

Financial Statements

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A customer views a scale model of Sembcorp's flagship Vietnam Singapore Industrial Park. Sembcorp's dedicated staff at the industrial park partner customers and tenants, seamlessly providing essential services to support their businesses.

DIRECTORS' REPORT

Year Ended December 31, 2007

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended December 31, 2007.

DIRECTORS

The directors in office at the date of this report are as follows:

Peter Seah Lim Huat
Tang Kin Fei
K Shanmugam
Goh Geok Ling
Richard Hale, OBE
Yong Ying-I
Evert Henkes
Lee Suet Fern

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At		At			
			beginning of the year	At end of the year	At 21/1/2008	beginning of the year	At end of the year	At 21/1/2008
Peter Seah Lim Huat								
Sembcorp Industries Ltd	Ordinary shares		280,000	150,500	150,500	–	–	–
	Options to subscribe for ordinary shares at							
	– \$1.23 per share	8/5/2003 to 7/5/2007	70,000	–	–	–	–	–
	– \$0.62 per share	18/10/2003 to 17/10/2007	70,000	–	–	–	–	–
	– \$0.78 per share	3/6/2004 to 2/6/2008	70,000	–	–	–	–	–
	– \$0.93 per share	19/11/2004 to 18/11/2008	70,000	17,500	17,500	–	–	–
	– \$0.99 per share	18/5/2005 to 17/5/2009	70,000	17,500	17,500	–	–	–
	– \$1.16 per share	23/11/2005 to 22/11/2009	70,000	35,000	35,000	–	–	–
	– \$2.37 per share	2/7/2006 to 1/7/2010	70,000	35,000	35,000	–	–	–
	– \$2.36 per share	22/11/2006 to 21/11/2010	70,000	52,500	52,500	–	–	–
	– \$2.52 per share	10/6/2007 to 9/6/2011	140,000	105,000	105,000	–	–	–

DIRECTORS' INTERESTS (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At		At			
			beginning of the year	At end of the year	At 21/1/2008	beginning of the year	At end of the year	At 21/1/2008
Peter Seah Lim Huat (cont'd)								
Sembcorp Industries Ltd	Conditional award of:							
	– 23,984 restricted shares to be delivered after 2008 (Note 5)		–	Up to 31,179	Up to 31,179	–	–	–
Tang Kin Fei								
Sembcorp Industries Ltd	Ordinary shares		1,121,105	1,181,841	1,181,841	–	–	–
	Options to subscribe for ordinary shares at							
	– S\$1.90 per share	20/5/2001 to 19/5/2009	150,000	–	–	–	–	–
	– S\$1.63 per share	27/6/2001 to 26/6/2010	260,000	–	–	–	–	–
	– S\$1.19 per share	20/4/2002 to 19/4/2011	75,000	–	–	–	–	–
	– S\$1.23 per share	8/5/2003 to 7/5/2012	87,500	–	–	–	–	–
	– S\$0.62 per share	18/10/2003 to 17/10/2012	43,750	–	–	–	–	–
	– S\$0.78 per share	3/6/2004 to 2/6/2013	50,000	50,000	50,000	–	–	–
	– S\$0.93 per share	19/11/2004 to 18/11/2013	100,000	50,000	50,000	–	–	–
	– S\$0.99 per share	18/5/2005 to 17/5/2014	100,000	100,000	100,000	–	–	–
	– S\$1.16 per share	23/11/2005 to 22/11/2014	150,000	100,000	100,000	–	–	–
	– S\$2.37 per share	2/7/2006 to 1/7/2015	300,000	300,000	300,000	–	–	–
	– S\$2.36 per share	22/11/2006 to 21/11/2015	300,000	300,000	300,000	–	–	–
	– S\$2.52 per share	10/6/2007 to 9/6/2016	300,000	300,000	300,000	–	–	–
	Conditional award of:							
	– 209,400 performance shares to be delivered after 2006 (Note 1)		Up to 418,800	–	–	–	–	–

DIRECTORS' REPORT

Year Ended December 31, 2007

DIRECTORS' INTERESTS (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At		At			
			beginning of the year	At end of the year	21/1/2008	beginning of the year	At end of the year	At 21/1/2008
Tang Kin Fei (cont'd)								
Semcorp Industries Ltd	Conditional award of:							
	– 427,836 performance shares to be delivered after 2007 (Note 2a)		Up to 628,800	Up to 641,754	Up to 641,754	–	–	–
	– 428,244 performance shares to be delivered after 2008 (Note 2b)		Up to 629,400	Up to 642,366	Up to 642,366	–	–	–
	– 408,240 performance shares to be delivered after 2009 (Note 3)		–	Up to 612,360	Up to 612,360	–	–	–
	– 70,189 restricted shares to be delivered after 2007 (Note 4)		Up to 89,404	Up to 91,246	Up to 91,246	–	–	–
	– 128,596 restricted shares to be delivered after 2008 (Note 5)		–	Up to 167,175	Up to 167,175	–	–	–
Semcorp Marine Ltd	Ordinary shares		–	38,500	38,500	–	–	–
	Options to subscribe for ordinary shares at							
	– \$52.11 per share	12/8/2006 to 11/8/2010	20,000	14,000	14,000	–	–	–
	– \$52.38 per share	3/10/2007 to 2/10/2011	70,000	73,500	73,500	–	–	–
	Conditional award of:							
	– 18,900 restricted shares to be delivered after 2008 (Note 6)		–	Up to 24,570	Up to 24,570	–	–	–

DIRECTORS' INTERESTS (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At		At			
			beginning of the year	At end of the year	At 21/1/2008	beginning of the year	At end of the year	At 21/1/2008
K Shanmugam								
Sembcorp Industries Ltd	Ordinary shares		245,000	358,750	385,000	-	-	-
	Options to subscribe for ordinary shares at							
	- S\$1.23 per share	8/5/2003 to 7/5/2007	8,750	-	-	-	-	-
	- S\$0.62 per share	18/10/2003 to 17/10/2007	8,750	-	-	-	-	-
	- S\$0.78 per share	3/6/2004 to 2/6/2008	17,500	-	-	-	-	-
	- S\$0.93 per share	19/11/2004 to 18/11/2008	17,500	8,750	-	-	-	-
	- S\$0.99 per share	18/5/2005 to 17/5/2009	26,250	8,750	8,750	-	-	-
	- S\$1.16 per share	23/11/2005 to 22/11/2009	26,250	17,500	8,750	-	-	-
	- S\$2.37 per share	2/7/2006 to 1/7/2010	35,000	17,500	17,500	-	-	-
	- S\$2.36 per share	22/11/2006 to 21/11/2010	35,000	26,250	17,500	-	-	-
	- S\$2.52 per share	10/6/2007 to 9/6/2011	70,000	52,500	52,500	-	-	-
	Conditional award of:							
	- 13,982 restricted shares to be delivered after 2008 (Note 5)		-	Up to 18,177	Up to 18,177	-	-	-
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		282,100	287,100	287,100	47,000	47,000	47,000
	Options to subscribe for ordinary shares at							
	- S\$1.23 per share	8/5/2003 to 7/5/2007	25,000	-	-	-	-	-
	- S\$0.62 per share	18/10/2003 to 17/10/2007	12,500	-	-	-	-	-
	- S\$0.78 per share	3/6/2004 to 2/6/2008	18,750	6,250	6,250	-	-	-
	- S\$0.93 per share	19/11/2004 to 18/11/2008	18,750	6,250	6,250	-	-	-

DIRECTORS' REPORT

Year Ended December 31, 2007

DIRECTORS' INTERESTS *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At		At			
			beginning of the year	At end of the year	At 21/1/2008	beginning of the year	At end of the year	At 21/1/2008
Goh Geok Ling <i>(cont'd)</i>								
Semcorp Industries Ltd	Options to subscribe for ordinary shares at							
	– \$0.99 per share	18/5/2005 to 17/5/2009	25,000	12,500	12,500	–	–	–
	– \$1.16 per share	23/11/2005 to 22/11/2009	25,000	12,500	12,500	–	–	–
	– \$2.37 per share	2/7/2006 to 1/7/2010	35,000	26,250	26,250	–	–	–
	– \$2.36 per share	22/11/2006 to 21/11/2010	35,000	26,250	26,250	–	–	–
	– \$2.52 per share	10/6/2007 to 9/6/2011	70,000	70,000	70,000	–	–	–
	Conditional award of:							
	– 13,982 restricted shares to be delivered after 2008 (Note 5)		–	Up to 18,177	Up to 18,177	–	–	–
Semcorp Marine Ltd	Options to subscribe for ordinary shares at							
	– \$2.38 per share	3/10/2007 to 2/10/2011	140,000	196,000	196,000	–	–	–
	Conditional award of:							
	– 30,800 restricted shares to be delivered after 2008 (Note 6)		–	Up to 40,040	Up to 40,040	–	–	–
Richard Hale, OBE								
Semcorp Industries Ltd	Ordinary shares		118,750	147,500	147,500	–	–	–
	Options to subscribe for ordinary shares at							
	– \$1.23 per share	8/5/2003 to 7/5/2007	17,500	–	–	–	–	–
	– \$0.62 per share	18/10/2003 to 17/10/2007	17,500	–	–	–	–	–
	– \$0.78 per share	3/6/2004 to 2/6/2008	26,250	17,500	17,500	–	–	–

DIRECTORS' INTERESTS (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At		At			
			beginning of the year	At end of the year	At 21/1/2008	beginning of the year	At end of the year	At 21/1/2008
Richard Hale, OBE (cont'd)								
Sembcorp Industries Ltd	Options to subscribe for ordinary shares at							
	– S\$0.93 per share	19/11/2004 to 18/11/2008	26,250	17,500	17,500	–	–	–
	– S\$0.99 per share	18/5/2005 to 17/5/2009	35,000	26,250	26,250	–	–	–
	– S\$1.16 per share	23/11/2005 to 22/11/2009	35,000	26,250	26,250	–	–	–
	– S\$2.37 per share	2/7/2006 to 1/7/2010	35,000	26,250	26,250	–	–	–
	– S\$2.36 per share	22/11/2006 to 21/11/2010	35,000	35,000	35,000	–	–	–
	– S\$2.52 per share	10/6/2007 to 9/6/2011	140,000	140,000	140,000	–	–	–
	Conditional award of:							
	– 17,350 restricted shares to be delivered after 2008 (Note 5)		–	Up to 22,555	Up to 22,555	–	–	–
Yong Ying-I								
Sembcorp Industries Ltd	Ordinary shares		100,000	250,000	250,000	–	–	–
Evert Henkes								
Sembcorp Industries Ltd	Options to subscribe for ordinary shares at							
	– S\$0.99 per share	18/5/2005 to 17/5/2009	12,000	12,000	12,000	–	–	–
	– S\$1.16 per share	23/11/2005 to 22/11/2009	12,000	12,000	12,000	–	–	–
	– S\$2.37 per share	2/7/2006 to 1/7/2010	17,500	17,500	17,500	–	–	–
	– S\$2.36 per share	22/11/2006 to 21/11/2010	17,500	17,500	17,500	–	–	–
	– S\$2.52 per share	10/6/2007 to 9/6/2011	35,000	35,000	35,000	–	–	–
	Conditional award of:							
	– 7,144 restricted shares to be delivered after 2008 (Note 5)		–	Up to 9,287	Up to 9,287	–	–	–

DIRECTORS' REPORT

Year Ended December 31, 2007

DIRECTORS' INTERESTS (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At		At			
			beginning of the year	At end of the year	21/1/2008	beginning of the year	At end of the year	21/1/2008
Lee Suet Fern								
Semcorp Industries Ltd	Ordinary shares		–	8,750	8,750	–	–	–
	Options to subscribe for ordinary shares at							
	– \$52.36 per share	22/11/2006 to 21/11/2010	35,000	26,250	26,250	–	–	–
	– \$52.52 per share	10/6/2007 to 9/6/2011	70,000	70,000	70,000	–	–	–
	Conditional award of:							
	– 13,982 restricted shares to be delivered after 2008 (Note 5)		–	Up to 18,177	Up to 18,177	–	–	–

Note 1: The actual number delivered will depend on the achievement of set targets over a 3-year period from 2004 to 2006. Achievement of targets below target level will mean no performance shares will be delivered, while achievement up to 200% will mean up to 2 times the number of conditional performance shares awarded could be delivered. For this period, 144,486 shares were awarded and the balance of the conditional awards has thus lapsed.

Note 2: The actual number delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below target level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of con
a. Period from 2005 to 2007
b. Period from 2006 to 2008

Note 3: The actual number delivered will depend on the achievement of set targets over a 3-year period from 2007 to 2009. Achievement of targets below target level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of con

Note 4: The actual number to be released will depend on the achievement of set targets at the end of the 2-year performance period from 2006 to 2007. Achievement of targets below target level will mean no restricted shares will be delivered, while achievement up to 130% will mean up to 1.3 times the number of conditional restricted shares awarded could be delivered. The conditional award was adjusted for Special Dividend payment in 2007.

Note 5: The actual number to be released will depend on the achievement of set targets at the end of the 2-year performance period from 2007 to 2008. Achievement of targets below target level will mean no restricted shares will be delivered, while achievement up to 130% will mean up to 1.3 times the number of conditional restricted shares awarded could be delivered. The conditional award was adjusted for Special Dividend payment in 2007.

Note 6: The actual number to be released will depend on the achievement of set targets at the end of the 2-year performance period from 2007 to 2008. Achievement of targets below target level will mean no restricted shares will be delivered, while achievement up to 130% will mean up to 1.3 times the number of conditional restricted shares awarded could be delivered. The conditional award was adjusted for two Bonus Shares credited as fully paid for every five existing ordinary shares in 2007.

DIRECTORS' INTERESTS *(cont'd)*

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

Except as disclosed under the "Share-based Incentive Plans" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except as disclosed in Notes 35(b) and 39 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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 and Restricted Stock Plan are the incentive schemes for directors and employees of the Company and its subsidiaries (the "Group") whereas the Performance Share Plan is aimed primarily at key executives of the Group. Under the Restricted Stock Plan, the managerial participants of the Group will be awarded restricted stocks, while the non-managerial participants of the Group will receive their awards in an equivalent cash value.

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.

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 associated company, are given an opportunity to participate in the equity of the 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.

DIRECTORS' REPORT Year Ended December 31, 2007

SHARE-BASED INCENTIVE PLANS (cont'd)

The shares are settled by physical delivery of shares by way of issuance of new shares or existing shares procured by the Company for transfer to the employees or cash in lieu of the shares.

Following the review of the Company's share-based incentives in 2005 to take 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 Company has implemented the following:

- From 2005, performance shares were awarded based on the redesigned approach.
- From 2006, restricted stocks were awarded to managerial participants of the Group. This group of participants received 50% of their 2006 share-based incentives in restricted stocks and 50% in share options.
- In 2007, share options were entirely replaced with restricted stocks of an equivalent fair value. Under the Restricted Stock Plan, participants must achieve pre-determined targets that create and enhance economic values for shareholders of the Company. If these targets are achieved, managerial participants are awarded with restricted stocks while non-manual participants will receive the equivalent value in cash.

No share options were granted in 2007.

As a result of the Special Dividend payment in 2007, the exercise prices of the outstanding share options and the number of outstanding share awards under the Performance Share Plan and Restricted Stock Plan were adjusted with effect from April 27, 2007. Such adjustments were recommended by an independent compensation consultant, approved by the Committee and confirmed to be fair and reasonable by the auditors of the Company, in accordance with the rules of the Share Option Plan, Performance Share Plan and Restricted Stock Plan. The adjustments did not result in any incremental fair value and the effects of these modifications are insignificant to the financial statements of the Group and the Company.

Other information regarding the Share Plans is as follows:

a. Share Option Plan

Under the rules of the Share Option Plan, participants who ceased to be employed by the 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.

Other information regarding the Share Option Plan is as follows:

- i. The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.
- 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.

