Co. Ltd | November 20, 2003 | 60 | 110 | – |
| Marine Engineering | | | | |
| PPL Shipyard Pte Ltd | July 1, 2003 | 35 | 14,700 | (3,493) |

The above acquisitions were accounted for using the purchase method.

| | Date of disposal | Effective equity interest disposed | Impact on | Impact on |
|-----------------------------------|-------------------|------------------------------------|-------------------------|-------------------------|
| | | | Group's 2003 net profit | Group's 2002 net profit |
| | | % | \$'000 | \$'000 |
| (b) Disposals by: | | | | |
| Utilities | | | | |
| Wong Heng Engineering Pte Ltd | August 5, 2003 | 70 | – | (4) |
| Logistics | | | | |
| Sem-PC Maritime Co. Ltd | March 31, 2003 | 52.38 | (46) | (146) |
| Others | | | | |
| Building Materials Group | May 31, 2003 | 100 | (3,115) | (10,783) |
| RSC (Vietnam) Investments Pte Ltd | December 31, 2003 | 95 | – | – |

The effect of acquisitions and disposals of subsidiaries' net assets is set out in the consolidated statement of cash flows on page 108.

34. Related Party Transactions**Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year on terms agreed between the parties as follows:

| | 2003 | 2002 |
|--------------------------------------|---------|--------|
| | \$'000 | \$'000 |
| Related Companies | | |
| Sales | 126,004 | 33,190 |
| Purchases including rental | 17,937 | 241 |
| Management fees paid/payable | 1,794 | 800 |
| Associates and Joint Ventures | | |
| Sales | 72,501 | 12,763 |
| Purchases including rental | 320,230 | 10,496 |

35. Financial Instruments**(a) Financial risk management objectives and policies**

The Group is subject to market risks including changes in interest rate, foreign currency, and commodity prices as well as credit risk. The Group has written risk management policies which set out the Group's expectations and objectives in the management of risks. Processes are put in place to monitor its risk management activities on a regular and timely basis.

The Group monitors and hedges, where appropriate, its exposure to fluctuations in interest rates, foreign currency and commodity prices. Exposures to foreign currency risks are also hedged naturally where possible.

(b) Working Capital Management

The Group manages its working capital requirements with the view to minimise cost and maintain a healthy level of liquidity having regard to the operating environment and expected cash flow of the Group. Working capital requirements are within the credit facilities established and are adequate and available to the Group to meet their obligations.

(c) Credit Risks

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis where credit evaluations are done on customers that require credit.

The Group only deals with pre-approved non-trade customers and financial institutions with good credit rating and imposes a cap on the amount to be transacted with any of these counterparties so as to reduce its concentration risks. To minimise the Group's counterparty's risk, the Group enters derivatives only with creditworthy financial institutions.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets.

(d) Commodity Risks

The Group hedges against fluctuations in commodity prices which affect revenue and cost. Exposures are managed via swaps, options, contract for differences and forward contracts.

Contracts for differences are entered into with its counterparty at a strike price, with or without fixing the quantity upfront to hedge against adverse price movements on the sale of electricity. Exposure to price fluctuations arising on the purchase of fuel is managed via fuel oil swaps where the price of fuel is indexed to a benchmark fuel price index, for example 180 CST fuel oil.

For precious metal commodities, like gold, hedges against fluctuations in metal price are by the use of forward contracts or options to purchase at an agreed price. The quantum of commitment is based on actual or forecasted requirements.

(e) Interest Rate Risks

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts, and long and short term borrowings. The Group enters into interest rate swaps to minimise its interest rate risk. In accordance with the Group's policy, the duration of such interest rate swaps do not exceed the tenor of the underlying debt.

(f) Foreign Currency Risks

The Group operates globally and is exposed to foreign currency exchange rate movement primarily in US Dollars, Swiss Francs, Sterling Pounds, Euros, Australian Dollars, Chinese Renminbi on sales and purchases, assets and liabilities which arise from daily operations. Such risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures or hedged naturally by a matching sale, purchase or a matching asset, liability of the same currency and amount.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

35. Financial Instruments *(continued)*

(g) Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they are repriced.

| Group | Note | Effective | Total | Within | 1 to 5 | After |
|---------------------------------|------|---------------|--------------------|-------------|-----------|----------|
| | | interest rate | | 1 year | years | 5 years |
| | | % | \$'000 | \$'000 | \$'000 | \$'000 |
| 2003 | | | | | | |
| Financial assets | | | | | | |
| Debts securities – long-term | | 6.87 | 67,737 | 8,815 | 7,116 | 51,806 |
| Lease receivables | | 4.14 | 63,183 | 6,356 | 24,726 | 32,101 |
| Balances with related parties | 24 | 0.78 | 23,500 | 23,500 | – | – |
| | | 3.05 | 44,342 | 43,127 | – | 1,215 |
| | | | 67,842 | 66,627 | – | 1,215 |
| Trade receivables | | 2.87 | 117,972 | 116,926 | 1,046 | – |
| Other receivables | | 3.63 | 40,341 | 40,341 | – | – |
| Cash and cash equivalents | | 0.96 | 587,312 | 587,312 | – | – |
| | | | 944,387 | 826,377 | 32,888 | 85,122 |
| Financial liabilities | | | | | | |
| Secured term loans: | | | | | | |
| – Floating rate loans | | 3.18 | (870,531) | (870,531) | – | – |
| – Effect of interest rate swaps | | 3.16 | – | 342,766 | (342,766) | – |
| | | | (870,531) | (527,765) | (342,766) | – |
| – Fixed rate loans | | 9.73 | (14,916) | (11,682) | (3,234) | – |
| Total secured term loans | 18 | | (885,447) | (539,447) | (346,000) | – |
| Unsecured term loans: | | | | | | |
| – Floating rate loans | | 1.44 | (369,656) | (369,656) | – | – |
| – Fixed rate loans | | 2.14 | (174,545) | (111,507) | (63,038) | – |
| – Medium term notes | | 4.11 | (500,000) | (100,000) | (400,000) | – |
| Total unsecured term loans | 18 | | (1,044,201) | (581,163) | (463,038) | – |
| Lease liabilities | 18 | 7.11 | (4,556) | (2,487) | (1,998) | (71) |
| Balances with related parties | | 3.84 | (100,020) | (21,210) | (43,274) | (35,536) |
| Bank overdraft | 14 | 0.43 | (96) | (96) | – | – |
| Bill payables | | 4.32 | (932) | (932) | – | – |
| | | | (2,035,252) | (1,145,335) | (854,310) | (35,607) |
| Total | | | (1,090,865) | (318,958) | (821,422) | 49,515 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

35. Financial Instruments (continued)

(g) Effective interest rates and repricing analysis (continued)

| | Note | Effective interest rate % | Total \$'000 | Within 1 year \$'000 | 1 to 5 years \$'000 | After 5 years \$'000 |
|---------------------------------|------|---------------------------------|-----------------|----------------------------|---------------------------|----------------------------|
| Group | | | | | | |
| 2002 | | | | | | |
| Financial assets | | | | | | |
| Debts securities – long-term | | 6.80 | 63,711 | 3,711 | – | 60,000 |
| Loan receivables | | 6.94 | 26,739 | 25,626 | 1,113 | – |
| Lease receivables | | 5.57 | 93,941 | 30,074 | 63,867 | – |
| Balances with related parties | 24 | 0.90 | 70,000 | 70,000 | – | – |
| | | 4.65 | 155,978 | 141,396 | – | 14,582 |
| | | | 225,978 | 211,396 | – | 14,582 |
| Trade receivables | | 4.07 | 150,742 | 19,478 | 131,264 | – |
| Other receivables | | 3.49 | 11,399 | 6,827 | 4,572 | – |
| Cash and cash equivalents | | 1.07 | 320,603 | 320,085 | 518 | – |
| | | | 893,113 | 617,197 | 201,334 | 74,582 |
| Financial liabilities | | | | | | |
| Secured term loans: | | | | | | |
| – Floating rate loans | | 2.44 | (740,738) | (740,738) | – | – |
| – Effect of interest rate swaps | | 2.87 | – | 381,927 | (246,480) | (135,447) |
| | | | (740,738) | (358,811) | (246,480) | (135,447) |
| – Fixed rate loans | | 9.13 | (12,564) | (4,924) | (7,640) | – |
| Total secured term loans | 18 | | (753,302) | (363,735) | (254,120) | (135,447) |
| Unsecured term loans: | | | | | | |
| – Floating rate loans | | 2.73 | (253,565) | (253,565) | – | – |
| – Effect of interest rate swaps | | 5.63 | – | – | – | – |
| | | | (253,565) | (253,565) | – | – |
| – Fixed rate loans | | 3.70 | (107,988) | (35,649) | (66,839) | (5,500) |
| – Medium term notes | | 4.10 | (500,000) | – | (350,000) | (150,000) |
| Total unsecured term loans | 18 | | (861,553) | (289,214) | (416,839) | (155,500) |
| Loan stocks | 18 | 6.00 | (4,709) | (4,709) | – | – |
| Lease liabilities | 18 | 9.97 | (2,680) | (1,059) | (1,378) | (243) |
| Balances with related parties | | 5.15 | (162,999) | (77,875) | (873) | (84,251) |
| Bank overdraft | 14 | 8.52 | (11,852) | (11,852) | – | – |
| | | | (1,797,095) | (748,444) | (673,210) | (375,441) |
| Total | | | (903,982) | (131,247) | (471,876) | (300,859) |

35. Financial Instruments *(continued)*

(g) Effective interest rates and repricing analysis *(continued)*

| | Effective | Total | Within | 1 to 5 | After |
|-------------------------------|---------------|-------------|-------------|-----------|-----------|
| | interest rate | | 1 year | years | 5 years |
| | % | \$'000 | \$'000 | \$'000 | \$'000 |
| Company | | | | | |
| 2003 | | | | | |
| Financial assets | | | | | |
| Balances with related parties | 1.49 | 206,533 | 206,533 | – | – |
| Financial liabilities | | | | | |
| Balances with related parties | 0.16 | (1,367,303) | (1,367,303) | – | – |
| Medium term notes | 4.11 | (500,000) | (100,000) | (400,000) | – |
| | | (1,867,303) | (1,467,303) | (400,000) | – |
| Total | | (1,660,770) | (1,260,770) | (400,000) | – |
| 2002 | | | | | |
| Financial assets | | | | | |
| Balances with related parties | 0.44 | 298,606 | 298,606 | – | – |
| Financial liabilities | | | | | |
| Balances with related parties | 0.10 | (1,272,783) | (1,272,783) | – | – |
| | 4.17 | (52) | (52) | – | – |
| | | (1,272,835) | (1,272,835) | – | – |
| Medium term notes | 4.10 | (500,000) | – | (350,000) | (150,000) |
| | | (1,772,835) | (1,272,835) | (350,000) | (150,000) |
| Total | | (1,474,229) | (974,229) | (350,000) | (150,000) |

(h) Sensitivity analysis

In managing its interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, any prolonged adverse changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At December 31, 2003, it is estimated that a one percentage point increase/decrease in interest rates would decrease/increase the Group's profit before tax by approximately \$3,620,000 (2002: \$3,348,000). The effect of interest rate swaps has been considered in computing the effect of changes in interest rates.

