Notes to the Financial Statements

Year ended December 31, 2005

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on February 28, 2006.

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 those of corporate headquarters, which gives strategic direction and provides management services to its subsidiaries. The principal activities of the subsidiaries are set out in note 43 to the financial statements.

The immediate and ultimate holding company during the financial year was 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 Standards (FRS) including related Interpretations promulgated by the Council on Corporate Disclosure and Governance ("CCDG").

With effect from January 1, 2005, the Group adopted the following new/revised FRSs which are relevant to its operations:

FRS 1 (revised)	Presentation of Financial Statements
FRS 2 (revised)	Inventories
FRS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	Events After the Balance Sheet Date
FRS 16 (revised)	Property, Plant and Equipment
FRS 17 (revised)	Leases
FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	Related Party Disclosures
FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 28 (revised)	Investment in Associates
FRS 31 (revised)	Interests in Joint Ventures
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	Earnings Per Share
FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment
FRS 105	Non-current Assets Held for Sale and Discontinued Operations

In January 2006, CCDG issued FRS 21 Amendment Regulations 2006 ("FRS 21 Amendment 2006"). The amendment is to be applied to financial periods beginning on or after January 1, 2006. The Group has early adopted FRS 21 Amendment 2006 for the current financial year beginning January 1, 2005. In accordance with the transitional provisions, FRS 21 Amendment 2006 was applied retrospectively.

The effects of adopting the new/revised FRSs in 2005 are set out in note 33.

The financial statements are presented in Singapore dollars and rounded to the nearest thousand ("$'000"), unless otherwise indicated. They are prepared on the historical cost basis except for certain financial assets and financial liabilities, which are stated at fair value.

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

a. Basis of Preparation *(continued)*

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of FRSs that have a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the following year are discussed in note 41.

FRS yet to be adopted

The Group has not applied the following standards and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 40 Investment Property
- FRS 106 Exploration for and Evaluation of Mineral Resources
- FRS 19 Amendments: Employee Benefits – Actuarial gains and losses, Group plans and Disclosure
- FRS 39 Amendments: Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- INT FRS 104 Determining whether an arrangement contains a lease
- INT FRS 105 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The initial application of these standards and interpretations are not expected to have any material impact on the Group's results.

The Group has not considered the impact of accounting standards issued after the balance sheet date.

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.

All business combinations are accounted for using the purchase method with effect from January 1, 2004 upon the adoption of FRS 103. Prior to January 1, 2004, business combinations were accounted for either by the pooling of interests method or the purchase method.

Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the profit and loss account in the period of the acquisition.

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

b. Consolidation *(continued)*

i. Subsidiaries *(continued)*

Business combinations that involve entities under common control are excluded from the scope of FRS 103. Such combinations are accounted at historical cost in a manner similar to 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.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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.

In the Group's financial statements, they are accounted for using the equity method of accounting from the day 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 (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate), recognition of further losses is discontinued unless the Group has incurred obligations or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

The excess of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the profit and loss account in the period of the acquisition.

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 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.

The excess of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the profit and loss account in the period of the acquisition.

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 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.

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

b. Consolidation *(continued)*

vi. Accounting Policies of Subsidiaries, Associates and Joint Ventures

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. Functional and Presentation Currency

Items included in the financial statements of each company in the Group are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The consolidated financial statements are presented in Singapore dollars, which is the Company's functional and presentation currency.

ii. Foreign Currency Transactions and Balances

Transactions in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates of the transactions. At each balance sheet date:

- Foreign currency monetary items are translated into the functional currency using foreign exchange rate ruling at that date.

- Non-monetary assets and liabilities measured at historical cost in foreign currencies are translated into the functional currency using foreign exchange rates at the dates of the transactions.

- Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on the settlement or from translation of monetary items are recognised in the profit and loss account.

Foreign exchange differences arising from non-monetary items are recognised directly in equity when non-monetary items' gain or loss are recognised directly in equity. Conversely when non-monetary items' gain or loss are recognised directly in the profit and loss account, foreign exchange differences arising from these items are recognised directly in the profit and loss account.

iii. Foreign Operations

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at foreign exchange rates ruling at the date of the balance sheet,
- Revenues and expenses are translated at average rates, and
- All resulting foreign exchange differences are taken to the currency translation reserve.

Goodwill (except those relating to acquisition of foreign operations prior to January 1, 2004) and fair value adjustments arising on the acquisition of foreign operations are translated to Singapore dollars for consolidation at the rates of exchange ruling at the balance sheet date. Goodwill arising from the acquisition of foreign operations prior to January 1, 2004 are translated at foreign exchange rates ruling at the dates of the transactions.

On disposal, accumulated currency translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

iv. Net Investment in a Foreign Operation

Exchange differences arising from monetary items that in substance form part of the company's net investment in a foreign operation are recognised in the company's profit and loss account. Such exchange differences are reclassified to currency translation reserve in the consolidated financial statements. Such exchange differences are released to the consolidated profit and loss account upon disposal of the investment as part of the gain or loss on disposal.

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. Disposals

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 form part of the cost of the property, plant and equipment and are depreciated over the useful life of the asset.

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

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

vii. Depreciation

Depreciation is calculated using the straight-line method to allocate the cost less its residual value so as to write off items of property, plant and equipment over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of an item are depreciated separately. The estimated useful lives are 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	50 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

The assets' useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate.

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.

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. Goodwill is stated at cost less impairment losses. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures.

Goodwill is tested for impairment on an annual basis in accordance with note 2(m) below.

ii. Goodwill/Negative Goodwill Previously Written Off Against Reserves

Goodwill that has previously been taken to reserves is not taken to the profit and loss account when (i) the business is disposed of or discontinued or (ii) the goodwill is impaired. Similarly, negative goodwill that has previously been taken to reserves is not taken to the profit and loss account when the business is disposed of or discontinued.

iii. 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.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of 10 years.

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

e. Intangible Assets *(continued)*

iv. Other Intangible Assets

Other intangible assets with finite life are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill is recognised in the profit and loss account as an expense as incurred. Other intangible assets are amortised on a straight-line basis from the date the asset is available for use and over its estimated useful lives from 3 to 10 years.

Intangible assets of indefinite life or not available for use are stated at cost less impairment loss. Such intangible assets are tested for impairment annually in accordance with note 2(m) below.

v. 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.

f. Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss; held to maturity investments; loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

i. Financial Assets at Fair Value

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the profit and loss account.

ii. Held to Maturity Investments

Where the Group has the positive intent and ability to hold investments to maturity, they are stated at amortised cost (using the effective interest method) less impairment losses.

iii. Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. They are classified as non-current assets. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Receivables with a short duration are not discounted. Loans and receivables are included in trade and other receivables in the balance sheet (Note 2(j)).

iv. Available-for-Sale Financial Assets

Other financial assets held by the Group that are either designated in this category or not classified in any other category, are classified as being available-for-sale. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are stated at fair value, with any resultant gain or loss being recognised directly in equity. The exceptions are impairment losses and foreign exchange gains and losses on monetary items such as debt securities, which are recognised in the profit and loss account. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the profit and loss account. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the profit and loss account.

Financial assets classified as held-for-trading or available-for-sale are recognised by the Group on the date it receives the financial asset, and derecognised on the date it delivers the financial asset. Other financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred substantially all risks and rewards of ownership.

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

f. Financial Assets *(continued)*

Financial assets are initially recognised at fair value plus transaction cost except for financial assets carried at fair value through profit and loss, which are recognised at fair value.

The fair values of quoted financial assets are based on bid price as at balance sheet date. If market for a quoted financial asset is not active and for unquoted financial asset, the Group establishes fair value by using valuation techniques.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the profit and loss account even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the profit and loss account is the excess of acquisition cost less any impairment loss on that financial asset previously recognised in the profit and loss account, over its current fair value.

The recoverable amount of the Group's investments in held-to-maturity securities is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

Reversals of Impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the profit and loss account. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit and loss account.

g. Derivatives

Derivative financial instruments are used to manage exposures 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. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as described in note 2(h).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

The fair value of fuel oil and naphtha swaps contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward fuel oil price.

Contracts for differences are accounted for based on the difference between contracted price entered with the counterparty and the reference price. Fair value for contracts for differences cannot be reliably measured as the financial instrument does not have quoted market prices in an active market. The gain and loss for contracts for differences are taken to profit and loss upon settlement.

The electricity forward sale with option to buyback contracts is entered with a single counterparty for fixed volume and its fair value is determined based on forward sale and forecasted spot purchase prices quoted in the market as at balance sheet date.

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

h. Hedging

i. Fair Value Hedges

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in the profit and loss account. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss recognised in the profit and loss account.

ii. Cash Flow Hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised immediately in the profit and loss account. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the profit and loss account in the same period or periods during which the asset acquired or liability assumed affects the profit and loss account.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the profit and loss account.

iii. Hedge of Monetary Assets and Liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the profit and loss account.

iv. Hedge of Net Investment in a Foreign Operation

The gain or loss on a financial instrument used to hedge a net investment in a foreign operation is recognised in the company's profit and loss account. On consolidation, only the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is reclassified to equity. This amount is recognised in the consolidated profit and loss account on disposal of the foreign operation.

i. Inventories

i. Finished Goods and Components

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. Costs of inventories also include the transfer from equity if any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

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.

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

i. Inventories *(continued)*

i. Finished Goods and Components *(continued)*

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(t)(ii).

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. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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 "Advance payments from costomer".

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 amounts, and if carrying values exceed these recoverable amounts, assets are written down.

j. Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables with a short duration are not discounted.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss.

k. 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.

Non-monetary government grants and asset received are valued at nominal amount.

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

l. 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.

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

m. 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. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to the profit and loss account unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity.

Goodwill and other intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment occur.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

i. Calculation of Recoverable Amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

ii. Reversals of Impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

n. Liabilities and Interest-Bearing Liabilities

Trade and other payables and interest-bearing loans are recognised at fair value. Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

o. Deferred Income

Deferred income relates mainly to advance payments 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.

p. 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 a relevant actuary method. In the intervening years the calculation is updated based on information received from the actuary.

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

p. Employee Benefits *(continued)*

ii. Defined Benefit Plans *(continued)*

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.

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. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium when the options are exercised.

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

p. Employee Benefits *(continued)*

Equity and Equity-Related Compensation Benefits *(continued)*

Performance Share Plan

The fair value of equity related compensation is measured using the Monte Carlo Simulation method as at date of grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share price and the volatility of returns.

In estimating the fair value of the compensation cost, market based performance conditions are taken in account. Therefore, for performance share grants with market based performance conditions, the compensation 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 period relates, irrespective of whether this performance condition is satisfied.

Restricted Stock Plan

An estimate is made for the cost of compensation under the Group's restricted stock plan based on the number of shares expected to be awarded for the year upon satisfactory completion of time-based service conditions, 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.

q. 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.

r. 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.

s. Share Capital

i. Share Capital

Ordinary share capital is classified as equity.

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.

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

s. Share Capital *(continued)*

ii. Dividend *(continued)*

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

t. 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 from warehousing services is recognised over the period of contract. 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 percentage of completion. The percentage of completion is assessed is by reference to surveys of work performed, or by reference to the percentage of costs incurred to-date to the estimated total costs for each contract, with due consideration made to include only those costs that reflect works performed.

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.

Allowance is made where applicable for any foreseeable losses on contracts as soon as the possibility of the loss is ascertained.

iii. Sale of Electricity and Gases.

Revenue is billed and recognised upon delivery of electricity and gases.

iv. 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.

u. 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.

v. Finance 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 component of finance lease payments is recognised in the profit and loss account using the effective interest rate method.

w. 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.

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

x. Assets Held For Sale

Immediately before classification as held for sale, the measurement of the relevant assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell. Any differences are taken to the profit and loss account.

Impairment losses on initial classification as held for sale are included in the profit and loss account, even when there is a revaluation. The same applies to gains and losses on subsequent measurement.

3. Share Capital

	Group and Company	
	2005	2004
	$'000	$'000
Authorised:		
2,000,000,000 ordinary shares of $0.25 each	**500,000**	500,000
Issued and fully paid:		
1,746,411,878 (2004: 1,826,489,385) ordinary shares of $0.25 each	**436,603**	456,623

a. During the financial year, the Company:
- Issued 30,074,945 ordinary shares of $0.25 each fully paid for cash upon the exercise of options under the Company's Share Option Plan; and
- Cancelled 110,152,452 ordinary shares of $0.25 each at the price of $1.95 per share pursuant to a capital reduction exercise.

b. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

c. As at December 31, 2005, there were 49,746,772 (December 31, 2004: 67,868,202) unissued ordinary shares of $0.25 each granted under the Company's Share Option Plan.

4. Other Reserves

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Share premium	**313,618**	296,628	**313,618**	296,628
Merger reserve	**29,201**	29,201	**–**	–
Other reserves	**62,275**	42,053	**2,444**	528
Currency translation reserve	**14,192**	31,463	**–**	–
	419,286	399,345	**316,062**	297,156

a. Share Premium

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

On the date of commencement of the Companies (Amendment) Act 2005 on January 30, 2006 :

- The concept of authorised share capital was abolished;
- Shares of the Company ceased to have par value; and
- Amounts standing to the credit of the Company's share premium account became part of the Company's share capital.

b. 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 interests method.

4. Other Reserves *(continued)*

c. Other Reserves

	Group					Company
		Share				Share
	Capital	option	Fair value	Hedging		option
	reserve	reserve	reserve	reserve	Total	reserve
	$'000	$'000	$'000	$'000	$'000	$'000
At January 1, 2004, as previously reported	35,900	–	–	–	35,900	–
Retrospective adjustments arising from change						
in accounting policies (note 33)	–	747	–	–	747	82
At January 1, 2004, restated	35,900	747	–	–	36,647	82
Share-based payment	–	3,785	–	–	3,785	446
Realisation of reserve upon disposal of investments						
and changes in group structure	1,621	–	–	–	1,621	–
At December 31, 2004	37,521	4,532	–	–	42,053	528
At January 1, 2005, as previously reported	37,521	–	–	–	37,521	–
Retrospective adjustments arising from						
change in accounting policies (note 33)	–	4,532	–	–	4,532	528
At January 1, 2005, restated	37,521	4,532	–	–	42,053	528
Prospective adjustments arising from change						
in accounting policies (note 33)	–	–	14,014	(7,093)	6,921	–
	37,521	4,532	14,014	(7,093)	48,974	528
Net fair value changes of available-for-sale						
financial assets, net of deferred taxes	–	–	25,634	–	25,634	–
Net fair value changes of cash flow hedges	–	–	–	(19,353)	(19,353)	–
Share of reserve of associates and joint						
venture companies	493	–	–	2,957	3,450	–
Share-based payment	–	7,821	–	–	7,821	1,916
Realisation of reserve upon disposal of						
investments and changes in group structure	209	–	(7,928)	–	(7,719)	–
Transfer of revenue reserves to statutory reserve						
by associated companies	3,468	–	–	–	3,468	–
At December 31, 2005	41,691	12,353	31,720	(23,489)	62,275	2,444

Other reserves includes:

i. Capital reserve comprises capitalisation of accumulated profits for issue of bonus shares, capital reserve (net of goodwill) on consolidation and equity accounting, capital redemption reserve and convertible loan stock reserve.

ii. Share option reserve comprises the cumulative value of employee services received for the issue of share options. The amount in the share option reserve is retained when the option is exercised or expired.

iii. Fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

iv. Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

d. Currency Translation Reserve

The currency translation reserve comprises:

i. foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company; and

ii. the exchange differences on monetary items which form part of the Group's net investment in foreign operations.