SHARE-BASED INCENTIVE PLANS (cont'd)**a. Share Option Plan** (cont'd)

- iii. In 2007, all options were settled by issuance of new shares.
- iv. The options granted expire after 5 years for non-executive directors and associated company's employees, and 10 years for the employees of the Group.
- v. Sembcorp Industries Share Option Plan
At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of the Company are as follows:

Sembcorp Industries Ltd
Ordinary shares
2007

Date of grant of options	Exercise price* per share	Options outstanding at Jan 1, 2007	Options exercised	Options cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2007	Number of options holders/ (including number of directors) at		Exercise period
						Dec 31, 2007	Dec 31, 2007	
26/06/2000	\$S1.63	961,908	(618,255)	(37,700)	305,953	38 / (-)		27/06/2001 to 26/06/2010
24/07/2000	\$S1.90	812,939	(444,325)	(17,666)	350,948	31 / (-)		20/05/2001 to 19/05/2009
24/07/2000	\$S1.76	39,066	(2)	-	39,064	1 / (-)		16/09/2001 to 15/09/2009
19/04/2001	\$S1.19	476,175	(210,025)	(35,500)	230,650	25 / (-)		20/04/2002 to 19/04/2011
07/05/2002	\$S1.23	178,000	(177,500)	(500)	-	- / (-)		08/05/2003 to 07/05/2007
07/05/2002	\$S1.23	572,075	(252,625)	(25,200)	294,250	38 / (-)		08/05/2003 to 07/05/2012
17/10/2002	\$S0.62	188,000	(187,000)	(1,000)	-	- / (-)		18/10/2003 to 17/10/2007
17/10/2002	\$S0.62	510,000	(338,000)	(21,375)	150,625	23 / (-)		18/10/2003 to 17/10/2012
02/06/2003	\$S0.78	227,250	(188,500)	(2,000)	36,750	5 / (2)		03/06/2004 to 02/06/2008
02/06/2003	\$S0.78	1,041,225	(637,375)	(27,500)	376,350	64 / (1)		03/06/2004 to 02/06/2013
18/11/2003	\$S0.93	245,750	(180,250)	(2,500)	63,000	7 / (4)		19/11/2004 to 18/11/2008
18/11/2003	\$S0.93	1,396,645	(737,020)	(50,750)	608,875	151 / (1)		19/11/2004 to 18/11/2013
17/05/2004	\$S0.99	266,250	(183,750)	(3,500)	79,000	9 / (5)		18/05/2005 to 17/05/2009
17/05/2004	\$S0.99	2,195,150	(933,723)	(80,000)	1,181,427	253 / (1)		18/05/2005 to 17/05/2014
22/11/2004	\$S1.16	268,750	(156,500)	(5,000)	107,250	10 / (5)		23/11/2005 to 22/11/2009
22/11/2004	\$S1.16	2,621,525	(1,028,625)	(98,500)	1,494,400	253 / (1)		23/11/2005 to 22/11/2014
01/07/2005	\$S2.37	282,500	(160,000)	-	122,500	5 / (5)		02/07/2006 to 01/07/2010
01/07/2005	\$S2.37	4,761,553	(2,099,131)	(290,775)	2,371,647	351 / (1)		02/07/2006 to 01/07/2015
21/11/2005	\$S2.36	317,500	(133,750)	-	183,750	6 / (6)		22/11/2006 to 21/11/2010
21/11/2005	\$S2.36	5,325,820	(2,249,930)	(333,570)	2,742,320	396 / (1)		22/11/2006 to 21/11/2015
09/06/2006	\$S2.52	525,000	(52,500)	-	472,500	6 / (6)		10/06/2007 to 09/06/2011
09/06/2006	\$S2.52	7,450,500	(2,636,205)	(514,825)	4,299,470	601 / (1)		10/06/2007 to 09/06/2016
		30,663,581	(13,604,991)	(1,547,861)	15,510,729			

* The exercise prices for outstanding share options granted prior to April 27, 2007 were adjusted as a result of the Special Dividend payment in 2007.

DIRECTORS' REPORT

Year Ended December 31, 2007

SHARE-BASED INCENTIVE PLANS *(cont'd)*

a. Share Option Plan *(cont'd)*

v. Semcorp Industries Share Option Plan *(cont'd)*

Semcorp Industries Ltd
Ordinary shares
2006

Date of grant of options	Exercise price* per share	Options outstanding at Jan 1, 2006	Options granted	Options exercised	Options cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2006	Number of options holders/ (including directors) at		Exercise period
							Dec 31, 2006	Dec 31, 2006	
26/06/2000	\$S1.79	3,164,465	–	(2,127,957)	(74,600)	961,908	95 / (1)	27/06/2001 to 26/06/2010	
24/07/2000	\$S2.06	3,294,567	–	(2,443,545)	(38,083)	812,939	63 / (1)	20/05/2001 to 19/05/2009	
24/07/2000	\$S1.92	106,288	–	(67,222)	–	39,066	3 / (–)	16/09/2001 to 15/09/2009	
19/04/2001	\$S1.35	568,000	–	(565,000)	(3,000)	–	– / (–)	20/04/2002 to 19/04/2006	
19/04/2001	\$S1.35	2,015,350	–	(1,472,950)	(66,225)	476,175	74 / (–)	20/04/2002 to 19/04/2011	
07/05/2002	\$S1.39	293,750	–	(115,750)	–	178,000	7 / (4)	08/05/2003 to 07/05/2007	
07/05/2002	\$S1.39	2,635,300	–	(1,937,350)	(125,875)	572,075	146 / (–)	08/05/2003 to 07/05/2012	
17/10/2002	\$S0.78	240,000	–	(52,000)	–	188,000	7 / (4)	18/10/2003 to 17/10/2007	
17/10/2002	\$S0.78	1,985,850	–	(1,346,475)	(129,375)	510,000	128 / (–)	18/10/2003 to 17/10/2012	
02/06/2003	\$S0.94	266,250	–	(39,000)	–	227,250	13 / (4)	03/06/2004 to 02/06/2008	
02/06/2003	\$S0.94	3,174,155	–	(1,918,930)	(214,000)	1,041,225	290 / (1)	03/06/2004 to 02/06/2013	
18/11/2003	\$S1.09	290,500	–	(44,750)	–	245,750	15 / (4)	19/11/2004 to 18/11/2008	
18/11/2003	\$S1.09	3,617,245	–	(1,969,675)	(250,925)	1,396,645	303 / (1)	19/11/2004 to 18/11/2013	
17/05/2004	\$S1.15	310,500	–	(20,000)	(24,250)	266,250	15 / (5)	18/05/2005 to 17/05/2009	
17/05/2004	\$S1.15	4,967,670	–	(2,393,520)	(379,000)	2,195,150	367 / (1)	18/05/2005 to 17/05/2014	
22/11/2004	\$S1.32	312,500	–	(16,125)	(27,625)	268,750	15 / (5)	23/11/2005 to 22/11/2009	
22/11/2004	\$S1.32	6,046,951	–	(3,002,426)	(423,000)	2,621,525	398 / (1)	23/11/2005 to 22/11/2014	
01/07/2005	\$S2.53	300,000	–	(4,375)	(13,125)	282,500	7 / (5)	02/07/2006 to 01/07/2010	
01/07/2005	\$S2.53	7,783,000	–	(2,259,572)	(761,875)	4,761,553	903 / (1)	02/07/2006 to 01/07/2015	
21/11/2005	\$S2.52	335,000	–	–	(17,500)	317,500	8 / (6)	22/11/2006 to 21/11/2010	
21/11/2005	\$S2.52	8,160,000	–	(1,958,055)	(876,125)	5,325,820	1,116 / (1)	22/11/2006 to 21/11/2015	
09/06/2006	\$S2.68	–	665,000	–	(140,000)	525,000	6 / (6)	10/06/2007 to 09/06/2011	
09/06/2006	\$S2.68	–	8,081,500	(11,000) [®]	(620,000)	7,450,500	1,461 / (1)	10/06/2007 to 09/06/2016	
		49,867,341	8,746,500	(23,765,677)	(4,184,583)	30,663,581			

* The exercise prices for outstanding share options granted prior to August 8, 2006 were adjusted as a result of the Capital Reduction and Cash Distribution exercise in 2006.

® The share options have been retained and are thus immediately exercisable.

SHARE-BASED INCENTIVE PLANS (cont'd)**a. Share Option Plan** (cont'd)

v. Sembcorp Industries Share Option Plan (cont'd)

The details of options of the Company awarded/exercised since commencement of the Scheme (aggregate) to December 31, 2007 were as follows:

Option participants	Aggregate options			
	Aggregate options granted	cancelled/ lapsed/ not accepted	Aggregate options exercised	Aggregate options outstanding
Directors				
Peter Seah Lim Huat	980,000	–	(717,500)	262,500
Tang Kin Fei	3,444,052	(607,759) ¹	(1,636,293)	1,200,000
K Shanmugam	490,000	–	(358,750)	131,250
Goh Geok Ling	370,000	–	(210,000)	160,000
Richard Hale, OBE	490,000	–	(201,250)	288,750
Yong Ying-I	235,000	(235,000) ²	–	–
Evert Henkes	94,000	–	–	94,000
Lee Suet Fern	105,000	–	(8,750)	96,250
Other executives				
Group	149,771,742	(67,183,786)	(69,366,977)	13,220,979
Associated company	748,600	(211,100)	(530,500)	7,000
Parent Group ³	378,500	(88,000)	(265,500)	25,000
Former directors of the Company				
	8,341,578	(2,129,578)	(6,187,000)	25,000
Total	165,448,472	(70,455,223)	(79,482,520)	15,510,729

- Options lapsed due to replacement of 1999 options and expiry of earlier options.
- Options not accepted due to civil service regulation.
- Parent Group refers to former employees of Singapore Technologies Pte Ltd. No options were granted to former employees of Singapore Technologies Pte Ltd since 2005.

Since the commencement of the Share Option Plan, no options have been granted to the controlling shareholders of the Company or their associates. No participant under the Share Option Plan has been granted 5% or more of the total options available. No options have been offered at a discount.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any company.

DIRECTORS' REPORT

Year Ended December 31, 2007

SHARE-BASED INCENTIVE PLANS *(cont'd)*

a. Share Option Plan *(cont'd)*

vi. Share options of a listed subsidiary

At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of Semcorp Marine Ltd are as follows:

Semcorp Marine Ltd
Ordinary shares
2007

Date of grant of options	Exercise price [#] per share	Options outstanding at Jan 1, 2007	Options granted for			Options cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2007	Number of options holders/ (including directors) at Dec 31, 2007	Exercise period
			bonus shares issued during the year	Options exercised	Options at Dec 31, 2007				
08/09/2000	\$0.50	298,000	61,260	(80,440)	(79,950)	198,870	20 / (-)	08/09/2001 to 07/09/2010	
27/09/2001	\$0.47	510,200	108,680	(333,850)	(25,750)	259,280	37 / (-)	28/09/2002 to 27/09/2011	
07/11/2002	\$0.64	140,000	-	(140,000)	-	-	- / (-)	08/11/2003 to 07/11/2007	
07/11/2002	\$0.64	3,202,450	182,700	(2,688,750)	(182,750)	513,650	93 / (-)	08/11/2003 to 07/11/2012	
08/08/2003	\$0.71	367,000	40,800	(265,000)	-	142,800	3 / (-)	09/08/2004 to 08/08/2008	
08/08/2003	\$0.71	5,311,650	721,240	(3,682,150)	(220,250)	2,130,490	192 / (-)	09/08/2004 to 08/08/2013	
10/08/2004	\$0.74	510,000	129,000	(187,500)	(21,000)	430,500	4 / (-)	11/08/2005 to 10/08/2009	
10/08/2004	\$0.74	8,968,200	2,085,380	(3,726,325)	(471,050)	6,856,205	905 / (-)	11/08/2005 to 10/08/2014	
11/08/2005	\$2.11	505,000	130,500	(185,750)	(84,000)	365,750	5 / (1)	12/08/2006 to 11/08/2010	
11/08/2005	\$2.11	13,405,650	3,803,910	(3,902,275)	(671,950)	12,635,335	978 / (-)	12/08/2006 to 11/08/2015	
02/10/2006	\$2.38	560,000	224,000	(59,500)	-	724,500	8 / (2)	03/10/2007 to 02/10/2011	
02/10/2006	\$2.38	9,224,075	3,480,850	(648,335)	(737,100)	11,319,490	1,144 / (-)	03/10/2007 to 02/10/2016	
		43,002,225	10,968,320	(15,899,875)	(2,493,800)	35,576,870			

Adjusted for two bonus shares credited as fully paid for every five existing ordinary shares.

SHARE-BASED INCENTIVE PLANS (cont'd)**a. Share Option Plan** (cont'd)vi. Share options of a listed subsidiary (cont'd)

Sembcorp Marine Ltd
Ordinary shares
2006

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2006	Options granted	Options exercised	Options cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2006	Options at Dec 31, 2006	Number of options holders/ (including number of directors) at	Exercise period
08/09/2000	S\$0.70	75,000	-	-	(75,000)	-	- / (-)	08/09/2001 to 07/09/2005	
08/09/2000	S\$0.70	466,600	-	(163,000)	(5,600)	298,000	45 / (-)	08/09/2001 to 07/09/2010	
27/09/2001	S\$0.66	145,000	-	(145,000)	-	-	- / (-)	28/09/2002 to 27/09/2006	
27/09/2001	S\$0.66	2,107,000	-	(1,586,550)	(10,250)	510,200	148 / (-)	28/09/2002 to 27/09/2011	
07/11/2002	S\$0.90	475,000	-	(335,000)	-	140,000	2 / (-)	08/11/2003 to 07/11/2007	
07/11/2002	S\$0.90	6,955,150	-	(3,606,950)	(145,750)	3,202,450	582 / (-)	08/11/2003 to 07/11/2012	
08/08/2003	S\$0.99	667,000	-	(300,000)	-	367,000	4 / (-)	09/08/2004 to 08/08/2008	
08/08/2003	S\$0.99	8,912,200	-	(3,374,550)	(226,000)	5,311,650	884 / (-)	09/08/2004 to 08/08/2013	
10/08/2004	S\$1.04	800,000	-	(290,000)	-	510,000	6 / (-)	11/08/2005 to 10/08/2009	
10/08/2004	S\$1.04	12,428,225	-	(3,015,050)	(444,975)	8,968,200	1,001 / (-)	11/08/2005 to 10/08/2014	
11/08/2005	S\$2.96	530,000	-	(25,000)	-	505,000	7 / (1)	12/08/2006 to 11/08/2010	
11/08/2005	S\$2.96	14,851,000	-	(710,100)	(735,250)	13,405,650	1,080 / (-)	12/08/2006 to 11/08/2015	
02/10/2006	S\$3.33	-	560,000	-	-	560,000	8 / (2)	03/10/2007 to 02/10/2011	
02/10/2006	S\$3.33	-	9,315,075	-	(91,000)	9,224,075	1,268 / (-)	03/10/2007 to 02/10/2016	
		48,412,175	9,875,075	(13,551,200)	(1,733,825)	43,002,225			

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

b. 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 three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

For awards granted before 2005, participants 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 target exceeds 100%, more performance shares than the original award could be delivered up to a maximum of 200% of the original award.

For performance shares awarded from 2005, the performance levels were calibrated based on Wealth Added and Total Shareholder Return. For each performance measure, three distinct performance levels were 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. Performance shares to be delivered will range between 0% to 150% of the original award.

DIRECTORS' REPORT

Year Ended December 31, 2007

SHARE-BASED INCENTIVE PLANS *(cont'd)*

b. Performance Share Plan *(cont'd)*

Senior management participants are required to hold a minimum percentage of the shares released to them under the Performance Share Plan and Restricted Stock 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.

i. Semcorp Industries Performance Shares

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

	Additional conditional performance		Aggregate conditional performance		Aggregate conditional performance	
	Conditional performance	Aggregate conditional performance	shares awarded due to modification	Aggregate conditional performance	Aggregate conditional performance	
Performance shares participants	shares awarded during the year	shares awarded	during the year	shares released	shares lapsed	
					shares outstanding	
Director of the Company:						
Tang Kin Fei	400,000	1,888,200	25,520	(289,486)	(359,914)	1,264,320
Key executives of the Group						
	490,000	5,049,196	25,793	(889,064)	(2,867,986)	1,317,939
	890,000	6,937,396	51,313	(1,178,550)	(3,227,900)	2,582,259

In accordance with the rules of Performance Share Plan and the advice of the independent compensation consultant, and with the Committee's approval, additional 51,313 shares were awarded to the holders of the outstanding awards as a result of the Special Dividend payment in April 2007. The number of additional shares awarded was based on an adjustment factor to maintain the parity of the award's economic values before and after modification date. The effect of these modifications is insignificant to the financial statements of the Group and the Company.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 2,582,259. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,873,389 performance shares.

ii. Performance shares of a listed subsidiary

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

Conditional performance shares awarded during the year	700,000
Aggregate conditional performance shares awarded	4,395,000
Additional conditional performance shares awarded arising from bonus shares issued during the year	830,000
Aggregate conditional performance shares released	(1,555,400)
Aggregate conditional performance shares lapsed	(764,600)
Aggregate conditional performance shares outstanding	2,905,000

No performance shares of Semcorp Marine Ltd were awarded to the directors of the Company.

SHARE-BASED INCENTIVE PLANS *(cont'd)***b. Performance Share Plan** *(cont'd)*ii. Performance shares of a listed subsidiary *(cont'd)*

The total number of Sembcorp Marine Ltd's performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 2,905,000. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,357,500 performance shares.

c. Restricted Stock Plan

In 2006, as part of the redesigned approach, restricted stocks were awarded to managerial participants of the Group, with the objective to eventually replace share options as a long-term incentive plan. The share option grants to this group of participants were reduced by 50%, and these were replaced by restricted stocks of an equivalent fair value, as recommended by the independent compensation consultant and approved by the Committee.

In 2007, share option grant was ceased and entirely replaced with restricted stock award of an equivalent fair value.

Under the Restricted Stock Plan, the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria are set and performance levels for the restricted stocks are calibrated based on Return on Total Assets and Total Shareholder Return. For each performance measure, three distinct performance levels are set. A minimum 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 criteria, restricted stocks to be delivered will range from 0% to 130% of the original award.

The managerial participants of the Group will be awarded restricted stocks under the Restricted Stock Plan, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted stocks award for non-managerial participants is known as the Sembcorp Challenge Bonus.

A specific number of restricted stocks shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Stock Plan and 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.