(i) Fair values

The fair value of publicly traded investment is based on quoted market prices at the balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term debt securities.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the balance sheet date.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The fair value of non-current loans, borrowings or other payables which are repriced within 6 months from the balance sheet date are not calculated as the management believes that their carrying amounts approximate the corresponding fair values.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

35. Financial Instruments (continued)

(i) Fair values (continued)

(i) Recognised financial instruments

The aggregate net fair values of financial assets and liabilities which do not approximate the carrying value in the balance sheet as at December 31 are represented in the following table:

| | 2003 | 2003 | 2002 | 2002 |
|---|------------------|------------------|-----------|-----------------|
| | Carrying | Fair | Carrying | Fair |
| | amount | value | amount | value |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Group | | | | |
| Financial Assets | | | | |
| Quoted equity shares | 18,678 | 24,488 | 41,026 | 34,006 |
| Quoted unit trusts | 4,197 | 3,935 | 4,814 | 3,074 |
| Lease receivables | 62,508 | 62,508 | 85,818 | 85,079 |
| Unquoted bonds | 67,735 | 67,735 | 60,096 | 64,144 |
| | 153,118 | 158,666 | 191,754 | 186,303 |
| Financial Liabilities | | | | |
| Secured term loans – fixed rate loans | (14,916) | (14,936) | (12,564) | (11,587) |
| Unsecured term loans – fixed rate loans | (174,545) | (172,986) | (107,988) | (110,139) |
| Medium term notes | (500,000) | (518,572) | (500,000) | (532,067) |
| Lease liabilities | (4,556) | (4,622) | (2,680) | (2,311) |
| | (694,017) | (711,116) | (623,232) | (656,104) |
| Total | (540,899) | (552,450) | (431,478) | (469,801) |
| Unrecognised losses | | (11,551) | | (38,323) |
| Company | | | | |
| Financial Liabilities | | | | |
| Medium term notes | (500,000) | (518,572) | (500,000) | (532,067) |
| Unrecognised losses | | (18,572) | | (32,067) |

It is not practicable to determine the fair values of the following financial assets and liabilities of the Group without incurring excessive costs:

- unquoted investments because of lack of quoted market prices; and
- balances with related parties and long-term trade receivables where information on financial instruments having similar terms and characteristics are not available.

However, the Group does not anticipate that the carrying amounts of the above financial assets and liabilities recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

(ii) Financial assets carried in excess of fair value

Certain financial assets have not been written down to their fair values because they are held for long-term and the directors believe the carrying amounts will ultimately be recoverable.

(iii) Unrecognised financial instruments

The valuation of financial instruments not recognised in the balance sheet reflects amounts which the Group expects to pay or receive to terminate the contracts or replace the contracts at their current market rates at the balance sheet date.

The notional amount and net fair value receivable/(payable) of financial instruments not recognised in the balance sheet as at December 31 are:

| | 2003 | 2003 | 2002 | 2002 |
|------------------------------------|----------------|-----------------|----------|----------|
| | Notional | Fair | Notional | Fair |
| | amount | value | amount | value |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Group | | | | |
| Interest rate swap agreements | 381,927 | (19,587) | 501,273 | (37,284) |
| Forward foreign exchange contracts | | | | |
| – bought contracts | 185,886 | (48) | 252,453 | (5,020) |
| – sold contracts | 70,187 | 451 | 71,523 | (4,505) |
| Foreign exchange swap contracts | 30,401 | (6) | 68,159 | (487) |
| Fuel oil swaps | 54,437 | 3,951 | 37,354 | 3,837 |
| Commodity contract | – | – | 6,635 | 872 |
| | 722,838 | (15,239) | 937,397 | (42,587) |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

36. Contingent Liabilities (Unsecured)

| | Group | | Company | |
|---|---------|---------|---------|--------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Guarantees given to banks to secure banking facilities provided to: | | | | |
| - Subsidiaries | - | - | 13,255 | 82,305 |
| - Associates and joint ventures | 18,496 | 93,523 | - | - |
| - Others | 11,109 | - | - | - |
| Bankers' guarantees: | | | | |
| - Secured by fixed deposits (note 14) | 54,379 | 53,259 | - | - |
| - Unsecured | 115,879 | 115,221 | - | - |
| Performance guarantees granted on behalf of associates and joint ventures | 359,260 | 616,155 | - | - |

In addition, at December 31, 2003, the subsidiaries have the following significant contingent liabilities:

(a) Solitaire

The provision for net exposure arising from legal claims as disclosed in Note 16 includes \$150 million (2002: \$150 million) for the provision for Solitaire arbitration.

In November 1993, Sembawang Corporation Limited ("SCL") was awarded a \$230 million contract by Allseas, owners of the vessel Solitaire ("the Owners") for the conversion of a bulk carrier into a dynamically positioned pipe lay vessel. The Owners terminated the contract on October 24, 1995 before works were fully completed.

Following the delivery of a reasoned award by the Tribunal on March 5, 2002, when the Tribunal held that the Owners were entitled to terminate the contract, the Tribunal has scheduled dates in the first quarter of 2004 for hearing of the quantum of the Owners' claims. SCL's counterclaims have been scheduled for hearing in 2005.

(b) On June 21, 1999, a subsidiary, SMOE Pte Ltd ("SMOE") filed a suit against Askari Power Limited ("APL") for damages in relation to the breach and wrongful termination of a design and construction contract for a power plant in Pakistan and cancellation and return of the performance bond provided by SMOE for Yen221,961,968, S\$1,651,804 and Pak Rp22,089,356. In addition, SMOE also applied for an interim injunction to prevent encashment on the bond pending the final adjudication of the suit. The interim injunction was given subject to periodic renewals.

In connection with the Appeal Court's decision, APL has filed an appeal with the Supreme Court. Separately, APL has also filed a counter suit in the District Court against SMOE alleging breaches of certain contractual commitments including the failure of SMOE to obtain the necessary financing for the power plant. The counter suit has been postponed until the resolution of SMOE's suit against APL.

On May 20, 2002, SMOE's Pakistani counsel informed the trial court that the Lahore High Court had stayed proceedings in the trial court pending hearing of SMOE's application for an amendment to the list of issues framed by the trial court. To date, the Lahore High Court has not fixed the date for hearing further arguments on SMOE's application. The proceedings before the trial court remains suspended by the stay order made by the Lahore High Court. However, the trial court continues to set hearing dates which SMOE will seek adjournment as long as the stay is in force. The last proceedings before the trial court was set for January 31, 2004, at which hearing, SMOE successfully obtained an adjournment until March 31, 2004.

As for the counter suit by APL, SMOE has filed an application for rejection of the statement of claim filed by APL on grounds that the suit was not initiated under the authority of a duly passed board resolution. The trial judge accepted SMOE's application and APL subsequently filed their reply by June 11, 2002. The matter originally fixed for hearing on January 17, 2004 has been adjourned to March 15, 2004. As at year-end, provision of \$6 million (2002: \$6 million) has been made.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

37. Commitments

| | Group | |
|--|----------------|---------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Commitments not provided for in the financial statements are as follows: | | |
| Capital expenditure for: | | |
| Commitments in respect of contracts placed | 66,159 | 5,635 |
| Amounts approved by directors but not contracted | 184,138 | 40,583 |
| Uncalled capital and commitments to subscribe for additional shares in investments | 28,421 | 53,700 |
| | 278,718 | 99,918 |

As at the balance sheet date, outstanding commitments in respect of the following financial derivatives which were entered into as part of the Group's treasury management activities, are as follows:

| | Group | |
|---|----------------|----------------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Interest rate swap agreements with notional amounts equivalent to | 381,927 | 501,273 |
| Forward foreign exchange contracts for hedging purposes | 256,073 | 323,976 |
| Foreign exchange swap contracts for hedging purposes | 30,401 | 68,159 |
| Fuel oil swap agreements for hedging purposes | 54,437 | 37,354 |
| Commodity contract | - | 6,635 |
| | 722,838 | 937,397 |

At the balance sheet date, commitments in respect of payments for non-cancellable operating leases with a term of more than one year are as follows:

| | Group | | Company | |
|-----------------------|----------------|----------------|--------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Lease payments due: | | | | |
| Within 1 year | 54,168 | 43,198 | 860 | 879 |
| Between 1 and 5 years | 176,371 | 138,096 | 1,095 | 1,904 |
| After 5 years | 133,096 | 166,376 | - | - |
| | 363,635 | 347,670 | 1,955 | 2,783 |

A subsidiary, SembCorp Gas Pte Ltd ("SembGas") has entered into a long-term Gas Sales Agreement with Perusahaan Pertambangan Minyak Dan Gas Bumi Negara (Pertamina) to purchase a total estimate of 2,625 thousand billion British thermal unit ("Bbtu") of natural gas over a period of 22 years.