Notes to the Financial Statements

Year ended December 31, 2005

5. Property, Plant and Equipment

Group	Leasehold and freehold land, buildings and wet berthage $'000	Improve-ments to premises $'000	Quays and dry docks $'000	Plant & machinery $'000	Marine vessels $'000	Tools and workshop equipment $'000	Furniture, fittings and office equipment $'000	Motor vehicle $'000	Capital work-in-progress $'000	Total $'000
Cost										
Balance at January 1, 2005	986,079	102,902	332,902	2,061,845	22,545	30,908	141,148	67,590	115,560	3,861,479
Translation adjustments	(2,177)	99	–	(21,881)	(94)	157	(562)	(52)	(272)	(24,782)
Additions	17,819	6,348	73	79,768	1,551	3,281	13,359	6,837	236,812	365,848
Acquisition of subsidiaries	10,003	261	904	446	–	–	313	297	518	12,742
Reclassification	24,463	16,461	–	20,372	4,419	557	(690)	(394)	(27,871)	37,317
Disposals/Write-offs	(13,340)	(410)	(9,776)	(46,654)	(17,980)	(799)	(3,549)	(3,968)	(3,719)	(100,195)
Balance at December 31, 2005	1,022,847	125,661	324,103	2,093,896	10,441	34,104	150,019	70,310	321,028	4,152,409
Accumulated Depreciation and Impairment Losses										
Balance at January 1, 2005	341,585	65,035	120,218	639,206	6,052	25,181	119,871	48,270	4,216	1,369,634
Translation adjustments	3,244	61	–	(1,891)	(78)	199	(593)	(2)	–	940
Depreciation for the year	28,477	5,598	7,275	119,175	1,288	2,589	11,712	5,239	–	181,353
Reclassification	22,390	599	–	1,681	4,207	13	(461)	(225)	1,710	29,914
Disposals/Write-offs	(2,135)	(268)	(9,403)	(39,726)	(4,119)	(787)	(3,120)	(3,495)	(3)	(63,056)
Allowance made for impairment – net	5,526	90	–	241	334	–	53	–	–	6,244
Balance at December 31, 2005	399,087	71,115	118,090	718,686	7,684	27,195	127,462	49,787	5,923	1,525,029
Carrying Amount										
At December 31, 2005	623,760	54,546	206,013	1,375,210	2,757	6,909	22,557	20,523	315,105	2,627,380

Notes to the Financial Statements

Year ended December 31, 2005

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

Group	Leasehold and freehold land, buildings and wet berthage	Improvements to premises	Quays and dry docks	Plant & machinery	Marine vessels	Tools and workshop equipment	Furniture, fittings and office equipment	Motor vehicle	Capital work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost										
Balance at January 1, 2004	1,009,310	100,550	332,002	1,919,496	90,339	28,780	144,541	72,776	68,873	3,766,667
Translation adjustments	(6,692)	(174)	-	15,549	(234)	(146)	2	(103)	150	8,352
Additions	5,249	1,694	900	33,564	-	2,663	10,232	5,941	167,454	227,697
Acquisition of subsidiaries	4,550	2,384	-	9,525	79	33	327	858	43	17,799
Reclassification	7,242	(943)	-	108,088	-	18	287	50	(114,742)	-
Disposals/Write-off	(7,473)	(609)	-	(24,377)	(67,639)	(440)	(6,551)	(11,863)	(6,218)	(125,170)
Disposals of subsidiaries	(26,107)	-	-	-	-	-	(7,690)	(69)	-	(33,866)
Balance at December 31, 2004	986,079	102,902	332,902	2,061,845	22,545	30,908	141,148	67,590	115,560	3,861,479
Accumulated Depreciation and Impairment Losses										
Balance at January 1, 2004	321,740	61,212	111,715	536,011	24,556	23,722	117,518	51,643	4,327	1,252,444
Translation adjustments	(3,962)	29	-	7,191	180	(94)	471	200	-	4,015
Depreciation for the year	27,911	4,962	8,503	115,784	3,240	1,942	13,574	5,051	-	180,967
Reclassification	370	(860)	-	581	-	-	(114)	23	-	-
Disposals/Write-off	(1,117)	(469)	-	(20,812)	(21,924)	(389)	(6,352)	(8,618)	(111)	(59,792)
Disposal of subsidiaries	(5,440)	-	-	-	-	-	(5,226)	(46)	-	(10,712)
Allowance made for impairment – net	2,083	161	-	451	-	-	-	17	-	2,712
Balance at December 31, 2004	341,585	65,035	120,218	639,206	6,052	25,181	119,871	48,270	4,216	1,369,634
Carrying Amount										
At December 31, 2004	644,494	37,867	212,684	1,422,639	16,493	5,727	21,277	19,320	111,344	2,491,845

5. 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	2005	2004
		$'000	$'000
Charge for the year		**181,353**	180,967
Net amount included in work-in-progress now charged to profit and loss / (capitalised in work-in-progress)		**1,496**	(814)
	29(b)	**182,849**	180,153

ii. Property, plant and equipment with the following net book values have been pledged to secure loan facilities granted to subsidiaries:

	2005	2004
	$'000	$'000
Freehold land and buildings	**174,091**	181,977
Leasehold land and buildings	**52,442**	94,767
Plant and machinery	**693,720**	747,131
Capital work-in-progress	**65,993**	10,480
Other assets	**3,551**	4,045
	989,797	1,038,400

iii. Assets with net book value of $2,107,000 (2004: $9,061,000) 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 $425,000 (2004: $22,000) and $869,000 (2004: $Nil), respectively.

vi. The impairment in 2005 relates mainly to the write-down of factories in China to recoverable amount and has been recognised in the "General and administrative expenses" of the profit and loss account.

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

Company

	Leasehold building $'000	Leasehold improvements $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Cost					
Balance at January 1, 2005	–	255	214	2,768	3,237
Additions	312	–	–	480	792
Disposals/write-off	–	–	–	(45)	(45)
Balance at December 31, 2005	312	255	214	3,203	3,984
Accumulated Depreciation and Impairment Losses					
Balance at January 1, 2005	–	139	175	2,104	2,418
Depreciation for the year	5	84	39	483	611
Disposals/write-off	–	–	–	(42)	(42)
Balance at December 31, 2005	5	223	214	2,545	2,987
Carrying Amount					
At December 31, 2005	307	32	–	658	997

	Leasehold improvements $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Cost				
Balance at January 1, 2004	241	802	2,317	3,360
Additions	14	–	483	497
Disposals/write-off	–	(588)	(32)	(620)
Balance at December 31, 2004	255	214	2,768	3,237
Accumulated Depreciation and Impairment Losses				
Balance at January 1, 2004	57	367	1,743	2,167
Depreciation for the year	82	71	390	543
Disposals/write-off	–	(263)	(29)	(292)
Balance at December 31, 2004	139	175	2,104	2,418
Carrying Amount				
At December 31, 2004	116	39	664	819

6. Investments in Subsidiaries

	Company	
	2005	2004
	$'000	$'000
At cost:		
Quoted equity shares	**1,543,469**	1,694,548
Unquoted equity shares	**591,192**	834,636
Preference shares	**342,500**	342,500
	2,477,161	2,871,684
Allowances for impairment losses	**(201,574)**	(80,574)
Carrying value	**2,275,587**	2,791,110

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

Pursuant to SembCorp Logistics Ltd's capital reduction in May 2005, the Company's investment in quoted equity shares reduced by $151,079,000 during the year.

During the year, the directors of the Company have assessed the recoverable amount of the investment in a subsidiary based on its net asset value as at December 31, 2005. An impairment loss of $121,000,000 was recognised in the Company's profit and loss account for 2005.

7. Interests in Associates

	Group	
	2005	2004
	$'000	$'000
Interests in associates	**294,755**	289,646

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

	Group	
	2005	2004
	$'000	$'000
Balance at beginning of the year	**6,970**	6,970
Disposal of an associate	**(756)**	–
Impairment during the year	**(6,214)**	–
Balance at end of the year	**–**	6,970

An associated company made losses for the year 2005 and based on management's assessment of the recoverable amount as reflected in the associated company's financial statements, an impairment of $6.2 million has been recognised in the "General and administrative expenses" of profit and loss account during the year.

The financial information of the associates are as follows:

	2005	2004
	$'000	$'000
Results		
Turnover	**1,826,843**	11,372,023
Profit after taxation	**155,606**	382,967
Assets and Liabilities		
Total assets	**2,076,223**	1,714,701
Total liabilities	**1,250,289**	818,289

7. Interests in Associates *(continued)*

The financial information of the associates disclosed above relates to the 100% of the associates.

The Group has not recognised losses relating to certain associates where its share of losses exceed the Group's carrying amount of its investment in those associates. The Group's cumulative share of unrecognised losses was $58,982,000 (2004: $58,309,000), of which $673,000 was the share of the current year's losses (2004: $1,024,000). The Group has no obligation in respect of these losses.

In 2004, an investment in one of the associates amounting to $23,612,000 was pledged to banks to secure loan facilities granted to the associate. This associate was disposed of in 2005.

Details of the associates are set out in note 44 to the financial statements.

8. Interests in Joint Ventures

	Group	
	2005	2004
	$'000	$'000
Interests in joint ventures	**431,711**	387,997

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

	Group	
	2005	2004
	$'000	$'000
Balance at beginning of the year	**2,371**	1,221
Translation during the year	**(141)**	–
Additions during the year	**–**	1,150
Balance at end of the year	**2,230**	2,371

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

	Group's share	
	2005	2004
	$'000	$'000
Results		
Turnover	**707,055**	449,650
Expenses	**(658,997)**	(414,677)
Profit before taxation	**48,058**	34,973
Taxation	**(15,036)**	(9,605)
Profit after taxation	**33,022**	25,368
Assets and Liabilities		
Non-current assets	**736,372**	506,916
Current assets	**245,043**	239,025
Current liabilities	**(192,548)**	(157,398)
Non-current liabilities	**(353,132)**	(198,359)
Minority interests	**(6,254)**	(4,558)
Net assets	**429,481**	385,626

The Group's interest in a joint venture amounting to $59,432,000 (2004: $58,382,000) has been pledged to banks to secure credit facilities granted to the joint venture entity.

The Group's share of the capital commitments of the joint ventures is $15,994,000 (2004: Nil).

Details of the joint ventures are set out in note 45 to the financial statements.

9. Other Financial Assets

	Group	
	2005	2004
	$'000	$'000
a. Non-current Assets		
Assets available-for-sale:		
– Equity shares	**105,812**	63,779
– Unit trusts	**2,953**	2,561
– Bonds	**–**	87,735
– Preference shares	**9,006**	12,706
– Funds	**3,602**	11,913
	121,373	178,694

		Group	
	Note	**2005**	2004
		$'000	$'000
b. Current Assets			
Assets available-for-sale:			
– Equity shares		**2,891**	–
– Bonds and loan stocks		**–**	1,688
Derivative financial instruments:			
Cash flow hedges:			
– Interest rate swaps		**4,446**	–
– Forward foreign exchange contracts		**279**	–
Fair value through profit or loss:			
– Foreign exchange swap contracts		**225**	–
– Forward foreign exchange contracts		**12**	–
	15	**7,853**	1,688

With the adoption of FRS 39, the Group states its financial assets at fair value. In accordance with the transitional provisions of FRS 39, the adoption of FRS 39 has been accounted for prospectively. Where applicable, the differences between the fair values and carrying amounts of these financial assets at January 1, 2005 are taken to the opening balance of fair value reserve or revenue reserve at that date.

10. Long-Term Receivables and Prepayments

		Group	
	Note	**2005**	2004
		$'000	$'000
Long-term trade receivables	24	**34,854**	48,597
Less: current portion of long-term trade receivables	15	**(23,071)**	(8,912)
		11,783	39,685
Lease receivables due after 12 months	11	**46,910**	52,685
Loan receivables (unsecured)		**3,500**	3,957
Amount due from related parties	26	**4,849**	9,229
Prepayments	(a)	**26,677**	33,638
Recoverables	(b)	**57,401**	69,897
		151,120	209,091
Less: allowance for doubtful receivables		**(4,968)**	(10,948)
		146,152	198,143

10. Long-Term Receivables and Prepayments *(continued)*

a. Prepayments

Prepayments relate primarily to:

i. Connection fees prepaid under the Generation Connection and Use of System Agreement for the use of the transmission lines; and
ii. Service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tanks.

Prepayments are charged on a straight-line basis over the period of prepayments.

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.

11. Lease Receivables

Group	Note	Minimum lease payment $'000	Estimated residual value $'000	Total gross investment in lease $'000	Unearned interest income $'000	Net value of lease receivables $'000
2005						
Within 1 year		8,128	–	8,128	(2,092)	6,036
After 1 year but within 5 years		27,670	3,000	30,670	(5,755)	24,915
After 5 years		19,298	4,500	23,798	(1,803)	21,995
		55,096	7,500	62,596	(9,650)	52,946
Amount due within 1 year	15	(8,128)	–	(8,128)	2,092	(6,036)
	10	46,968	7,500	54,468	(7,558)	46,910
2004						
Within 1 year		8,418	–	8,418	(2,352)	6,066
After 1 year but within 5 years		28,979	3,000	31,979	(6,835)	25,144
After 5 years		25,866	4,500	30,366	(2,825)	27,541
		63,263	7,500	70,763	(12,012)	58,751
Amount due within 1 year	15	(8,418)	–	(8,418)	2,352	(6,066)
	10	54,845	7,500	62,345	(9,660)	52,685

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

12. Intangible Assets

Group	Note	Goodwill	Others	Total
		$'000	$'000	$'000
Cost				
Balance at January 1, 2005		142,450	20,433	162,883
Translation adjustments		(13)	424	411
Additions during the year		93	5,261	5,354
Disposals/Write-off		(156)	(221)	(377)
Acquisition of subsidiaries		1,320	458	1,778
Balance at December 31, 2005		143,694	26,355	170,049
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2005		20	16,447	16,467
Translation adjustments		(27)	161	134
Amortisation charge for the year	29(b)	–	1,530	1,530
Allowance for impairment	29(b)	833	320	1,153
Balance at December 31, 2005		826	18,458	19,284
Carrying Amount				
At December 31, 2005		142,868	7,897	150,765

Group	Note	Goodwill	Others	Total
		$'000	$'000	$'000
Cost				
Balance at January 1, 2004		132,204	20,216	152,420
Translation adjustments		(401)	(62)	(463)
Additions during the year		12,076	1,098	13,174
Subsequent changes to goodwill		(1,051)	–	(1,051)
Write-off		(378)	(819)	(1,197)
Balance at December 31, 2004		142,450	20,433	162,883
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2004		–	15,756	15,756
Translation adjustments		–	(7)	(7)
Amortisation charge for the year	29(b)	–	1,517	1,517
Write-off		–	(819)	(819)
Allowance for impairment	29(b)	20	–	20
Balance at December 31, 2004		20	16,447	16,467
Carrying Amount				
At December 31, 2004		142,430	3,986	146,416

Company
The intangible assets for the Company relates to corporate club memberships.

12. Intangible Assets *(continued)*

Impairment Testing for Goodwill

SUT Division

Goodwill of $18.9 million is allocated to one of the Group's cash-generating units ("CGUs") in SUT Division. This division's activities are those relating to the production and supply of utilities services, terminalling and storage of petroleum products and chemicals. The recoverable amount of the CGU is determined based on calculations of the value in use.

These calculations use cash flow projections based on the financial budget for 2006 approved by the management. Cash flows beyond the budget period are estimated based on the long-term offtake contracts with its existing customers in the captive market in which it operates.

Management has applied past experience in operating the business to forecast the performance. The key assumption applied for the budget for 2006 is that there are no significant changes to the customer base, hence the annual fixed revenue and gross profit margin remains stable relative to the prior year.

A discount rate of 6.03% has been applied to the cash flow projections.

At the balance sheet date, based on the key assumptions, management believes that the recoverable amount exceeds its carrying amount.

SembCorp Cogen Pte Ltd ("SembCorp Cogen")

Goodwill of $26.4 million is allocated to one of the Group's CGUs in SembCorp Cogen. The recoverable amount of a CGU is determined based on calculations of the value in use.

These calculations use cash flow projections based on the financial budget for 2006 approved by management. Cash flows beyond the budget period are estimated based on plant availability and load factors as well as changes in operating costs due to normal wear & tear, maintenance cycles and inflation.

Management has applied past experience in operating the business to forecast the performance. The key assumptions applied are as follows:

i. There are no significant changes in market demand and supply for electricity and electricity spark spread compared to prior year;
ii. Required plant maintenance and its associated maintenance costs have been accounted for in the forecast of the plant's gross profit margin for 2006; and
iii. Expected capital expenditure for replenishment of parts has also been accounted for in the forecast in accordance with plant maintenance program.

A discount rate of 6.03% has been applied to the cash flow projections.

At the balance sheet date, based on the key assumptions, management believes that the recoverable amount exceeds its carrying amount.

SembCorp Gas Pte Ltd ("SembCorp Gas")

Goodwill of $42.0 million is allocated to one of the CGUs in SembCorp Gas. The recoverable amount of a CGU is determined based on calculations of the value in use.

These calculations use cash flow projections based on the financial budget for 2006 approved by management. Cash flows beyond the budget period are estimated based on the contracted sales and purchase quantities of gas over the remaining period of the existing contracts with the major customers and the gas supplier.

12. Intangible Assets *(continued)*
Impairment Testing for Goodwill *(continued)*

SembCorp Gas Pte Ltd ("SembCorp Gas") *(continued)*
Management has applied past experience in operating the business to forecast the performance. The key assumptions applied are as follows:

i. Depreciating USD/SGD exchange rate and appreciating HSFO prices compared to the prior year;
ii. Gross profit margin is expected to remain stable as the pricing on both customer and supplier contracts are pegged to HSFO prices; and
iii. Expected capital expenditure for plant refurbishment.

A discount rate of 6.03% has been applied to the cash flow projections.

At the balance sheet date, based on the key assumptions, management believes that the recoverable amount exceeds its carrying amount.

SembCorp Simon-Carves Limited ("SSC")
Goodwill of $32.2 million is allocated to one of the Group's CGUs in SSC. The recoverable amount of a CGU is determined based on calculations of the value in use.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period, i.e. the next 2 years thereafter, have been maintained at a zero growth rate.

The key assumptions applied are as follows:

i. Budgeted revenue based on estimated contract value of potential projects for which SSC has submitted tenders or secured as at balance sheet date;
ii. Budgeted average gross profit margin based on those achieved in the period immediately before the budget period, adjusted for expected efficiency improvements and inflation;
iii. Forecast consumer price indices during the budget period for countries from which raw materials are purchased are consistent with external sources of information; and
iv. Expected project progress and timing of certification of contract sums by customers are based on past experience on similar projects.

A discount rate of 9.30% has been applied to the cash flow projections.

At the balance sheet date, based on the key assumptions, management believes that the recoverable amount exceeds its carrying amount.

12. Intangible Assets *(continued)*
Impairment Testing for Goodwill *(continued)*

SembRamky Environmental Management Private Limited (formerly known as Medicare Incin Private Limited)
Goodwill of $4.4 million is allocated to one of the Group's CGUs in SembRamky Environmental Management Private Limited. The recoverable amount of the CGU is determined based on calculations of the value in use.

These calculations use cash flow projections based on management's 10-years financial projection of the company.

Management has applied past experience in the business operations to forecast its performance for the next 10 years. The key assumptions applied are as follows:

i. 10% and 7% growth in volume for 1st year and 2nd year, respectively;
ii. 1% growth in volume for the remaining 8 years;
iii. Expanded area of operation from licence to operate in New Delhi in 2006;
iv. Waste disposal fees to increase annually at the rate of inflation of the country of operation; and
v. All operating expenses to increase annually at the rate of inflation of the country of operation.

A discount rate of 7.1% has been applied to the cash flow projections.

At the balance sheet date, based on the key assumptions, the management believes that the recoverable amount exceeds its carrying amount.

ST Airport Services Pte Ltd ("ST Airport")
Goodwill of $7.9 million is allocated to one of the Group's CGUs in ST Airport. The recoverable amount of the CGU is its value in use. The value in use is computed using the cash flow projections based on financial budgets approved by management covering a three-year period. Cash flow projections are prepared based on the projected sales and purchase quantities of aviation fuel with the major customers and the aviation fuel suppliers.