DIRECTORS' REPORT

Year Ended December 31, 2007

SHARE-BASED INCENTIVE PLANS *(cont'd)*

c. Restricted Stock Plan *(cont'd)*

i. Sembcorp Industries Restricted Stocks

The details of restricted stocks of Sembcorp Industries Ltd awarded during the year since commencement of the Restricted Stock Plan (aggregate) were as follows:

	Conditional		Additional conditional		Aggregate
	restricted stocks	Aggregate	restricted stocks	Aggregate	
Restricted stocks participants	awarded during the year	restricted stocks awarded	awarded due to modification during the year	restricted stocks conditional lapsed	Aggregate conditional restricted stocks outstanding
Directors of the Company:					
Peter Seah Lim Huat	23,500	23,500	484	–	23,984
Tang Kin Fei	126,000	194,772	4,013	–	198,785
K Shanmugam	13,700	13,700	282	–	13,982
Goh Geok Ling	13,700	13,700	282	–	13,982
Richard Hale, OBE	17,000	17,000	350	–	17,350
Evert Henkes	7,000	7,000	144	–	7,144
Lee Suet Fern	13,700	13,700	282	–	13,982
Key executives of the Group	1,753,300	2,734,328	53,037	(186,334)	2,601,031
	1,967,900	3,017,700	58,874	(186,334)	2,890,240

In accordance with the rules of Restricted Stock Plan and the advice of the independent compensation consultant, and with the Committee's approval, additional 58,874 restricted stocks were awarded to the holders of the outstanding awards as a result of the Special Dividend payment in April 2007. The number of additional shares awarded was based on an adjustment factor to maintain the parity of the award's economic values before and after modification date. The effect of these modifications is insignificant to the financial statements of the Group and the Company.

The total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 2,890,240. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,757,312 restricted stocks.

A total of 546,000 notional restricted stocks of Sembcorp Industries Ltd's shares were awarded on April 9, 2007 for the Sembcorp Challenge Bonus for the performance period 2007 to 2008.

The total number of notional restricted stocks in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 546,000. Based on the multiplying factor, the number of notional restricted stocks to be converted into the funding pool could range from zero to a maximum of 709,800.

SHARE-BASED INCENTIVE PLANS *(cont'd)***c. Restricted Stock Plan** *(cont'd)*

ii. Restricted stocks of a listed subsidiary

The details of restricted stocks of Sembcorp Marine Ltd awarded during the year since commencement of the Restricted Stock Plan (aggregate) were as follows:

	Additional conditional restricted stocks				
	Conditional restricted stocks awarded during the year	Aggregate conditional restricted stocks awarded	arising from bonus shares issued during the year	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
Restricted stocks participants					
Directors of the Company:					
Tang Kin Fei	13,500	13,500	5,400	–	18,900
Goh Geok Ling	22,000	22,000	8,800	–	30,800
Other participants	3,819,690	5,042,090	1,931,720	(229,825)	6,743,985
	3,855,190	5,077,590	1,945,920	(229,825)	6,793,685

The total number of Sembcorp Marine Ltd's restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 6,793,685. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 8,831,791 restricted stocks.

d. Maximum Number of Shares Issuable

The maximum number of performance shares and restricted stocks which could be delivered, when aggregated with the number of new shares issued and issuable in respect of all options granted, is within the 15% limit of the share capital of the Company on the day preceding the relevant date of the grant.

DIRECTORS' REPORT Year Ended December 31, 2007

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this report are:

Richard Hale, OBE (*Chairman*)
K Shanmugam
Lee Suet Fern
Yong Ying-I

The Audit Committee held six meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and their evaluation of the Company's internal accounting control system.

The Audit Committee performed the functions specified in Section 201B of the Singapore Companies Act, the Listing Manual of the Singapore Exchange, and the Code of Corporate Governance.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

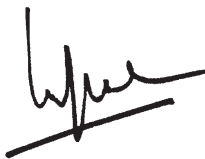
The Audit Committee has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



PETER SEAH LIM HUAT
Chairman



TANG KIN FEI
Director

Singapore
March 19, 2008

STATEMENT BY DIRECTORS

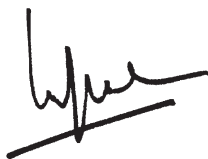
Year Ended December 31, 2007

In our opinion:

- a. the financial statements set out on pages 132 to 237 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2007, and of the results, changes in equity and cash flows of the Group for the year ended on that date; and
- b. at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



PETER SEAH LIM HUAT
Chairman



TANG KIN FEI
Director

Singapore
March 19, 2008

INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 2007

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY

SEMBCORP INDUSTRIES LTD

We have audited the accompanying financial statements of Semcorp Industries Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and of the Company as at December 31, 2007, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 132 to 237.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- a. devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheets and to maintain accountability of assets;
- b. selecting and applying appropriate accounting policies; and
- c. making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion:

- a. the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2007 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- b. the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



KPMG

Certified Public Accountants

Singapore

March 19, 2008

BALANCE SHEETS

As at December 31, 2007

	Note	Group		Company	
		2007	2006	2007	2006
		S\$'000	S\$'000	S\$'000	S\$'000
			(Restated)		(Restated)
Equity attributable to shareholders of the Company:					
Share capital	3	551,274	525,414	551,274	525,414
Other reserves	5	639,448	474,672	23,699	13,793
Accumulated profits		1,842,096	1,813,090	884,427	1,065,803
		3,032,818	2,813,176	1,459,400	1,605,010
Minority interests		797,211	648,186	-	-
Total equity		3,830,029	3,461,362	1,459,400	1,605,010
Non-current assets					
Property, plant and equipment	6	2,601,709	2,499,117	3,422	4,352
Investment properties	7	31,291	35,388	-	-
Investments in subsidiaries	8	-	-	1,479,440	1,472,569
Interests in associates	9	515,487	476,421	-	-
Interests in joint ventures	10	270,389	266,034	-	-
Other financial assets	11	708,234	359,255	-	-
Long-term receivables and prepayments	12	49,572	70,167	-	-
Intangible assets	16	109,510	109,912	90	90
Deferred tax assets	17	37,823	36,596	-	-
		4,324,015	3,852,890	1,482,952	1,477,011
Current assets					
Inventories and work-in-progress	18	1,657,047	1,273,898	-	-
Trade and other receivables	19	1,404,696	1,268,804	198,310	199,827
Assets held for sale	21	26,682	6,167	-	-
Bank balances, fixed deposits and cash	22	1,296,892	1,185,639	189,470	347,336
		4,385,317	3,734,508	387,780	547,163
Current liabilities					
Trade and other payables	23	2,242,427	1,646,928	249,183	257,015
Excess of progress billings over work-in-progress	18	568,741	545,370	-	-
Provisions	27	31,798	30,381	11,454	11,454
Current tax payable		169,105	146,836	-	-
Interest-bearing borrowings	29	510,194	216,161	150,000	-
		3,522,265	2,585,676	410,637	268,469
Net current assets/(liabilities)		863,052	1,148,832	(22,857)	278,694
		5,187,067	5,001,722	1,460,095	1,755,705
Non-current liabilities					
Deferred tax liabilities	17	385,567	294,214	195	195
Provisions	27	10,034	14,028	500	500
Retirement benefit obligations	28	24,109	31,320	-	-
Interest-bearing borrowings	29	823,486	1,096,174	-	150,000
Other long-term liabilities	30	113,842	104,624	-	-
		1,357,038	1,540,360	695	150,695
		3,830,029	3,461,362	1,459,400	1,605,010

Note:

The balance sheets of the Group and of the Company as at December 31, 2006 have been restated due to the early adoption of INT FRS 112 *Service Concession Arrangements* and the adoption of INT FRS 108 *Scope of FRS 102 Share-based Payment* respectively. The effects of the adoption of these accounting policies are set out in Notes 2(ac) and 2(q) to the financial statements respectively.

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

CONSOLIDATED INCOME STATEMENT

Year Ended December 31, 2007

	Note	Group	
		2007 S\$'000	2006 S\$'000 (Restated)
Continuing operations			
Turnover	31	8,618,778	7,485,853
Cost of sales		(7,802,101)	(6,820,304)
Gross profit		816,677	665,549
Non-operating income (net)		117,237	167,848
General and administrative expenses		(246,079)	(198,227)
Finance costs	32	(53,925)	(53,530)
Share of results (net of tax) of:			
– Associates		96,853	67,390
– Joint ventures		56,343	44,492
Profit before income tax		787,106	693,522
Income tax (expense)/credit	33	(135,764)	14,099
Profit from continuing operations		651,342	707,621
Discontinued operations			
Profit from discontinued operations (net of tax)	34	–	453,445
Profit for the year	35	651,342	1,161,066
Attributable to:			
Shareholders of the Company			
– Net profit from continuing operations		526,217	584,140
– Net profit from discontinued operations		–	446,879
		526,217	1,031,019
Minority interests		125,125	130,047
Profit for the year		651,342	1,161,066
Earnings per share (cents):			
36			
Basic			
– Continuing operations		29.57	33.19
– Discontinued operations		–	25.39
Basic		29.57	58.58
Diluted			
– Continuing operations		29.25	32.83
– Discontinued operations		–	25.11
Diluted		29.25	57.94

Note:

The income statement of the Group for the year ended December 31, 2006 has been restated due to the early adoption of INT FRS 112 *Service Concession Arrangements*. The effect of the adoption of this accounting policy is set out in Note 2(ac) to the financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2007

Group	Attributable	
	Share	Merger
	capital	reserve
	\$S'000	\$S'000
At January 1, 2007	525,414	29,201
Effect of adopting INT FRS 112	-	-
At January 1, 2007, restated	525,414	29,201
Translation adjustments	-	-
Net fair value changes of available-for-sale financial assets, net of tax	-	-
Net fair value changes of available-for-sale financial assets transferred to the income statement, net of tax	-	-
Net fair value changes of cash flow hedges, net of tax	-	-
Share of reserves of associates and joint venture companies	-	-
Realisation of reserve upon disposal of investments and changes in group structure	-	-
Net gain/(loss) recognised directly in equity	-	-
Profit for the year	-	-
Total gain/(loss) recognised for the year	-	-
Issue of shares under Share Option Plan	25,860	-
Issue of shares to minority shareholders of subsidiaries	-	-
Share-based payments	-	-
Final dividend paid of 4.9 cents per share less tax at 18% in respect of year 2006	-	-
Final 1-tier dividend paid of 8.0 cents per share in respect of year 2006	-	-
Special final 1-tier dividend paid of 16.0 cents per share in respect of year 2006	-	-
Dividend paid to minority shareholders of subsidiaries	-	-
At December 31, 2007	551,274	29,201

An analysis of the movements in each category within "Other reserves" is presented in Note 5(c).

to shareholders of the Company

	Currency					
Other	translation	Accumulated		Minority	Total	
reserves	reserve	profits	Total	interests	equity	
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
459,457	(13,920)	1,811,447	2,811,599	648,186	3,459,785	
-	(66)	1,643	1,577	-	1,577	
459,457	(13,986)	1,813,090	2,813,176	648,186	3,461,362	
-	(23,060)	-	(23,060)	(5,857)	(28,917)	
265,686	-	-	265,686	166,297	431,983	
(90,652)	-	-	(90,652)	(56,761)	(147,413)	
19,554	-	-	19,554	45	19,599	
(18,648)	(113)	-	(18,761)	(16)	(18,777)	
(6,492)	(224)	805	(5,911)	(4,595)	(10,506)	
169,448	(23,397)	805	146,856	99,113	245,969	
-	-	526,217	526,217	125,125	651,342	
169,448	(23,397)	527,022	673,073	224,238	897,311	
-	-	-	25,860	-	25,860	
-	-	-	-	26,772	26,772	
18,725	-	-	18,725	6,226	24,951	
-	-	(71,419)	(71,419)	-	(71,419)	
-	-	(142,199)	(142,199)	-	(142,199)	
-	-	(284,398)	(284,398)	-	(284,398)	
-	-	-	-	(108,211)	(108,211)	
647,630	(37,383)	1,842,096	3,032,818	797,211	3,830,029	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2007

	Attributable		
	Share capital	Share premium	Merger reserve
	S\$'000	S\$'000	S\$'000
Group			
At January 1, 2006	436,603	313,618	29,201
Effect of adopting INT FRS 112	-	-	-
At January 1, 2006, restated	436,603	313,618	29,201
Transfer to share capital (Note 3(d))	313,618	(313,618)	-
Translation adjustments	-	-	-
Net fair value changes of available-for-sale financial assets, net of tax	-	-	-
Net fair value changes of cash flow hedges, net of tax	-	-	-
Share of hedging reserve of associates and joint venture companies	-	-	-
Realisation of reserve upon disposal of investments and changes in group structure	-	-	-
Net gain/(loss) recognised directly in equity	-	-	-
Profit for the year	-	-	-
Total gain/(loss) recognised for the year	-	-	-
Issue of shares under Share Option Plan	39,771	-	-
Issue of shares to minority shareholders of subsidiaries	-	-	-
Capital reduction paid to shareholders of the Company	(264,578)	-	-
Share-based payments	-	-	-
Transfer of revenue reserves to statutory reserve by associated companies	-	-	-
Final dividend paid of 6.5 cents per share less tax at 20% in respect of year 2005	-	-	-
Dividend paid to minority shareholders of subsidiaries	-	-	-
At December 31, 2006	525,414	-	29,201

An analysis of the movements in each category within "Other reserves" is presented in Note 5(c).

to shareholders of the Company

	Currency				
Other	translation	Accumulated		Minority	Total
reserves	reserve	profits	Total	interests	equity
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
62,275	14,192	1,143,729	1,999,618	845,041	2,844,659
-	3	397	400	-	400
62,275	14,195	1,144,126	2,000,018	845,041	2,845,059
-	-	-	-	-	-
-	(20,554)	-	(20,554)	(11,564)	(32,118)
104,929	-	-	104,929	64,351	169,280
35,431	-	-	35,431	(22)	35,409
(37,713)	-	-	(37,713)	-	(37,713)
274,626	(7,627)	(265,963)	1,036	(347,294)	(346,258)
377,273	(28,181)	(265,963)	83,129	(294,529)	(211,400)
-	-	1,031,019	1,031,019	130,047	1,161,066
377,273	(28,181)	765,056	1,114,148	(164,482)	949,666
-	-	-	39,771	-	39,771
-	-	-	-	31,399	31,399
-	-	-	(264,578)	-	(264,578)
15,161	-	-	15,161	3,632	18,793
4,748	-	(4,748)	-	-	-
-	-	(91,344)	(91,344)	-	(91,344)
-	-	-	-	(67,404)	(67,404)
459,457	(13,986)	1,813,090	2,813,176	648,186	3,461,362

CONSOLIDATED CASH FLOW STATEMENT

Year Ended December 31, 2007

	Group	
	2007	2006
	S\$'000	S\$'000
	(Restated)	
Cash Flows from Operating Activities		
Profit for the year	651,342	1,161,066
Adjustments for:		
Dividend and interest income	(53,694)	(54,107)
Finance costs	53,925	54,014
Depreciation and amortisation	182,859	170,348
Share of results of associates and joint ventures	(157,701)	(118,560)
Profit on sale of property, plant and equipment & investment properties	(9,913)	(2,567)
Loss/(gain) on sale of investments (net)	19,910	(511,601)
Allowance (written back)/made for doubtful debts and bad debts written off (net)	(6,491)	223
Changes in fair value of financial instruments and hedged items	(922)	7,047
Share-based expenses	26,237	19,124
Provision made for onerous contract	-	14,577
Additional charge arising from final settlement on Solitaire	-	57,000
Allowance made/(written back) for impairment in value of assets	7,628	(50,881)
Allowance made for stock obsolescence and inventories written off	-	224
Income tax expense/(credit) (Note 33)	135,764	(10,875)
Operating profit before working capital changes	848,944	735,032
Changes in working capital:		
Inventories and work-in-progress	(361,848)	(527,141)
Receivables	(115,102)	(154,307)
Payables	550,781	589,751
	922,775	643,335
Net payment to banks for Unauthorised Transactions	(260,589)	-
Payment for Solitaire settlement	-	(682,700)
Income taxes paid	(48,155)	(46,842)
Net cash inflow/(outflow) from operating activities	614,031	(86,207)

Note:

The cash flow statement of the Group for the year ended December 31, 2006 has been restated due to the early adoption of INT FRS 112 *Service Concession Arrangements*. The effect of the adoption of this accounting policy is set out in Note 2(ac) to the financial statements.