SembGas has also entered into End User Agreements with Tuas Power Ltd, SembCogen, Esso Singapore Pte Ltd, Power Seraya Limited and Ellba Eastern Pte Ltd to on-sell 84 Bbtu/day, 116 Bbtu/day, 34 Bbtu/day, 74 Bbtu/day and 25 Bbtu/day of gas to them respectively over a period of 22 years. The End User Agreements contain provisions, which specifically deal with, inter alia, SembGas' liability for shortfalls in deliveries of gas, including relief from liability due to force majeure, etc.

38. Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses, interest income, interest expenses and related assets and liabilities.

(i) Business Segments

The Group comprises the following main business segments:

Utilities segment invests in utilities centres and provides industrial site services to clusters of multinational corporations on Jurong Island in Singapore and Wilton International in the United Kingdom. It is also involved in engineering, construction and fabrication of offshore platforms, modules and floating production systems for oil and gas companies worldwide.

Environmental Engineering segment provides integrated waste management services in the Asia Pacific region.

Engineering and Construction segment is engaged in turnkey construction, design consultancy, infrastructure development and project management.

Logistics segment provides one-stop logistics management services, parts and components management, automated warehouse operations, preservation and packaging technologies and hazardous goods management.

Marine Engineering segment focuses principally on repair, building and conversion of ships and rigs.

Others segment comprises businesses relating to internet services provider, minting, hotels, properties, resorts and industrial parks. In 2002, this segment also includes food processing and distribution and building materials.

(ii) Geographical Segments

The Group operates in three principal geographical areas, Singapore, Europe and Rest of Asia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

38. Segment Reporting *(continued)* (a) Business Segments

| | Engineering | | and Environmental | Logistics | Marine | | Others | Corporate | Eliminations | Consolidated |
|--|-------------|--------------|-------------------|-----------|-------------|-------------|----------|-----------|--------------|--------------|
| | Utilities | Construction | | | Engineering | Engineering | | | | |
| 2003 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue and expenses | | | | | | | | | | |
| Total revenue from | | | | | | | | | | |
| external customers | 1,933,015 | 802,864 | 189,788 | 465,174 | 1,061,668 | 179,763 | 9,388 | – | – | 4,641,660 |
| Inter-segment revenue | 17,459 | 14,977 | 2,390 | 650 | 6,318 | 13,782 | 16,415 | (71,991) | – | – |
| Total revenue | 1,950,474 | 817,841 | 192,178 | 465,824 | 1,067,986 | 193,545 | 25,803 | (71,991) | – | 4,641,660 |
| Segment results | 150,970 | (3,626) | 6,046 | 61,994 | 73,968 | 20,673 | 70,987 | – | – | 381,012 |
| Interest income | 6,825 | 671 | 97 | 650 | 14,166 | 1,409 | 12,291 | (12,715) | – | 23,394 |
| Interest costs | (46,073) | (748) | (182) | (4,446) | (2,586) | (13,063) | (24,850) | 12,715 | – | (79,233) |
| | 111,722 | (3,703) | 5,961 | 58,198 | 85,548 | 9,019 | 58,428 | – | – | 325,173 |
| Share of results of | | | | | | | | | | |
| associates | 5,693 | (1,708) | 10,734 | 75,984 | 7,930 | 5,540 | – | – | – | 104,173 |
| Share of results of | | | | | | | | | | |
| joint ventures | 25,094 | – | – | 2,103 | 73 | 14,018 | – | – | – | 41,288 |
| | 142,509 | (5,411) | 16,695 | 136,285 | 93,551 | 28,577 | 58,428 | – | – | 470,634 |
| Taxation | | | | | | | | | | (88,207) |
| Minority interest | | | | | | | | | | (97,292) |
| Net profit for the year | | | | | | | | | | 285,135 |
| Assets and Liabilities | | | | | | | | | | |
| Segment assets | 1,964,348 | 493,736 | 129,236 | 356,912 | 1,050,644 | 816,168 | 542,410 | (596,447) | – | 4,757,007 |
| Investment in | | | | | | | | | | |
| associates | 33,708 | 6,578 | 72,489 | 390,681 | 47,823 | 39,739 | 4,034 | – | – | 595,052 |
| Investment in | | | | | | | | | | |
| joint ventures | 72,220 | – | – | 6,039 | 111 | 62,985 | 109,259 | – | – | 250,614 |
| Interest-bearing | | | | | | | | | | |
| assets | 313,083 | 66,745 | 5,015 | 26,506 | 458,033 | 125,085 | 588,970 | (661,613) | – | 921,824 |
| Unallocated assets | | | | | | | | | | 97,617 |
| Total assets | | | | | | | | | | 6,622,114 |
| Segment liabilities | 611,647 | 490,176 | 29,609 | 140,457 | 416,883 | 488,842 | 426,207 | (596,447) | – | 2,007,374 |
| Interest-bearing | | | | | | | | | | |
| liabilities | 1,178,274 | 39,442 | 6,663 | 201,646 | 104,925 | 274,012 | 891,897 | (661,613) | – | 2,035,246 |
| Unallocated liabilities | | | | | | | | | | 195,801 |
| Total liabilities | | | | | | | | | | 4,238,421 |
| Capital expenditure | 63,748 | 4,119 | 12,715 | 28,197 | 32,627 | 3,767 | 1,177 | – | – | 146,350 |
| Significant non-cash items | | | | | | | | | | |
| Depreciation and | | | | | | | | | | |
| amortisation | 68,092 | 18,827 | 8,220 | 15,404 | 36,911 | 21,141 | 9,874 | – | – | 178,469 |
| Other non-cash items | | | | | | | | | | |
| (including provisions, loss on disposals and exchange differences) | 20,928 | 17,032 | 949 | 11,036 | 8,508 | 8,674 | 25,925 | – | – | 93,052 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

38. Segment Reporting (continued)

(a) Business Segments (continued)

| | Engineering and Environmental | | | | Marine | | Corporate | Eliminations | Consolidated |
|--|----------------------------------|--------------|-------------|-----------|-------------|----------|-----------|--------------|--------------|
| | Utilities | Construction | Engineering | Logistics | Engineering | Others | | | |
| 2002 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue and expenses | | | | | | | | | |
| Total revenue from | | | | | | | | | |
| external customers | 1,071,933 | 857,623 | 134,962 | 428,906 | 1,006,897 | 680,464 | 3,788 | – | 4,184,573 |
| Inter-segment revenue | 16,693 | 30,698 | 1,498 | 1,646 | 4,615 | 104,686 | 15,206 | (175,042) | – |
| Total revenue | 1,088,626 | 888,321 | 136,460 | 430,552 | 1,011,512 | 785,150 | 18,994 | (175,042) | 4,184,573 |
| Segment results | 77,913 | (130,869) | 1,578 | 52,302 | 94,835 | 25,480 | 176,126 | – | 297,365 |
| Interest income | 4,678 | 712 | 71 | 923 | 14,483 | 3,607 | 13,700 | (14,590) | 23,584 |
| Interest costs | (38,910) | (1,060) | (166) | (4,721) | (663) | (29,048) | (33,543) | 14,590 | (93,521) |
| | 43,681 | (131,217) | 1,483 | 48,504 | 108,655 | 39 | 156,283 | – | 227,428 |
| Share of results | | | | | | | | | |
| of associates | 7,014 | 317 | 9,838 | 8,906 | 5,819 | (5,718) | – | – | 26,176 |
| Share of results | | | | | | | | | |
| of joint ventures | 19,304 | – | – | 828 | 243 | 16,899 | – | – | 37,274 |
| | 69,999 | (130,900) | 11,321 | 58,238 | 114,717 | 11,220 | 156,283 | – | 290,878 |
| Taxation | | | | | | | | | (54,368) |
| Minority interest | | | | | | | | | (64,956) |
| Net profit for the year | | | | | | | | | 171,554 |
| Assets and Liabilities | | | | | | | | | |
| Segment assets | 1,356,214 | 639,548 | 96,914 | 316,228 | 1,046,098 | 933,557 | 203,366 | (223,232) | 4,368,693 |
| Investment in | | | | | | | | | |
| associates | 30,808 | 1,291 | 57,683 | 312,631 | 61,407 | 83,444 | 15,572 | – | 562,836 |
| Investment in | | | | | | | | | |
| joint ventures | 71,316 | – | – | 4,054 | 29,605 | 54,453 | 111,547 | – | 270,975 |
| Interest-bearing | | | | | | | | | |
| assets | 162,435 | 15,530 | 5,359 | 31,932 | 385,985 | 121,811 | 773,173 | (767,939) | 728,286 |
| Unallocated assets | | | | | | | | | 75,583 |
| Total assets | | | | | | | | | 6,006,373 |
| Segment liabilities | 320,475 | 594,671 | 18,024 | 131,149 | 433,615 | 319,621 | 293,466 | (223,232) | 1,887,789 |
| Interest-bearing | | | | | | | | | |
| liabilities | 929,721 | 19,113 | 3,393 | 179,006 | 27,958 | 791,791 | 615,272 | (767,939) | 1,798,315 |
| Unallocated liabilities | | | | | | | | | 180,934 |
| Total liabilities | | | | | | | | | 3,867,038 |
| Capital expenditure | 52,370 | 34,780 | 8,907 | 17,496 | 14,435 | 53,084 | 1,046 | – | 182,118 |
| Significant non-cash items | | | | | | | | | |
| Depreciation and | | | | | | | | | |
| amortisation | 46,983 | 21,724 | 10,804 | 14,119 | 35,015 | 37,688 | 9,688 | – | 176,021 |
| Other non-cash items | | | | | | | | | |
| (including provisions, loss on disposals and exchange differences) | 11,455 | 86,501 | 314 | 8,372 | 27,503 | 11,490 | 26,542 | – | 172,177 |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

38. Segment Reporting *(continued)*

(b) Geographical Segments

| | Rest of | | | | | Consolidated |
|---------------------------------------|-----------|---------|---------|---------|--------------|--------------|
| | Singapore | Asia | Europe | Others | Eliminations | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2003 | | | | | | |
| Total revenue from external customers | 2,530,543 | 674,391 | 980,683 | 456,043 | – | 4,641,660 |
| Capital expenditure | 92,637 | 19,742 | 27,301 | 6,670 | – | 146,350 |
| 2002 | | | | | | |
| Total revenue from external customers | 2,290,163 | 648,314 | 647,399 | 598,697 | – | 4,184,573 |
| Capital expenditure | 120,649 | 41,799 | 10,109 | 9,561 | – | 182,118 |

The Group's assets are located mainly in Singapore.