Management has applied past experience in operating the business to forecast its performance for the next three years. Management assumes that there will be no significant changes to the customer base, hence the annual contracted revenue and gross profit margin for the most recent forecast from year 2006 to year 2008 remains stable.

A discount rate of 6.3% has been applied to the cash flow projections.

At the balance sheet date, based on the key assumptions, management believes that the recoverable amount exceeds its carrying amount.

13. Deferred Tax

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

	At Jan 1, 2005 $'000	Charged/ (credited) to profit and loss account (note 30) $'000	Charged/ (credited) to equity $'000	Acquisition/ (disposal) of subsidiary $'000	Translation adjustments $'000	At Dec 31, 2005 $'000
Group						
Deferred tax liabilities						
Property, plant and equipment	163,428	40,961	–	3,949	(2,514)	205,824
Interest in associates	4,147	(1,355)	–	–	–	2,792
Other financial assets	–	–	12,470	–	–	12,470
Trade and other receivables	87	455	–	–	(22)	520
Other items	3,512	2,356	–	–	–	5,868
Total	171,174	42,417	12,470	3,949	(2,536)	227,474
Deferred tax assets						
Property, plant and equipment	(4,512)	390	–	–	130	(3,992)
Inventories	(1,231)	(242)	–	–	–	(1,473)
Trade receivables	(2,324)	237	–	–	–	(2,087)
Trade and other payables	(1,687)	852	–	–	21	(814)
Tax losses	(4,926)	(1,193)	–	(903)	56	(6,966)
Provisions	(23,988)	7,011	–	–	1,252	(15,725)
Other items	(950)	(1,657)	–	–	–	(2,607)
Total	(39,618)	5,398	–	(903)	1,459	(33,664)
Net Balance	131,556	47,815	12,470	3,046	(1,077)	193,810

Company

The deferred tax liabilities as at December 31, 2005 and 2004 relates to property, plant and equipment.

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	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities	**(220,095)**	(150,648)	**(195)**	(195)
Deferred tax assets	**26,285**	19,092	**–**	–
	(193,810)	(131,556)	**(195)**	(195)

13. Deferred Tax *(continued)*

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

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Deductible temporary differences	**67,152**	114,612	**–**	8,883
Tax losses	**230,267**	377,529	**–**	–
Capital allowances	**91,146**	94,453	**–**	–
	388,565	586,594	**–**	8,883

Of the above tax losses, tax losses of the Group amounting to $107,360,000 (2004: $100,275,000) will expire between 2006 and 2020 (2004: 2005 and 2019). The deductible temporary differences and capital allowances do not expire under current tax legislation.

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.

14. Inventories and Work-In-Progress

		Group	
	Note	**2005**	2004
		$'000	$'000
Raw materials		**70,690**	87,365
Finished goods		**71,583**	76,071
		142,273	163,436
Allowance for inventory obsolescence		**(16,558)**	(9,928)
		125,715	153,508
Work-in-progress	(a)	**735,182**	507,812
		860,897	661,320
Properties held for sale, at cost	(b)	**4,013**	110,844
Allowance for foreseeable losses		**(1,298)**	(37,739)
		2,715	73,105
		863,612	734,425

	Group	
	2005	2004
	$'000	$'000
a. Work-in-progress:		
Costs and attributable profits	**4,580,823**	3,433,316
Allowance for foreseeable losses	**(32,362)**	(31,482)
	4,548,461	3,401,834
Progress billings received and receivable	**(4,203,116)**	(3,141,369)
	345,345	260,465
Comprising:		
Work-in-progress	**735,182**	507,812
Excess of progress billings over work-in-progress	**(389,837)**	(247,347)
	345,345	260,465

b. The properties have been substantially disposed during the year.

15. Trade and Other Receivables

		Group		Company	
	Note	**2005**	2004	**2005**	2004
		$'000	$'000	**$'000**	$'000
Other financial assets	9	**7,853**	1,688	**–**	–
Trade receivables	24	**710,493**	855,301	**–**	–
Other receivables, deposits and prepayments	25	**526,978**	424,497	**70,064**	507,758
Advance to suppliers		**3,614**	1,471	**–**	–
Amount due from related parties	26	**95,602**	120,868	**14,744**	64,169
Current portion of long-term trade receivables	10	**23,071**	8,912	**–**	–
Current portion of finance lease	11	**6,036**	6,066	**–**	–
		1,373,647	1,418,803	**84,808**	571,927

16. Asset Held For Sale

The asset held for sale is a vessel, which was acquired in June 2004 when a subsidiary exercised its rights as mortgagee to take possession of the asset when the owners defaulted on their payment under financing terms granted in respect of the vessel's repairs. The legal title of the vessel was transferred to a subsidiary company upon possession of the vessel.

In 2005, a memorandum of agreement to dispose the vessel has been signed with a buyer, and an impairment loss of $963,000 to write down the cost to its recoverable amount had been recognised in the "Non-operating expenses" of the profit and loss account.

17. Bank balances, Fixed Deposits and Cash

The use of subsidiaries' cash and cash equivalents of $129,466,000 (2004: $132,220,000) 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.

18. Trade and Other Payables

		Group		Company	
	Note	**2005**	2004	**2005**	2004
		$'000	$'000	**$'000**	$'000
Trade payables		**771,881**	680,005	**–**	–
Advance payments from customers		**63,158**	71,067	**–**	–
Other financial liabilities	23	**39,712**	–	**–**	–
Amount due to related parties	26	**30,984**	87,922	**912,037**	1,378,571
Other payables and accrued charges	27	**1,020,769**	1,248,996	**12,417**	106,381
		1,926,504	2,087,990	**924,454**	1,484,952

19. Provisions

Group	Loan undertakings	Obligations relating to disposal of business	Net exposure arising from legal claims	Legal, professional, and other related expenses	Provision for onerous contracts	Provision for claims	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of year	18,456	1,437	565,000	50,000	16,513	7,771	21,256	680,433
Translation adjustments	–	–	–	–	(1,033)	(25)	(450)	(1,508)
Provision made/(written back) during the year, net	(25)	–	–	–	(15,480)	(2,562)	1,305	(16,762)
Provisions utilised during the year	(3,933)	–	–	–	–	(3,254)	(6,099)	(13,286)
Balance at end of year	14,498	1,437	565,000	50,000	–	1,930	16,012	648,877
Provision due:								
– within 1 year	14,498	1,437	565,000	50,000	–	1,930	7,035	639,900
– after 1 year	–	–	–	–	–	–	8,977	8,977
	14,498	1,437	565,000	50,000	–	1,930	16,012	648,877

Loan Undertakings
This relates to the Group's share of loan undertakings of associates, a subsidiary 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 litigation, as detailed in note 37.

Provision for Onerous Contracts
A subsidiary 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 was made for the future anticipated excess costs that are expected to be incurred. These were calculated based on forward commodity market prices and discounted to net present value. On remeasurement in 2005, the onerous contract provision was no longer required as a result of favourable movement in forward commodity market prices.

19. Provisions *(continued)*

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 within the next 12 months.

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. 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; and
iv. 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. The outstanding liability has been settled as at December 31, 2005.

20. Employee Benefits

		Group		Company	
	Note	**2005**	2004	**2005**	2004
		$'000	$'000	**$'000**	$'000
Share-based Incentive Plan	(a)	**2,028**	3,297	**2,028**	3,297
Provision for retirement benefit and gratuities	(b)	**46,096**	55,585	**–**	–
		48,124	58,882	**2,028**	3,297
Current		**6,089**	6,284	**2,028**	2,544
Non-current		**42,035**	52,598	**–**	753
		48,124	58,882	**2,028**	3,297

a. 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 & 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

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 Company and non-executive directors and employees of the company's associated company, are given an opportunity to participate in the equity of the Company.

20. Employee Benefits *(continued)*

a. Share-based Incentive Plans *(continued)*

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group, Parent Group or the associated company 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.

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, and/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. 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. The Group imposed a further vesting over 4 years for managers and above for retention purposes.
iii. The options granted expire after 5 years for non-executive directors, associated company’s employees and 10 years for the employees of Group and Parent Company.

20. Employee Benefits *(continued)*

Share Option Plan

At the end of the financial year, details of the options granted under the Share Option Plan on unissued shares of $0.25 each of the Company are as follows:

SembCorp Industries Ltd

Ordinary shares of $0.25 each

Date of grant of options	Exercise price*	Number of options outstanding at Jan 1, 2005	Options granted	Options exercised	Options cancelled/ lapsed/not accepted	Number of options outstanding at Dec 31, 2005	Number of options exercisable at Jan 1, 2005	Number of options exercisable at Dec 31, 2005	Proceeds on options exercised during the year Credited to share capital $'000	Proceeds on options exercised during the year Credited to share premium $'000	Exercise period
26/06/2000	$1.94	726,000	–	(406,000)	(320,000)	–	726,000	–	101	686	27/06/2001 to 26/06/2005
26/06/2000	$1.94	9,091,600	–	(5,238,035)	(761,600)	3,091,965	9,091,600	3,091,965	1,309	8,856	27/06/2001 to 26/06/2010
24/07/2000	$2.21	5,566,771	–	(2,022,818)	(297,455)	3,246,498	5,566,771	3,246,498	506	3,964	20/05/2001 to 19/05/2009
24/07/2000	$2.07	169,477	–	(43,459)	(19,730)	106,288	169,477	106,288	11	79	16/09/2001 to 15/09/2009
19/04/2001	$1.50	777,000	–	(174,000)	(35,000)	568,000	616,500	568,000	44	223	20/04/2002 to 19/04/2006
19/04/2001	$1.50	10,813,300	–	(8,305,475)	(492,475)	2,015,350	8,906,825	2,015,350	2,076	10,600	20/04/2002 to 19/04/2011
07/05/2002	$1.54	405,000	–	(93,750)	(17,500)	293,750	236,250	213,750	23	125	08/05/2003 to 07/05/2007
07/05/2002	$1.54	6,718,000	–	(3,716,875)	(365,825)	2,635,300	4,479,750	1,630,800	929	4,878	08/05/2003 to 07/05/2012
17/10/2002	$0.93	298,000	–	(58,000)	–	240,000	153,250	172,000	15	41	18/10/2003 to 17/10/2007
17/10/2002	$0.93	4,051,425	–	(1,774,200)	(291,375)	1,985,850	1,797,425	973,475	444	1,245	18/10/2003 to 17/10/2012
02/06/2003	$1.09	335,750	–	(69,500)	–	266,250	106,250	122,000	17	61	03/06/2004 to 02/06/2008
02/06/2003	$1.09	5,874,551	–	(2,347,521)	(352,875)	3,174,155	2,236,676	975,155	587	2,020	03/06/2004 to 02/06/2013
18/11/2003	$1.24	353,250	–	(62,750)	–	290,500	110,625	137,500	16	64	19/11/2004 to 18/11/2008
18/11/2003	$1.24	6,266,578	–	(2,214,333)	(435,000)	3,617,245	2,624,953	1,415,745	554	2,247	19/11/2004 to 18/11/2013
17/05/2004	$1.30	363,500	–	(53,000)	–	310,500	–	88,500	13	59	18/05/2005 to 17/05/2009
17/05/2004	$1.30	7,969,000	–	(2,412,555)	(588,775)	4,967,670	46,000	1,119,420	603	2,536	18/05/2005 to 17/05/2014
22/11/2004	$1.47	313,500	–	(1,000)	–	312,500	–	90,500	–	1	23/11/2005 to 22/11/2009
22/11/2004	$1.47	7,772,500	–	(1,069,674)	(655,875)	6,046,951	1,000	2,233,951	267	1,306	23/11/2005 to 22/11/2014
01/07/2005	$2.68	–	335,000	–	(35,000)	300,000	–	–	–	–	02/07/2006 to 01/07/2010
01/07/2005	$2.68	–	8,762,500	(12,000)@	(967,500)	7,783,000	–	15,000	3	29	02/07/2006 to 01/07/2015
21/11/2005	$2.67	–	370,000	–	(35,000)	335,000	–	–	–	–	22/11/2006 to 21/11/2010
21/11/2005	$2.67	–	8,454,000	–	(294,000)	8,160,000	–	2,000	–	–	22/11/2006 to 21/11/2015
		67,865,202	17,921,500	(30,074,945)	(5,964,985)	49,746,772	36,869,352	18,217,897	7,518	39,020	

* During the year, the exercise price for outstanding share options granted prior to January 1, 2005 were adjusted due to capital reduction in 2005.

@ The share options have been retained and thus immediately exercisable.

20. Employee Benefits *(continued)*

Share Option Plan *(continued)*

At the end of the financial year, details of the options granted under the Share Option Plan of the subsidiaries are as follows:

SembCorp Logistics Ltd

Ordinary shares of $0.25 each

Date of grant of options	Exercise price per share*	Options outstanding at Jan 1, 2005*	Options granted	Options exercised	Options cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2005	Exercise period
06/03/2000	$1.32	1,013,400	–	(528,080)	(162,140)	323,180	07/03/2001 to 06/03/2010
28/06/2000	$1.61	4,091,560	–	(631,260)	(779,300)	2,681,000	29/06/2001 to 28/06/2010
15/05/2001	$0.82	1,144,020	–	(496,080)	(226,470)	421,470	16/05/2002 to 15/05/2011
18/10/2001	$0.41	127,500	–	(45,300)	(19,200)	63,000	18/10/2002 to 17/10/2011
27/02/2002	$1.02	2,898,230	–	(801,242)	(495,590)	1,601,398	28/02/2003 to 27/02/2012
27/09/2002	$0.54	403,250	–	(60,270)	(70,820)	272,160	27/09/2003 to 26/09/2012
06/02/2003	$0.42	3,456,250	–	(576,660)	(612,940)	2,266,650	06/02/2004 to 05/02/2013
21/04/2003	$0.81	300,000	–	–	(48,000)	252,000	22/04/2004 to 21/04/2013
19/08/2003	$0.66	737,000	–	(69,720)	(143,540)	523,740	19/08/2004 to 18/08/2013
11/02/2004	$0.98	7,193,850	–	(1,712,040)	(1,389,200)	4,092,610	11/02/2005 to 10/02/2014
19/08/2004	$1.11	1,481,000	–	(112,560)	(281,480)	1,086,960	19/08/2005 to 18/08/2014
16/05/2005	$1.71	–	9,823,400	–	(363,300)	9,460,100	16/05/2006 to 15/05/2015
24/08/2005	$1.69	–	1,258,000	–	(42,000)	1,216,000	24/08/2006 to 23/08/2015
		22,846,060	11,081,400	(5,033,212)	(4,633,980)	24,260,268	

* During the year, the exercise price and the number of outstanding options granted prior to January 1, 2005 were adjusted for the capital reduction and special dividend paid in 2005.

SembCorp Marine Ltd

Ordinary shares of $0.10 each

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2005	Options granted	Options exercised	Options cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2005	Exercise period
08/09/2000	$0.70	5,431,000	–	(4,839,000)	(50,000)	542,000	08/09/2001 to 07/09/2010
27/09/2001	$0.66	7,552,000	–	(5,242,000)	(58,000)	2,252,000	28/09/2002 to 27/09/2011
07/11/2002	$0.90	13,185,000	–	(5,577,000)	(178,000)	7,430,000	08/11/2003 to 07/11/2012
08/08/2003	$0.99	14,601,000	–	(4,761,000)	(261,000)	9,579,000	09/08/2004 to 08/08/2013
10/08/2004	$1.04	15,984,000	–	(2,331,000)	(425,000)	13,228,000	11/08/2005 to 10/08/2014
11/08/2005	$2.96	–	15,557,000	–	(176,000)	15,381,000	12/08/2006 to 11/08/2015
		56,753,000	15,557,000	(22,750,000)	(1,148,000)	48,412,000	

20. Employee Benefits *(continued)*

Share Option Plan *(continued)*

Options exercised in 2005 resulted in 30,074,945 (2004: 4,774,321) ordinary shares being issued at a weighted average price of $1.55 (2004: $1.09). Options were exercised on a regular basis throughout the year. The weighted average share price during the year was $2.44 (2004: $1.43).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model. The expected life used in the model has been adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

i. SembCorp Industries Ltd

Date of grant	Jul 1, 2005	Nov 11, 2005
Fair value at measurement date	$0.60	$0.60
Share price	$2.71	$2.71
Exercise price	$2.68	$2.67
Expected volatility	29.5% – 32.9%	27.7% – 32.1%
Expected option life	2.5 – 5.5 years	2.5 – 5.5 years
Expected dividend	2.07%	2.07%
Risk-free interest rate	1.9% – 2.4%	2.7% – 3.2%

ii. SembCorp Logistics Ltd

Date of grant	May 16, 2005	Aug 24, 2005
Fair value at measurement date	$0.26	$0.24
Share price	$1.71	$1.63
Exercise price	$1.71	$1.69
Expected volatility	24.3%	24.3%
Expected option life	1.5 – 4.5 years	1.5 – 4.5 years
Expected dividend	1.6%	1.7%
Risk-free interest rate	2.09% – 2.49%	1.92% – 2.34%

iii. SembCorp Marine Ltd

Date of grant	Aug 11, 2005
Fair value at measurement date	$0.47
Share price	$2.90
Exercise price	$2.96
Expected volatility	25.45% – 30.41%
Expected option life	1.5 – 4.5 years
Expected dividend	2.55%
Risk-free interest rate	1.99% – 2.36%

The expected volatility is based on the historical volatility over the most recent period that commensurate with the expected life of the option.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

20. Employee Benefits *(continued)*

Performance Share Plan

Under the Performance Share Plan, the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the 3-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

In 2005, the Committee, with advice and assistance from an independent compensation consultant, redesigned its approach to the share-based incentive awards, with particular focus on establishing new standards for share-based incentive grants. The redesigned share-based incentive grants took into account evolving practices at other major public-listed companies, as well as the Company's objective of further enhancing linkages between employee performance and long-term shareholder value creation objectives. The redesign was completed and implemented in 2005.