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

	Group	
	2007	2006
	S\$'000	S\$'000
		(Restated)
Cash Flows from Investing Activities		
Dividends and interest received	98,234	97,785
Cash flows on divestment of subsidiaries, net of cash	98,385	492,022
Proceeds from divestment of associates and joint ventures	69,332	295,358
Proceeds from divestment of investments	273,895	75,725
Proceeds from sale of property, plant and equipment	47,605	13,055
Proceeds from sale of investment properties	6,959	–
Proceeds from sale of asset held for sale	11,000	–
Additional interest in subsidiaries	(3,457)	–
Acquisition of/additional investments in associates and joint ventures	(4,260)	(295,192)
Acquisition of subsidiary, net of cash acquired	160	(7,314)
Acquisition for other long-term investments	(46,187)	(120,464)
Purchase of property, plant and equipment and other long-term assets	(456,891)	(464,654)
Payment for intangible assets	(55)	–
Net cash inflow from investing activities	94,720	86,321
Cash Flows from Financing Activities		
Proceeds from share issue	25,860	39,771
Proceeds from share issue to minority shareholders of subsidiaries	26,772	31,399
Proceeds from borrowings	536,735	742,786
Repayment of borrowings	(505,466)	(412,121)
Net (decrease)/increase in other long-term liabilities	(5,220)	16,196
Capital reduction paid to shareholders of the Company	–	(264,578)
Dividends paid to shareholders of the Company	(498,016)	(91,344)
Dividends paid to minority shareholders of subsidiaries	(108,211)	(67,404)
Interest paid	(53,482)	(51,371)
Net cash outflow from financing activities	(581,028)	(56,666)
Net increase/(decrease) in cash and cash equivalents	127,723	(56,552)
Cash and cash equivalents at beginning of the year	1,172,975	1,231,281
Effect of exchange rate changes on balances held in foreign currency	(4,695)	(1,754)
Cash and cash equivalents at end of the year (Note 22)	1,296,003	1,172,975

CONSOLIDATED CASH FLOW STATEMENT

Year Ended December 31, 2007

Attributable net assets of subsidiaries divested and acquired during the year are as follows:

	Group	
	2007	2006
	S\$'000	S\$'000
Disposals		
Non-current assets	104,928	591,988
Net current assets	3,791	270,151
Non-current liabilities	(5,761)	(47,598)
Minority interests	(1,824)	(291,891)
	101,134	522,650
Profit on disposal	5,284	465,801
Realisation of currency translation reserve	(1,113)	(1,529)
Total consideration received	105,305	986,922
Net cash at bank of subsidiaries disposed	(6,920)	(494,900)
Cash inflow on divestment	98,385	492,022
Acquisitions		
Non-current assets	17	9,942
Net current assets/(liabilities)	484	(1,005)
Non-current liabilities	-	(3,599)
Minority interests	(150)	(362)
Interest in subsidiaries previously accounted for as associates/other investments	-	(858)
Goodwill	-	944
Total consideration payable	351	5,062
Net (cash at bank)/overdraft of subsidiaries acquired	(511)	2,252
Cash (inflow)/outflow on acquisitions	(160)	7,314

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on March 19, 2008.

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.

During 2007, the principal activities of the Company are those of an investment holding company, as well as the corporate headquarters, which gives strategic direction and provides management services to its subsidiaries. The principal activities of key subsidiaries are as follows:

i. Utilities

This business focuses on the provision of energy, water and centralised utilities. It offers industrial utilities and services such as energy, steam, industrial water and wastewater treatment to energy intensive users. It operates in Singapore, the United Kingdom, Vietnam, China and the United Arab Emirates.

ii. Marine & Offshore Engineering

This business focuses principally on repair, building and conversion of ships and rigs, and offshore engineering.

iii. Environmental Management

The business provides integrated waste management services and undertakes waste-to-resource businesses in the Asia Pacific region.

iv. Industrial Parks

The business focuses principally on developing, marketing and operating industrial parks in Asia.

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").

The financial statements are presented in Singapore dollars and rounded to the nearest thousand ("S\$'000"), unless otherwise indicated. They are prepared on the historical cost basis except where otherwise described in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed in Note 44.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

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

a. Basis of Preparation *(cont'd)*

With effect from January 1, 2007, the Group adopted the following new or amended FRS and Interpretations to FRS ("INT FRS") which are relevant to the Group's operations:

Amendments to FRS 1	Presentation of Financial Statements – Capital Disclosures
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
Amendments to INT FRS 29	Disclosure – Service Concession Arrangements
INT FRS 108	Scope of FRS 102 Share-based Payment
INT FRS 110	Interim Financial Reporting and Impairment
INT FRS 112	Service Concession Arrangements

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies, except for the adoption of INT FRS 108 to recognise share-based incentives granted to employees of subsidiaries, as described in Note 2(q), and INT FRS 112 on accounting for service concession arrangements, as described in Note 2(ac). FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

Except for the above changes, the accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

b. Consolidation

i. Subsidiaries

Subsidiaries are those companies that are 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 purchase method, or if they were between entities under common control, by the historical cost method similar to the pooling-of-interest 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 income statement in the period of the acquisition.

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

b. Consolidation *(cont'd)*

i. Subsidiaries *(cont'd)*

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 value of the share capital issued and the 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 income statement in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to December 31.

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 income statement in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to December 31.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

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

b. Consolidation *(cont'd)*

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

vi. 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 rates 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 from the settlement or from translation of monetary items are recognised in the income statement.

Foreign exchange differences arising from non-monetary items are recognised directly in equity when non-monetary items' gains or losses are recognised directly in equity. Conversely when non-monetary items' gains or losses are recognised directly in the income statement, foreign exchange differences arising from these items are recognised directly in the income statement.

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

c. Foreign Currencies *(cont'd)*

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.
- All resulting foreign exchange differences are taken to the currency translation reserve.

Goodwill (except those relating to acquisitions of foreign operations prior to January 1, 2004) and fair value adjustments arising from the acquisition of foreign operations are translated to the presentation currency 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 income statement as part of the gain or loss on disposal.

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 income statement. Such exchange differences are reclassified to currency translation reserve in the consolidated financial statements and are released to the consolidated income statement upon disposal of the investment as part of the gain or loss on disposal.

d. Property, Plant and Equipment

i. Owned Assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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 in revaluation is credited to the revaluation reserve unless it offsets a previous decrease in value recognised in the income statement. A decrease in value is recognised in the income statement 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

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

d. Property, Plant and Equipment (cont'd)

iii. Subsequent Expenditure (cont'd)

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to the income statement.

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 income statement 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 Lease 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 income statement.

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.

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 is 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 lease period ranging from 10 to 50 years, if lower
Improvements to premises	1 to 10 years
Quays and dry docks	15 to 60 years
Floating docks	20 years
Plant and machinery	3 to 40 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

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

d. Property, Plant and Equipment *(cont'd)*

vii. Depreciation *(cont'd)*

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. Investment Properties

Investment properties comprise significant portions of office buildings that are held for long-term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives ranging from 20 to 50 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvement is charged to the income statement when incurred.

On disposal of an investment property, the difference between the estimated net disposal proceeds and the carrying amount of the asset is recognised in the income statement.

Change in accounting policy

The Group has adopted FRS 40 *Investment Property* which is mandatory for annual periods beginning on or after January 1, 2007. The Group had previously accounted for the entire property as an item of property, plant and equipment. On transition to FRS 40 on January 1, 2007, the properties have been reclassified to investment properties. The comparatives in the balance sheet have been restated.

f. Intangible Assets

i. Goodwill

Goodwill 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 accumulated 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 arising from the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Goodwill is tested for impairment on an annual basis in accordance with Note 2(n).

ii. Goodwill/Negative Goodwill Previously Written Off Against Reserves

Goodwill that has previously been taken to reserves is not taken to the income statement 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 income statement when the business is disposed of or discontinued.

NOTES TO THE FINANCIAL STATEMENTS Year Ended December 31, 2007

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

f. Intangible Assets (cont'd)

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 income statement 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 income statement as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of 10 years.

iv. Other Intangible Assets

Other intangible assets with a finite life are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill is recognised in the income statement 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 ranging from 3 to 10 years.

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

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.

g. Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or 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. The designation of financial assets at fair value through profit or loss is irrevocable.

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 the Group manages such assets and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the income statement when incurred. Assets in this category are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

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. During the year, the Group did not hold any investments in this category.

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

g. Financial Assets *(cont'd)*

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 for which 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(k)).

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 income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement.

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.

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

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 income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the excess of acquisition cost less any impairment loss on that financial asset previously recognised in the income statement, 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).

NOTES TO THE FINANCIAL STATEMENTS Year Ended December 31, 2007

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

g. Financial Assets (cont'd)

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 once recognised in the income statement in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement. Any subsequent increase in fair value of such assets is recognised directly in equity. 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 income statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

h. 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 income statement. 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(i).

i. 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 income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss recognised in the income statement.

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 income statement. 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 income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement.

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 income statement.

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

i. Hedging *(cont'd)*

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 income statement.

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 income statement. 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 income statement on disposal of the foreign operation.

v. Separable Embedded Derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in the income statement.

j. 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, of 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.

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(v)(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 the 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 customers".

NOTES TO THE FINANCIAL STATEMENTS Year Ended December 31, 2007

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

j. Inventories (cont'd)

iii. Properties Held for Sale

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

Cost includes the 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 the 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, the assets are written down.

k. Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

An allowance 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 allowance 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 allowance is recognised in the income statement.

l. Deferred Asset Grants

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

Non-monetary government grants and assets received are valued at nominal amounts.

Income-related grants are credited to the income statement in the period to which they relate.

m. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand. Bank overdrafts are shown within interest-bearing borrowings in current liabilities on the balance sheet.

n. Impairment – Non-Financial Assets

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 income statement unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity.

Goodwill, 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.

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

n. Impairment – Non-Financial Assets *(cont'd)*

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.

o. Liabilities and Interest-Bearing Liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 income statement over the period of the borrowings on an effective interest basis.

p. 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.

q. Employee Benefits

i. Defined Contribution Plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement 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 actuarial method. In the intervening years the calculation is updated based on information received from the actuary.

When the benefits of a plan change, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement 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 income statement.

NOTES TO THE FINANCIAL STATEMENTS Year Ended December 31, 2007

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

q. Employee Benefits (cont'd)

ii. Defined Benefit Plans (cont'd)

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 income statement, 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 income statement 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 Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related employment service is provided.

The amount expected to be paid are accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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 is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. 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 transaction costs are credited to share capital when the options are exercised.

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

q. Employee Benefits *(cont'd)*

v. *Equity and Equity-Related Compensation Benefits (cont'd)*

Performance Share Plan

The fair value of equity-related compensation is measured using the Monte Carlo Simulation method as at the 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 into account. Therefore, for performance share grants with market-based performance conditions, the compensation cost is charged to the income statement with a corresponding increase in equity 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

Similar to the Performance Share Plan, the fair value of equity related compensation is measured using the Monte Carlo Simulation method as at the 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. This model takes into the account the probability of achieving the performance conditions in the future.

For performance-based restricted stock grants, the fair value of the compensation cost is measured at grant date and spread over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. The compensation cost is charged to the income statement with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue irrespective of whether this performance condition is satisfied.

At the balance sheet date, the Company revises its estimates of the number of performance-based restricted stocks that the employees are expected to receive based on the achievement of non-market performance conditions and the number of shares ultimately given. 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.

vi. *Cash-Related Compensation Benefits*

Sembcorp Challenge Bonus

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the share price of the Company. The Group recognises a provision when contractually obliged to pay or where there is a past practice that has created a constructive obligation to pay.

The compensation cost is measured at the fair value of the liability at each balance sheet date and spread over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the bonus. The liability takes into account the probability of achieving the performance conditions in the future.

Until the liability is settled, the Group will re-measure the fair value of the liability at each balance sheet date and at the date of settlement with any changes in fair value recognised in the income statement for the period.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

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

q. Employee Benefits (cont'd)

Change in accounting policy

The adoption of INT FRS 108 *Scope of FRS 102 Share-based Payment* has resulted in the Company accounting for share-based incentives granted to employees of its subsidiaries. The fair value of the incentives granted is recognised as an increase in the Company's investment in subsidiaries with a corresponding increase in equity over the vesting period. Previously, the Company did not account for the share options granted to employees of its subsidiaries as it did not receive any subsidiaries' employee services directly.

This change in accounting policy has been applied retrospectively in accordance with the transitional provision of the interpretation and the comparatives have been restated. This change has no impact on the Group's financial statements and the Company's income statement.

The adoption of INT FRS 108 had the following impact on the Company's balance sheet:

	Company	
	2007	2006
	S\$'000	S\$'000
Balance sheet		
Increase in:		
Investment in subsidiaries	5,033	8,524
Share-based payments reserve	5,033	8,524

r. 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.

s. Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

s. Income Tax Expense *(cont'd)*

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

t. Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account.

Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as "treasury shares" within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company, if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the Share-based Incentive Plans, the cost of the treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised as a change in equity of the Company. No gain or loss is recognised in the income statement.

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

u. Dividend

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

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.

v. 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 from the provision of consultancy services is recognised using the percentage of completion method. The percentage of completion is measured by reference to the percentage of cost incurred to-date to the estimated total costs for each project. Revenue on other service work is recognised when the work is completed. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

NOTES TO THE FINANCIAL STATEMENTS Year Ended December 31, 2007

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

v. Revenue Recognition *(cont'd)*

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 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 given to the inclusion of only those costs that reflect work performed.

When the outcome of a long-term contract can be estimated reliably, contract revenue and costs are recognised as income and expense respectively 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.

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 income statement when the right to receive payment is established.

Interest income is recognised as it accrues, using the effective interest method.

v. Rental Income

Rental income receivable under operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income, over the term of the lease.

w. Operating Leases

When entities within the Group are lessees of an operating lease

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

When entities within the Group are lessors of an operating lease

Assets subject to operating leases are included in investment properties and are stated at cost less accumulated depreciation and impairment losses. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

x. Finance Costs

Interest expense and similar charges are expensed in the income statement 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 income statement using the effective interest rate method.

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

y. 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.

z. Assets (or Disposal Groups) Held For Sale

Non-current assets (or disposal groups) are classified as assets held for sale and measured at the lower of carrying amount and fair value less costs to sell if they are expected to be recovered principally through a sale transaction rather than through continuing use.

Any impairment losses on initial classification and subsequent measurement are recognised in the income statement. Subsequent increases in fair value less costs to sell are recognised in the income statement (not exceeding the accumulated impairment loss that has been previously recognised).

aa. Discontinued Operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively for resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

ab. Financial Guarantee Contracts

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

ac. Service Concession Arrangements

Change in Accounting Policy

On January 1, 2007, the Group adopted INT FRS 112 *Service Concession Arrangements* ahead of its latest required implementation date of January 1, 2008.

INT FRS 112 applies to public-to-private service concession arrangements if the infrastructure is constructed or acquired by the Group as part of the arrangement or is given for use by the grantor and:

- i. the grantor controls or regulates what services the Group must provide with the infrastructure, to whom it must provide them, and what price; and
- ii. the grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

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

ac. Service Concession Arrangements *(cont'd)*

Change in Accounting Policy *(cont'd)*

On adoption of INT FRS 112, the infrastructure constructed in a service concession arrangement is not recognised as property, plant and equipment of the Group.

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 2(g).

The Group recognises the consideration receivable as an intangible asset to the extent that it receives a right to charge users of the public service. Intangible assets are accounted for in accordance with the accounting policy set out in Note 2(f).

The change in accounting policy has been applied retrospectively. The effects of adoption on the financial statements are as follows:

	Group	
	2007	2006
	S\$'000	S\$'000
Balance sheet		
Increase/(decrease) in:		
Interests in joint ventures	2,013	1,577
Accumulated profits	-	397
Currency translation reserve	(200)	(66)
Income statement		
Increase in:		
Share of results (net of tax) of joint ventures	2,213	1,246

The Group has entered into a Build-Operate-Transfer ("BOT") power project in Vietnam. The power plant was constructed under a 23-year BOT Contract between the joint venture entity set up in Vietnam and the Ministry of Industry of Vietnam. At the end of the contract period, the plant will be handed over to the Government of Vietnam. The Group owns 1/3 share of the joint venture entity.

All production from the power plant is sold under a power purchase agreement ("PPA") with Electricity of Vietnam ("EVN"). The PPA agreement allows the Group to sell dependable capacity and electrical energy output of the power facility to EVN and it expires 20 years from date of the commencement of its operations. The capacity charge is calculated based on both fixed and variable components as defined in the contract.

No profit was recognised during the financial year for the construction services provided under the arrangement (2006: S\$nil).

3. SHARE CAPITAL

	Group and Company		
	No. of ordinary shares		
	Note	2007	2006
Issued and fully paid:			
At the beginning of the year		1,770,177,555	1,746,411,878
Exercise of share options	4(a)	13,604,991	23,765,677
At the end of the year		1,783,782,546	1,770,177,555

- a. 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.
- b. As at December 31, 2007, there were 15,510,729 (December 31, 2006: 30,663,581) unissued ordinary shares granted under the Company's Share Option Plan.
- c. As at December 31, 2007, the Company is not holding any treasury shares.
- d. 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
 - The amount standing to the credit of the Company's share premium account of S\$313,618,000 became part of the Company's share capital.
- e. In 2006, the Company reduced its capital by S\$264,578,000 by way of a cash distribution of 15.0 cents per share, without deduction for tax, out of the Company's share capital account.
- f. Movements of the share capital account during the year are set out in the Consolidated Statement of Changes in Equity.

4. 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 and Restricted Stock Plan are the incentive schemes for directors and employees of the Group whereas the Performance Share Plan is aimed primarily at key executives of the Group. Under the Restricted Stock Plan, the managerial participants of the Group will be awarded restricted stocks, while the non-managerial participants of the Group will receive their awards in an equivalent cash value.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

4. SHARE-BASED INCENTIVE PLANS *(cont'd)*

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.