39. Subsequent Events

- (a) On January 14, 2004, the Supreme Court of Singapore has granted the order of the capital reduction of a subsidiary, SembCorp Parks Management Pte Ltd, from \$8,000,000 comprising 8,000,000 shares of \$1 each to \$1,200,000 represented by 8,000,000 shares of \$0.15 each. The effective date of the reduction is January 20, 2004.
- (b) On January 16, 2004, a subsidiary, Sembawang Shipyard (S) Pte Ltd ("SSSPL") has incorporated a company, Kristiansand Drilling Pte Ltd ("KDPL"), which SSSPL holds 81.82%. SSSPL shall inject US\$90 million as equity capital in KDPL. The principal activities of KDPL is that of a rig owner.

40. Comparative Information

Comparatives in the financial statements have been changed from the previous year due to the prior year adjustment in note 32.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries

Details of subsidiaries are as follows:

| Name | Country of incorporation and place of business | Percentage of equity held | | Principal activities | Cost of investment | |
|---|--|------------------------------|------------------|--|--------------------|------------------|
| | | 2003 | 2002 | | 2003 | 2002 |
| | | % | % | | \$'000 | \$'000 |
| Held by the Company: | | | | | | |
| ChemXlog Pte Ltd | Singapore | 60 | 60 | Provision of e-commerce integrated logistics systems of the chemical industry | 1,500 | 1,500 |
| Sembawang Corporation Limited | Singapore | 100 | 100 | Intermediate holding company and provision of management services | 142,057 | 142,057 |
| SembCorp Engineers and Constructors Pte Ltd | Singapore | 100 | 100 | Engineering and building contractors | 162,080 | 162,080 |
| SembCorp Environmental Management Pte. Ltd. (formerly known as SembCorp Waste Management Pte Ltd) | Singapore | 100 | 100 | Provision of turnkey waste management services | 220,132 | 220,132 |
| SembCorp Logistics Ltd | Singapore | 61.55 | 61.62 | Investment holding and provision of integrated logistics and supply chain management services | 989,116 | 989,116 |
| [^] SembCorp Marine Ltd | Singapore | 63.29 | 63.55 | Investment holding and provision of management services | 704,049 | 704,049 |
| ^{^^} SembCorp Parks Holdings Ltd | Singapore | 100 ⁺ | 100 ⁺ | Investment holding | 6,091 | 6,091 |
| SembCorp Parks Management Pte Ltd | Singapore | 51 | 51 | Provision of technical and marketing services to industrial parks | 4,080 | 4,080 |
| SembCorp Utilities Pte Ltd | Singapore | 100 | 100 | Engineering, construction, production of polymer grade propylene and investment holding | 366,981 | 209,481 |
| Singapore Technologies Industrial Corporation Ltd | Singapore | 100 | 100 | Intermediate holding company and provision of management services | 252,443 | 252,443 |
| SembCorp Financial Services Pte Ltd | Singapore | 100 | – | Provision of treasury activities for the Group | 3,000 | – |
| | | | | | 2,851,529 | 2,691,029 |

⁺ Effective interest held by the Group and the Company is 100% (2002: 100%) and 37.3% (2002: 37.3%) respectively.

[^] The consolidated financial statements of SembCorp Marine Ltd, a company listed on Singapore Exchange, are audited by Ernst & Young, Singapore.

^{^^} The consolidated financial statements of SembCorp Parks Holdings Ltd are audited by Ernst & Young, Singapore.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

The details of subsidiaries held by the Group are as follows:

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|----------------------------|-------------------------------------|-------|---|
| | | 2003 | 2002 | |
| | | % | % | |
| ** Apogee Properties Pte Ltd | Singapore | 100 | 100 | Property development and rental of development property |
| Asia Pacific Air Cargo Pte Ltd | Singapore | 49.86 | 49.91 | Inactive |
| Asia Pacific Logistic Services Pte Ltd | Singapore | 61.55 | 61.62 | Investment holding |
| Asia-Pacific Retail Concepts Pte Ltd | Singapore | 100 | 100 | Dormant |
| @ Auto Batam Ferries & Tours Pte Ltd | Singapore | 61.55 | 61.62 | Under members' voluntary liquidation |
| ^ Baker Marine Pte Ltd | Singapore | 53.80 | 31.78 | Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts |
| ^ Baker Marine Services (HK) Limited | Hong Kong | 53.80 | 31.78 | Provision of rig designs |
| ^ Baker Marine Technology Inc. | United States of America | 53.80 | 31.78 | Engineering design, research and development, marketing and client services support centre |
| BaroMedical Services (Asia) Pte Ltd | Singapore | 36.62 | 36.66 | Promoting, marketing and supplying hyperbaric and other medical services |
| Bintan Carrier Services Pte Ltd | Singapore | 51 | 51 | Dormant |
| Bintan Shipping Services Pte Ltd | Singapore | 51 | 51 | Shipping agent and freight forwarder |
| ** Bonafide Development (S) Pte Ltd | Singapore | 100 | 100 | Property development |
| Brooktree Resources Limited | British Virgin Islands | – | 100 | De-registered |
| BuildNow Pte Ltd | Singapore | – | 100 | Building contractor and franchisor |
| ^ Bulk Trade Pte Ltd | Singapore | 63.29 | 63.55 | Bulk trading |
| Cattech Investments Ltd | British Virgin Islands | – | 75 | Liquidated |
| @ Chartered Electronics, Inc. | United States of America | 100 | 100 | Dormant |
| Chongqing Zhong Xin Garden City Hotel Co Ltd | People's Republic of China | – | 65 | Hotel development and related activities |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|--------------------------|-------------------------------------|-----------|---|
| | | 2003 | 2002 | |
| | | % | % | |
| * Concode Sdn Bhd | Malaysia | 100 | 100 | Dormant |
| Concrete OEM Pte Ltd | Singapore | – | 60.20 | Production, delivery and sale of ready-made concrete |
| Concrete Technology Pte Ltd | Singapore | – | 67 | Investment holding |
| * Construction Technology (B) Sdn Bhd | Brunei | 100 | 100 | Building construction and sub-contracting |
| Construction Technology Pte Ltd | Singapore | 100 | 100 | Building construction, construction project management and manufacture and sale of precast structures |
| Contech-Meyer Development Pte Ltd | Singapore | – | 100 | Liquidated |
| Contech Realty Pte Ltd | Singapore | 100 | 100 | Under members' voluntary liquidation |
| Contech Remedial Engineering Pte Ltd | Singapore | 100 | 100 | Under members' voluntary liquidation |
| Contech Trading Pte Ltd | Singapore | 100 | 100 | Trading of building materials |
| Dangerous Goods Management (Singapore) Pte Ltd | Singapore | 43.09 | 43.13 | Freight forwarding, transportation and packing services for hazardous goods |
| ** Dilmun Navigation Company Limited | United Kingdom | 61.55 | 61.62 | Owning and operating of vessels |
| ** Dilmun Navigation Company Pty Limited | Australia | 61.55 | 61.62 | Agency services |
| ** Dilmun Navigation (Fiji) Limited | Fiji | 61.55 | 61.62 | Under members' voluntary liquidation |
| ** Dilmun Navigation (PNG) Limited | Papua New Guinea | 61.55 | 61.62 | Charter of vessels |
| ** Dilmun Navigation (Singapore) Pte Ltd | Singapore | 61.55 | 61.62 | Owning and chartering of vessels |
| ^ Dolphin Shipping Company Private Limited | Singapore | 63.29 | 63.55 | Ship owning and charter |
| ** Fracht Forwarding & Travels (Private) Limited | India | 61.55 | 61.62 | Freight forwarding |
| ** Harvest Land Services Co. Ltd. (formerly known as Sembawang Thailand Co. Ltd) | Thailand | 49 @@@ | 49 @@@ | Engineering, construction and fabrication |
| Industrial Imex Pte Ltd | Singapore | – | 100 | Quarry operations, exploiting, developing and trading of granite resources |
| Information Frontiers Pte Ltd | Singapore | 85.20 | 85.20 | Inactive |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|----------------------------|-------------------------------------|-------|--|
| | | 2003 | 2002 | |
| | | % | % | |
| ^ JPL Corporation Pte Ltd | Singapore | 44.30 | 44.49 | Investment holding |
| ^ JPL Industries Pte Ltd | Singapore | 34.05 | 34.19 | Processing and distribution of copper slag |
| ^ JPL Services Pte Ltd | Singapore | 44.30 | 44.49 | Equipment rental services and trading in copper slag |
| ^ JPL Concrete Products Pte Ltd | Singapore | 34.05 | 34.19 | Production of concrete products |
| ^ Jurong Brazil-Singapore Pte Ltd | Singapore | 63.29 | 63.55 | Investment holding |
| ^ Jurong Marine Services Pte Ltd | Singapore | 62.42 | 62.59 | Provision of tugging and sea transportation services |
| ^ Jurong Integrated Services Pte Ltd | Singapore | 63.29 | 63.55 | Steel fabrication work |
| ^ Jurong Machinery and Automation Pte Ltd | Singapore | 63.29 | 63.55 | Marine and general electronic and electrical works |
| ^ Jurong Marine Contractors Private Limited | Singapore | 63.29 | 63.55 | Provision of contract services |
| ^ Jurong Shipbuilders Private Limited | Singapore | 63.29 | 63.55 | Investment holding |
| ^ Jurong Shipping Company Beta Pte Ltd | Singapore | 63.29 | 63.55 | Inactive |
| ^ Jurong Shipping Company Gamma Pte Ltd | Singapore | 63.29 | 63.55 | Inactive |
| ^ Jurong Shipping Company Private Limited | Singapore | 63.29 | 63.55 | Inactive |
| ^ Jurong Shipyard Pte Ltd | Singapore | 63.29 | 63.55 | Rig and ship repairing, building conversion and related services |
| ^ Jurong SML Pte Ltd | Singapore | 63.29 | 63.55 | Shipbuilding, ship repairing and related service |
| ** Jurubina Sembawang (M) Sdn Bhd | Malaysia | 100 | 100 | Inactive |
| ^^ Karimun Investments Holdings Pte Ltd | Singapore | 75 | 75 | Investment holding |
| ^ Karimun Shiprepair and Engineering Pte Ltd | Singapore | 63.29 | 63.55 | Investment holding |
| Keleste (Singapore) Pte Ltd | Singapore | – | 61.62 | Liquidated |
| ^^ Lam Guan Development Pte Ltd | Singapore | 100 | 100 | Under members' voluntary liquidation |
| Mandino Pte Ltd | Singapore | – | 100 | De-registered |
| @ MSI (BVI) Limited | British Virgin Islands | 100 | 100 | Investment holding |
| * Nanjing SembCorp Suiwu Co Ltd | People's Republic of China | 75 | – | To provide integrated waste water treatment services |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|--------------------------|-------------------------------------|-------------|---|
| | | 2003 | 2002 | |
| | | % | % | |
| ^ ^ Norfolk Development Group (Norfolk Hotel) Limited | British Virgin Islands | 81.67 | 81.67 | Investment holding |
| ^ ^ Norfolk Hotel Joint Venture Co. Ltd | Vietnam | 49 | 49 | Hotel operations and management |
| Offshore Joint Services (Bases) Company of Singapore Pte Ltd | Singapore | 46.17 | 46.23 | Investment holding |
| Offshore Joint Services Company of Singapore Pte Ltd | Singapore | 55.53 | 55.61 | Investment holding |
| ** Oil-Tex (Thailand) Company Limited | Thailand | 36.93 | 36.97 | Supply of logistic services to the offshore oil and gas industry |
| Paterson Land Pte Ltd | Singapore | 100 | 100 | Dormant |
| @ Plexis Services, Inc. | United States of America | 61.55 | 61.62 | Freight forwarding |
| ^ PPL Shipyard Pte Ltd | Singapore | 53.80 | See note 42 | Rig building, repairing and related services |
| ^ ^ PT Alam Indah Bintan | Indonesia | 35 | 35 | Resort development |
| ** PT Contech Bulan | Indonesia | 60 | 60 | Inactive |
| ** PT Gema SembCorp Engineering | Indonesia | 90 | 90 | Engineering, construction and fabrication of offshore structures |
| ** PT Indo Precast Utama | Indonesia | 100 | 100 | Inactive |
| ** PT Indo Unggul Wasturaya | Indonesia | 67 | 67 | Provision of civil construction, mechanical and electrical services |
| ^ PT Karimun Sembawang Shipyard | Indonesia | 63.29 | 63.55 | Ship repairing and related services |
| ** PT Pace Dharmala Airtech | Indonesia | 60 | 60 | Dormant |
| PT Sembawang Kimtrans Indonesia | Indonesia | – | 100 | Dormant |
| ** PT Semblog Citranusa | Indonesia | 43.09 | 43.13 | Provision of offshore logistics services |
| ** PT Sempec Indonesia | Indonesia | 100 | 100 | Engineering, procurement and construction |
| @ PT ST Logistik Nusantara | Indonesia | 43.09 | 43.13 | Warehousing, logistics and freight services |
| ** PT Synergy Technology Construction | Indonesia | 80 | 80 | Inactive |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|---|----------------------------|-------------------------------------|-------|--|
| | | 2003 | 2002 | |
| | | % | % | |
| @ PTA Industries Sdn Bhd | Malaysia | 61.55 | 61.62 | Under members' voluntary liquidation |
| ** Pulau Holdings Pte Ltd | Singapore | 53.85 | 53.85 | Investment holding |
| ** Pyramid Hill Properties Pte Ltd | Singapore | 100 | 100 | Property development |
| * Qianan SembCorp Cogeneration Company Limited | People's Republic of China | 65 | 65 | Owning and operating a cogeneration plant in Qianan, China |
| ^ ^ RDC Cement Pte Ltd | Singapore | 100 | 100 | Dormant |
| RDC Concrete Pte Ltd | Singapore | – | 100 | Trading of granite and manufacturing of ready-mixed concrete |
| RDC Holdings Pte Ltd | Singapore | – | 100 | Investment holding |
| RDC International Pte Ltd | Singapore | – | 100 | Investment holding |
| ** RDC Properties Pte Ltd | Singapore | 100 | 100 | Property development |
| ^ ^ RDC Realty Pte Ltd | Singapore | 100 | 100 | Under members' voluntary liquidation |
| RDC Pte Ltd | Singapore | 100 | 100 | Provision of waste disposal services |
| ** RDC Simei Development Pte Ltd | Singapore | 100 | 100 | Property development |
| ^ ^ RDC Woodlands Development Pte Ltd | Singapore | 100 | 100 | Inactive |
| Regional Infrastructure Management Pte Ltd | Singapore | 51 | 51 | Provision of project management and consultancy services |
| RSC Joint Venture Company Limited | Vietnam | – | 57 | Property development and investment holding |
| RSC (Vietnam) Investments Pte Ltd | Singapore | – | 95 | Investment holding |
| ^ ^ RDC (Vietnam) Pte Ltd | Singapore | 100 | 100 | Investment holding and provision of management services |
| ** Resort Asia Consultancy Services Pte Ltd | Singapore | 100 | 100 | Provision of project management services |
| Riau Infrastructure Management Services Pte Ltd | Singapore | 51 | 51 | Provision of technical and management services to industrial parks |
| SAFE Enterprises Pte Ltd | Singapore | 75 | 75 | Investment holding |
| SAFE & Mansfield Travel Group Pte Ltd | Singapore | 75 | 75 | Dormant |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|---|----------------------------|-------------------------------------|-------|--|
| | | 2003 | 2002 | |
| | | % | % | |
| Saigon-RDC Co. Ltd | Vietnam | – | 40.20 | Manufacture of ready-mixed concrete and bored piling work |
| ^{^ ^} SCP Power Pte Ltd | Singapore | 100 | 100 | Investment holding |
| * Sembawang Alsuwaiket Arabia Ltd | Saudi Arabia | 60 | 60 | Dormant |
| Sembawang Asia Pte Ltd | Singapore | 100 | 100 | Investment holding |
| Sembawang Aviation Pte Ltd | Singapore | 61.55 | 61.62 | Inactive |
| Sembawang Bethlehem Pte Ltd | Singapore | 100 | 100 | Building of rigs, vessels and specialised marine equipment |
| ** Sembawang Capital (Hong Kong) Limited | Hong Kong | 88.47 | 88.49 | Under de-registration |
| Sembawang Capital Pte Ltd | Singapore | 88.47 | 88.49 | Relating to hire-purchase, selling and the letting of goods on rental, factoring of receivables, project financing and provision of loans secured by mortgages |
| Sembawang Construction Pte Ltd | Singapore | 100 | 100 | Civic engineering and construction work |
| Sembawang Corporation Investments (S) Pte Ltd | Singapore | 100 | 100 | Investment holding |
| ^{^ ^} Sembawang Development and Management Pte Ltd | Singapore | 100 | 100 | Under members' voluntary liquidation |
| Sembawang Engineering (China) Pte Ltd | Singapore | 100 | 100 | Engineering, construction and fabrication of offshore structures |
| Sembawang Engineering Investments Pte Ltd | Singapore | 100 | 100 | Dormant |
| * Sembawang Express (HK) Ltd | Hong Kong | 61.55 | 61.62 | Provision of logistics management services |
| Sembawang Holdings (Pte) Ltd | Singapore | 100 | 100 | Investment holding |
| ** Sembawang Huanqiu Engineering Co., Ltd | People's Republic of China | 51 | 51 | Petrochemical engineering |
| Sembawang Industrial Pte Ltd | Singapore | 100 | 100 | Investment holding and provision of management services |
| Sembawang Investments Pte Ltd | Singapore | 100 | 100 | Investment holding |
| ^{^ ^} Sembawang Leisure Investments Pte Ltd | Singapore | 100 | 100 | Investment holding |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|----------------------------|-------------------------------------|-------|---|
| | | 2003 | 2002 | |
| | | % | % | |
| ** Sembawang Leisure Private Limited | Singapore | 100 | 100 | Investment holding, provision of management, financial and administration services |
| ** Sembawang Land Pte Ltd | Singapore | 100 | 100 | Property development |
| Sembawang Mulpha Pte Ltd | Singapore | 35.70 | 35.74 | Inactive |
| Sembawang Nominees Pte Ltd | Singapore | 100 | 100 | Inactive |
| Sembawang Pacmann Pte Ltd | Singapore | 50.10 | 50.10 | Inactive |
| ^ ^ Sembawang Properties Pte Ltd | Singapore | 100 | 100 | Inactive |
| Sembawang Reefer Lines (Manggis) Pte Ltd | Singapore | 100 | 100 | Dormant |
| Sembawang Shipmanagement Pte Ltd | Singapore | 61.55 | 61.62 | Inactive |
| ^ Sembawang Shipyard Pte Ltd | Singapore | 63.29 | 63.55 | Ship repairing and related services |
| ^ Sembawang Shipyard (S) Pte Ltd | Singapore | 63.29 | 63.55 | Investment holding |
| ^ Sembawang Shipyard Services (Pte) Ltd | Singapore | 63.29 | 63.55 | Marine services |
| Sembawang-JTCI (China) Pte Ltd | Singapore | 51 | 51 | Engineering, construction and project management |
| ** SembCorp (Hebei) Building Materials Co., Ltd. | People's Republic of China | 75 | 75 | Manufacture and sales of tiles |
| ** SembCorp (Malaysia) Sdn Bhd | Malaysia | 100 | 100 | Marketing of engineering services |
| * SembCorp (Tianjin) Construction Engineering Co., Ltd | People's Republic of China | 70 | 70 | Project management and construction related design consultancy service |
| SembCorp Air Products (Hyco) Pte Ltd | Singapore | 60 | 60 | Manufacture, purchase, storage, process and sale of industrial chemical and speciality gases |
| SembCorp Cogen Pte Ltd | Singapore | 100 | 70 | Building, owning and operating a cogeneration plant on Jurong Island to produce electricity and process steam |
| SembCorp Construction (Japan) Pte Ltd | Singapore | 100 | 100 | Under de-registration |
| SembCorp Energy (Kwinana) Pte Ltd | Singapore | 100 | 100 | Manufacturing, supplying and trading of electricity and other form of energy and power and their related products and developing power supply resources |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|---|--------------------------|-------------------------------------|-------------|---|
| | | 2003 | 2002 | |
| | | % | % | |
| SembCorp Development Pte Ltd | Singapore | 100 | 100 | Investment holding, owning, developing, leasing, marketing and managing of real estates |
| SembCorp Energy Pte Ltd | Singapore | 100 | 100 | Investment, development and operations of power plant |
| SembCorp Energy (Qianan) Pte Ltd | Singapore | 100 | 100 | Dormant |
| SembCorp Energy (Tuas) Pte Ltd | Singapore | 100 | 100 | Dormant |
| SembCorp Express Pte Ltd | Singapore | 61.55 | 61.62 | Investment holding |
| @ SembCorp Industries K. K. | Japan | 100 | 100 | Marketing of products and services provided by related companies |
| ** SembCorp Infrastructure (India) Pvt Ltd | India | 80 | 80 | Building construction |
| SembCorp Gas Pte Ltd | Singapore | 70 | See note 43 | Importation and retailing of natural gas and related products |
| @ SembCorp Kukbo Logistics Co. Ltd | Korea | 31.39 | – | Provision of supply chain management and logistics services |
| ** SembCorp Infrastructure (Mauritius) Ltd | Mauritius | 100 | 100 | Investment holding |
| SembCorp International Pte Ltd | Singapore | 100 | 100 | Provision of business management and consultancy services |
| SembCorp Investment Pte Ltd | Singapore | 100 | 100 | Investment holding and letting of commercial, office and retail space |
| ** SembCorp Logistics (Australia) Pty Ltd | Australia | 46.78 | 46.83 | Provision of supply chain management services |
| ** SembCorp Logistics (India) Private Limited | India | 61.55 | 61.62 | Provision of logistics services |
| * SembCorp Logistics (Malaysia) Sdn Bhd | Malaysia | 61.55 | 61.62 | Provision of supply chain management services |
| * SembCorp Logistics (Taiwan) Limited | Republic of China | 31.39 | 31.43 | Provision of supply chain management services |
| @ SembCorp Logistics (USA) Inc. | United States of America | 61.55 | 61.62 | Export trading |
| SembCorp Power Pte Ltd | Singapore | 100 | 100 | Sale, marketing and distribution of electricity |
| ** SembCorp Properties Pte Ltd | Singapore | 100 | 100 | Property development and project management |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|--------------------------|-------------------------------------|-------|--|
| | | 2003 | 2002 | |
| | | % | % | |
| * SembCorp Simon-Carves Limited | United Kingdom | 100 | 100 | Design, procurement and project management for process plants |
| SembCorp SITA Pte Ltd | Singapore | 60 | 60 | Provision of waste management and environment services and investment holding |
| SembCorp Systems Pte Ltd | Singapore | 100 | 100 | Under members' voluntary liquidation |
| ** SembCorp Utilities Teesside Limited | United Kingdom | 100 | – | General commercial activities, including the provision of utilities and services |
| ** SembCorp Utilities Teesside Pension Trustees Ltd | United Kingdom | 100 | – | To undertake and carry on the office and duty of trustee of any pension fund or scheme |
| SembCorp Ventures Pte Ltd | Singapore | 100 | 100 | Investment holding and provision of management services to its related corporations |
| SembCorp Water Pte Ltd | Singapore | 100 | 100 | Dormant |
| SembCorp Zenecon Pte Ltd | Singapore | 31.39 | 31.43 | Marketing and providing bonded warehousing and total logistics services |
| SembEnviro Alex Fraser Pte Ltd | Singapore | 75 | – | Construction and demolition waste management and recycling service |
| SembEnviro Tay Paper Pte Ltd (formerly known as Tay Paper Resources Pte Ltd) | Singapore | 60 | – | Trading in waste paper |
| SembFood Pte Ltd | Singapore | 100 | 100 | Investment holding |
| @ SembLog Orient Caspian Private Limited | Bermuda | 40.01 | 40.05 | Provision of offshore logistics services |
| SembOCL Pte Ltd | Singapore | – | 70 | Quarrying business and building material trading |
| ^ ^ SembPark Facilities Management Pte Ltd | Singapore | 100 | 100 | Management and maintenance of property, buildings, estates and facilities |
| SembSITA Pte Ltd | Singapore | 100 | 100 | Provision of waste disposal services |
| SembVisy Recycling Pte Ltd | Singapore | 100 | 100 | Provision of services of collecting, removing, disposing and trading of recycled materials |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|----------------------------|-------------------------------------|-----------|---|
| | | 2003 | 2002 | |
| | | % | % | |
| SembWaste Pte Ltd | Singapore | 100 | 100 | Provision of environment management and related services and investment holding |
| SembWaste Cleantech Pte Ltd (formerly known as Cleantech Services Pte Ltd) | Singapore | 100 | – | Provision of conservancy, horticultural, repair and maintenance services and the management of carpark |
| SembVisy Recycling MRF Pte Ltd | Singapore | 60 | 60 | Provision of material recovery facilities and services of sorting, disposing and trading of recycled wastes |
| Sembwin Pte Ltd | Singapore | – | 76.97 | Liquidated |
| Semcon Indo Pte Ltd | Singapore | 100 | 100 | Under de-registration |
| SemHotel Management Pte Ltd | Singapore | 100 | 100 | Investment holding and provision of management and marketing services to hotels |
| Semjom Agencies Pte Ltd | Singapore | – | 61.62 | Liquidated |
| Sem-PC Maritime Co. Ltd | Thailand | – | 52.38 | Operation of container depot |
| * Sempec Pakistan (Private) Ltd | Pakistan | 75 | 75 | Dormant |
| * Sempec Philippines, Inc. | Philippines | 40 @@@ | 40 @@@ | Dormant |
| * Semrental (B) Sdn Bhd | Brunei | 88.47 | 88.49 | Owning and chartering of tug boats |
| Semseas Agencies Pte Ltd | Singapore | 61.55 | 61.62 | Under members' voluntary liquidation |
| ^ SES Engineering (M) Sdn Bhd | Malaysia | 63.29 | 63.55 | Fabrication of metal structures |
| ^ SES Marine Services (Pte) Ltd | Singapore | 63.29 | 63.55 | Marine services |
| @ Shanghai SembEnviro Reliance Co. Ltd | People's Republic of China | 60 | – | Provision of refuse, collection, transportation and disposal services |
| ** Shenzhen ST-Anda Logistics Co., Ltd. | People's Republic of China | 31.39 | 31.43 | Warehousing, cargo handling and transportation services |
| ** Sichuan Huayang Garden City Hotel Co Ltd | People's Republic of China | 41.85 | 47.91 | Hotel owner |
| Singa Infrastructure (West Bay) Pte Ltd | Singapore | 100 | 100 | Under de-registration |
| Singajaya Investment Pte Ltd | Singapore | 100 | 100 | Investment holding |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|--------------------------|-------------------------------------|-------|--|
| | | 2003 | 2002 | |
| | | % | % | |
| Singapore Environmental Management Engineering Services Pte Ltd | Singapore | 100 | 100 | Provision of consultancy services in environmental engineering |
| Singapore Mint Private Limited | Singapore | 100 | 100 | Minting and marketing of coins, ingots, medallions and the sale of numismatic items |
| Singapore Offshore Petroleum Services Pte Ltd | Singapore | 61.55 | 61.62 | Supply of logistics services to the offshore oil and gas Industry |
| Singapore Precision Industries Pte Ltd | Singapore | 100 | 100 | Manufacturing, assembling, fabricating, exporting tools, equipment, robots and hardware, minting of coins, ingots, medallions and the sale of numismatic items |
| Singapore Technologies Industrial B.V. | Netherlands | 100 | 100 | Under members' voluntary liquidation |
| @ Singapore Technologies Industrial Corporation (USA) | United States of America | 100 | 100 | Investment holding |
| Singapore Technologies Logistics Pte Ltd | Singapore | 61.55 | 61.62 | Provision of freight forwarding, warehousing and storage management |
| @@ Singapore-Wuxi Investment Holdings Pte Ltd | Singapore | 78.40 | 78.40 | Investment holding of a subsidiary carrying on the business of development, construction and operation of Wuxi Industrial Park |
| ^ Sinna Services Pte Ltd | Singapore | 63.29 | 41.31 | Ship repairing and related services |
| ^^ SLRC Investments Pte Ltd | Singapore | 100 | 100 | Investment holding |
| SML Investments Pte Ltd | Singapore | 61.55 | 61.62 | Investment holding |
| SML Ocean Shipping (I) Pte Ltd | Singapore | – | 61.62 | Liquidated |
| ^ SML Shipyard Pte Ltd | Singapore | 63.29 | 63.55 | Ship repairing and related services |
| SMOE Indonesia Pte Ltd (formerly known as Sembawang Indonesia Pte Ltd) | Singapore | 100 | 100 | Investment holding |
| SMOE International Pte Ltd | Singapore | 100 | 100 | Engineering, procurement and construction of offshore structures |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|---|--------------------------|-------------------------------------|-------|--|
| | | 2003 | 2002 | |
| | | % | % | |
| SMOE Pte Ltd | Singapore | 100 | 100 | Engineering, construction and fabrication of offshore structures |
| SMOE Singapore Pte Ltd (formerly known as Pace Air Conditioning and Engineering Pte Ltd) | Singapore | 100 | 100 | Procurement and sale of materials for marine offshore engineering companies |
| ** SOPS (Bangladesh) Private Limited | Bangladesh | 61.55 | 61.62 | Dormant |
| SOPS Inter-Trans Services Pte Ltd | Singapore | 61.55 | 61.62 | Dormant |
| SOPS Investments Pte Ltd | Singapore | 61.55 | 61.62 | Dormant |
| South East Pacific Shipping Pte Ltd | Singapore | 61.55 | 61.62 | Freight forwarding agent, warehouse management, logistics agent and ship chartering |
| Specon Builders Pte Ltd | Singapore | – | 100 | Liquidated |
| ST-Airport Services Pte Ltd | Singapore | 31.39 | 31.43 | Supply of jet fuel, aviation gasoline and related services |
| ST Construction (Int'l) Pte Ltd | Singapore | 100 | 100 | Under de-registration |
| ST-KWE Logistics Pte Ltd | Singapore | 31.39 | 31.43 | Under members' voluntary liquidation |
| ** ST Logistics (UK) Ltd | United Kingdom | 61.55 | 61.62 | Freight handling and procurement of materials and equipment |
| @ ST Logistics (USA) Inc. | United States of America | 61.55 | 61.62 | Investment holding |
| ST Medical Services Pte Ltd | Singapore | 61.55 | 61.62 | Provision of specialised aeromedical, general health care and occupational medical services |
| ** STIC Chengdu Hotel Investment Pte Ltd | Singapore | 82.05 | 82.05 | Investment holding |
| STIC Investments Pte Ltd | Singapore | 100 | 100 | Investment holding and dealing, and management of treasury activities |
| SUT Sakra Pte Ltd | Singapore | 100 | 80 | Supply of utilities and storage for petroleum products and chemicals |
| SUT Seraya Pte Ltd | Singapore | 100 | 100 | Building, owning and operating a utility centre on Pulau Seraya to supply central utility services to chemical/petrochemical companies |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