For awards granted before 2005, recipients who do not achieve at least 80% of the targets set at the end of the performance period will not be granted the performance shares. If the achievement of the targets exceeds 100%, more performance shares than the original award could be delivered up to a maximum of 200% of the original award.

In the 2005 performance share award, the performance criteria was changed and performance levels re-calibrated based on the new measures, namely Wealth Added and Total Shareholders' Return. For each performance measure, three distinct performance levels are set. A minimum of threshold performance must be achieved to trigger an Achievement Factor, which in turn determines the number of shares to be finally awarded.

Based on the new criteria, performance shares to be delivered for awards granted in 2005 will range between 0% to 150% of the original award.

Participants are also required to hold a minimum percentage of the shares released to them under the Performance Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's Annual Base Salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

During the year, a total of 157,500 performance shares were released by the Committee to the participants for the performance period 2002 to 2004. Of the 157,500 performance shares released, 84,000 were released to the estate of Mr Wong Kok Siew (deceased on February 16, 2005) a former key executive and executive director of the Board, via the release of cash in-lieu of share awards at $2.00 per share on April 12, 2005, as approved by the Committee.

During the year, the Committee also approved the release of 113,400 performance shares for the performance period 2003 to 2005 and 39,200 performance shares for the performance period 2004 to 2006 to the estate of Mr Wong Kok Siew via the release of cash in-lieu of share awards at $2.00 per share on April 12, 2005. The number of performance shares released to the estate of Mr Wong Kok Siew was pro-rated for the completed performance period.

20. Employee Benefits *(continued)*

Performance Share Plan *(continued)*

The details of performance shares of the Company awarded during the year since commencement of the Performance Share Plan (aggregate) were as follows:

Performance Shares Participants	Conditional Shares Awarded during the year	Aggregate Conditional Shares Awarded	Aggregate Conditional Shares Released	Aggregate Conditional Shares Lapsed	Aggregate Conditional Shares Outstanding
Director of the Company					
Tang Kin Fei	400,000	1,040,000	(56,000)@	(284,000)	700,000
Former Directors of the Company	–	1,780,000	(341,600)	(1,438,400)	–
Key Executives of the Group	470,000	2,230,000	(133,000)	(1,097,000)	1,000,000
	870,000	5,050,000	(530,600)	(2,819,400)	1,700,000

@ For performance period prior to Mr Tang Kin Fei's appointment as Group President & CEO of the Group.

The total number of performance shares in awards granted conditionally and representing 100% of targets achieved, but not released as at end 2005, was 1,700,000. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,965,000 performance shares.

For performance share plan awarded prior to January 1, 2005, an initial estimate is made for the cost of compensation and based on the number of shares expected to be released at the end of the performance period, valued at market price at the date of the grant of the award. During the current financial year, the Group has charged $1,271,000 (2004: $1,772,000) to the profit and loss account in respect of performance shares awarded prior to January 1, 2005 based on the market values of the shares at reporting date. The balance of $2,028,000 in liabilities as at December 31, 2005 represents the compensation cost for performance shares awarded prior to 2005. The final measure of compensation cost is based on the number of shares ultimately released and the market price at the date the performance criteria are met.

For performance shares awarded from January 1, 2005, the Group has charged $776,000 based on fair value of performance shares at grant date.

Restricted Stock Plan

During the year, an award of 400,000 restricted stocks was vested to Mr Wong Kok Siew (deceased on February 16, 2005), a former key executive and executive director of the Board. This was issued to his estate during the year via the release of cash in-lieu of share awards at $1.90 per share as approved by the Committee. A total 1,000,000 restricted stocks was vested and issued to him since 2002.

In 2005, no restricted stock has been awarded under the Restricted Stock Plan.

b. Provision for Retirement Benefits and Gratuities

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

	Group	
	2005	2004
	$'000	$'000
Balance at beginning of the year	**55,585**	51,135
Translation adjustments	**(3,391)**	3,635
Provision made during the year, net of amount written back	**1,986**	1,519
Provision utilised	**(8,084)**	(704)
Balance at end of the year	**46,096**	55,585

20. Employee Benefits *(continued)*

c. Defined Benefit Obligations

The Group's two subsidiaries in United Kingdom provide 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 contributions to separately administered trust funds.

The details of the plans are as follows:

	Group	
	2005	2004
	$'000	$'000
Present value of unfunded obligations	**46,346**	33,471
Present value of funded obligations	**330,861**	285,293
Fair value of plan assets	**(273,272)**	(227,517)
Present value of net obligations	**103,935**	91,247
Actuarial losses not recognised in accordance with FRS 19	**(61,420)**	(39,370)
Net liability	**42,515**	51,877

	Group	
	2005	2004
	$'000	$'000
Movements in the net liability are as follows:		
At beginning of the year	**51,877**	46,705
Contributions to pension fund	**(16,039)**	(8,917)
Expenses recognised during the year	**10,758**	10,454
Translation difference	**(4,081)**	3,635
	42,515	51,877

Expense recognised in the profit and loss account

		Group	
	Note	**2005**	2004
		$'000	$'000
Current service costs		**9,132**	9,090
Interest on obligation		**15,570**	14,365
Expected return on plan assets		**(15,438)**	(14,230)
Actuarial losses		**1,494**	1,229
	29(a)	**10,758**	10,454

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

	Group	
	2005	2004
	$'000	$'000
Cost of sales	**6,786**	6,636
Administrative expenses	**2,318**	4,048
Finance costs / (income) (net)	**1,654**	(230)
	10,758	10,454
Actual return in value of plan assets	**7,131**	5,699

20. Employee Benefits *(continued)*

c. Defined Benefit Obligations *(continued)*

Principal actuarial assumptions

Principal actuarial assumptions at the balance sheet date:

	Group	
	2005	2004
	%	%
Discount rate at December 31	**4.7 – 4.8**	5.1 – 5.2
Expected return on plan assets at December 31	**6.5 – 6.8**	6.9 – 7.5
Future annual salary increases	**3.9 – 4.4**	3.8 – 4.3
Future pension increases	**2.9 – 3.5**	2.7 – 3.7

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 13 years (2004: 13 years).

21. Interest-Bearing Borrowings

		Group		Company	
	Note	**2005**	2004	**2005**	2004
		$'000	$'000	**$'000**	$'000
Non-current liabilities					
Secured term loans	(a)	**393,568**	421,271	**–**	–
Unsecured term loans	(b)	**514,179**	398,104	**150,000**	150,000
Finance lease liabilities	(c)	**939**	1,552	**–**	–
		908,686	820,927	**150,000**	150,000
Current liabilities					
Secured term loans	(a)	**44,192**	138,901	**–**	–
Unsecured term loans	(b)	**42,402**	827,267	**–**	250,000
Finance lease liabilities	(c)	**743**	2,276	**–**	–
Convertible bond	(d)	**62,046**	–	**–**	–
		149,383	968,444	**–**	250,000
		1,058,069	1,789,371	**150,000**	400,000

Maturity of liabilities (excluding finance lease liabilities)

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Within 1 year	**148,640**	966,168	**–**	250,000
After 1 year but within 5 years	**679,013**	632,048	**150,000**	150,000
After 5 years	**228,734**	187,327	**–**	–
Total borrowings	**1,056,387**	1,785,543	**150,000**	400,000

21. Interest-Bearing Borrowings *(continued)*

a. The secured loans are collaterised by the following assets:

	Net Book Value	
	2005	2004
	$'000	$'000
Property, plant and equipment	**989,797**	1,038,400
Trade receivables	**9,739**	–
Other current assets	**6,562**	–
	1,006,098	1,038,400

b. Unsecured Term Loans

Included in the unsecured term loans are medium term notes of the Group as follows:

- In 2004, a wholly owned treasury vehicle of the Company, SembCorp Financial Services Pte Ltd (the "Issuer"), established a $1.5 billion Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme"). Pursuant to this, the Company, together with other subsidiaries of the Company (together with the Issuer, the "Issuing Subsidiaries"), may from time to time issue debt under the Programme. The obligations of the Issuing Subsidiaries under the Notes will be fully guaranteed by the Company.

  No further debt issuances will be made by the Company under its Existing Programme, and the outstanding debt issuances of $150 million will be allowed to mature on June 6, 2008. Upon maturity of the outstanding debt issued, the Existing Programme will be terminated.

- In 2004, a subsidiary, SembCorp Marine Ltd ("SCM") established a $500 million Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme") pursuant to which the subsidiary together with its subsidiaries Jurong Shipyard Pte Ltd and Sembawang Shipyard Pte Ltd ("Issuing SCM Subsidiaries"), may from time to time issue the notes. The obligations of Issuing SCM Subsidiaries under the Notes will be fully guaranteed by SCM.

  The 1st series of $150 million 5-year fixed rate notes issued by SCM on September 27, 2004, is redeemable at par on September 26, 2009 and bears fixed interest rate of 3.0% per annum and is listed on the Singapore Exchange Securities Trading Limited.

c. Finance Leases Liabilities

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

	2005			2004		
	Payments	Interest	Principal	Payments	Interest	Principal
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Within 1 year	**798**	**55**	**743**	2,384	108	2,276
After 1 year but within 5 years	**1,051**	**112**	**939**	1,646	97	1,549
After 5 years	**–**	**–**	**–**	3	–	3
	1,051	**112**	**939**	1,649	97	1,552
Total	**1,849**	**167**	**1,682**	4,033	205	3,828

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 2.5% to 15.48 % (2004: 2.6% to 14.1%) per annum.

21. Interest-Bearing Borrowings *(continued)*

d. Convertible Bond

On January 1, 2005, a subsidiary, entered into a Convertible Bond Agreement ("Agreement") amounting to $62,046,000 with a related party of a minority shareholder (lender) to convert its term loan liability into a convertible bond. The interest rate is 1.5% above 3 months SIBOR and the lender has the right to convert in whole or in part the loan to shares in the subsidiary and at anytime before December 31, 2009, the due date of the loan repayment. The loan is redeemable in whole or in part at anytime.

22. Other Long-Term Liabilities

		Group	
	Note	2005	2004
		$'000	$'000
Deferred income	(a)	**41,939**	46,176
Deferred grants	(b)	**9,626**	894
Other financial liabilities	23	**607**	–
Amount due to related parties	26	**11,603**	52,300
Other long-term payables		**14,568**	13,081
		78,343	112,451

a. Deferred income relates mainly to advance payments received from customers in respect of connection and capacity charges for the supply and delivery of gas and utilities.

b. Deferred grants relate to government grants for capital assets.

23. Other Financial Liabilities

		Group	
	Note	2005	2004
		$'000	$'000
a. Current Liabilities			
Derivative financial instruments:			
Cashflow hedges:			
– Interest rate swaps		**3,956**	–
– Forward foreign exchange contracts		**2,341**	–
– Fuel oil swap contracts		**7,156**	–
– Power sales and purchase option contracts		**13,386**	–
Fair value through profit or loss:			
– Interest rate swaps		**2,020**	–
– Forward foreign exchange contracts		**7,417**	–
– Foreign exchange swaps contracts		**3,436**	–
	18	**39,712**	–

		2005	2004
		$'000	$'000
b. Non-current Liabilities			
Derivative financial instruments:			
Fair value through profit or loss:			
– Interest rate swaps		**599**	–
Cash flow hedges:			
– Forward foreign exchange contracts		**8**	–
	22	**607**	–

With the adoption of FRS 39, the Group states its financial liabilities at fair value. In accordance with the transitional provisions of FRS 39, the adoption of FRS 39 has been accounted for prospectively. Where applicable, the differences between the fair values and carrying amounts of these financial liabilities at January 1, 2005 are taken to the opening balance of fair value reserve or revenue reserve at the date.

24. Trade Receivables

	Note	Group 2005 $'000	Group 2004 $'000
Trade receivables including work completed but unbilled		**784,245**	938,857
Allowance for doubtful receivables		**(38,898)**	(34,959)
		745,347	903,898
Long-term trade receivables	10	**(34,854)**	(48,597)
	15	**710,493**	855,301

Included in trade receivables are retention monies on contracts amounting to $45,804,000 (2004: $64,117,000).

25. Other Receivables, Deposits and Prepayments

	Note	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Deposits		**9,811**	11,843	**292**	292
Prepayments		**42,126**	31,281	**848**	841
Tax recoverable		**121,161**	106,529	**66,939**	52,697
Sundry receivables	(a)	**115,145**	117,399	**845**	610
Unbilled receivables	(b)	**250,422**	165,688	**–**	–
Loan receivables		**13,484**	13,749	**–**	–
Recoverables		**8,104**	11,039	**–**	–
Interest receivable		**880**	1,149	**–**	–
Dividend receivables		**–**	–	**1,200**	453,378
		561,133	458,677	**70,124**	507,818
Allowance for doubtful receivables		**(34,155)**	(34,180)	**(60)**	(60)
	15	**526,978**	424,497	**70,064**	507,758

a. Sundry receivables include an amount of $25,811 (2004: $49,699) 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.

26. Amounts Due from/(to) Related Parties

	Note	Ultimate holding company 2005 $'000	Ultimate holding company 2004 $'000	Associates 2005 $'000	Associates 2004 $'000	Joint ventures 2005 $'000	Joint ventures 2004 $'000	Related companies 2005 $'000	Related companies 2004 $'000	Minority shareholders of subsidiaries 2005 $'000	Minority shareholders of subsidiaries 2004 $'000	Total 2005 $'000	Total 2004 $'000
Group													
Amounts due from:													
Trade		**–**	–	**17,417**	20,568	**4,673**	7,167	**31,921**	31,080	**1,320**	1,679	**55,331**	60,494
Loans		**–**	–	**32,694**	66,166	**25,630**	34,867	**14,102**	23,500	**–**	–	**72,426**	124,533
Non-trade		**164**	168	**49,474**	65,774	**15,036**	15,351	**875**	693	**2,024**	362	**67,573**	82,348
		164	168	**99,585**	152,508	**45,339**	57,385	**46,898**	55,273	**3,344**	2,041	**195,330**	267,375
Allowance for doubtful receivables		**(164)**	(164)	**(75,324)**	(106,417)	**(18,543)**	(29,667)	**(848)**	(1,030)	**–**	–	**(94,879)**	(137,278)
		–	4	**24,261**	46,091	**26,796**	27,718	**46,050**	54,243	**3,344**	2,041	**100,451**	130,097
Amounts due:													
Within 1 year	15	**–**	4	**20,848**	37,577	**26,331**	27,003	**45,079**	54,243	**3,344**	2,041	**95,602**	120,868
After 1 year	10	**–**	–	**3,413**	8,514	**465**	715	**971**	–	**–**	–	**4,849**	9,229
		–	4	**24,261**	46,091	**26,796**	27,718	**46,050**	54,243	**3,344**	2,041	**100,451**	130,097

i. Included in loans due from joint ventures is 1% unsecured loan stocks 1999 of $5,250,000 (2004: $5,250,000) which may, at the 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 is October 16, 2006.

ii. The long-term loans to associates and joint ventures are unsecured and are not expected to be repaid in the next 12 months. The loans to joint ventures, associates and related companies of $39,221,000 bear interest ranging from 2% to 5.25% (2004: 4% to 7%) per annum.

iii. Included in loans due from related companies in 2004 are floating rate notes of $18,000,000 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 ranged from 0.88% to 1.52% per annum. These notes have been redeemed in 2005.

Notes to the Financial Statements

Year ended December 31, 2005

26. Amounts Due from/(to) Related Parties *(continued)*

	Note	Associates 2005 $'000	Associates 2004 $'000	Joint ventures 2005 $'000	Joint ventures 2004 $'000	Related companies 2005 $'000	Related companies 2004 $'000	Minority shareholders of subsidiaries 2005 $'000	Minority shareholders of subsidiaries 2004 $'000	Total 2005 $'000	Total 2004 $'000
Group											
Amounts due to:											
Trade		**(2,055)**	(5,197)	**(254)**	(108)	**(1,742)**	(4,039)	**(1,457)**	(889)	**(5,508)**	(10,233)
Non-trade		**(3,958)**	(5,354)	**(3,615)**	(5,263)	**(538)**	(574)	**(1,996)**	(5,114)	**(10,107)**	(16,305)
Loans		**(2,805)**	(24,352)	**(1,506)**	–	**–**	–	**(22,661)**	(89,332)	**(26,972)**	(113,684)
		(8,818)	(34,903)	**(5,375)**	(5,371)	**(2,280)**	(4,613)	**(26,114)**	(95,335)	**(42,587)**	(140,222)
Amounts due:											
Within 1 year	18	**(8,818)**	(34,177)	**(5,375)**	(5,371)	**(2,280)**	(4,613)	**(14,511)**	(43,761)	**(30,984)**	(87,922)
After 1 year	22	**–**	(726)	**–**	–	**–**	–	**(11,603)**	(51,574)	**(11,603)**	(52,300)
		(8,818)	(34,903)	**(5,375)**	(5,371)	**(2,280)**	(4,613)	**(26,114)**	(95,335)	**(42,587)**	(140,222)

i. Included in loans due to minority shareholders of subsidiaries in 2004 was a loan amounting to $55,195,000 which has been restructured into a convertible bond in 2005 (Note 21(d)).

	Note	Subsidiaries 2005 $'000	Subsidiaries 2004 $'000	Associates 2005 $'000	Associates 2004 $'000	Joint ventures 2005 $'000	Joint ventures 2004 $'000	Related companies 2005 $'000	Related companies 2004 $'000	Total 2005 $'000	Total 2004 $'000
Company											
Amounts due from:											
Non-trade		**12,065**	6,603	**1**	–	**56**	101	**320**	54	**12,442**	6,758
Loans		**2,302**	57,411	**–**	–	**–**	–	**–**	–	**2,302**	57,411
	15	**14,367**	64,014	**1**	–	**56**	101	**320**	54	**14,744**	64,169
Amounts due to:											
Non-trade		**(701,993)**	(1,188,310)	**–**	(178)	**–**	–	**(44)**	(83)	**(702,037)**	(1,188,571)
Loans		**(210,000)**	(190,000)	**–**	–	**–**	–	**–**	–	**(210,000)**	(190,000)
	18	**(911,993)**	(1,378,310)	**–**	(178)	**–**	–	**(44)**	(83)	**(912,037)**	(1,378,571)

27. Other Payables and Accrued Charges

		Group		Company	
	Note	**2005**	2004	**2005**	2004
		$'000	$'000	**$'000**	$'000
Accrued operating expenses		**795,501**	732,724	**10,964**	11,714
Deposits		**20,637**	14,546	**–**	–
Accrued interest payable		**10,956**	20,843	**441**	2,330
Other payables		**193,675**	92,992	**1,012**	1,015
Dividend payable	(a)	**–**	387,891	**–**	91,322
	18	**1,020,769**	1,248,996	**12,417**	106,381

a. The Group's dividend payable of $387,891,000 in 2004 comprised of the Company's special interim dividend of $91,322,000 and the special interim dividend of $296,569,000 by a subsidiary to its minority shareholders, paid on January 7, 2005 and January 4, 2005 respectively.