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 associated company, are given an opportunity to participate in the equity of the 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.

The shares are settled by physical delivery of shares by way of issuance of new shares or existing shares procured by the Company for transfer to the employees or cash in lieu of the shares.

Following the review of the Company's share-based incentives in 2005 to take 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 Company has implemented the following:

- From 2005, performance shares were awarded based on the redesigned approach.
- From 2006, restricted stocks were awarded to managerial participants of the Group. This group of participants received 50% of their 2006 share-based incentives in restricted stocks and 50% in share options.
- In 2007, share options were entirely replaced with restricted stocks of an equivalent fair value. Under the Restricted Stock Plan, participants must achieve pre-determined targets that create and enhance economic values for shareholders of the Company. If these targets are achieved, managerial participants are awarded with restricted stocks while non-managerial participants will receive the equivalent value in cash.

No share options were granted in 2007.

4. SHARE-BASED INCENTIVE PLANS *(cont'd)*

As a result of the Special Dividend payment in 2007, the exercise prices of the outstanding share options, the number of outstanding share awards under the Performance Share Plan and Restricted Stock Plan were adjusted with effect from April 27, 2007. Such adjustments were recommended by an independent compensation consultant, approved by the Committee and confirmed to be fair and reasonable by the auditors of the Company, in accordance with the rules of the Share Option Plan, Performance Share Plan and Restricted Stock Plan. The adjustments did not result in any incremental fair value and the effects of these modifications are insignificant to the financial statements of the Group and the Company.

Other information regarding Share Plans is as follows:

a. Share Option Plan

Under the rules of the Share Option Plan, participants who ceased to be employed by the 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.

Other information regarding the Share Option Plan is as follows:

- i. The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.
- 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. In 2007, all options were settled by the issuance of new shares.
- iv. The options granted expire after 5 years for non-executive directors and associated company's employees, and 10 years for the employees of the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

4. SHARE-BASED INCENTIVE PLANS *(cont'd)*

a. Share Option Plan *(cont'd)*

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

Semcorp Industries Ltd
Ordinary shares
2007

Date of grant of options	Exercise price* per share	Options outstanding at Jan 1, 2007	Options exercised	Options cancelled/lapsed/not accepted
26/06/2000	S\$1.63	961,908	(618,255)	(37,700)
24/07/2000	S\$1.90	812,939	(444,325)	(17,666)
24/07/2000	S\$1.76	39,066	(2)	-
19/04/2001	S\$1.19	476,175	(210,025)	(35,500)
07/05/2002	S\$1.23	178,000	(177,500)	(500)
07/05/2002	S\$1.23	572,075	(252,625)	(25,200)
17/10/2002	S\$0.62	188,000	(187,000)	(1,000)
17/10/2002	S\$0.62	510,000	(338,000)	(21,375)
02/06/2003	S\$0.78	227,250	(188,500)	(2,000)
02/06/2003	S\$0.78	1,041,225	(637,375)	(27,500)
18/11/2003	S\$0.93	245,750	(180,250)	(2,500)
18/11/2003	S\$0.93	1,396,645	(737,020)	(50,750)
17/05/2004	S\$0.99	266,250	(183,750)	(3,500)
17/05/2004	S\$0.99	2,195,150	(933,723)	(80,000)
22/11/2004	S\$1.16	268,750	(156,500)	(5,000)
22/11/2004	S\$1.16	2,621,525	(1,028,625)	(98,500)
01/07/2005	S\$2.37	282,500	(160,000)	-
01/07/2005	S\$2.37	4,761,553	(2,099,131)	(290,775)
21/11/2005	S\$2.36	317,500	(133,750)	-
21/11/2005	S\$2.36	5,325,820	(2,249,930)	(333,570)
09/06/2006	S\$2.52	525,000	(52,500)	-
09/06/2006	S\$2.52	7,450,500	(2,636,205)	(514,825)
		30,663,581	(13,604,991)	(1,547,861)

* The exercise prices

Proceeds on options					
exercised during					
the year credited					
Options outstanding	Options exercisable	Options exercisable	Options exercisable	to share capital	Exercise period
at Dec 31, 2007	at Jan 1, 2007	at Dec 31, 2007	at Dec 31, 2007	S\$'000	
305,953	961,908	305,953	1,093		27/06/2001 to 26/06/2010
350,948	812,939	350,948	908		20/05/2001 to 19/05/2009
39,064	39,066	39,064	-		16/09/2001 to 15/09/2009
230,650	476,175	230,650	281		20/04/2002 to 19/04/2011
-	178,000	-	247		08/05/2003 to 07/05/2007
294,250	572,075	294,250	345		08/05/2003 to 07/05/2012
-	188,000	-	144		18/10/2003 to 17/10/2007
150,625	510,000	150,625	257		18/10/2003 to 17/10/2012
36,750	174,125	36,750	171		03/06/2004 to 02/06/2008
376,350	370,850	376,350	524		03/06/2004 to 02/06/2013
63,000	192,625	63,000	195		19/11/2004 to 18/11/2008
608,875	746,520	608,875	765		19/11/2004 to 18/11/2013
79,000	171,750	32,750	205		18/05/2005 to 17/05/2009
1,181,427	664,650	464,552	983		18/05/2005 to 17/05/2014
107,250	174,250	60,500	205		23/11/2005 to 22/11/2009
1,494,400	1,085,025	774,525	1,309		23/11/2005 to 22/11/2014
122,500	138,125	26,250	399		02/07/2006 to 01/07/2010
2,371,647	2,152,303	736,897	5,166		02/07/2006 to 01/07/2015
183,750	146,875	70,000	336		22/11/2006 to 21/11/2010
2,742,320	2,641,945	1,057,820	5,544		22/11/2006 to 21/11/2015
472,500	-	78,750	132		10/06/2007 to 09/06/2011
4,299,470	9,000	1,233,095	6,651		10/06/2007 to 09/06/2016
15,510,729	12,406,206	6,991,604	25,860		

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

4. SHARE-BASED INCENTIVE PLANS *(cont'd)*

a. Share Option Plan *(cont'd)*

Semcorp Industries Ltd
Ordinary shares
2006

Date of grant of options	Exercise price* per share	Options outstanding at Jan 1, 2006	Options granted	Options exercised	Options cancelled/ lapsed/not accepted
26/06/2000	S\$1.79	3,164,465	–	(2,127,957)	(74,600)
24/07/2000	S\$2.06	3,294,567	–	(2,443,545)	(38,083)
24/07/2000	S\$1.92	106,288	–	(67,222)	–
19/04/2001	S\$1.35	568,000	–	(565,000)	(3,000)
19/04/2001	S\$1.35	2,015,350	–	(1,472,950)	(66,225)
07/05/2002	S\$1.39	293,750	–	(115,750)	–
07/05/2002	S\$1.39	2,635,300	–	(1,937,350)	(125,875)
17/10/2002	S\$0.78	240,000	–	(52,000)	–
17/10/2002	S\$0.78	1,985,850	–	(1,346,475)	(129,375)
02/06/2003	S\$0.94	266,250	–	(39,000)	–
02/06/2003	S\$0.94	3,174,155	–	(1,918,930)	(214,000)
18/11/2003	S\$1.09	290,500	–	(44,750)	–
18/11/2003	S\$1.09	3,617,245	–	(1,969,675)	(250,925)
17/05/2004	S\$1.15	310,500	–	(20,000)	(24,250)
17/05/2004	S\$1.15	4,967,670	–	(2,393,520)	(379,000)
22/11/2004	S\$1.32	312,500	–	(16,125)	(27,625)
22/11/2004	S\$1.32	6,046,951	–	(3,002,426)	(423,000)
01/07/2005	S\$2.53	300,000	–	(4,375)	(13,125)
01/07/2005	S\$2.53	7,783,000	–	(2,259,572)	(761,875)
21/11/2005	S\$2.52	335,000	–	–	(17,500)
21/11/2005	S\$2.52	8,160,000	–	(1,958,055)	(876,125)
09/06/2006	S\$2.68	–	665,000	–	(140,000)
09/06/2006	S\$2.68	–	8,081,500	(11,000) [®]	(620,000)
		49,867,341	8,746,500	(23,765,677)	(4,184,583)

* The exercise prices for outstanding share options granted prior to August 8, 2006 were adjusted as a result of the Capital Reduction and Cash Distribution exercise in 2006.

® The share options have been retained and are thus immediately exercisable.

Proceeds on options exercised during the year credited				
Options outstanding at Dec 31, 2006	Options exercisable at Jan 1, 2006	Options exercisable at Dec 31, 2006	to share capital S\$'000	Exercise period
961,908	3,164,465	961,908	4,025	27/06/2001 to 26/06/2010
812,939	3,294,567	812,939	5,308	20/05/2001 to 19/05/2009
39,066	106,288	39,066	139	16/09/2001 to 15/09/2009
–	568,000	–	848	20/04/2002 to 19/04/2006
476,175	2,015,350	476,175	2,195	20/04/2002 to 19/04/2011
178,000	213,750	178,000	168	08/05/2003 to 07/05/2007
572,075	1,630,800	572,075	2,951	08/05/2003 to 07/05/2012
188,000	172,000	188,000	49	18/10/2003 to 17/10/2007
510,000	973,475	510,000	1,194	18/10/2003 to 17/10/2012
227,250	122,000	172,625	42	03/06/2004 to 02/06/2008
1,041,225	975,155	346,600	2,051	03/06/2004 to 02/06/2013
245,750	137,500	191,125	55	19/11/2004 to 18/11/2008
1,396,645	1,415,745	715,895	2,372	19/11/2004 to 18/11/2013
266,250	88,500	168,750	26	18/05/2005 to 17/05/2009
2,195,150	1,119,420	583,150	3,059	18/05/2005 to 17/05/2014
268,750	90,500	171,250	24	23/11/2005 to 22/11/2009
2,621,525	2,233,951	1,003,775	4,321	23/11/2005 to 22/11/2014
282,500	–	138,125	12	02/07/2006 to 01/07/2010
4,761,553	15,000	1,916,053	5,883	02/07/2006 to 01/07/2015
317,500	–	146,875	–	22/11/2006 to 21/11/2010
5,325,820	2,000	2,401,570	5,020	22/11/2006 to 21/11/2015
525,000	–	–	–	10/06/2007 to 09/06/2011
7,450,500	–	9,000 [®]	29	10/06/2007 to 09/06/2016
30,663,581	18,338,466	11,702,956	39,771	

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

4. SHARE-BASED INCENTIVE PLANS *(cont'd)*

a. Share Option Plan *(cont'd)*

At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of Semcorp Marine Ltd are as follows:

Semcorp Marine Ltd Ordinary shares 2007

Date of grant of options	Exercise price [#] per share	Options outstanding at Jan 1, 2007	Options granted		Options cancelled/ lapsed/not accepted
			for bonus shares issued during the year	Options exercised	
08/09/2000	S\$0.50	298,000	61,260	(80,440)	(79,950)
27/09/2001	S\$0.47	510,200	108,680	(333,850)	(25,750)
07/11/2002	S\$0.64	140,000	–	(140,000)	–
07/11/2002	S\$0.64	3,202,450	182,700	(2,688,750)	(182,750)
08/08/2003	S\$0.71	367,000	40,800	(265,000)	–
08/08/2003	S\$0.71	5,311,650	721,240	(3,682,150)	(220,250)
10/08/2004	S\$0.74	510,000	129,000	(187,500)	(21,000)
10/08/2004	S\$0.74	8,968,200	2,085,380	(3,726,325)	(471,050)
11/08/2005	S\$2.11	505,000	130,500	(185,750)	(84,000)
11/08/2005	S\$2.11	13,405,650	3,803,910	(3,902,275)	(671,950)
02/10/2006	S\$2.38	560,000	224,000	(59,500)	–
02/10/2006	S\$2.38	9,224,075	3,480,850	(648,335)	(737,100)
		43,002,225	10,968,320	(15,899,875)	(2,493,800)

Adjusted for two Bonus Shares credited as fully paid for every five existing ordinary shares.

Semcorp Marine Ltd Ordinary shares 2006

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2006	Options granted	Options exercised	Options cancelled/ lapsed/not accepted
08/09/2000	S\$0.70	75,000	–	–	(75,000)
08/09/2000	S\$0.70	466,600	–	(163,000)	(5,600)
27/09/2001	S\$0.66	145,000	–	(145,000)	–
27/09/2001	S\$0.66	2,107,000	–	(1,586,550)	(10,250)
07/11/2002	S\$0.90	475,000	–	(335,000)	–
07/11/2002	S\$0.90	6,955,150	–	(3,606,950)	(145,750)
08/08/2003	S\$0.99	667,000	–	(300,000)	–
08/08/2003	S\$0.99	8,912,200	–	(3,374,550)	(226,000)
10/08/2004	S\$1.04	800,000	–	(290,000)	–
10/08/2004	S\$1.04	12,428,225	–	(3,015,050)	(444,975)
11/08/2005	S\$2.96	530,000	–	(25,000)	–
11/08/2005	S\$2.96	14,851,000	–	(710,100)	(735,250)
02/10/2006	S\$3.33	–	560,000	–	–
02/10/2006	S\$3.33	–	9,315,075	–	(91,000)
		48,412,175	9,875,075	(13,551,200)	(1,733,825)

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Options outstanding at Dec 31, 2007	Options exercisable at Jan 1, 2007	Options exercisable at Dec 31, 2007	Exercise period
198,870	298,000	198,870	08/09/2001 to 07/09/2010
259,280	510,200	259,280	28/09/2002 to 27/09/2011
–	140,000	–	08/11/2003 to 07/11/2007
513,650	3,202,450	513,650	08/11/2003 to 07/11/2012
142,800	265,750	142,800	09/08/2004 to 08/08/2008
2,130,490	2,358,150	2,130,490	09/08/2004 to 08/08/2013
430,500	280,000	280,000	11/08/2005 to 10/08/2009
6,856,205	2,357,200	2,412,955	11/08/2005 to 10/08/2014
365,750	257,500	134,750	12/08/2006 to 11/08/2010
12,635,335	3,146,150	3,582,935	12/08/2006 to 11/08/2015
724,500	–	136,500	03/10/2007 to 02/10/2011
11,319,490	–	2,388,059	03/10/2007 to 02/10/2016
35,576,870	12,815,400	12,180,289	

Options outstanding at Dec 31, 2006	Options exercisable at Jan 1, 2006	Options exercisable at Dec 31, 2006	Exercise period
–	75,000	–	08/09/2001 to 07/09/2005
298,000	466,600	298,000	08/09/2001 to 07/09/2010
–	145,000	–	28/09/2002 to 27/09/2006
510,200	2,107,000	510,200	28/09/2002 to 27/09/2011
140,000	356,250	140,000	08/11/2003 to 07/11/2007
3,202,450	5,216,363	3,202,450	08/11/2003 to 07/11/2012
367,000	333,500	307,750	09/08/2004 to 08/08/2008
5,311,650	4,456,100	3,990,925	09/08/2004 to 08/08/2013
510,000	200,000	327,500	11/08/2005 to 10/08/2009
8,968,200	3,107,056	4,497,475	11/08/2005 to 10/08/2014
505,000	–	276,250	12/08/2006 to 11/08/2010
13,405,650	–	3,460,913	12/08/2006 to 11/08/2015
560,000	–	–	03/10/2007 to 02/10/2011
9,224,075	–	–	03/10/2007 to 02/10/2016
43,002,225	16,462,869	17,011,463	

NOTES TO THE FINANCIAL STATEMENTS Year Ended December 31, 2007

4. SHARE-BASED INCENTIVE PLANS (cont'd)

a. Share Option Plan (cont'd)

Semcorp Industries Ltd's options exercised in 2007 resulted in 13,604,991 (2006: 23,765,677) ordinary shares being issued at a weighted average price of S\$1.90 (2006: S\$1.67) per ordinary share. Semcorp Industries Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S\$5.42 (2006: S\$3.39).

Semcorp Marine Ltd's options exercised in 2007 resulted in 15,899,875 (2006: 13,551,200) ordinary shares being issued at a weighted average price of S\$1.50 (2006: S\$1.04) per ordinary share. Semcorp Marine Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S\$3.52 (2006: S\$3.12).

Fair Value of Share Options

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted.

Semcorp Industries Ltd Share Options

There were no share options granted during 2007.

Semcorp Marine Ltd Share Options

Except for the share options granted for bonus shares issued, there were no share options granted during 2007.

b. 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 three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

For awards granted before 2005, participants 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 target exceeds 100%, more performance shares than the original award could be delivered up to a maximum of 200% of the original award.

For performance shares awarded from 2005, the performance levels were calibrated based on Wealth Added and Total Shareholder Return. For each performance measure, three distinct performance levels were 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. Performance shares to be delivered will range between 0% to 150% of the original award.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Performance Share Plan and Restricted Stock 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.