41. Subsidiaries (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|----------------------------|-------------------------------------|-------|---|
| | | 2003 | 2002 | |
| | | % | % | |
| ^{^ ^} Tembeling Development Pte Ltd | Singapore | 100 | 100 | Under members' voluntary liquidation |
| @ Tridex Investment Inc | British Virgin Islands | 63.29 | 63.55 | Investment holding |
| Unitech Prefab Limited | India | – | 79.70 | Manufacture and sale of ready-mixed concrete and concrete blocks |
| ^{^ ^} Vietnam Singapore Industrial Parks Pte Ltd | Singapore | 61.98 | 61.98 | Investment holding |
| ^{^ ^} Vietnam Singapore Industrial Park JV Co Ltd | Vietnam | 31.61 | 31.61 | Development of industrial park |
| ^{^ ^} Vietnam Singapore International Marketing Pte Ltd | Singapore | 100 | 100 | Under members' voluntary liquidation |
| ^{^ ^} VSIP Power Private Limited | Vietnam | 100 | 100 | Build, own and operate an electricity generation plant in Vietnam |
| @ Water Jet Netherlands Antilles N.V. | Netherlands Antilles | 34.47 | 34.51 | Under members' voluntary liquidation |
| Water Jet Shipping Corporation | Philippines | – | 34.51 | Liquidated |
| Wong Heng Engineering Pte Ltd | Singapore | – | 70 | Liquidated |
| ** Wuxi Garden City Mall Hotel Co., Ltd | People's Republic of China | 74.48 | 74.48 | Operation of a hotel cum shopping centre |
| Wuxi International Management Services Pte Ltd | Singapore | 52.56 | 52.56 | Dormant |
| ** Wilton Energy Limited | United Kingdom | 100 | – | Dormant |
| ** Wuxi Sinlian Precast Manufacturing Co., Ltd | People's Republic of China | 85 | 85 | Manufacturing of pre-cast slabs and other construction related activities |