28. Turnover

Turnover comprises the following:

	Group	
	2005	2004
	$'000	$'000
Sale of gas, water, electricity and services	**2,944,395**	2,303,911
Ship repair, building, conversion and related services	**2,010,709**	1,315,086
Construction and engineering related activities	**1,396,847**	1,410,484
Integrated logistics and related services	**448,671**	392,094
Environmental management and related services	**216,592**	200,225
Others	**392,003**	322,162
	7,409,217	5,943,962

29. Profit before Income Tax Expense

Profit before income tax expense include the following:

		Group	
	Note	2005	2004
		$'000	$'000
a. Staff costs			
Staff costs		**636,219**	590,832
Included in staff costs are:			
Share-based payments		**10,144**	6,672
Contributions to:			
– defined benefit plan	20(c)	**10,758**	10,454
– defined contribution plan		**32,777**	28,035
b. Other expenses			
Allowance made/(written back) for impairment losses			
– property, plant and equipment	5	**6,244**	2,712
– interests in associates		**6,334**	(930)
– interests in joint ventures		**–**	269
– other financial assets		**(1,947)**	(16,586)
– inventory		**5,620**	4
– doubtful debts		**(14,721)**	8,902
– intangible assets	12	**1,153**	20
– asset held for sale		**963**	–
Amortisation			
– intangible assets	12	**1,530**	1,517
– loan stock discount		**–**	519
Non-audit fees paid/payable			
– auditors of the Company		**638**	326
– other auditors		**611**	570
Depreciation of property, plant and equipment	5	**182,849**	180,153
Professional fee paid to directors or a firm in which a director is a member		**609**	238
Operating lease expenses		**40,299**	42,284
Property, plant and equipment written off		**2,293**	138
Inventory written off		**177**	86,335
Intangible assets written off		**156**	378
Bad debts written off		**9,006**	1,938

29. Profit before Income Tax Expense *(continued)*

		Group	
		2005	2004
		$'000	$'000
c.	**Non-operating income (net)**		
	Net exchange loss	**(17,781)**	(712)
	Grants received		
	– income related	**79**	423
	Gross dividend income	**1,709**	1,415
	Interest income		
	– related companies	**2,497**	2,834
	– associates and joint ventures	**2,893**	1,346
	– banks and others	**29,399**	19,485
	Gain/(Loss) from disposal of		
	– property, plant and equipment (net)	**11,357**	13,343
	– subsidiaries	**(288)**	1,147
	– associates	**46,462**	1,082,690
	– joint ventures	**(463)**	3,444
	– other financial assets	**12,978**	(2,707)
d.	**Finance costs**		
	Interest paid and payable to		
	– associates and joint ventures	**137**	86
	– unsecured loan stocks	**–**	15
	– bank loans and others	**56,486**	74,906
	Amortisation of capitalised transaction costs	**4,905**	–
	Interest rate swap – Fair value through profit or loss	**(7,667)**	–
		53,861	75,007
e.	**Exceptional items included in:**		
	Cost of sales		
	Work-in-progress written off	**–**	(86,331)
	Non-operating income (net)		
	Gain on disposal of associates and other investments	**56,119**	1,080,664
	Unrealised foreign exchange loss relating to an amount accumulated in connection with Solitaire arbitration	**(30,758)**	–
	Other recoverables	**4,549**	–
	General and administrative expenses		
	Provision for net exposure arising from legal claims	**–**	(415,000)
	Allowance for impairment loss for interests in associates	**(6,214)**	–
	Write back of provision for loans	**19,654**	–
		43,350	579,333
	Less: Tax and Minority Interests	**(18,530)**	(415,518)
	Net exceptional items	**24,820**	163,815

30. Income Tax Expense

	Group 2005 $'000	Group 2004 $'000
Current tax expense		
Current year	**34,656**	26,328
Under/(Over) provided in prior years	**9,959**	(2,839)
	44,615	23,489
Deferred tax expense		
Movements in temporary differences	**55,643**	45,856
Reduction in tax rate	**–**	(7,911)
(Over)/Under provided in prior years	**(7,828)**	3,197
	47,815	41,142
	92,430	64,631

Reconciliation of effective tax rate

	Group 2005 $'000	Group 2004 $'000
Group		
Profit before share of results of associates and joint ventures, and tax	**429,345**	854,583
Income tax using Singapore tax rates	**85,869**	170,917
Effect of reduction in tax rates	**–**	(7,911)
Effect of different tax rates in other countries	**7,529**	(1,925)
Tax incentives and income not subject to tax	**(53,321)**	(303,562)
Expenses not deductible for tax purposes	**41,374**	176,348
Utilisation of tax losses	**(4,367)**	(2,589)
Under provided in prior years	**2,131**	358
Deferred tax benefit not recognised	**20,994**	30,664
Group tax relief	**(7,358)**	(8,242)
Others	**(421)**	10,573
Income tax expense	**92,430**	64,631

31. Earnings Per Share

	Group 2005 $'000	Group 2004 $'000
a. Basic earnings per share		
Basic earnings per share is based on:		
i. Profit attributable to Shareholders of the Company	**303,295**	391,488

	No. of shares '000	No. of shares '000
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	**1,826,489**	1,821,715
Weighted average number of shares issued under Share Option Plan	**16,611**	1,488
Weighted average number of shares cancelled pursuant to capital reduction	**(73,472)**	–
Weighted average number of ordinary shares	**1,769,628**	1,823,203

31. Earnings Per Share *(continued)*

		Group	
		2005	2004
		$'000	$'000
b.	**Diluted earnings per share**		
	Diluted earnings per share is based on:		
	i. Profit attributable to shareholders of the Company	**303,295**	391,488

ii. Weighted average number of ordinary shares

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options and contingently issuable shares, with the potential ordinary shares weighted for the period outstanding.

The weighted average number of ordinary shares adjusted for the unissued ordinary shares under the Share Option Plan was arrived at as follows:

	Group	
	2005	2004
	$'000	$'000
	No. of shares	No. of shares
	'000	'000
Weighted average number of shares issued used in the calculation of basic earnings per share	**1,769,628**	1,823,203
Weighted average number of unissued ordinary shares under Share Option Plan	**49,152**	21,955
Number of shares that would have been issued at fair value	**(30,829)**	(18,364)
Weighted average number of ordinary shares	**1,787,951**	1,826,794

32. Dividends

The directors have proposed a final dividend of 6.5 cents per share less tax (2004: 5 cents per share less tax) in respect of the financial year ended December 31, 2005. 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.

Subject to the approval by the shareholders at the next Annual General Meeting to be convened, dividend for the current financial year will be 6.5 cents per share less tax (2004: 11.25 cents per share less tax, comprising special interim dividend of 6.25 cents and final dividend of 5 cents).

33. Change in Accounting Policies

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended December 31, 2005.

The changes in accounting policies arising from the adoption of FRS 39 Financial Instruments: Recognition and Measurement, FRS 102 Share-based Payment and FRS 21 (revised) The Effects of Changes in Foreign Exchange Rates are summarised below:

FRS 39 – Financial Instruments: Recognition and Measurement

The adoption of FRS 39 resulted in the Group measuring its derivative financial instruments and available-for-sale investments as assets or liabilities at fair values. Financial assets and financial liabilities are stated at amortised cost instead of cost. Previously, investments were stated at cost less impairment and derivative financial instruments were not recorded on the balance sheet. Where a derivative or non-derivative financial instrument is an effective hedge in a cash flow hedge relationship, the change in fair value of the hedging instrument relating to the effective portion is recorded in equity.

This change in accounting policy has been accounted for prospectively in accordance with the transitional provisions. The adoption of FRS 39 has resulted in an increase of $6.9 million in Other Reserves and a decrease of $17.5 million in Accumulated Profits as at January 1, 2005, net of the related deferred taxes. Comparatives have not been restated.

33. Change in Accounting Policies *(continued)*

FRS 102 – Share-based Payment

In accordance with the transitional provisions, FRS 102 has been applied to all grants after November 22, 2002 that were not yet vested as at January 1, 2005. The adoption of FRS 102 has resulted in a change in the Group's accounting policy for share-based payments, where share options to employees are measured at fair value at the date of grant and recognised as expense over the vesting period. Previously, share options to employees were not charged to the profit and loss account.

This change in accounting policy has been accounted for retrospectively and resulted in the following:

a. There was no impact on the total equity of the Group and of the Company as at January 1, 2005 and January 1, 2004. However, Accumulated Profits of the Group and of the Company as at January 1, 2004 were decreased by $0.7 million and $0.1 million respectively; and likewise, the Other Reserves of the Group and of the Company were increased by the same amount; and
b. Net profit of the Group and of the Company for 2004 decreased by $3.8 million and $0.5 million respectively.

FRS 21(revised) The Effects of Changes in Foreign Exchange Rates

Under FRS 21(revised) The Effects of Changes in Foreign Exchange Rates, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation, where that monetary item is neither denominated in the functional currency of the parent nor the foreign operation, are to be recognised in the profit and loss account, instead of the Currency Translation Reserve, as previously allowed.

In January 2006, CCDG issued FRS 21 Amendment Regulations 2006 ("FRS 21 Amendment 2006"), which is effective for financial periods beginning January 1, 2006, and early adoption is encouraged. FRS 21 Amendment 2006 now allows the exchange differences arising from a monetary item that forms part of the reporting entity's net investment in a foreign operation to be recognised in equity in the consolidated financial statements even if the functional currency of the loan is not denominated in either the functional currency of the parent or the borrowing foreign operation. The Group has early adopted FRS 21 Amendment 2006 and accordingly, all exchange differences arising from quasi equity loans are recognised in equity in the consolidated financial statements.

The adoption of revised FRS 21 and FRS 21 Amendment 2006 resulted in the following:

a. Accumulated Profits as at January 1, 2004 for the Group decreased by $1.1 million; and Currency Translation Reserve increased by $1.1 million; and

b. Net profit for 2004 decreased by $0.2 million.

34. 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				
NCIP SembCorp Water Co. Ltd	28/11/2005	70	7,914	–
Marine Engineering				
Chut Kee LLC and its subsidiaries	13/10/2005	52.76	9,324	268
Engineering & Construction				
ST Architects & Engineers Pte Ltd ("STAE")*	20/06/2005	51.35	257	514

* Previously an associate to the Group. Following the acquisition, STAE is now a wholly owned subsidiary of the Group.

The above acquisitions were accounted for using the purchase method.

The results of the above acquired subsidiaries as though the acquisition date was from January 1, 2005 will not materially affect the revenue and profit of the Group for the year ended December 31, 2005.

34. Acquisitions and Disposals of Subsidiaries *(continued)*

	Date of disposal	Effective equity interest disposed	Impact on Group's 2005 net profit	Impact on Group's 2004 net profit
		%	$'000	$'000
b. Disposals by:				
Utilities				
SembCorp Energy (Kwinana) Pte Ltd	18/03/2005	100	449	2,175

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

35. 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:

	Group	
	2005	2004
	$'000	$'000
Related Companies		
Sales	**788,566**	660,223
Purchases including rental	**29,645**	23,086
Management fees paid/payable	**–**	3,686
Associates and Joint Ventures		
Sales	**15,645**	17,752
Purchases including rental	**352,571**	190,998

Compensation of key management personnel

Directors of the Company, CEOs of our subsidiaries, namely SembCorp Marine Ltd, SembCorp Logistics Ltd, SembCorp Environmental Management Pte Ltd, SembCorp Engineers and Contractors Pte Ltd and Singapore Precision Industries Pte Ltd, the Executive Chairman of SembCorp Parks Holdings Ltd, and Group Chief Financial Officer are considered to be key management personnel in accordance with FRS 24 – Related Parties. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation are as follows:

	Group	
	2005	2004
	$'000	$'000
Directors' remuneration	**6,320** [@]	2,885
Other key management personnel remuneration	**6,580**	6,780
	12,900	9,665
Fair value of Share-based compensation	**2,231**	640

35. Related Party Transactions *(continued)*

Compensation of key management personnel *(continued)*

@ The increase in directors' remuneration is mainly due to payout made to Mr Wong Kok Siew (deceased on February 16, 2005), a former key executive and executive director of the Board, in accordance with his terms and conditions of employment. This payout was approved by the Executive Resource & Compensation Committee.

Remuneration includes salary (which includes employer CPF, allowances, fees and other emoluments) and bonus (which includes AWS, discretionary bonus, performance targets bonus, performance shares and restricted share released during the year).

In addition to the above, the Company provides medical benefits to all employees, which includes key management personnel.

The Group adopts an incentive compensation plan, which ties to the creation of Economic Value Added ("EVA"), as well as to attainment of individual performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. Such carried forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and its subsidiaries.

Fair value of share-based compensation relates to share options and performance share granted during the year. The amount charged is determined in accordance with FRS 102 Share-based Payment.

Company

a. The Company provided a corporate guarantee to a subsidiary, SembCorp Cogen Pte Ltd ("SembCogen") who on January 15, 1999, entered into a long-term contract ("End User Agreement") with a fellow subsidiary, SembCorp Gas Pte Ltd ("SembGas") to purchase natural gas over the period of 22 years.

   Under the End User Guarantee Agreement ("EUGA"), the Company and one of its subsidiaries, SembCorp Utilities Pte Ltd issued corporate guarantee in favour of SembGas for 70% and 30% respectively of SembCogen's obligations under the End User Agreement ("EUA Guarantee").

b. The Company has provided guarantees to banks to secure banking facilities provided to a wholly owned treasury vehicle of the Company, SembCorp Financial Services Pte Ltd, amounting to approximately $1,064 million (2004: $100 million). The Company has also provided guarantee to a bank to secure banking facilities provided to a former subsidiary amounting to approximately $3 million (2004: $4 million).

c. The Company has provided a lease guarantee to the landlord of a subsidiary, amounting to approximately $36 million (2004: $41 million), representing the expected rental payment for the remaining 16 years (2004: 17 years) under the tenancy agreement.

36. 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 its obligations.

36. Financial Instruments *(continued)*

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. Naphtha swaps are entered into for fixed quantity to hedge revenue indexed to naphtha. 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, 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.

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.

	Note	Effective interest rate	Total	Within 1 year	1 to 5 years	After 5 years
		%	$'000	$'000	$'000	$'000
Group						
2005						
Financial assets						
Lease receivables	11	3.85	52,946	6,036	24,915	21,995
Balances with related parties		2.28	39,221	38,756	465	–
Trade receivables		4.05	10,250	10,250	–	–
Other receivables		2.26	14,813	14,813	–	–
Cash and cash equivalents		2.40	1,199,734	1,199,734	–	–
			1,316,964	1,269,589	25,380	21,995

36. Financial Instruments *(continued)*

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

	Note	Effective interest rate	Total	Within 1 year	1 to 5 years	After 5 years
		%	$'000	$'000	$'000	$'000
Group						
2005						
Financial liabilities						
Secured term loans:						
– Floating rate loans		4.81	(444,366)	(439,121)	(5,245)	–
– Effect of interest rate swaps		0.66	–	318,371	(193,112)	(125,259)
			(444,366)	(120,750)	(198,357)	(125,259)
– Fixed rate loans		5.45	(1,050)	(1,050)	–	–
Total secured term loans			(445,416)	(121,800)	(198,357)	(125,259)
Unsecured term loans:						
– Floating rate loans		4.16	(39,361)	(39,361)	–	–
– Fixed rate loans		3.16	(217,500)	(4,000)	(213,500)	–
– Medium term notes		3.57	(299,720)	–	(299,720)	–
Total unsecured term loans	21		(556,581)	(43,361)	(513,220)	–
Convertible bond	21	3.52	(62,046)	(62,046)	–	–
Lease liabilities	21	11.28	(1,682)	(743)	(939)	–
Balances with related parties		4.08	(22,220)	(13,555)	–	(8,665)
Bill payables		5.50	(13,881)	(13,881)	–	–
			(1,101,826)	(255,386)	(712,516)	(133,924)
Total			215,138	1,014,203	(687,136)	(111,929)

36. 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						
2004						
Financial assets						
Debts securities – short-term		3.95	1,688	1,042	499	147
Debts securities – long-term		6.10	87,735	7,735	80,000	–
Lease receivables		4.25	58,751	6,066	25,056	27,629
Balances with related parties		3.19	52,867	52,152	–	715
Trade receivables		4.17	38,448	18,448	17,845	2,155
Other receivables		2.95	15,515	8,516	6,999	–
Cash and cash equivalents		1.30	1,991,074	1,991,074	–	–
			2,246,078	2,085,033	130,399	30,646
Financial liabilities						
Secured term loans:						
– Floating rate loans		4.28	(556,407)	(556,407)	–	–
– Effect of interest rate swaps		2.21	–	300,758	(300,758)	–
			(556,407)	(255,649)	(300,758)	–
– Fixed rate loans		10.78	(3,765)	(2,692)	(1,073)	–
Total secured term loans		21	(560,172)	(258,341)	(301,831)	–
Unsecured term loans:						
– Floating rate loans		1.92	(534,226)	(534,226)	–	–
– Fixed rate loans		5.27	(141,500)	(44,000)	(17,500)	(80,000)
– Medium term notes		3.97	(549,645)	(250,000)	(299,645)	–
Total unsecured term loans	21		(1,225,371)	(828,226)	(317,145)	(80,000)
Lease liabilities	21	8.92	(3,828)	(2,276)	(1,549)	(3)
Balances with related parties		2.25	(88,805)	(39,696)	(39,069)	(10,040)
Bill payables		6.00	(76)	(76)	–	–
			(1,878,252)	(1,128,615)	(659,594)	(90,043)
Total			367,826	956,418	(529,195)	(59,397)

36. Financial Instruments *(continued)*

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

	Effective interest rate %	Total $'000	Within 1 year $'000	1 to 5 years $'000	After 5 years $'000
Company					
2005					
Financial assets					
Balances with related parties	2.38	2,416	2,416	–	–
Cash and cash equivalents	2.74	10,503	10,503	–	–
		12,919	12,919	–	–
Financial liabilities					
Balances with related parties	0.93	(813,568)	(813,568)	–	–
Medium term notes	4.13	(150,000)	–	(150,000)	–
		(963,568)	(813,568)	(150,000)	–
Total		(950,649)	(800,649)	(150,000)	–

	Effective interest rate %	Total $'000	Within 1 year $'000	1 to 5 years $'000	After 5 years $'000
Company					
2004					
Financial assets					
Balances with related parties	3.78	57,470	57,470	–	–
Cash and cash equivalents	0.81	23,242	23,242	–	–
		80,712	80,712	–	–
Financial liabilities					
Balances with related parties	0.59	(916,221)	(916,221)	–	–
Medium term notes	4.33	(400,000)	(250,000)	(150,000)	–
		(1,316,221)	(1,166,221)	(150,000)	–
Total		(1,235,509)	(1,085,509)	(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.