4. SHARE-BASED INCENTIVE PLANS *(cont'd)*

b. Performance Share Plan *(cont'd)*

i. Sembcorp Industries Ltd Performance Shares

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

	Conditional performance		Additional conditional performance	Aggregate conditional performance		Aggregate conditional performance
Performance shares participants	shares awarded during the year	Aggregate conditional performance shares awarded	shares awarded due to modification during the year	Aggregate conditional performance shares released	Aggregate conditional performance shares lapsed	Aggregate conditional performance shares outstanding
Director of the Company:						
Tang Kin Fei	400,000	1,888,200	25,520	(289,486)	(359,914)	1,264,320
Key executives of the Group	490,000	5,049,196	25,793	(889,064)	(2,867,986)	1,317,939
	890,000	6,937,396	51,313	(1,178,550)	(3,227,900)	2,582,259

In accordance with the rules of the Performance Share Plan and the advice of the independent compensation consultant, and with the Committee's approval, additional 51,313 shares were awarded to the holders of the outstanding awards as a result of the Special Dividend payment in April 2007. The number of additional shares awarded was based on an adjustment factor to maintain the parity of the award's economic values before and after modification date. The effect of these modifications is insignificant to the financial statements of the Group and the Company.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 2,582,259. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,873,389 performance shares.

During the year, a total of 252,850 performance shares were released by the Committee in the form of existing shares to participants for the performance period 2004 to 2006.

ii. Performance shares of a listed subsidiary

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

Conditional performance shares awarded during the year	700,000
Aggregate conditional performance shares awarded	4,395,000
Additional conditional performance shares awarded arising from bonus shares issued during the year	830,000
Aggregate conditional performance shares released	(1,555,400)
Aggregate conditional performance shares lapsed	(764,600)
Aggregate conditional performance shares outstanding	2,905,000

No performance shares of Sembcorp Marine Ltd were awarded to the directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

4. SHARE-BASED INCENTIVE PLANS (cont'd)

b. Performance Share Plan (cont'd)

ii. Performance shares of a listed subsidiary (cont'd)

The total number of Semcorp Marine Ltd's performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 2,905,000. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,357,500 performance shares.

During the year, a total of 700,000 Semcorp Marine Ltd's performance shares were released by the Committee in the form of existing shares transferred to such participants for the performance period 2004 to 2006.

Fair value of performance shares

The fair values of the performance shares are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of performance share granted during the year are as follows:

	Fair value of Semcorp Industries Ltd Performance Share granted on April 9, 2007	Fair value of Semcorp Marine Ltd Performance Share granted on June 12, 2007
Fair value at measurement date	S\$5.35	S\$4.25
Assumptions under the Monte Carlo model		
Share price	S\$5.50	S\$4.78
Expected volatility:		
Semcorp Industries Ltd/Semcorp Marine Ltd	25.5%	24.6%
Morgan Stanley Capital International ("MSCI") AC Asia Pacific excluding Japan Industrials Index	12.9%	13.8%
Correlation with MSCI	40.1%	30.0%
Risk-free interest rate	2.5%	2.5%
Expected dividend	3.2%	4.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the performance shares.

During the current financial year, the Group charged S\$4,970,000 (2006: S\$2,679,000) to the income statement based on the fair value of the performance shares at the grant date being expensed over the vesting period.

c. Restricted Stock Plan

In 2006, as part of the redesigned approach, restricted stocks were awarded to managerial participants of the Group, with the objective to eventually replace share options as a long-term incentive plan. The share option grants to this group of participants were reduced by 50%, and these were replaced by restricted stocks of an equivalent fair value, as recommended by the independent compensation consultant and approved by the Committee.

In 2007, share option grant was ceased and entirely replaced with restricted stocks award of an equivalent fair value.

4. SHARE-BASED INCENTIVE PLANS *(cont'd)*

c. Restricted Stock Plan *(cont'd)*

Under the Restricted Stock Plan, the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria are set and performance levels for the restricted stocks are calibrated based on Return on Total Assets and Total Shareholder Return. For each performance measure, three distinct performance levels are set. A minimum 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 criteria, restricted stocks to be delivered will range from 0% to 130% of the original award.

The managerial participants of the Group will be awarded restricted stocks under the Restricted Stock Plan, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted stocks award for non-managerial participants is known as the Sembcorp Challenge Bonus.

A specific number of restricted stocks shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Stock Plan and 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.

i. Sembcorp Industries Ltd Restricted Stocks

The details of restricted stocks of Sembcorp Industries Ltd awarded during the year since commencement of the Restricted Stock Plan (aggregate) were as follows:

	Additional conditional				
	Conditional restricted stocks awarded during the year	Aggregate conditional restricted stocks awarded	restricted stocks awarded due to modification during the year	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
Directors of the Company:					
Peter Seah Lim Huat	23,500	23,500	484	–	23,984
Tang Kin Fei	126,000	194,772	4,013	–	198,785
K Shanmugam	13,700	13,700	282	–	13,982
Goh Geok Ling	13,700	13,700	282	–	13,982
Richard Hale, OBE	17,000	17,000	350	–	17,350
Evert Henkes	7,000	7,000	144	–	7,144
Lee Suet Fern	13,700	13,700	282	–	13,982
Key executives of the Group	1,753,300	2,734,328	53,037	(186,334)	2,601,031
	1,967,900	3,017,700	58,874	(186,334)	2,890,240

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

4. SHARE-BASED INCENTIVE PLANS *(cont'd)*

c. Restricted Stock Plan *(cont'd)*

i. Sembcorp Industries Ltd Restricted Stocks *(cont'd)*

In accordance with the rules of Restricted Stock Plan and the advice of the independent compensation consultant, and with the Committee's approval, additional 58,874 restricted stocks were awarded to the holders of the outstanding awards as a result of the Special Dividend payment in April 2007. The number of additional shares awarded was based on an adjustment factor to maintain the parity of the award's economic values before and after modification date. The effect of these modifications is insignificant to the financial statements of the Group and the Company.

The total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 2,890,240. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,757,312 restricted stocks.

A total of 546,000 notional restricted stocks of Sembcorp Industries Ltd's shares were awarded on April 9, 2007 for the Sembcorp Challenge Bonus for the performance period 2007 to 2008.

The total number of notional restricted stocks in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 546,000. Based on the multiplying factor, the number of notional restricted stocks to be converted into the funding pool could range from zero to a maximum of 709,800.

ii. Restricted stocks of a listed subsidiary

The details of restricted stocks of Sembcorp Marine Ltd awarded during the year since commencement of the Restricted Stock Plan (aggregate) were as follows:

	Additional conditional restricted stocks				
	Conditional restricted stocks awarded during the year	Aggregate conditional restricted stocks awarded	arising from bonus shares issued during the year	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
Directors of the Company:					
Tang Kin Fei	13,500	13,500	5,400	–	18,900
Goh Geok Ling	22,000	22,000	8,800	–	30,800
Other participants	3,819,690	5,042,090	1,931,720	(229,825)	6,743,985
	3,855,190	5,077,590	1,945,920	(229,825)	6,793,685

The total number of Sembcorp Marine Ltd's restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 6,793,685. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 8,831,791 restricted stocks.

4. SHARE-BASED INCENTIVE PLANS *(cont'd)*

c. Restricted Stock Plan *(cont'd)*

Fair value of restricted stock

The fair values of the restricted stock are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of restricted stock granted during the year are as follows:

	Fair value of Sembcorp Industries Ltd	Fair value of Sembcorp Marine Ltd
	Restricted Stock granted on April 9, 2007 and August 1, 2007	Restricted Stock granted on June 12, 2007
Fair value at measurement date	S\$4.79	S\$4.15
Assumptions under the Monte Carlo model		
Share price	S\$5.50	S\$4.78
Expected volatility:		
Sembcorp Industries Ltd/Sembcorp Marine Ltd	25.5%	24.6%
Straits Times Index ("STI")	10.2%	10.0%
Correlation with STI	49.5%	14.1%
Risk-free interest rate	2.4%–2.6%	2.4%–2.6%
Expected dividend	3.2%	4.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the restricted stocks.

During the year, the Group charged S\$12,817,000 (2006: S\$2,489,000) to the income statement based on the fair value of restricted stocks at the grant date being expensed over the vesting period.

Fair value of Sembcorp Challenge Bonus

During the year, the Group charged S\$1,568,000 (2006: nil) to the income statement based on the market values of the shares at the balance sheet date. The compensation cost for Sembcorp Challenge Bonus recorded in liabilities amounted to a balance of S\$1,571,221 (2006: nil) as at December 31, 2007. The fair value of the compensation cost is based on the notional number of restricted stocks awarded for Sembcorp Challenge Bonus and the market price at the vesting date.

5. OTHER RESERVES

	Note	Group		Company	
		2007	2006	2007	2006
		S\$'000	S\$'000	S\$'000	S\$'000
			(Restated)		(Restated)
Merger reserve	(a)	29,201	29,201	–	–
Currency translation reserve	(b)	(37,383)	(13,986)	–	–
Other reserves	(c)	647,630	459,457	23,699	13,793
		639,448	474,672	23,699	13,793

a. Merger Reserve

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

5. OTHER RESERVES *(cont'd)*

b. 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;
- ii. exchange differences on monetary items which form part of the Group's net investment in foreign operations; and
- iii. gains or losses on instruments used to hedge the Company's net investment in foreign operations that are determined to be effective hedges.

c. Other Reserves

	Group				Company	
	Share-based		Fair value reserve	Hedging reserve	Share-based	
	Capital reserve	payments reserve			Total	payments reserve
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At January 1, 2007	345,907	18,907	120,919	(26,276)	459,457	5,269
Effect of adopting INT FRS 108	-	-	-	-	-	8,524
At January 1, 2007, restated	345,907	18,907	120,919	(26,276)	459,457	13,793
Net fair value changes of available-for-sale financial assets, net of tax	-	-	265,686	-	265,686	-
Net fair value changes of available-for-sale financial assets transferred to the income statement, net of tax	-	-	(90,652)	-	(90,652)	-
Net fair value changes of cash flow hedges, net of tax	-	-	-	19,554	19,554	-
Share of hedging reserve of associates and joint venture companies	-	-	-	(18,648)	(18,648)	-
Share-based payments	-	18,725	-	-	18,725	9,906
Realisation of reserve upon disposal of investments and changes in group structure	(3,655)	(107)	(2,730)	-	(6,492)	-
At December 31, 2007	342,252	37,525	293,223	(25,370)	647,630	23,699

5. OTHER RESERVES *(cont'd)*c. Other Reserves *(cont'd)*

	Group				Company	
	Share-based		Fair value reserve	Hedging reserve	Share-based	
	Capital reserve	payments reserve			payments reserve	
	S\$'000	S\$'000	S\$'000	S\$'000	Total S\$'000	S\$'000
At January 1, 2006	41,691	12,353	31,720	(23,489)	62,275	2,444
Effect of adopting INT FRS 108	-	-	-	-	-	5,187
At January 1, 2006, restated	41,691	12,353	31,720	(23,489)	62,275	7,631
Net fair value changes of available-for-sale financial assets, net of tax	-	-	104,929	-	104,929	-
Net fair value changes of cash flow hedges, net of tax	-	-	-	35,431	35,431	-
Share of hedging reserve of associates and joint venture companies	-	-	-	(37,713)	(37,713)	-
Share-based payments	-	15,161	-	-	15,161	8,883
Realisation of reserve upon disposal of investments and changes in group structure	299,468	(8,607)	(15,730)	(505)	274,626	(2,721)
Transfer of revenue reserve to statutory reserve by associated companies	4,748	-	-	-	4,748	-
At December 31, 2006	345,907	18,907	120,919	(26,276)	459,457	13,793

Other reserves include:

- 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-based payments reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted stocks. The expense for service received is recognised over the performance period and/or vesting period. The amount in the share-based payments reserve is retained when the option is exercised or expires.
- iii. Fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investments are 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

6. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Leasehold and	Improvements	Quays and
		freehold land,	to premises	dry docks
Cost		buildings and wet berthage	to premises	dry docks
		S\$'000	S\$'000	S\$'000
Balance at January 1, 2007		816,493	40,348	328,196
Reclassification to investment properties on adoption of FRS 40	7	(50,868)	(728)	–
Balance at January 1, 2007, restated		765,625	39,620	328,196
Translation adjustments		(5,506)	120	(50)
Additions		13,784	37	3
Reclassification		35,148	–	–
Disposals/Write-offs		(6,595)	(116)	(554)
Acquisition of subsidiaries		–	–	–
Disposal of subsidiaries		(134,331)	(161)	–
Balance at December 31, 2007		668,125	39,500	327,595
Accumulated Depreciation and Impairment Losses				
Balance at January 1, 2007		271,375	17,554	125,225
Reclassification to investment properties on adoption of FRS 40	7	(15,526)	(682)	–
Balance at January 1, 2007, restated		255,849	16,872	125,225
Translation adjustments		(1,011)	41	(7)
Depreciation for the year		20,742	2,685	7,267
Reclassification		–	–	–
Disposals/Write-offs		(8,069)	(104)	(496)
Disposal of subsidiaries		(35,653)	(67)	–
Allowance made/(reversed) for impairment – net		–	–	–
Balance at December 31, 2007		231,858	19,427	131,989
Carrying Amount				
At December 31, 2007		436,267	20,073	195,606

During the year, property, plant and equipment of net book value amounting to S\$682,000 were reclassified from investment property (Note 7).

Plant & machinery	Marine vessels	Tools and workshop equipment	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2,121,581	53,887	38,420	98,843	53,694	276,630	3,828,092
-	-	-	-	-	-	(51,596)
2,121,581	53,887	38,420	98,843	53,694	276,630	3,776,496
(29,765)	-	(235)	(575)	(134)	(4,167)	(40,312)
66,491	34	5,060	12,493	4,339	354,640	456,881
292,878	223	(13)	145	(38)	(327,661)	682
(12,648)	(46,102)	(47)	(3,022)	(1,444)	(2,678)	(73,206)
-	-	-	17	-	-	17
(7,430)	-	(4,133)	(310)	(287)	-	(146,652)
2,431,107	8,042	39,052	107,591	56,130	296,764	3,973,906
711,366	9,880	28,378	82,378	41,661	5,770	1,293,587
-	-	-	-	-	-	(16,208)
711,366	9,880	28,378	82,378	41,661	5,770	1,277,379
(7,379)	-	(100)	(334)	(101)	(16)	(8,907)
132,293	2,434	3,435	8,465	2,785	-	180,106
3,950	-	-	-	-	(3,950)	-
(13,059)	(4,960)	(39)	(3,077)	(1,138)	(1,804)	(32,746)
(4,698)	-	(3,010)	(298)	(128)	-	(43,854)
221	-	-	(2)	-	-	219
822,694	7,354	28,664	87,132	43,079	-	1,372,197
1,608,413	688	10,388	20,459	13,051	296,764	2,601,709

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

6. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Group	Note	Leasehold and	Improvements	Quays and
		freehold land,	to premises	dry docks
Cost		buildings and		
		wet berthage		
		S\$'000	S\$'000	S\$'000
Balance at January 1, 2006		1,022,847	125,661	324,103
Reclassification to investment properties on adoption of FRS 40	7	(50,868)	(728)	–
Balance at January 1, 2006, restated		971,979	124,933	324,103
Translation adjustments		(11,500)	(776)	(70)
Additions		28,877	3,128	633
Acquisition of subsidiaries		6,247	135	–
Reclassification		15,112	(1,876)	3,602
Disposals/Write-offs		(5,793)	(1,500)	(72)
Disposal of subsidiaries		(239,297)	(84,424)	–
Balance at December 31, 2006		765,625	39,620	328,196
Accumulated Depreciation and Impairment Losses				
Balance at January 1, 2006		399,087	71,115	118,090
Reclassification to investment properties on adoption of FRS 40	7	(15,313)	(663)	–
Balance at January 1, 2006, restated		383,774	70,452	118,090
Translation adjustments		(7,204)	(115)	(4)
Depreciation for the year		24,490	3,336	7,139
Reclassification		1,180	(892)	–
Disposals/Write-offs		(1,049)	(952)	–
Disposal of subsidiaries		(62,985)	(55,156)	–
Allowance (reversed)/made for impairment – net		(82,376)	218	–
Balance at December 31, 2006		255,830	16,891	125,225
Carrying Amount				
At December 31, 2006		509,795	22,729	202,971

In 2006, property, plant and equipment of net book value amounting to S\$39,935,000 and S\$2,065,000 were reclassified from asset held for sale and intangible assets respectively.