All subsidiaries are audited by KPMG Singapore except for those indicated as follows:

* Audited by member firms of KPMG International

** Audited by other firms

@ Audit is not required by the laws of the country of incorporation

@@ Subsidiaries with significant foreign operations audited by Ernst & Young, Singapore

@@@ Deemed to be a subsidiary as the Group has effective control over the board of directors pursuant to Section 5 of the Companies Act

^ Subsidiaries of SembCorp Marine Ltd, a company listed on Singapore Exchange

^^ Subsidiaries of SembCorp Parks Holdings Ltd, a subsidiary in Singapore

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

42. Associates

The details of associates held by the Group are as follows:

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|----------------------------|-------------------------------------|-------|---|
| | | 2003 | 2002 | |
| | | % | % | |
| Agrogen Pte Ltd | Singapore | 25 | 25 | Investment in biotechnology related investments |
| Arian Engineering Corporation Pte Ltd | Singapore | 20 | 20 | Sale, distribution and leasing of specialist engineering products |
| Bangkok Business Holding Co Ltd | Thailand | 14.21 | 14.21 | Engineering, construction and fabrication |
| Batamindo Shipping & Warehousing Pte Ltd | Singapore | 34.73 | 34.74 | Provision of shipping freight forwarding, storage and warehousing services |
| Bintan Resort Ferries Private Limited | Singapore | 30 | 30 | Provision of ferry services |
| Biomedical Engineering Services & Technology Private Limited | Singapore | 21.54 | 21.57 | Provision of biomedical equipment and technical services for general and specialised medical equipment |
| Camerlin (BVI) Pte Ltd | British Virgin Islands | 20 | 20 | Investment holding |
| Camerlin Pte Ltd | Singapore | 20 | 20 | Investment holding |
| Cathay International Water Limited | Bermuda | – | 18 | Infrastructure development, investment and management, mainly in power plants, water treatment plants, toll roads, toll bridges and tunnel, as well as hotel operations and property investment |
| Ceylinco SembCorp Integrated Logistics (Pvt) Ltd | Sri Lanka | 30.78 | 30.81 | Provision of logistics services |
| Changi International Logistics Centre Ltd | Singapore | 13.54 | 13.56 | Warehousing, distribution and related services |
| CIECC Sembawang Engineering Consulting Co., Ltd | People's Republic of China | 50 | 50 | Engineering services |
| Cosem Pte Ltd | Singapore | 30.78 | 30.81 | Investment holding |
| CWT-SML Logistics LLC | United Arab Emirates | 18.47 | 18.49 | Warehouse distribution |
| Dalian Cosco Marine Engineering Co. Ltd | People's Republic of China | 12.66 | 12.71 | Ship repairing and related services |
| Delham Investments Pte Ltd | Singapore | – | 27 | Liquidated |
| DGM Support (Asia) Pte Ltd | Singapore | 21.54 | 21.57 | Provision of specialised training and related activities in dangerous goods management in the Asian region |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

42. Associates (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|--------------------------|-------------------------------------|-------|---|
| | | 2003 | 2002 | |
| | | % | % | |
| Fenton Assets Limited | British Virgin Islands | – | 27 | Liquidated |
| Footwork Express Co Ltd | Japan | 18.96 | – | Warehousing and freight forwarding |
| Funpolis Asia Pte Ltd | Singapore | 37.50 | 37.50 | Under involuntary liquidation |
| Granite Resources Pte Ltd | Singapore | – | 30 | Importing, distribution and sale of construction materials |
| Infotainment Development & Management Pte Ltd | Singapore | – | 30 | Management and consultancy services to entertainment parks and resorts in China |
| Joint Shipyard Investment Pte Ltd | Singapore | 31.65 | 31.78 | Investment holding |
| Joint Shipyard Management Services Pte Ltd | Singapore | 15.82 | 15.89 | Managing dormitories |
| Joint Shipyard Technologies Pte Ltd | Singapore | – | 18.18 | Liquidated |
| Jurong Clavon Pte Ltd | Singapore | 31.65 | 31.78 | Engineering works |
| Jurong Shipyard Inc | Bahamas | 22.15 | 22.24 | Investment holding |
| Karimun Industrial Management Pte Ltd | Singapore | 40 | 40 | Dormant |
| Kinburgh Holdings Pte Ltd | Singapore | – | 27 | De-registered |
| KPN-ST Logistics Co. Ltd | Thailand | 28.31 | 28.35 | Warehousing, inventory management, transport and distribution and freight forwarding |
| Kuehne & Nagel International AG | Switzerland | 12.31 | 12.32 | International forwarding, contract logistics, supply chain management and special products in niche sectors |
| Logistics Training and Consultancy Pte Ltd | Singapore | 24.62 | 24.65 | Logistics training and consultancy services |
| Mansfield Travel Sdn Bhd | Malaysia | 18.38 | 18.38 | Provision of services relating to travel and tours |
| Marketing & Consultancy Services International Pte Ltd | Singapore | 40 | 40 | Dormant |
| Mauá Jurong S.A. | Brazil | 22.15 | 22.24 | Shipbuilding and ship repairing |
| Medechain Pte Ltd | Singapore | 30.78 | 30.81 | Provision of online healthcare services |
| OK 2 PLAY, SOCIEDAD LIMITADA | Spain | 27.50 | – | Acting as the exclusive distributor and licensor of registered trademarks |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

42. Associates (continued)

| Name | Country of incorporation | Effective percentage | | Principal activities |
|---|--------------------------|----------------------|-------|---|
| | | of equity held | | |
| | | 2003 | 2002 | |
| | | % | % | |
| OmixAsia.com Pte Ltd | Singapore | 18.99 | 19.07 | E-commerce and bulk procurement |
| Oslo Gas I LP | Republic of Liberia | 21.09 | 21.18 | Ship owning and charter |
| Oslo Gas II LP | Republic of Liberia | 21.09 | 21.18 | Ship owning and charter |
| Pacific Internet Corporation Pte Ltd | Singapore | 30.78 | 41.80 | Investment holding |
| Pacific Internet Limited | Singapore | 30.78 | 41.80 | Provision of public internet access services |
| Perth Power Partnership | Australia | 30 | 30 | Generation and sales of electricity and steam |
| PPL Shipyard Pte Ltd | Singapore | See note 41 | 31.78 | Rig building, repairing and related services |
| PT Karimun Indojoya Cakrawala | Indonesia | 30 | 30 | Construction and development of an industrial estate at Karimun Island, Indonesia |
| PT Multi Granitindo Utama | Indonesia | – | 30 | Granite quarrying |
| Quarry Management Services Pte Ltd. | Singapore | – | 30 | Quarry management services |
| Realand Pte Ltd | Singapore | 20 | 20 | Investment holding |
| Reco Sin Han Pte Ltd | Singapore | 20 | 20 | Investment holding |
| Reliance Contractors Private Limited | Singapore | 49.99 | 49.99 | Building and civil engineering contractor |
| Representacions, Llicencies i Serveis, SA | Andorra | 25 | – | Acquisition, transfer, exploitation and marketing of registered trademarks |
| Searching Maritime Pte Ltd | Singapore | – | 20.54 | Charter of vessels , OPL services |
| Sembawang Kimtrans Ltd | Singapore | 17.01 | 17.03 | Project logistics, project freight management, procurement services, road transport and warehousing |
| Sembawang KMP Corporation Pte Ltd | Singapore | 50 | 50 | Investment holding |
| Sembrown Equipment Pte Ltd | Singapore | 27.50 | 27.50 | Under members' voluntary liquidation |
| SembCorp-Translink Parami Logistics Ltd | Myanmar | 18.47 | 18.49 | Freight forwarding |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