It is estimated that a one percentage point increase/decrease in interest rate would increase/decrease the Group's profit before tax by approximately $4,541,000 (2004: $8,133,000). In computing the effect of changes in interest rates, the effect of interest rate swaps has been considered. In addition, in 2004, the interim dividend payable as disclosed in note 27(a) has been considered.

36. Financial Instruments *(continued)*

i. Estimating fair values

Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps, broker quotes are used. Those quotes are back tested using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value of finance lease liabilities is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

Other financial assets and liabilities

The notional amounts of 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. All other financial assets and liabilities are discounted to determine their fair values.

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:

	2005	**2005**	2004	2004
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Group				
Financial Assets				
Quoted equity shares	**77,172**	**77,172**	32,734	60,197
Financial Liabilities				
Medium term notes	**(299,720)**	**(302,124)**	(549,645)	(564,580)
Total	**(222,548)**	**(224,952)**	(516,911)	(504,383)
Unrecognised (loss)/gain		**(2,404)**		12,528
Company				
Financial Liabilities				
Medium term notes	**(150,000)**	**(152,404)**	(400,000)	(414,935)
Unrecognised loss		**(2,404)**		(14,935)

36. Financial Instruments *(continued)*

i. Estimating fair values *(continued)*

ii. Unrecognised financial instruments

As discussed under Note 38(b), the fair value of the call and put option associated with the Kristiansand investment could not be reasonably ascertained.

iii. Notional Amount

The notional amount of financial instruments as at December 31, are:

	2005 Notional amount $'000	2004 Notional amount $'000
Group		
Foreign exchange contracts		
– Bought contracts	**1,074,924**	164,910
– Sold contracts	**510,115**	298,691
Foreign exchange swap agreements	**402,531**	27,867
Interest rate swap agreements	**698,845**	450,063
Fuel oil swap agreements	**168,434**	37,882
Foreign currency options	**–**	8,253
	2,854,849	987,666

The notional quantity of power hedges with option to buyback at spot purchase price is 972,000 mwh (megawatts hours).

The maturity of the financial instruments are disclosed in Note 9 and Note 23.

37. Contingent Liabilities (Unsecured)

	Group	
	2005	2004
	$'000	$'000
Guarantees given to banks to secure banking facilities provided to:		
– Associates and joint ventures	**69,640**	13,695
– Others	**164,241**	8,290
Performance guarantees granted on behalf of associates and joint ventures	**205,363**	231,880

In addition, at December 31, 2005, the Group had the following significant contingent liability:

Solitaire

The provision for net exposure arising from legal claims as disclosed in Note 19 amounting to $565 million (2004: $565 million) relates to the provision for Solitaire arbitration.

In November 1993, Sembawang Corporation Limited ("Sembawang") 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.

In 2005, based on continuous evaluation of the Owner's claims in the course of the Solitaire arbitration and on the advice of Sembawang's London solicitors, the Board deems it adequate to maintain the current provisions.

The hearing on the Owner's claims were completed in 2005. The Tribunal is expected to make an award on the Principal sums in 2006.

38. Commitments

	Group	
	2005	2004
	$'000	$'000
Commitments not provided for in the financial statements are as follows:		
Capital expenditure for:		
Commitments in respect of contracts placed	**125,177**	191,876
Amounts approved by directors but not contracted	**171,184**	24,650
Uncalled capital and commitments to subscribe for additional shares in investments	**68,453**	16,020
	364,815	232,546

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	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Lease payments due:				
Within 1 year	**64,066**	58,366	**882**	860
Between 1 and 5 years	**152,439**	171,504	**246**	235
After 5 years	**113,443**	156,026	**–**	–
	329,948	385,896	**1,128**	1,095

a. A subsidiary, SembCorp Gas Pte Ltd ("SembGas") entered into a long-term Gas Sales Agreement ("GSA") with Perusahaan Pertambangan Minyak Dan Gas Bumi Negara ("Pertamina") to purchase a total estimate of 2.6 TCF (Trilian Cubic Feet) of natural gas over a period of 22 years from the commencement of the contract.

   SembGas has also entered into End User Agreements with Tuas Power Ltd, SembCogen, Esso Singapore Pte Ltd, Ellba Eastern Pte Ltd and Shell Eastern Petroleum Pte Ltd to on-sell a total of 340 mmscfd (million standard cubic feet per day). The End User Agreements contain provisions, which specifically deal with, inter alia, SembGas's liability for shortfalls in deliveries of gas and relief from such liability in certain circumstances.

b. A subsidiary, Sembawang Shipyard (S) Pte Ltd ("SSSPL") granted an option to the minority shareholders (the "Minority Shareholder") of Kristiansand Drilling Pte Ltd ("Kristiansand") (the "Call Option") to acquire all (but not some only) the shares of Kristiansand (the "Call Option Shares") held by SSSPL.

   The Call Option shall be exercisable at any time during the period commencing from the effective date as described in Shareholders' Agreement to the date falling 18 months after date of delivery of a jack-up rig which is owned by Kristiansand.

   The exercise price of the Call Option shall be a sum equivalent to SSSPL's actual paid in capital to Kristiansand plus financing costs of LIBOR + 1.5% per annum for the period from Effective Date to date of transfer of the Call Option Shares plus premium of 0% to 12% depending on the time the Minority Shareholder exercises the Call Option.

   The Minority Shareholder of Kristiansand has also been granted an option (the "Put Option") to require SSSPL to acquire the Shares of Kristiansand (the "Put Option Shares") held by them.

   The Put Option shall be exercisable at any time during the period commencing from the Effective Date as described in Shareholders' Agreement to the date falling 9 months after the date of delivery of the rig.

   The exercise price for Put Option Shares shall be a sum equivalent to 90% of the Minority Shareholders' actual paid in capital on the date of transfer of Put Option Shares.

   The future price of the rig is dependent on oil prices, demand and supply of rigs, rig utilisation and charter rates, which could not be reasonably estimated. As such, the fair value of Kristiansand could also not be reasonably determined. Accordingly, the fair value of the call and put option associated with the Kristiansand investment could not be reasonably ascertained.

39. 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.

i. Business Segments

The Group comprises the following main business segments:

Utilities segment offer a range of fully integrated industrial site service, including power, gas, centralised utilities to clusters of chemical multinational corporations in Singapore and United Kingdom. It also invests in, manages and operates cogeneration plants in Singapore and in the region. It is also involved in engineering, construction and fabrication of offshore platforms, modules and floating production systems for oil and gas companies.

Marine Engineering segment focuses on repair, building and conversion of ships, rig construction and offshore engineering.

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

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.

Others segment comprises businesses relating to internet services provider, minting, hotels, properties, resorts and industrial parks.

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.

39. Segment Reporting *(continued)*

a. Business Segments

	Utilities	Marine Engineering	Logistics	Environmental Engineering	Engineering and Construction	Others	Corporate	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2005									
Revenue and expenses									
Total revenue from external customers	3,261,939	2,102,173	542,149	216,592	1,096,465	185,250	4,649	–	7,409,217
Inter-segment revenue	18,600	17,106	305	2,101	40	3,846	17,066	(59,064)	–
Total revenue	3,280,539	2,119,279	542,454	218,693	1,096,505	189,096	21,715	(59,064)	7,409,217
Segment results	223,027	127,057	52,755	(2,064)	354	41,719	5,570	–	448,418
Interest income	7,209	15,614	8,538	139	1,095	7,196	20,385	(25,388)	34,788
Finance costs	(41,523)	(4,785)	(2,299)	(1,026)	(742)	(437)	(28,437)	25,388	(53,861)
	188,713	137,886	58,994	(2,951)	707	48,478	(2,482)	–	429,345
Share of results of associates	713	15,999	14,343	8,253	1,313	4,668	–	–	45,289
Share of results of joint ventures	18,783	1,011	9,680	–	–	3,548	–	–	33,022
	208,209	154,896	83,017	5,302	2,020	56,694	(2,482)	–	507,656
Taxation	(38,387)	(31,437)	(12,643)	(245)	(1,176)	(1,445)	(7,097)	–	(92,430)
Minority interests	(13,765)	(49,118)	(33,011)	(360)	(122)	(15,555)	–	–	(111,931)
Net profit/(loss) for the year	156,057	74,341	37,363	4,697	722	39,694	(9,579)	–	303,295
Comprising:									
Net profit/(loss) before exceptional items	147,194	73,272	32,686	4,697	722	21,847	(1,943)	–	278,475
Exceptional items	8,863	1,069	4,677	–	–	17,847	(7,636)	–	24,820
	156,057	74,341	37,363	4,697	722	39,694	(9,579)	–	303,295

39. Segment Reporting *(continued)*

a. Business Segments *(continued)*

	Utilities	Marine Engineering	Logistics	Environmental Engineering	Engineering and Construction	Others	Corporate	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2005									
Assets and Liabilities									
Segment assets	2,471,606	2,212,686	611,705	158,853	508,994	876,633	526,950	(922,148)	6,445,279
Investment in associates	–	104,688	75,754	56,270	2,332	55,711	–	–	294,755
Investment in joint ventures	148,981	18,957	67,575	–	–	196,198	–	–	431,711
Tax assets	26,400	1,368	10,526	4,104	14,610	1,076	89,362	–	147,446
Total assets	2,646,987	2,337,699	765,560	219,227	525,936	1,129,618	616,312	(922,148)	7,319,191
Segment liabilities	1,665,103	1,107,591	272,717	58,282	461,733	237,218	1,269,258	(922,148)	4,149,754
Tax liabilities	149,663	101,687	12,677	3,909	7,515	14,080	35,247	–	324,778
Total liabilities	1,814,766	1,209,278	285,394	62,191	469,248	251,298	1,304,505	(922,148)	4,474,532
Capital expenditure	160,629	139,586	19,053	6,363	8,123	36,617	831	–	371,202
Significant non-cash items									
Depreciation and amortisation	89,943	39,516	12,738	8,756	9,785	15,196	8,445	–	184,379
Other non-cash items (including provisions, loss on disposals and exchange differences)	14,249	13,136	8,061	5,347	21,420	4,535	3,473	–	70,221

39. Segment Reporting *(continued)*

a. Business Segments *(continued)*

	Utilities	Marine Engineering	Logistics	Environmental Engineering	Engineering and Construction	Others	Corporate	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2004									
Revenue and expenses									
Total revenue from external customers	2,908,691	1,350,939	500,578	200,225	822,791	152,768	7,970	–	5,943,962
Inter-segment revenue	18,866	11,825	147	2,271	1,415	1,582	16,892	(52,998)	–
Total revenue	2,927,557	1,362,764	500,725	202,496	824,206	154,350	24,862	(52,998)	5,943,962
Segment results	204,511	90,323	1,118,195	7,252	3,387	15,476	(533,219)	–	905,925
Interest income	4,314	11,646	6,211	103	472	1,410	16,248	(16,739)	23,665
Finance costs	(48,061)	(2,724)	(7,017)	(307)	(638)	(4,049)	(28,950)	16,739	(75,007)
	160,764	99,245	1,117,389	7,048	3,221	12,837	(545,921)	–	854,583
Share of results of associates	6,392	10,556	68,273	8,833	46	7,475	–	–	101,575
Share of results of joint ventures	11,211	1,070	4,974	–	–	8,113	–	–	25,368
	178,367	110,871	1,190,636	15,881	3,267	28,425	(545,921)	–	981,526
Taxation	(40,048)	(13,213)	(11,895)	(949)	(2,197)	(2,666)	6,337	–	(64,631)
Minority interests	(13,579)	(37,424)	(466,600)	(636)	(693)	(6,556)	81	–	(525,407)
Net profit /(loss) for the year	124,740	60,234	712,141	14,296	377	19,203	(539,503)	–	391,488
Comprising:									
Net profit/(loss) before exceptional items	108,416	60,234	63,319	14,296	377	19,203	(38,172)	–	227,673
Exceptional items	16,324	–	648,822	–	–	–	(501,331)	–	163,815
	124,740	60,234	712,141	14,296	377	19,203	(539,503)	–	391,488

39. Segment Reporting *(continued)*

a. Business Segments *(continued)*

	Utilities $'000	Marine Engineering $'000	Logistics $'000	Environmental Engineering $'000	Engineering and Construction $'000	Others $'000	Corporate $'000	Eliminations $'000	Consolidated $'000
2004									
Assets and Liabilities									
Segment assets	2,357,891	1,835,813	1,721,986	161,024	546,440	868,659	1,110,750	(1,387,612)	7,214,951
Investment in associates	24,368	47,386	76,839	65,624	5,708	66,729	2,992	–	289,646
Investment in joint ventures	138,646	9,471	56,191	–	–	84,718	98,971	–	387,997
Tax assets	20,188	1,588	10,020	3,562	14,044	1,509	74,710	–	125,621
Total assets	2,541,093	1,894,258	1,865,036	230,210	566,192	1,021,615	1,287,423	(1,387,612)	8,018,215
Segment liabilities	1,747,354	795,720	1,097,588	65,206	497,800	653,841	1,506,577	(1,387,612)	4,976,474
Tax liabilities	99,248	70,851	11,952	5,046	8,795	9,746	34,526	–	240,164
Total liabilities	1,846,602	866,571	1,109,540	70,252	506,595	663,587	1,541,103	(1,387,612)	5,216,638
Capital expenditure	85,002	88,805	23,120	17,266	4,492	20,500	1,686	–	240,871
Significant non-cash items									
Depreciation and amortisation	84,736	39,023	13,881	8,148	11,599	15,610	9,192	–	182,189
Other non-cash items (including provisions, loss on disposals and exchange differences)	29,303	21,064	12,726	298	15,912	2,750	444,486	–	526,539

b. Geographical Segments

	Singapore $'000	Rest of Asia $'000	Europe $'000	Others $'000	Consolidated $'000
2005					
Revenue from external customers	3,450,446	1,498,555	2,053,017	407,199	7,409,217
Segment assets	4,858,142	683,401	705,263	198,473	6,445,279
Capital expenditure	219,651	75,528	69,451	6,572	371,202
2004					
Revenue from external customers	3,117,024	955,163	1,357,773	514,002	5,943,962
Segment assets	5,725,314	724,853	586,912	177,872	7,214,951
Capital expenditure	135,452	51,652	51,669	2,098	240,871

40. Subsequent Events

a. On January 12, 2006, a subsidiary, SembCorp Marine Ltd announced that the company has signed an agreement to increase the registered capital of its associated company, Cosco Shipyard Group Co. Ltd (CSG) by RMB 750 million or approximately S$45.4 million. This capital injection into the registered capital of CSG shall be made in three instalments over a two-year period starting 2006 to 2007. The increase is subject to the People's Republic of China's regulatory approval.

40. Subsequent Events *(continued)*

b. On January 26, 2006, the Company announced that a subsidiary, SembCorp Utilities Pte Ltd (SembUtilities) has been short listed and ranked first of two short listed bidders for the privatization of an independent Water and Power Plant in Fujairah, UAE by the Abu Dhabi Water and Electricity Authority (ADWEA). ADWEA will own 60% of the project and if successful in its bid, SembUtilities will own 40% of the project and will be responsible for plant operation and maintenance as well as management of the project company. Final decision on the bid outcome is expected to be taken by ADWEA's executive council in the first quarter of 2006.

41. Significant Accounting Estimates and Judgment

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

Key sources of estimation uncertainty

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

a. Impairment of goodwill

The Group determined whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Information about the assumptions and their risk factors relating to goodwill impairment are disclosed in Note 12.

b. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income taxes and deferred tax provisions in the period in which such determination is made.

c. Pension assumptions

The Group has decided on certain principal actuarial assumptions, as detailed in Note 20, in estimating its pension liability as at the balance sheet date. If there were adverse changes to these actuarial assumptions, then the Group's unrecognised actuarial losses would increase with the risk that they would fall outside the corridor and would need to be recognised in the profit and loss account.

d. Net exposure arising from legal claims

The Group has made a provision for its exposure to the ongoing litigation in relation to Solitaire arbitration. The provision is determined based on a continuous evaluation of the Owner's claims and on the advice of London's solicitors. The Board deems the provision to be adequate. The details of the provision and litigation are as disclosed in Note 19 and 37 to the financial statements.