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

	2007	2006
	S\$'000	S\$'000
Freehold land and buildings	36,106	37,453
Leasehold land and buildings	17,735	20,857
Plant and machinery	891,907	679,417
Capital work-in-progress	157,001	211,080
Other assets	2,123	1,974
	1,104,872	950,781

Plant & machinery	Marine vessels	Tools and workshop equipment	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2,093,896	10,441	34,104	150,019	70,310	321,028	4,152,409
-	-	-	-	-	-	(51,596)
2,093,896	10,441	34,104	150,019	70,310	321,028	4,100,813
(15,958)	(101)	(493)	(1,446)	(337)	(2,143)	(32,824)
161,269	216	6,306	11,433	4,292	248,030	464,184
2,837	102	70	48	480	-	9,919
47,164	46,102	-	(37)	1,192	(69,282)	41,977
(24,237)	(85)	(1,567)	(5,719)	(10,861)	(4,572)	(54,406)
(143,390)	(2,788)	-	(55,455)	(11,382)	(216,431)	(753,167)
2,121,581	53,887	38,420	98,843	53,694	276,630	3,776,496
718,686	7,684	27,195	127,462	49,787	5,923	1,525,029
-	-	-	-	-	-	(15,976)
718,686	7,684	27,195	127,462	49,787	5,923	1,509,053
(4,205)	(15)	(302)	(989)	(197)	-	(13,031)
115,710	3,131	2,985	9,989	1,660	-	168,440
(1,423)	-	-	330	782	-	(23)
(16,759)	(85)	(1,500)	(5,309)	(9,902)	(1,370)	(36,926)
(114,219)	(835)	-	(49,109)	(8,128)	(2,749)	(293,181)
13,576	-	-	4	7,659	3,966	(56,953)
711,366	9,880	28,378	82,378	41,661	5,770	1,277,379
1,410,215	44,007	10,042	16,465	12,033	270,860	2,499,117

- ii. Assets with net book value of S\$1,403,000 (2006: S\$3,382,000) were acquired under finance lease.
- iii. Included in the cost of leasehold land and buildings, quays and dry docks and plant and machinery are amounts of S\$120,866,000, S\$100,900,000 and S\$667,000 respectively which were stated at valuation. The revaluation was done on a one off basis prior to January 1, 1997.
- iv. During the year, interest and direct staff costs amounting to S\$6,179,000 (2006: S\$2,979,000) and S\$3,017,000 (2006: S\$455,000), respectively were capitalised as capital work-in-progress.

In 2006, the net movement of impairment losses relates primarily to the following:

- a. As a result of a change in the recoverable amount of the hotel and shopping mall of a subsidiary, the Group reversed the impairment loss for leasehold land and building by S\$84,008,000 to the net selling price;
- b. Due to expected losses from its new municipal waste collection contracts, a subsidiary recognised impairment losses of S\$9,948,000 to write down its operating assets. The carrying amount of these assets was reduced to their recoverable amount, which was based on their value in use, calculated based on projections of future cash flows from its new municipal contracts over a period of 8 years and discounted to present value at 7.1%; and

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

6. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group (cont'd)

- c. Due to continual losses incurred, a subsidiary recognised impairment losses of S\$9,965,000 to write down its coal-fired cogeneration plant in China. The carrying amount of the assets was reduced to their recoverable amount, which was based on their value in use, calculated over the remaining terms of the co-operative joint venture of 22 years and discounted to present value at 6.9%.

	Leasehold	Leasehold	Motor	Furniture,	Capital	Total
	building	improvements	vehicles	equipment	work-in-progress	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Company						
Cost						
Balance at January 1, 2007	312	2,056	324	5,052	620	8,364
Additions	-	16	-	1,535	-	1,551
Reclassification	-	-	-	566	(566)	-
Disposals/write-offs	-	(53)	-	(1,019)	(54)	(1,126)
Balance at December 31, 2007	312	2,019	324	6,134	-	8,789

Accumulated Depreciation and Impairment Losses

Balance at January 1, 2007	10	667	5	3,330	-	4,012
Depreciation for the year	5	867	65	1,436	-	2,373
Disposals/write-offs	-	-	-	(1,018)	-	(1,018)
Balance at December 31, 2007	15	1,534	70	3,748	-	5,367

Carrying Amount

At December 31, 2007	297	485	254	2,386	-	3,422
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	Leasehold	Leasehold	Motor	Furniture,	Capital	Total
	building	improvements	vehicles	equipment	work-in-progress	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Company						
Cost						
Balance at January 1, 2006	312	255	214	3,203	-	3,984
Additions	-	1,801	324	1,951	620	4,696
Disposals/write-offs	-	-	(214)	(102)	-	(316)
Balance at December 31, 2006	312	2,056	324	5,052	620	8,364

Accumulated Depreciation and Impairment Losses

Balance at January 1, 2006	5	223	214	2,545	-	2,987
Depreciation for the year	5	444	5	887	-	1,341
Disposals/write-offs	-	-	(214)	(102)	-	(316)
Balance at December 31, 2006	10	667	5	3,330	-	4,012

Carrying Amount

At December 31, 2006	302	1,389	319	1,722	620	4,352
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7. INVESTMENT PROPERTIES

	Note	Group	
		2007	2006
		S\$'000	S\$'000
Cost			
Balance at January 1		–	–
Reclassification from property, plant and equipment on adoption of FRS 40	6	51,596	51,596
Balance at January 1, restated		51,596	51,596
Translation adjustments		(426)	–
Additions		10	–
Reclassification to property, plant and equipment	6	(682)	–
Disposals		(1,834)	–
Balance at December 31		48,664	51,596
Accumulated Depreciation and Impairment Losses			
Balance at January 1		–	–
Reclassification from property, plant and equipment on adoption of FRS 40	6	16,208	15,976
Balance at January 1, restated		16,208	15,976
Depreciation		610	1,171
Allowance made/(reversed) for impairment – net		555	(939)
		17,373	16,208
Carrying Amount			
At December 31		31,291	35,388

Investment properties with net book values S\$13,707,000 (2006: S\$16,649,000) have been pledged to secure loan facilities granted to a subsidiary.

The fair value of the investment properties as at the balance sheet date is S\$65,989,000 (2006: S\$39,652,000). The fair value, determined by independent professional valuers, is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the fair values are determined by considering the aggregate of the estimated cash flow expected to be received from renting out the properties. A yield that reflects the specific risks inherent in the cash flows then is applied to the net annual cash flows to obtain the fair values.

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	S\$'000	S\$'000
		(Restated)
At cost and carrying value:		
Quoted equity shares	705,432	705,432
Unquoted equity shares	502,951	501,113
Preference shares	257,500	257,500
Share-based payments reserve – effect of adopting INT FRS 108	13,557	8,524
	1,479,440	1,472,569

Details of subsidiaries are set out in Note 48 to the financial statements.

In 2006, the Company divested its stake in Sembcorp Logistics Ltd and Sembcorp Engineers and Constructors Pte Ltd. Details of the divestments are set out in Note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

9. INTERESTS IN ASSOCIATES

	Group	
	2007	2006
	S\$'000	S\$'000
Interests in associates	515,487	476,421

The carrying value as at year end includes goodwill on acquisition as follows:

	Group	
	2007	2006
	S\$'000	S\$'000
Balance at beginning of the year	-	-
Additions	55	-
Balance at end of the year	55	-

The fair value of the equity interest of a listed associate, with a carrying amount of S\$202,902,000 (2006: S\$223,834,000), amounts to S\$562,631,000 (2006: S\$637,351,000) based on the last transacted market price as at December 31, 2007 (December 31, 2006).

Summarised financial information of associates is as follows:

	2007	2006
	S\$'000	S\$'000
Results		
Turnover	3,077,491	2,182,059
Profit after taxation	406,191	213,127
Assets and liabilities		
Total assets	7,467,430	5,836,863
Total liabilities	5,427,336	3,947,238

The summarised financial information relating to associates disclosed above is not adjusted for the percentage of ownership held by the Group.

The Group's interest in an associate has been pledged to banks to secure credit facilities granted to the associate.

An associate of a subsidiary entered into interest rate swap contracts to swap the floating rate of its loan into a fixed rate commitment, for a duration of up to 14 years. Cash flow hedge accounting has been applied and the mark-to-market loss has been taken to reserves.

The Group's share of capital commitment of associates at balance sheet date was S\$50,741,000 (2006: S\$91,298,000).

Details of the significant associates are set out in Note 49 to the financial statements.

10. INTERESTS IN JOINT VENTURES

	Group	
	2007	2006
	S\$'000	S\$'000
		(Restated)
Interests in joint ventures	270,389	266,034

The carrying value as at year end includes goodwill on acquisition as follows:

	Group	
	2007	2006
	S\$'000	S\$'000
Balance at beginning of the year	7,570	2,230
Translation during the year	16	(172)
Additions	-	5,512
Reclassified to assets held for sale (Note 21)	(5,512)	-
Balance at end of the year	2,074	7,570

Summarised financial information of joint ventures, representing the Group's share, is as follows:

	Group's share	
	2007	2006
	S\$'000	S\$'000
		(Restated)
Results		
Turnover	371,984	402,278
Expenses	(307,298)	(347,769)
Profit before taxation	64,686	54,509
Taxation	(3,872)	(7,531)
Impairment of goodwill	(4,471)	-
Profit after taxation	56,343	46,978
Assets and liabilities		
Non-current assets	389,508	407,923
Current assets	232,649	129,721
Current liabilities	(119,769)	(80,842)
Non-current liabilities	(234,073)	(198,338)
Net assets	268,315	258,464
Capital commitments	1,645	5,295

The Group's interest in a joint venture with a carrying amount of S\$64,837,000 (2006: S\$54,360,000) as at the balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entity.

Details of significant joint ventures are set out in Note 49 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

11. OTHER FINANCIAL ASSETS

	Note	Group	
		2007 S\$'000	2006 S\$'000
a. Non-current Assets			
Available-for-sale financial assets:			
– Equity shares		694,242	352,633
– Unit trusts and funds		6,775	6,124
		701,017	358,757
Financial assets at fair value through profit or loss:			
– Forward foreign exchange contracts		206	–
– Equity shares		69	498
Cash flow hedges:			
– Interest rate swaps		828	–
– Fuel oil swaps		6,114	–
		708,234	359,255
b. Current Assets			
Financial assets at fair value through profit or loss:			
– Interest rate swaps		800	289
– Forward foreign exchange contracts		12,853	92
– Foreign exchange swap contracts		541	–
– Others		96	334
Cash flow hedges:			
– Interest rate swaps		2,481	6,753
– Forward foreign exchange contracts		908	–
– Fuel oil swaps		49,970	–
– Power sale and purchase option contracts		–	19,218
	19	67,649	26,686

12. LONG-TERM RECEIVABLES AND PREPAYMENTS

	Note	Group	
		2007 S\$'000	2006 S\$'000
Long-term trade receivables	13	984	–
Lease receivables due after 12 months	14	21,400	39,952
Loan receivables (unsecured)		2,656	5,526
Amount due from related parties	15	1,310	279
Prepayments	(a)	25,870	29,060
Recoverables		8	2,344
		52,228	77,161
Allowance for doubtful receivables		(2,656)	(6,994)
		49,572	70,167

12. LONG-TERM RECEIVABLES AND PREPAYMENTS (cont'd)**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 tank.

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

13. TRADE RECEIVABLES

	Note	Group	
		2007 S\$'000	2006 S\$'000
Trade receivables including work completed but unbilled		661,138	653,435
Allowance for doubtful receivables		(15,171)	(22,505)
		645,967	630,930
Trade receivables due within 1 year	19	(644,983)	(630,930)
	12	984	–

Included in trade receivables are retention monies on contracts amounting to S\$1,235,602 (2006: S\$805,000).

14. LEASE RECEIVABLES

	Note	Minimum	Estimated	Total gross	Unearned	Net value
		lease	residual	investment	interest	of lease
		payment	value	in lease	income	receivables
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group						
2007						
Within 1 year		16,875	1,500	18,375	(2,824)	15,551
After 1 year but within 5 years		16,875	–	16,875	(2,474)	14,401
After 5 years		4,219	3,000	7,219	(220)	6,999
		37,969	4,500	42,469	(5,518)	36,951
Amount due within 1 year	19	(16,875)	(1,500)	(18,375)	2,824	(15,551)
	12	21,094	3,000	24,094	(2,694)	21,400
2006						
Within 1 year		7,686	–	7,686	(1,824)	5,862
After 1 year but within 5 years		25,313	3,000	28,313	(4,608)	23,705
After 5 years		12,657	4,500	17,157	(910)	16,247
		45,656	7,500	53,156	(7,342)	45,814
Amount due within 1 year	19	(7,686)	–	(7,686)	1,824	(5,862)
	12	37,970	7,500	45,470	(5,518)	39,952

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

15. AMOUNTS DUE FROM RELATED PARTIES

	Note	Associates		Joint ventures	
		2007	2006	2007	2006
		\$S'000	\$S'000	\$S'000	\$S'000
Group					
Amounts due from:					
Trade		13,289	16,018	4,731	3,977
Loans		11,851	22,253	1,027	–
Non-trade		7,053	5,483	14,041	13,878
		32,193	43,754	19,799	17,855
Allowance for doubtful receivables		(18,339)	(20,531)	(13,225)	(13,225)
		13,854	23,223	6,574	4,630
Amount due within 1 year	19	(13,571)	(22,944)	(5,547)	(4,630)
	12	283	279	1,027	–

The long-term loans to associates and joint ventures are unsecured and not expected to be repaid in the next 12 months.

	Note	Subsidiaries		Joint ventures		Total	
		2007	2006	2007	2006	2007	2006
		\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
Company							
Amounts due from:							
Non-trade	19	21,424	12,905	9	–	21,433	12,905

The non-trade amounts due from subsidiaries are unsecured, repayable on demand and interest-free, except for an amount of \$535,000 (2006: \$790,000) which bears an effective interest rate of 4.45% (2006: 2.87%) per annum.

16. INTANGIBLE ASSETS

	Note	Goodwill	Others	Total
		\$S'000	\$S'000	\$S'000
Group				
Cost				
Balance at January 1, 2007		107,222	4,582	111,804
Translation adjustments		(13)	(60)	(73)
Additions during the year		1,738	1,033	2,771
Reclassification (to)/from other categories of assets		(3,507)	2,611	(896)
Write-offs	35(b)	–	(3)	(3)
Balance at December 31, 2007		105,440	8,163	113,603
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2007		–	1,892	1,892
Translation adjustments		–	(27)	(27)
Amortisation charge for the year	35(b)	–	2,118	2,118
Allowance for impairment		110	–	110
Balance at December 31, 2007		110	3,983	4,093
Carrying Amount				
At December 31, 2007		105,330	4,180	109,510

Related corporations		Minority shareholders of subsidiaries		Total	
2007	2006	2007	2006	2007	2006
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
-	8	41	55	18,061	20,058
-	-	-	-	12,878	22,253
-	-	2	103	21,096	19,464
-	8	43	158	52,035	61,775
-	-	-	-	(31,564)	(33,756)
-	8	43	158	20,471	28,019
-	(8)	(43)	(158)	(19,161)	(27,740)
-	-	-	-	1,310	279

16. INTANGIBLE ASSETS (cont'd)

Group	Note	Goodwill	Others	Total
		S\$'000	S\$'000	S\$'000
Cost				
Balance at January 1, 2006		143,694	26,355	170,049
Translation adjustments		(4)	(342)	(346)
Additions during the year		4,339	952	5,291
Acquisition of subsidiaries		944	-	944
Reclassification to other categories of assets		-	(3,915)	(3,915)
Write-offs	35(b)	(489)	(9)	(498)
Disposals		-	(92)	(92)
Disposal of subsidiaries		(41,262)	(18,367)	(59,629)
Balance at December 31, 2006		107,222	4,582	111,804
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2006		826	18,458	19,284
Translation adjustments		(4)	(126)	(130)
Amortisation charge for the year	35(b)	-	606	606
Reclassification to other categories of assets		-	(64)	(64)
Disposal		-	(76)	(76)
Disposal of subsidiaries		(822)	(16,906)	(17,728)
Balance at December 31, 2006		-	1,892	1,892
Carrying Amount				
At December 31, 2006		107,222	2,690	109,912

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

16. INTANGIBLE ASSETS *(cont'd)*

Impairment Testing for Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Note	Group	
		2007 S\$'000	2006 S\$'000
Cash-Generating Unit ("CGU")			
SUT Division	(a)	18,867	18,867
Sembcorp Cogen Pte Ltd	(b)	26,378	26,378
Sembcorp Gas Pte Ltd	(c)	41,986	41,986
SembRamky Environmental Management Private Limited	(d)	4,394	4,394
Multiple units of insignificant goodwill		13,705	15,597
		105,330	107,222

The recoverable amounts are determined based on calculations of the value in use. These calculations use forecasted cash flows based on the financial budget for 2008 approved by management. Management has applied past experience in operating the business to forecast the performance. Discount rates ranging from 6.05% to 6.30% have been used. At the balance sheet date, based on the following key assumptions, management believes that the recoverable amounts exceed their carrying amounts.

a. SUT Division

- i. There are no significant changes to the customer base, hence the annual fixed revenue and gross profit margin remain stable relative to the previous year; and
- ii. 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.

b. Sembcorp Cogen Pte Ltd

- i. There are no significant changes in market demand and supply for electricity and electricity spark spread compared to previous 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 2008;
- iii. Expected capital expenditure for replenishment of parts has also been accounted for in the forecast in accordance with plant maintenance programme; and
- iv. 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 and tear, maintenance cycles and inflation.

16. INTANGIBLE ASSETS *(cont'd)***Impairment Testing for Goodwill** *(cont'd)***c. Sembcorp Gas Pte Ltd**

- i. Depreciating USD/SGD exchange rate and appreciating High Sulphur Fuel Oil ("HSFO") prices compared to the previous year;
- ii. Gross profit margin is expected to remain stable as the pricing on both customer and supplier contracts are pegged to HSFO prices;
- iii. Expected capital expenditure for plant refurbishment has been included in the forecast in accordance with the plant maintenance programme; and
- iv. Cash flows beyond the budget period are estimated based on the contracted sale and purchase quantities of gas over the remaining period of the existing contracts with the major customers and the gas supplier.

d. SembRamky Environmental Management Private Limited

These calculations use cash flow projections based on management's 6-year financial forecast of the company:

- i. Compound annual growth rate of 6.4% in revenue; and
- ii. Compound annual growth rate of 6.0% in operating expenses cost.