42. Associates (continued)

| Name | Country of incorporation | Effective percentage | | Principal activities |
|---|----------------------------|----------------------|-------|--|
| | | of equity held | | |
| | | 2003 | 2002 | |
| | | % | % | |
| SembSITA Pacific Pte Ltd | Singapore | 40 | 40 | Provision of waste removal and disposal, environmental consultation and other related environmental services |
| Shanghai Ocean Aquarium Co., Ltd | People's Republic of China | – | 20 | Aquarium and related operations |
| Shenyang-SML International Distripark Ltd | People's Republic of China | 30.16 | 30.19 | Operation of a distripark |
| Shenzhen Chiwan Petroleum Supply Base Company Limited | People's Republic of China | 10.27 | 10.28 | Operation of an offshore supply base |
| Sime SembCorp Engineering Sdn Bhd | Malaysia | 30 | 30 | Provision of engineering, construction and fabrication services to oil and gas industries |
| Shenzhen Gangchuang Building Material Co. Ltd | People's Republic of China | – | 28 | Manufacture of ready-mixed concrete, cement and other concrete related products |
| SOPS Limited Liability Company | Azerbaijan | 19.60 | – | Provision of offshore logistics services |
| ST Architects & Engineers Pte Ltd | Singapore | 48.65 | 48.65 | Provision of design, consultancy and advisory services relating to any architectural and professional engineering work |
| Steri – Care Pte Ltd | Singapore | 30.78 | 30.81 | Dormant |
| ST-KN Pte Ltd | Singapore | 30.16 | 30.19 | Freight forwarding |
| ST Logitrack Pte Ltd | Singapore | 30.78 | 30.81 | Development and marketing of Radio Frequency Identification application in the logistics and related market |
| Transport Groupage International (HK) Limited | Hong Kong | 30.78 | 30.81 | Transportation and freight forwarding |
| Trans-Link Express Pte Ltd | Singapore | 15.82 | 15.84 | Freight forwarding |
| Tennamaram Biomass Sdn Bhd | Malaysia | 30 | – | Supply, delivery and sale of electrical energy |
| TSD Leasing Co., Ltd | Thailand | 30 | 30 | Leasing, hire purchase and factoring |
| UCM Oil-Tex Threading Ltd | Thailand | 18.10 | 18.12 | Oil field equipment machining and repair |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

42. Associates (continued)

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|---|----------------------------|-------------------------------------|-------|--|
| | | 2003 | 2002 | |
| | | % | % | |
| Ventura Development (Myanmar) Pte Ltd | Singapore | 35 | 35 | Development, construction and management of property |
| Ventura Development (Surabaya) Pte Ltd | Singapore | 50 | 50 | Investment holding |
| Winners Path Pte Ltd | Singapore | 36.67 | 36.67 | Investment holding |
| Wuxi Merchants High Speed Ferry Co. Ltd | People's Republic of China | 12.31 | 12.32 | Operating of passenger ferries |
| Wuxi Singapore Industrial Park Development Co., Ltd | People's Republic of China | 38.42 | 38.42 | Development and operation of Wuxi Industrial Park |
| Wuxi-Singapore Industrial Park Logistics Co Ltd | People's Republic of China | 22.16 | 22.18 | Warehousing, freight forwarding, transportation and related services |
| Xi'an Lintong Zhongxin Tourism Development Co., Ltd | People's Republic of China | – | 20 | Theme park and related operations |
| Zerust Singapore Pte. Ltd. | Singapore | 18.47 | 18.49 | Preservation and packaging operations |
| Zhengzhou Yellow River Tourism Development Co., Ltd | People's Republic of China | – | 20 | Theme park and related operations |
| Zeullig Insurance Brokers Pte Ltd | Singapore | 30.16 | 30.19 | General and life insurance broking |

Kuehne & Nagel International AG, a significant foreign associate, is audited by KPMG Fides Peat, Switzerland.

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

43. Joint Ventures

The details of joint ventures held by the Group are as follows:

| Name | Country of incorporation | Effective percentage of equity held | | Principal activities |
|--|----------------------------|-------------------------------------|-------|--|
| | | 2003 | 2002 | |
| | | % | % | |
| Batamindo Industrial Management Pte Ltd | Singapore | 30 | 30 | Dormant |
| Bintan Industrial Estate Management Pte Ltd | Singapore | 40 | 40 | Dormant |
| Bintan Lagoon Resort Limited | Singapore | 33 | 33 | Developer, owner and marketing agent of immovable property, club membership, real estate and investment holding |
| Bintan Resort Management Pte Ltd | Singapore | 28 | 28 | Manager and operator of hotel, leisure, recreational resort and facility |
| Bohai Sembawang Shipyard (Tianjin) Co. Ltd | People's Republic of China | – | 31.78 | Repair and conversion of all types of marine vessels, production of quayside and container cranes and installation and repair of mechanical and electronic equipment |
| Golden-STIC Investment Holdings Pte Ltd | Singapore | 50 | 50 | Lifestyle business |
| InterIsland Marketing Services Pte Ltd | Singapore | 40 | 40 | Dormant |
| Katoen Natie SembCorp Pte Ltd | Singapore | 30.16 | 30.19 | Provision of specialised logistics services |
| * Kumagai-Sembawang Mitsui Joint Venture | Singapore | 45 | 45 | Design and construction of the Potong Pasir and Boon Keng MRT Stations (MRT Contract 705) including tunnels |
| * Kumagai-SembCorp Joint Venture | Singapore | 50 | 50 | Design and construction of the Changi Airport MRT (MRT Contract 504) including tunnels |
| * Kumagai-SembCorp Joint Venture (DTSS) | Singapore | 50 | 50 | Design and construction of Paya Lebar Deep Tunnel Sewerage System (Contract T-03) |
| Pacific Workboats Pte Ltd | Singapore | 31.65 | – | Ship leasing and marine survey services |
| * Philip Holzmann-SembCorp Joint Venture | Singapore | 50 | 50 | Design and construction of Kranji Deep Tunnel Sewerage System (Contract T-05) |
| Phu My 3 Bot Power Co Ltd | Vietnam | 33.33 | 33.33 | Generation and sale of electricity |
| P.T. Batamindo Investment Cakrawala (formerly known as P. T. Batamindo Investment Corporation) | Indonesia | 37.50 | 37.50 | Development, construction and operation of Batamindo Industrial Park |

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

43. Joint Ventures (continued)

| Name | Country of incorporation | Effective percentage | | Principal activities |
|---|----------------------------|----------------------|-------|--|
| | | of equity held | | |
| | | 2003 | 2002 | |
| | | % | % | |
| P.T. Bintan Inti Industrial Estate | Indonesia | 47.50 | 47.50 | Development, construction and operation of Bintan Industrial Estate |
| Sakra Island Carbon Dioxide Pte Ltd | Singapore | 30 | 30 | Manufacture, extraction, processing and purification of carbon dioxide and natural gas |
| SembCorp Gas Pte Ltd | Singapore | See note 41 | 50 | Importation and retailing of natural gas and related products |
| SembCorp Network Pte Ltd | Singapore | 30.78 | 30.81 | Provision of logistics support and services |
| Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Company Limited | People's Republic of China | 35 | 35 | Engineering services |
| Shenzhen Chiwan Sembawang Engineering Co. Ltd | People's Republic of China | 32 | 32 | Engineering, construction and fabrication |
| Sime Engineering Sdn Bhd – SembCorp Malaysia Sdn Bhd Joint Venture | Malaysia | 50 | 50 | Mechanical and piping erection works |
| * SembCorp-Daewoo Joint Venture | Singapore | 60 | 60 | Design and construction of Kallang and Paya Lebar expressway (Contract 422) |
| Sime Engineering Sdn Bhd – SembCorp Malaysia Sdn Bhd Joint Venture | Malaysia | 50 | 50 | Engineering, procurement and construction works |
| Singapore-Bintan Resort Holdings Pte Ltd | Singapore | 26.25 | 26.25 | Investment holding |
| * Total-CDC-DNC Joint Operation | Indonesia | 40 | 40 | Construction of a hotel and golf course recreation centres |
| Total-Sempec Joint Venture | Indonesia | 50 | 50 | Construction of a hotel |

* Unincorporated jointly-controlled entities

Notes to the Financial Statements

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

43. Joint Ventures *(continued)*

The Group's share of the results and balance sheets of the joint ventures are as follows:

| | Group's share | |
|---|---------------|-----------|
| | 2003 | 2002 |
| | \$'000 | \$'000 |
| Results of the Joint Ventures | | |
| Turnover | 716,816 | 459,084 |
| Expenses | (677,264) | (421,634) |
| Profit before taxation | 39,552 | 37,450 |
| Taxation | (10,534) | (8,650) |
| Profit after taxation | 29,018 | 28,800 |
| Balance sheets of the Joint Ventures | | |
| Non-current assets | 433,902 | 400,389 |
| Current assets | 167,680 | 215,219 |
| Current liabilities | (269,385) | (192,084) |
| Non-current liabilities | (45,082) | (106,914) |
| Minority interests | – | (15,037) |
| Net assets | 287,115 | 301,573 |

The Group's share of the capital commitments of the joint ventures is \$13.4 million (2002: \$7.3 million).