Critical accounting judgments in applying the Group accounting policies

Revenue recognition policy

The Group recognised revenue on construction contract, ship and rig repair, building and conversion based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed or performed or by reference to the percentage of costs incurred to-date to the estimated total costs for each contract, with due consideration made to include only those costs that reflect works performed. Significant judgment is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition.

42. Comparative Information

Certain comparatives in the financial statements have been changed from the previous year due to the changes in accounting policies as described in Note 33 and to be consistent with current year presentation.

43. Subsidiaries

Details of subsidiaries are as follows:

	Name	Country of incorporation	Percentage of equity held 2005 %	2004 %	Principal activities	Cost of investment 2005 $'000	2004 $'000
	Held by the Company:						
	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	**177,080**	177,080
	SembCorp Environmental Management Pte. Ltd.	Singapore	**100**	100	Provision of integrated waste management & environmental services and investment holding	**200,132**	200,132
	SembCorp Financial Services Pte Ltd	Singapore	**100**	100	Provision of treasury activities for the Group	**3,000**	3,000
	SembCorp Logistics Ltd	Singapore	**60.03**	60.45	Investment holding and provision of integrated logistics and supply chain management services	**838,037**	989,116
^	SembCorp Marine Ltd	Singapore	**62.07**	63.06	Provision of management services and investment holding	**705,432**	705,432
^^	SembCorp Parks Holdings Ltd	Singapore	**100**	100	Investment holding	**43,831**	34,831
	SembCorp Parks Management Pte Ltd	Singapore	**56+**	56+	Provision of technical and marketing services to industrial parks	**612**	612
	SembCorp Utilities Pte Ltd	Singapore	**100**	100	Production of polymer grade propylene and investment holding	**366,981**	366,981
	Singapore Technologies Industrial Corporation Ltd	Singapore	**– @**	100	Intermediate holding company and provision of management services	**– @**	252,443
						2,477,162	2,871,684

+ The shareholdings of these companies are held jointly with other subsidiaries
^ 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
@ Transferred to SembCorp Parks Holdings Ltd

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Utilities				
*	CSE Holding Pte Ltd	Mauritius	**100**	–	Investment in China
**	Harvest Land Services. Co. Ltd.	Thailand	**49 @@@**	49 @@@	Inactive
*	Nanjing SembCorp Suiwu Co. Ltd.	People's Republic of China	**75**	75	To provide integrated waste water treatment services
**	NCIP SembCorp Water Co. Ltd.	People's Republic of China	**70**	–	Build, own and operate a Greenfield water treatment plant
@	PT Pace Dharmala Airtech	Indonesia	**60**	60	Inactive
**	PT SMOE Indonesia	Indonesia	**90**	90	Engineering, construction and fabrication of offshore structures
*	Qianan SembCorp Cogeneration Company Limited	People's Republic of China	**65**	65	Owning and operating a cogeneration plant in Qianan, China
	SCE Pte Ltd	Singapore	**51**	–	Mixed Construction Activities
*	SCU Mauritius Pte Ltd	Mauritius	**100**	–	Investments in China, Middle East and India
*	Sembawang Alsuwaiket Arabia Ltd	Saudi Arabia	**60**	60	Inactive
	Sembawang Engineering (China) Pte Ltd	Singapore	**100**	100	Engineering, construction and fabrication of offshore marine structures
	Sembawang Engineering Investments Pte Ltd	Singapore	**100**	100	Inactive

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Utilities *(continued)*				
	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**	100	Building, owning and operating a cogeneration plant on Jurong Island to produce electricity and process steam
	SembCorp Energy (Kwinana) Pte Ltd	Singapore	**–**	100	Manufacturing, supplying and trading of electricity and other form of energy and power and their related products and developing power supply resources
	SembCorp Energy (Qianan) Pte Ltd	Singapore	**100**	100	Inactive
	SembCorp Energy (Tuas) Pte Ltd	Singapore	**100**	100	Inactive
	SembCorp Energy Pte Ltd	Singapore	**100**	100	Investment, development and operations of power plant
	SembCorp Gas Pte Ltd	Singapore	**70**	70	Importation and retailing of natural gas and related products
	SembCorp Power Pte Ltd	Singapore	**100**	100	Sale, marketing and distribution of electricity
	SembCorp Systems Pte Ltd	Singapore	**100**	100	Under members' voluntary liquidation
**	SembCorp Utilities (UK) Limited (formerly known as SembCorp Utilities Teesside Limited)	United Kingdom	**100**	100	General commercial activities, including the provision of utilities and services
	SembCorp Utilities Investment Management (Shanghai) Ltd	People's Republic of China	**100**	100	Provision of relevant technical, development and management support; as well as consultancy services in financial, human resource, operations and investment management to SembCorp Utilities' other enterprise in China

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Utilities *(continued)*				
**	SembCorp Utilities Teesside Pension Trustees Ltd	United Kingdom	**100**	100	To undertake and carry on the office and duty of trustee of any pension fund or scheme
	SembCorp Water Pte Ltd	Singapore	**100**	100	Inactive
*	Sempec Pakistan (Private) Ltd	Pakistan	**75**	75	Inactive
*	Sempec Philippines, Inc.	Philippines	**40 @@@**	40 @@@	Engineering, procurement, construction and management of turnkey projects
	SMOE Singapore Pte. Ltd.	Singapore	**100**	100	Procurement and sale of materials for marine offshore engineering companies
	SMOE Indonesia Pte Ltd.	Singapore	**100**	100	Investment holding
	SMOE International Pte Ltd	Singapore	**100**	100	Engineering, procurement and construction of offshore marine structures
	SMOE Pte Ltd	Singapore	**100**	100	Engineering, construction and fabrication of offshore marine structures
	SUT Sakra Pte Ltd	Singapore	**100**	100	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 Jurong Island to supply central utility services to chemical / petrochemical companies
**	Wilton Energy Limited	United Kingdom	**100**	100	Inactive
**	Zhangjiagang Free Trade Zone SembCorp Water Co Ltd	People's Republic of China	**80**	–	Wastewater treatment service

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Marine Engineering				
^	Aswell (F.E.) Pte Ltd	Singapore	**34.14**	34.68	Dealers in blasting and painting equipment, accessories and consumable materials
^	Baker Marine Pte Ltd	Singapore	**52.76**	53.60	Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts
**	Baker Marine Services (HK) Ltd	Hong Kong	**52.76**	53.60	Provision of rig designs
@	Baker Marine Technology Inc.	United States	**52.76**	53.60	Engineering design, research and development, marketing and client services support centre
^	Bulk Trade Pte Ltd	Singapore	**62.07**	63.06	Bulk trading
^	Chut Kee LLC	United States of America	**52.76**	–	Investment holding
^	Dolphin Shipping Company Private Limited	Singapore	**62.07**	63.06	Ship owning and charter
^	JPL Concrete Products Pte Ltd	Singapore	**33.39**	33.92	Production of concrete products
^	JPL Corporation Pte Ltd	Singapore	**43.45**	44.14	Investment holding
^	JPL Industries Pte Ltd	Singapore	**33.39**	33.92	Processing and distribution of copper slag
^	JPL Services Pte Ltd	Singapore	**43.45**	44.14	Equipment rental services and trading in copper slag
^	Jurong Brazil-Singapore Pte Ltd	Singapore	**62.07**	63.06	Investment holding
^	Jurong Clavon Pte Ltd	Singapore	**34.14**	34.68	Engineering works
^	Jurong Integrated Services Pte Ltd	Singapore	**62.07**	63.06	Steel fabrication work
^	Jurong Machinery and Automation Pte Ltd	Singapore	**62.07**	63.06	Marine and general electronic and electrical works
^	Jurong Marine Contractors Private Limited	Singapore	**62.07**	63.06	Provision of contract services
**	Jurong Marine Services Pte Ltd	Singapore	**61.05+**	61.76+	Provision of tugging and sea transportation services
^	Jurong Shipbuilders Private Limited	Singapore	**62.07**	63.06	Investment holding

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Marine Engineering *(continued)*				
^	Jurong Shipping Company Beta Pte Ltd	Singapore	**62.07**	63.06	Inactive
^	Jurong Shipping Company Gamma Pte Ltd	Singapore	**62.07**	63.06	Struck off from register
^	Jurong Shipping Company Private Limited	Singapore	**62.07**	63.06	Inactive
^	Jurong Shipyard Pte Ltd	Singapore	**62.07**	63.06	Ship and rig repair, building, conversion and related services
^	Jurong SML Pte Ltd	Singapore	**62.07**	63.06	Shipbuilding, ship repairing and related services
^	Karimun Shiprepair and Engineering Pte Ltd	Singapore	**62.07**	63.06	Investment holding
^	Kristiansand Drilling Pte Ltd	Singapore	**50.79**	51.60	Rig owning & charter
^	PPL Shipyard Pte Ltd	Singapore	**52.76**	53.60	Rig building, repair and related services
**	PT Karimun Sembawang Shipyard	Indonesia	**62.07**	63.06	Ship repair and related services
@	Sabine-PPL Industries Inc (formerly known as Sabine Shipyard Inc)	United States of America	**52.76**	–	Investment holding
^	Sabine Offshore Services Inc	United States of America	**52.76**	–	Dormant
^	Sabine – PPL Shipyard Inc (formerly known as Sabine Shipyard Inc)	United States of America	**52.76**	–	Rig and vessel enhancement and upgrading services
^	Sabine Vessels Inc	United States of America	**13.03**	–	Inactive
^	Sembawang Shipyard (S) Pte Ltd	Singapore	**62.07**	63.06	Investment holding
^	Sembawang Shipyard Pte Ltd	Singapore	**62.07**	63.06	Ship repair and related services
**	SES Engineering (M) Malaysia Sdn Bhd	Malaysia	**62.07**	63.06	Fabrication of metal structure
^	SES Marine Services (Pte) Ltd	Singapore	**62.07**	63.06	Marine services
^	Sinna Services Pte Ltd	Singapore	**62.07**	63.06	Inactive
^	SML Shipyard Pte Ltd	Singapore	**62.07**	63.06	Ship repair and related services
@	Tridex Investment Inc	British Virgin Islands	**62.07**	63.06	Investment holding

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Marine Engineering *(continued)*				
^	World Adventurer Pte. Ltd.	Singapore	**62.07**	63.06	Marine services
	Logistics				
@	Asia Pacific Air Cargo Pte Ltd	Singapore	**48.62**	48.96	Under members' voluntary liquidation
@	Asia Pacific Logistic Services Pte Ltd	Singapore	**60.03**	60.45	Investment holding
@	BaroMedical Services (Asia) Pte Ltd	Singapore	**35.72**	35.97	Under members' voluntary liquidation
	ChemXlog Pte Ltd	Singapore	**36.02**	36.27	Dormant
**	Complete Logistics Company Limited	Thailand	**60.03**	60.45	Provision of supply chain management services
@	Dilmun Navigation (Fiji) Limited	Fiji	**60.03**	60.45	Under members' voluntary liquidation
@	Dilmun Navigation (PNG) Limited	Papua New Guinea	**60.03**	60.45	Under members' voluntary liquidation
**	Dilmun Navigation (Singapore) Pte Ltd	Singapore	**60.03**	60.45	Owning and chartering of vessels
@	Dilmun Navigation Company Limited	United Kingdom	**60.03**	60.45	Under members' voluntary liquidation
@	Dilmun Navigation Company Pty Limited	Australia	**60.03**	60.45	Under members' voluntary liquidation
*	Fracht Forwarding & Travels (Private) Limited	India	**60.03**	60.45	Freight forwarding
@	Logistics Training and Consultancy Pte Ltd	Singapore	**60.03**	60.45	Under members' voluntary liquidation
	Offshore Joint Services (Bases) Company of Singapore Pte Ltd	Singapore	**44.96**	45.38	Investment holding
@	Offshore Joint Services Company of Singapore Pte Ltd	Singapore	**54.03**	54.60+	Investment holding
**	Oil-Tex (Thailand) Company Limited	Thailand	**36.02**	36.27	Supply of logistics services to the offshore oil and gas industry

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Logistics *(continued)*				
@	Plexis Services, Inc	United States	**60.03**	60.45	Freight forwarding
**	PT SembLog Citranusa	Indonesia	**42.02**	42.32	Provision of offshore logistics services
@	PT SembLog Indonesia	Indonesia	**30.62**	–	Provision of supply chain management services
@	PT ST Logistik Nusantara	Indonesia	**42.02**	42.32	Deregistered
@	Sembawang Aviation Pte Ltd	Singapore	**60.03**	60.45	Under members' voluntary liquidation
*	Sembawang Express (HK) Ltd	Hong Kong	**60.03**	60.45	Provision of logistics management services
	Sembawang Mulpha Pte Ltd	Singapore	**34.82**	35.06	Inactive
@	Sembawang Shipmanagement Pte Ltd	Singapore	**60.03**	60.45	Under members' voluntary liquidation
	SembCorp Express Pte Ltd	Singapore	**60.03**	60.45	Investment holding
**	SembCorp Kukbo Logistics Co; Ltd	South Korea	**30.62**	30.83	Provision of supply chain management and logistics services
**	SembCorp Logistics (Australia) Pty Ltd	Australia	**45.62**	45.94	Provision of supply chain management services
*	SembCorp Logistics (India) Private Limited	India	**60.03**	60.45	Provision of logistics management services
*	SembCorp Logistics (Malaysia) Sdn Bhd	Malaysia	**60.03**	60.45	Provision of supply chain management services
**	SembCorp Logistics (Shanghai) Co Ltd	People's Republic of China	**60.03**	60.45	Provision of supply chain management services
*	SembCorp Logistics (Taiwan) Limited	Taiwan	**30.62**	30.83	Provision of supply chain management services
@	SembCorp Logistics (USA) Inc.	United States	**60.03**	60.45	Export trading
	SembCorp Zenecon Pte Ltd	Singapore	**30.62**	30.83	Marketing and providing bonded warehousing and total logistics services

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Logistics *(continued)*				
@	SembLog (Mauritius) Holding Company	Mauritius	**60.03**	60.45	Investment holding
@	SembLog Orient Caspian Private Limited	Bermuda	**39.02**	39.29	Provision of offshore logistics services
@	SembLog-MarcoAsia Philippines Inc	Philippines	**30.62**	–	Provision of supply chain management and logistics services
**	SembLog-SGN Vietnam Co., Ltd	Vietnam	**36.02**	36.27	Provision of supply chain management and logistics services
@	SemLog Asia Pacific Pte Ltd	Singapore	**60.03**	60.45	Freight forwarding agent, warehouse management, logistics agent and ship charter
**	Shenzhen ST-Anda Logistics Co., Ltd	People's Republic of China	**30.62**	30.83	Warehousing, cargo handling and transportation services
	Singapore Offshore Petroleum Services Pte Ltd	Singapore	**60.03**	60.45	Supply of logistics services to the offshore oil and gas industry
	Singapore Technologies Logistics Pte Ltd	Singapore	**60.03**	60.45	Provision of freight forwarding, warehousing and stores management
	SML Investments Pte Ltd	Singapore	**60.03**	60.45	Inactive
@	SOPS (Bangladesh) Private Limited	Bangladesh	**60.03**	60.45	Under members' voluntary liquidation
@	SOPS (Iran) Private Limited	Bermuda	**46.82**	47.15	Offshore logistics services
@	SOPS (Mauritius) Holding Company	Mauritius	**60.03**	60.45	Investment holding
	SOPS Inter-Trans Services Pte Ltd	Singapore	**60.03**	60.45	Dormant
	SOPS Investments Pte Ltd	Singapore	**60.03**	60.45	Inactive
**	ST Logistics (UK) Ltd	United Kingdom	**60.03**	60.45	Freight handling and procurement of materials and equipment
@	ST Logistics (USA) Inc.	United States of America	**60.03**	60.45	Investment holding

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Logistics *(continued)*				
	ST Medical Services Pte Ltd	Singapore	**60.03**	60.45	Provision of specialised aeromedical, general health care and occupational medical services
	ST-Airport Services Pte Ltd	Singapore	**40.22**	40.50	Supply of jet fuel, aviation gasoline and related services
@	Water Jet Netherlands Antilles N.V.	Netherlands Antilles	**33.62**	33.85	Under members' voluntary liquidation
	Environmental Engineering				
	SembCorp SITA Pte Ltd	Singapore	**60**	60	Provision of waste management and environment services and investment holding
	SembEnviro (India) Pte Ltd	Singapore	**100**	100	To provide a range of waste management and environmental services and consultancy services and investment holding
	SembEnviro Alex Fraser Pte Ltd	Singapore	**–**	75	Struck off
	SembEnviro Conversion Technologies Pte Ltd	Singapore	**100**	100	Environmental engineering, design and consultancy services in respect of environmental management and assessment
	SembEnviro Tay Paper Pte Ltd	Singapore	**60**	60	Trading in waste paper
	Sembiologics Pte Ltd	Singapore	**100**	100	In the process of striking off
*	SembRamky Environmental Management Private Limited (formerly known as Medicare Incin Private Limited)	India	**51**	51	Provision of biomedical waste management services
	SembSITA Pte Ltd	Singapore	**100**	100	Provision of waste disposal services
	SembVisy Recycling MRF Pte Ltd	Singapore	**60**	60	Provision of material recovery facilities and services of sorting, disposing and trading of recycled wastes

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Environmental Engineering *(continued)*				
	SembVisy Recycling Pte Ltd	Singapore	**100**	100	Provision of services of collecting, removing, disposing and trading of recycled materials
	SembWaste Cleantech Pte Ltd	Singapore	**100**	100	Provision of conservancy, horticultural, repair and maintenance services and the management of carparks
	SembWaste Pte Ltd	Singapore	**100**	100	Provision of environmental waste management and related services and investment holding
**	Shanghai SembEnviro Reliance Co., Ltd	People's Republic of China	**60**	60	Provision of refuse, collection, transportation and disposal services
**	Shanghai SembTay Xianghong Recycling Co., Ltd	People's Republic of China	**36**	–	Recycling and processing of waste paper and trading of self-manufactured products
	Engineering & Construction				
*	Construction Technology (B) Sdn Bhd	Brunei Darussalam	**100**	100	Building construction & sub-contracting
	Construction Technology Pte Ltd	Singapore	**100**	100	Building construction, construction project management and manufacture and sale of precast structures
@	Contech Realty Pte Ltd	Singapore	**–**	100	De-registered
	Contech Trading Pte Ltd	Singapore	**100**	100	Trading of builders' material
**	Jurubina Sembawang (M) Sdn Bhd	Malaysia	**100**	100	Inactive
@	PT Contech Bulan	Indonesia	**60**	60	Inactive
**	PT Indo Unggul Wasturaya	Indonesia	**67**	67	Provision of civil construction, mechanical and electrical services
**	PT Indo-Precast Utama	Indonesia	**100**	100	Inactive
**	PT Sempec Indonesia	Indonesia	**100**	100	Engineering, procurement and construction
**	PT Synergy Technology Construction	Indonesia	**80**	80	Inactive

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Engineering & Construction *(continued)*				
	Sembawang Construction Pte Ltd	Singapore	**100**	100	Civil engineering and construction work
**	Sembawang Huanqiu Engineering Co., Ltd	People's Republic of China	**++**	51	Petrochemical engineering
	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 & 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 Design and Construction Pte Ltd (formerly known as Singajaya Investment Pte Ltd)	Singapore	**100**	100	Building construction and construction project management
	SembCorp Development Pte Ltd	Singapore	**100**	100	Investment holding, owning, developing, leasing, marketing and managing of real estates
*	SembCorp Engineers & Constructors Middle East FZE	United Arab Emirates	**100**	100	Building construction
**	SembCorp Infrastructure (India) Pvt Ltd	India	**100**	80	Building construction
**	SembCorp Infrastructure (Mauritius) Ltd	Mauritius	**100**	100	Investment holding
*	SembCorp Simon-Carves Limited	United Kingdom	**100**	100	Design, procurement and project management for process plants
*	SembCorp Simon-Carves Limited De Mexico	Mexico	**100**	100	Design, procurement and project management for process plants
	ST Architects & Engineers Pte Ltd	Singapore	**100**	See note 44	Provision of design, consultancy and advisory services relating to any architectural and professional engineering work
**	Wuxi Sinlian Precast Manufacturing Co., Ltd	People's Republic of China	**85**	85	Manufacturing of pre-cast slabs and other construction related activities

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Others				
**	Apogee Properties Pte Ltd	Singapore	**100**	100	Property development and rental of development property
	Asia-Pacific Retail Concepts Pte Ltd	Singapore	**100**	100	Inactive
	Bintan Carrier Services Pte Ltd	Singapore	**56**	56	Dormant
	Bintan Shipping Services Pte Ltd	Singapore	**56**	56	Shipping agent and freight forwarder
**	Bonafide Development (S) Pte Ltd	Singapore	**100**	100	Property development
@	Chartered Electronics, Inc.	United States of America	**100**	100	Under members' voluntary liquidation
*	Concode Sdn Bhd	Malaysia	**100**	100	Under members' voluntary liquidation
	Information Frontiers Pte Ltd	Singapore	**–**	85.2	Liquidated
^^	Karimun Investments Holdings Pte Ltd	Singapore	**75**	75	Investment holding
@	MSI (BVI) Ltd	British Virgin Islands	**100**	100	Investment holding
*	Norfolk Development Group (Norfolk Hotel) Limited	British Virgin Islands	**81.67**	81.67	Management and operations of hotel
^^	Norfolk Hotel Joint Venture Co. Ltd	Vietnam	**49**	49	Hotel operations and management
**	PT Alam Indah Bintan	Indonesia	**35**	35	Hotel operations and resort development
**	Pulau Holdings Pte Ltd	Singapore	**53.85**	53.85	Investment holding
**	Pyramid Hill Properties Pte Ltd	Singapore	**100**	100	Property development
^^	RDC (Vietnam) Pte Ltd	Singapore	**100**	100	Investment holding and provision of management services

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Others *(continued)*				
^^	RDC Cement Pte Ltd	Singapore	**100**	100	Inactive
^^	RDC Properties Pte Ltd	Singapore	**100**	100	Property development
**	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	**56**	56	Provision of project management and consultancy services
	Resort Asia Consultancy Services Pte Ltd	Singapore	**–**	100	Under members' voluntary liquidation
	Riau Infrastructure Management Services Pte Ltd	Singapore	**56**	56	Provision of technical and management services to industrial parks
	SAFE & Mansfield Travel Group Pte Ltd	Singapore	**75**	75	Inactive
	SAFE Enterprises Pte Ltd	Singapore	**75**	75	Investment holding
	SCP Power Pte Ltd	Singapore	**100**	100	Investment holding
	Sembawang Asia Pte Ltd	Singapore	**100**	100	Investment holding
	Sembawang Bethlehem Pte Ltd	Singapore	**100**	100	Building of rigs, vessels and specialised marine equipment
	Sembawang Capital Pte Ltd	Singapore	**100**	100	Leasing and hire purchase business
	Sembawang Corporation Investments (S) Pte Ltd	Singapore	**100**	100	Investment holding
	Sembawang Holdings (Pte) Ltd	Singapore	**100**	100	Investment holding
	Sembawang Industrial Pte Ltd	Singapore	**100**	100	Investment holding and provision of management services
	Sembawang Investments Pte Ltd	Singapore	**100**	100	Investment holding
**	Sembawang Land Pte Ltd	Singapore	**100**	100	Property development
^^	Sembawang Leisure Investments Pte Ltd	Singapore	**100**	100	Investment holding
**	Sembawang Leisure Private Limited	Singapore	**100**	100	Investment holding, provision of management financial and administrative services

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Others *(continued)*				
	Sembawang Nominees Pte Ltd	Singapore	**100**	100	Inactive
@	Sembawang Pacmann Pte Ltd	Singapore	**–**	98.21	Liquidated
^^	Sembawang Properties Pte Ltd	Singapore	**100**	100	Inactive
@	SembCorp Industries K.K.	Japan	**100**	100	Marketing of products and services provided by related companies
	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 Properties Pte Ltd	Singapore	**100**	100	Project management for property development in Singapore and overseas
	SembCorp Ventures Pte Ltd	Singapore	**100**	100	Investment holding and provision of management services to its related corporations
	SembFood Pte Ltd	Singapore	**100**	100	Investment holding
^^	SembPark Facilities Management Pte Ltd	Singapore	**100**	100	Inactive
	SemHotel Management Pte Ltd	Singapore	**100**	100	Investment holding and provision of management and consultancy services to hotels
*	Semrental (B) Sdn Bhd	Brunei Darussalam	**100**	100	Owning and chartering of tug boats
	Singapore Mint Private Limited	Singapore	**100**	100	Minting and marketing of coins, ingots, medallions and the sale of numismatic items
	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

43. Subsidiaries *(continued)*

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Others *(continued)*				
	Singapore Technologies Industrial Corporation Ltd	Singapore	**100**	–	Investment holding and provision of management services
@	Singapore Technologies Industrial Corporation (USA)	United States of America	**100**	100	Under members' voluntary liquidation
@@	Singapore-Wuxi Investment Holdings Pte Ltd	Singapore	**92.58**	92.58	Investment holding
^^	SLRC Investments Pte Ltd	Singapore	**100**	100	Investment holding
**	STIC Chengdu Hotel Investment Pte Ltd	Singapore	**100**	100	Under members' voluntary liquidation
	STIC Investments Pte Ltd	Singapore	**100**	100	Investment holding and dealing, and management of treasury activities
*	Vietnam Singapore Industrial Park JV Co Ltd	Vietnam	**40.44**	36.08	Development of industrial park
^^	Vietnam Singapore Industrial Parks Pte Ltd	Singapore	**79.29**	70.75	Investment holding
	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
**	Wuxi Garden City Mall Hotel Co., Ltd	People's Republic of China	**87.95**	87.95	Operation of a hotel cum shopping centre
	Wuxi International Management Services Pte Ltd	Singapore	**52.56**	52.56	Dormant

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 and audited by Ernst & Young, Singapore
^^ Subsidiaries of SembCorp Parks Holdings Ltd, a subsidiary in Singapore and audited by Ernst & Young, Singapore
\+ The shareholdings of these companies are held jointly with other subsidiaries
++ Deemed not to be a subsidiary as the Group no longer has control over the operations of the company

44. Associates

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

Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
Utilities				
Bangkok Business Holding Co Ltd	Thailand	**14.21**	14.21	Inactive
Perth Power Partnership	Australia	**–**	30	Generation and sales of electricity and steam
Marine Engineering				
Cosco (Dalian) Shipyard Co Ltd	People's Republic of China	**–***	12.61	Ship repair and related services
Cosco Shipyard Group	People's Republic of China	**18.62**	–	Ship repair and related services
Cosco Shipyard Jurong Clavon Co., Ltd	People's Republic of China	**13.66**	13.87	Corrosion control
Joint Shipyard Investment Pte Ltd	Singapore	**31.04**	31.53	Investment holding
Joint Shipyard Management Services Pte Ltd	Singapore	**19.86**	15.77	Managing dormitories
Jurong Shipyard Inc.	Bahamas	**21.72**	22.07	Investment holding
Maua Jurong S.A.	Brazil	**21.72**	22.07	Shipbuilding, ship repair and conversion
OmixAsia.com Pte Ltd	Singapore	**18.62**	18.92	Inactive
Oslo Gas I LP	Liberia	**20.69**	21.02	Ship owning and chartering
Oslo Gas II LP	Liberia	**20.69**	21.02	Ship owning and chartering
Logistics				
BES Technology Pte Ltd	Singapore	**21.01**	21.16	Provision of biomedical equipment and technical services for general and specialised medical equipment
Ceylinco SembCorp Integrated Logistics (Pvt) Ltd	Sri Lanka	**30.02**	30.23	Provision of logistics services
Changi International Logistics Centre Ltd	Singapore	**–**	13.30	Warehousing, distribution and related services
Cosem Pte Ltd	Singapore	**30.02**	30.23	Investment holding
CWT-SML Logistics LLC	United Arab Emirates	**18.01**	18.14	Warehouse distribution

44. Associates *(continued)*

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

Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
Logistics *(continued)*				
DGM Support (Asia) Pte Ltd	Singapore	**21.01**	21.16	Provision of specialised training and related activities in dangerous goods management in the Asian region
Katoen Natie SembCorp Pte Ltd	Singapore	**29.41**	29.62	Provision of specialised logistics services
KPN-ST Logistics Co., Ltd	Thailand	**27.61**	27.81	Warehousing, inventory management, transport and distribution and freight forwarding
Sembawang Kimtrans Ltd	Singapore	**15.69**	16.70	Project logistics, project freight management, procurement services, road transport and warehousing
SembCorp-Translink Parami Logistics Ltd	Myanmar	**18.01**	18.14	Freight forwarding
Shenyang-SML International Distripark Ltd	People's Republic of China	**29.41**	29.62	Operation of a distripark
Shenzhen Chiwan Petroleum Supply Base Company Limited	People's Republic of China	**9.98**	10.07	Operation of an offshore supply base
SOPS Limited Liability Company	Azerbaijan	**19.12**	19.25	Provision of offshore logistics services
ST LogiTrack Pte Ltd	Singapore	**30.02**	30.23	Development and marketing of Radio Frequency Identification application in the logistics and related market
Steri-Care Pte Ltd	Singapore	**30.02**	30.23	Dormant
ST-KN Pte Ltd	Singapore	**29.41**	29.62	Freight forwarding
Trans-Link Express Pte Ltd	Singapore	**–**	15.54	Freight forwarding
UCM Oil-Tex Threading Ltd	Thailand	**17.65**	17.77	Oil field equipment machining and repair
Zerust Singapore Pte Ltd	Singapore	**18.01**	18.14	Preservation and packaging operations
Zuellig Insurance Brokers Pte Ltd	Singapore	**29.41**	29.62	General and life insurance broking

44. Associates *(continued)*

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

Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
Environmental Engineering *(continued)*				
SembEnviro Hydroculture Pte Ltd	Singapore	**–**	49	Provision of horticultural and landscaping services
SembSITA Pacific Pte Ltd	Singapore	**40**	40	Provision of waste removal and disposal, environmental consultation and other related environmental services
Shanghai SEI SembCorp Enviro-Solutions Co., Ltd	People's Republic of China	**40**	–	Provision of waste removal and disposal, environmental consultation and other related environmental services
Tennamaram Biomass Sdn Bhd	Malaysia	**30**	30	Supply, delivery and sale of electrical energy
Engineering & Construction				
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
ST Architects & Engineers Pte Ltd	Singapore	**See note 43**	48.65	Provision of design, consultancy and advisory services relating to any architectural and professional engineering work
Ventura Development (Myanmar) Pte Ltd	Singapore	**35**	35	Development, construction and management of property
Ventura Development (Surabaya) Pte Ltd	Singapore	**50**	50	Investment holding
Others				
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
Batamindo Shipping & Warehousing Pte Ltd	Singapore	**37+**	37.07+	Provision of shipping, freight forwarding, storage and warehousing services
Bintan Resort Ferries Private Limited	Singapore	**32.92+**	37.35+	Provision of ferry services

44. Associates *(continued)*

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

Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
Others *(continued)*				
Funpolis Asia Pte Ltd	Singapore	**37.50**	37.50	In liquidation
Karimun Industrial Management Pte Ltd	Singapore	**–**	40	Liquidated
Marketing & Consultancy Services International Pte Ltd	Singapore	**–**	40	Liquidated
OK 2 PLAY, SOCIEDAD LIMITADA	Spain	**–**	27.50	Acting as the exclusive distributor and licensor of registered trademarks
Pacific Internet Limited	Singapore	**–**	28.80	Provision of public internet access services
PT Karimun Indojaya Cakrawala	Indonesia	**30**	30	Construction and development of an industrial estate at Karimun Island, Indonesia
Representacions, Llicencies I Serveis, SA	Andorra	**–**	25	Acquisition, transfer, exploitation and marketing of registered trademarks
Sembawang KMP Corporation Pte Ltd	Singapore	**50**	50	Investment holding
Winners Path Pte Ltd	Singapore	**36.67**	36.67	Investment holding
Wuxi Singapore Industrial Park Development Co., Ltd	People's Republic of China	**45.36**	45.36	Development and operation of Wuxi Industrial Park

\+ The shareholdings of these companies are held jointly with other subsidiaries

* During the year, a subsidiary has injected a net cash consideration of RMB 240 million ($47.5 million) for the 30% equity stake in Cosco Shipyard Group Co. Ltd ("CSG") based on the revalued net asset value of CSG. The Group's effective interest in CSG is 18.62%. The subsidiary's existing 20% equity stake (Group's effective interest of 12.61%) in Cosco (Dalian) Shipyard Co. Ltd has also been revalued and transferred to the enlarged CSG as part of the consideration for this 30% equity interest in CSG.

45. Joint Ventures

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Utilities				
	Phu My 3 BOT Power Company Ltd	Vietnam	**33.33**	33.33	Generation and sale of electricity
	Sakra Island Carbon Dioxide Pte Ltd	Singapore	**30**	30	Manufacture, extraction, processing and purification of carbon dioxide and natural gas
	Shanghai Cao Jing Co-generation Co. Ltd	People's Republic of China	**30**	30	Produce and sell heat and electricity
	Shenzhen Chiwan Offshore Petroleum Equipment Repair and 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
	Marine Engineering				
	Pacific Workboats Pte Ltd	Singapore	**31.04**	31.53	Ship leasing and marine surveying services
	Logistics				
	Footwork Express Co, Ltd	Japan	**23.05**	21.28	Transportation and warehousing services
	Pacorini-SembLog (Asia Pacific) Pte Ltd	Singapore	**30.02**	30.23	Collateral management and specialised logistic support
	SembCorp Network Pte Ltd	Singapore	**30.02**	30.23	Provision of logistics support and services
	Engineering & Construction				
#	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 Station (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)
#	Philipp Holzmann - SembCorp Joint Venture	Singapore	**50**	50	Design and construction of Kranji Deep Tunnel Sewerage System (Contract T-05)

45. Joint Ventures

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

	Name	Country of incorporation	Effective Percentage of equity held 2005 %	2004 %	Principal activities
	Engineering & Construction *(continued)*				
#	SembCorp-Daewoo Joint Venture	Singapore	**60**	60	Design and construction of Kallang and Paya Lebar Express way (Contract 422)
#	Sime Engineering Sdn Bhd – SembCorp Malaysia Sdn Bhd J.V.	Malaysia	**50**	50	Mechanical and piping erection works
#	Sime Engineering Sdn Bhd – SembCorp Malaysia Sdn Bhd J.V.	Malaysia	**50**	50	Engineering, procurement and construction works
	SYNA Petrochemical Engineering Company	Iran	**49**	–	Design, procurement and project management for process plants
#	Total-CDC-DNC Joint Operation	Indonesia	**40**	40	Construction of a hotel and golf 1 course recreation centre
#	Total-Sempec Joint Venture	Indonesia	**50**	50	Construction of a hotel
	Others				
	Batamindo Industrial Management Pte Ltd	Singapore	**30**	30	Dormant
	Bintan Industrial Estate Management Pte Ltd	Singapore	**–**	40	Liquidated
	Bintan Lagoon Resort Limited	Singapore	**33**	33	Developer, owner and marketing agent of immovable property, club memberships, real estate and investment holding. Under receivership
	Bintan Resort Management Pte Ltd	Singapore	**28**	28	Manager and operator of hotel, leisure, recreational resort and facility
	InterIsland Marketing Services Pte Ltd	Singapore	**–**	40	Liquidated
	P.T. Batamindo Investment Cakrawala	Indonesia	**37.50**	37.50	Development, construction and operation of Batamindo Industrial Park
	PT Bintan Inti Industrial Estate	Indonesia	**47.50**	47.50	Development, construction and operation of Bintan Industrial Estate
	Singapore-Bintan Resort Holdings Pte Ltd	Singapore	**26.25**	26.25	Investment holding

\# Unincorporated jointly-controlled entities