Company

The intangible assets of the Company relate to corporate club memberships.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

17. DEFERRED TAX

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

	Charged/ (credited)		Charged/ (credited)	Acquisition/ (disposal)	Translation adjustments	At Dec 31, 2007
	to income statement	to equity (Note 33)				
	At Jan 1, 2007					
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group						
2007						
Deferred tax liabilities						
Property, plant and equipment	241,546	21,649	–	812	(3,685)	260,322
Interest in associates	1,948	3,143	–	–	–	5,091
Other financial assets	48,699	–	67,766	–	(26)	116,439
Trade and other receivables	1,852	(1,575)	–	–	–	277
Other items	5,290	4,316	(1,702)	–	(181)	7,723
Total prior to offsetting of balances	299,335	27,533	66,064	812	(3,892)	389,852
Total after offsetting of balances*	294,214					385,567
Deferred tax assets						
Property, plant and equipment	(3,884)	376	–	–	–	(3,508)
Inventories	(10)	(12)	–	–	–	(22)
Trade receivables	(917)	635	–	–	–	(282)
Trade and other payables	–	(528)	–	–	–	(528)
Tax losses	(2,619)	1,460	–	–	(3)	(1,162)
Provisions	(14,268)	(1,466)	–	–	416	(15,318)
Other items	(20,019)	1,279	(2,660)	–	112	(21,288)
Total prior to offsetting of balances	(41,717)	1,744	(2,660)	–	525	(42,108)
Total after offsetting of balances*	(36,596)					(37,823)

17. DEFERRED TAX (cont'd)

	Charged/ (credited)		Charged/ (credited)	Acquisition/ (disposal)	Translation adjustments	At Dec 31, 2006
	to income statement	to equity				
	At Jan 1, 2006	(Note 33)	to equity	of subsidiary	adjustments	At Dec 31, 2006
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group						
2006						
Deferred tax liabilities						
Property, plant and equipment	205,824	39,938	–	(3,523)	(693)	241,546
Interest in associates	2,792	(844)	–	–	–	1,948
Other financial assets	12,470	–	36,229	–	–	48,699
Trade and other receivables	520	1,436	–	(103)	(1)	1,852
Other items	5,868	(1,141)	35	536	(8)	5,290
Total prior to offsetting of balances	227,474	39,389	36,264	(3,090)	(702)	299,335
Total after offsetting of balances*	220,095					294,214
Deferred tax assets						
Property, plant and equipment	(3,992)	(3,480)	–	3,583	5	(3,884)
Inventories	(1,473)	92	–	1,371	–	(10)
Trade receivables	(2,087)	642	–	525	3	(917)
Trade and other payables	(814)	781	–	33	–	–
Tax losses	(6,966)	4,229	–	28	90	(2,619)
Provisions	(15,725)	423	–	1,247	(213)	(14,268)
Other items	(2,607)	(14,331)	(3,308)	227	–	(20,019)
Total prior to offsetting of balances	(33,664)	(11,644)	(3,308)	7,014	(115)	(41,717)
Total after offsetting of balances*	(26,285)					(36,596)

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

	Group	
	2007	2006
	S\$'000	S\$'000
Deductible temporary differences	18,644	11,862
Tax losses	41,319	83,566
Capital allowances	24,413	40,684
	84,376	136,112

Of the above tax losses, tax losses of the Group amounting to S\$20,518,000 (2006: S\$45,567,000) will expire between 2008 and 2012 (2006: 2007 and 2012). The deductible temporary differences and capital allowances do not expire under current tax legislation.

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Year Ended December 31, 2007

17. DEFERRED TAX (cont'd)

Group (cont'd)

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

- 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
- Where it is uncertain that future taxable profit will be available against which the Group can utilise the benefits.

Company

The deferred tax liabilities as at the balance sheet date relate to temporary differences on property, plant and equipment.

18. INVENTORIES AND WORK-IN-PROGRESS

	Note	Group	
		2007 S\$'000	2006 S\$'000
Raw materials		72,532	71,949
Finished goods		41,417	43,165
		113,949	115,114
Allowance for inventory obsolescence		(7,286)	(7,938)
		106,663	107,176
Work-in-progress	(a)	1,550,384	1,166,722
		1,657,047	1,273,898
a. Work-in-progress:			
Costs and attributable profits		5,149,233	3,365,282
Allowance for foreseeable losses		(1,297)	(340)
		5,147,936	3,364,942
Progress billings		(4,166,293)	(2,743,590)
		981,643	621,352
Comprising:			
Work-in-progress		1,550,384	1,166,722
Excess of progress billings over work-in-progress		(568,741)	(545,370)
		981,643	621,352

19. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2007 S\$'000	2006 S\$'000	2007 S\$'000	2006 S\$'000
Trade receivables	13	644,983	630,930	-	-
Current portion of finance lease	14	15,551	5,862	-	-
Amount due from related parties	15	19,161	27,740	21,433	12,905
Other receivables, deposits and prepayments	20	655,267	572,093	176,877	186,922
Other financial assets	11	67,649	26,686	-	-
Advance to suppliers		2,085	5,493	-	-
		1,404,696	1,268,804	198,310	199,827

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2007	2006	2007	2006
		S\$'000	S\$'000	S\$'000	S\$'000
Deposits		5,789	7,780	671	717
Prepayments		46,124	44,036	542	511
Tax recoverable		214,991	250,822	174,984	184,889
Sundry receivables		67,834	77,026	740	865
Unbilled receivables	(a)	287,539	186,528	-	-
Loan receivables		21,079	22,188	-	-
Recoverable		19,660	6,337	-	-
Interest receivable		845	1,167	-	-
		663,861	595,884	176,937	186,982
Allowance for doubtful receivables		(8,594)	(23,791)	(60)	(60)
	19	655,267	572,093	176,877	186,922

a. Unbilled receivables represent revenue accrued for sale of utilities services, electricity, gas and other related products

21. ASSETS HELD FOR SALE

The assets held for sale in 2007 include interests in joint ventures. At the end of 2007, a wholly-owned subsidiary entered into a sales agreement for the sale of certain joint ventures. The sales are expected to be completed by December 2008.

The asset held for sale in 2006 related to a leasehold property at 9 Tampines Street 92 Singapore 528871 owned by a wholly-owned subsidiary. The Sales and Leaseback Agreement was entered into in December 2006 and was completed on February 2, 2007 by the subsidiary.

22. BANK BALANCES, FIXED DEPOSITS AND CASH

	Note	Group		Company	
		2007	2006	2007	2006
		S\$'000	S\$'000	S\$'000	S\$'000
Bank balances, fixed deposits and cash		1,296,892	1,185,639	189,470	347,336
Bank overdrafts	29	(889)	(12,664)	-	-
Cash and cash equivalents					
in the consolidated cash flow statement		1,296,003	1,172,975	189,470	347,336

The use of subsidiaries' cash and cash equivalents of S\$161,017,000 (2006: S\$163,660,000) is restricted to working capital purposes and repayments of loan in accordance with the terms stipulated in the loan agreement entered by the subsidiary with its bankers.

23. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2007	2006	2007	2006
		S\$'000	S\$'000	S\$'000	S\$'000
Trade payables		1,302,592	874,002	-	-
Advance payments from customers		27,667	16,550	-	-
Other financial liabilities	24	28,941	24,641	-	-
Amount due to related parties	25	18,399	14,808	215,227	229,557
Other payables and accrued charges	26	864,828	716,927	33,956	27,458
		2,242,427	1,646,928	249,183	257,015

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Year Ended December 31, 2007

24. OTHER FINANCIAL LIABILITIES

	Note	Group	
		2007	2006
		S\$'000	S\$'000
a. Current Liabilities			
Financial liabilities at fair value through profit or loss:			
– Interest rate swaps		1,457	579
– Forward foreign exchange contracts		34	7,594
– Foreign exchange swap contracts		82	–
– Commodity contracts		1,006	309
Cash flow hedges:			
– Interest rate swaps		184	–
– Forward foreign exchange contracts		6,453	2,696
– Fuel oil swap contracts		188	13,463
– Forward electricity sale		19,537	–
	23	<u>28,941</u>	<u>24,641</u>
b. Non-current Liabilities			
Financial liabilities at fair value through profit or loss:			
– Interest rate swaps		–	431
Cash flow hedges:			
– Interest rate swaps		1,192	–
– Forward foreign exchange contracts		1,079	245
– Fuel oil swap contracts		–	458
	30	<u>2,271</u>	<u>1,134</u>

25. AMOUNTS DUE TO RELATED PARTIES

	Note	Minority shareholders							
		Associates		Joint ventures		of subsidiaries		Total	
		2007	2006	2007	2006	2007	2006	2007	2006
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group									
Amounts due to:									
Trade		4,762	384	3,591	1,004	244	182	8,597	1,570
Non-trade		3,045	3,339	5,329	5,535	492	2,513	8,866	11,387
Loans		–	9	–	–	5,420	9,086	5,420	9,095
		<u>7,807</u>	<u>3,732</u>	<u>8,920</u>	<u>6,539</u>	<u>6,156</u>	<u>11,781</u>	<u>22,883</u>	<u>22,052</u>
Amounts due after 1 year	30	–	–	–	–	(4,484)	(7,244)	(4,484)	(7,244)
	23	<u>7,807</u>	<u>3,732</u>	<u>8,920</u>	<u>6,539</u>	<u>1,672</u>	<u>4,537</u>	<u>18,399</u>	<u>14,808</u>

- i. A loan from a minority shareholder of a subsidiary of S\$4,484,000 (2006: S\$7,244,000) bears an interest rate of 3.53% (2006: 3.53%) per annum and is repayable by January 1, 2014.
- ii. In 2006, a loan from a minority shareholder of a subsidiary of S\$840,000 bore interest at 3.90% per annum. This amount was repaid in full in 2007.

The remaining non-trade amounts and loans due to related parties are unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE TO RELATED PARTIES (cont'd)

	Note	Subsidiaries		Associates		Total	
		2007	2006	2007	2006	2007	2006
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company							
Amounts due to:							
Non-trade	(i)	25,223	39,256	4	301	25,227	39,557
Loans	(ii)	190,000	190,000	–	–	190,000	190,000
	23	215,223	229,256	4	301	215,227	229,557

- i. The non-trade amounts due to related parties are unsecured, interest-free and repayable on demand.
- ii. The loans due to a subsidiary are unsecured, repayable on demand and bear an effective interest rate of 2.59% (2006: 3.62%) per annum.

26. OTHER PAYABLES AND ACCRUED CHARGES

	Note	Group		Company	
		2007	2006	2007	2006
		S\$'000	S\$'000	S\$'000	S\$'000
Accrued operating expenses		729,196	586,045	29,794	22,302
Deposits		13,554	12,151	–	–
Accrued interest payable		7,401	8,147	441	441
Other payables		114,677	110,584	3,721	4,715
	23	864,828	716,927	33,956	27,458

27. PROVISIONS

	Obligations relating to						
	Loan undertakings	disposal of business	Claims	Onerous contracts	Restoration costs	Others	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group							
Balance at beginning of the year	10,103	11,454	1,718	12,337	5,370	3,427	44,409
Translation adjustments	–	–	–	–	(61)	–	(61)
Provisions (written back)/made during the year, net	(691)	–	2,520	–	–	(627)	1,202
Provisions utilised during the year	(245)	–	–	(3,657)	–	–	(3,902)
Disposal of subsidiaries	–	–	–	–	–	184	184
Balance at end of the year	9,167	11,454	4,238	8,680	5,309	2,984	41,832
Provisions due:							
– within 1 year	9,167	11,454	4,238	3,955	–	2,984	31,798
– after 1 year	–	–	–	4,725	5,309	–	10,034
	9,167	11,454	4,238	8,680	5,309	2,984	41,832

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Year Ended December 31, 2007

27. PROVISIONS (cont'd)

	Obligations relating to	Restoration	Total
	disposal of business	costs	
	S\$'000	S\$'000	S\$'000
Company			
Balance at beginning and end of the year	11,454	500	11,954
Provisions due:			
– within 1 year	11,454	–	11,454
– after 1 year	–	500	500
	11,454	500	11,954

Loan Undertakings

This relates to the Group's share of loan undertakings of associates and subsidiaries.

Obligations Relating to Disposal of Business

This mainly relates to the disposal of business in which the Group and the Company retains certain obligations in respect of contracts pursuant to the Sale and Purchase Agreement.

Onerous Contracts

The provision for onerous contracts relates to the Group's exposure to the unavoidable cost of meeting its obligations under the contracts, which exceeds the expected benefits to be derived by the Group. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contracts.

Restoration Costs

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 subsidiaries expect to incur the liability upon termination of the lease.

Others

This relates mainly to provision for warranty in respect of a completed project. The provision is based on estimates made from historical warranty data associated with similar projects.

28. RETIREMENT BENEFIT OBLIGATIONS

	Note	Group	
		2007	2006
		S\$'000	S\$'000
Provision for retirement gratuities	(a)	2,809	3,303
Defined benefit obligations	(b)	21,300	28,017
		24,109	31,320
Non-current		24,109	31,320

28. RETIREMENT BENEFIT OBLIGATIONS *(cont'd)***a. Provision for Retirement Gratuities**

	Group	
	2007	2006
	S\$'000	S\$'000
Balance at beginning of the year	3,303	3,581
Translation adjustments	-	(60)
Provision made during the year, net of amount written back	-	288
Provision utilised	(494)	(338)
Disposal of subsidiaries	-	(168)
Balance at end of the year	2,809	3,303

b. Defined Benefit Obligations

One of the Group's two subsidiaries in the United Kingdom that provided pension arrangement to its employees through a defined benefit plan was divested during 2006. The 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.

Details of the plans are as follows:

	Group	
	2007	2006
	S\$'000	S\$'000
Present value of funded obligations	244,774	259,498
Fair value of plan assets	(253,504)	(239,537)
(Surplus)/Deficit in the plan	(8,730)	19,961
Actuarial gains not recognised in accordance with FRS 19	30,030	8,056
Net liability recognised in the balance sheet	21,300	28,017

The fair value of plan assets at the balance sheet is analysed as follows:

	Group	
	2007	2006
	%	%
Equity instruments	52.79	70.05
Debt instruments	39.83	12.06
Other assets	7.38	17.89
	100.00	100.00

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

28. RETIREMENT BENEFIT OBLIGATIONS *(cont'd)*

b. Defined Benefit Obligations *(cont'd)*

Changes in the present value of defined benefit obligations are as follows:

	Group	
	2007	2006
	S\$'000	S\$'000
Opening defined benefit obligations	259,498	377,207
Translation difference	(7,458)	4,816
Service cost	4,338	5,642
Interest cost	13,247	12,356
Actuarial gains	(22,115)	(19,938)
Benefits paid	(2,946)	(3,620)
Employee contributions	210	643
Obligations transferred on disposal of subsidiary	-	(117,608)
	244,774	259,498

Changes in the present value of plan assets are as follows:

	Group	
	2007	2006
	S\$'000	S\$'000
Opening fair value of plan assets	239,537	273,272
Translation difference	(7,603)	4,954
Expected return	16,473	15,883
Actuarial losses	676	6,848
Contributions by employer	7,157	14,758
Benefits paid	(2,946)	(3,620)
Member contributions	210	643
Obligations transferred on disposal of subsidiary	-	(73,201)
	253,504	239,537

Expenses recognised in the income statement are as follows:

	Group	
	2007	2006
	S\$'000	S\$'000
Current service costs	4,338	6,803
Interest on obligation	13,247	14,546
Expected return on plan assets	(16,473)	(15,883)
Actuarial losses	-	938
	1,112	6,404

28. RETIREMENT BENEFIT OBLIGATIONS *(cont'd)***b. Defined Benefit Obligations** *(cont'd)*

The expense is recognised in the following line items in the income statement:

	Group	
	2007	2006
	S\$'000	S\$'000
Cost of sales	3,469	5,087
Administrative expenses	869	3,018
Other expenses	(3,226)	(1,701)
	1,112	6,404
Actual return/(loss) in value of plan assets	17,149	(9,107)

Principal actuarial assumptions

Principal actuarial assumptions as at the balance sheet date:

	Group	
	2007	2006
	%	%
Discount rate at December 31	5.8	5.1
Expected return on plan assets at December 31	6.4	6.9
Future annual salary increases	4.7	4.4
Future pension increases	3.2	2.9

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 14 years (2006: 14 years).

Assumptions regarding future mortality are based on published statistics and mortality tables. The expected life expectancy of an individual retiring at age 65 is 21 (2006: 20) for male and 23 (2006: 23) for female.

The history of existing plans as of December 31, 2007 is as follows:

	Group				
	2007	2006	2005	2004	2003
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Present value of funded obligations	244,774	259,498	259,598	224,690	180,838
Fair value of plan assets	(253,504)	(239,537)	(201,898)	(166,914)	(136,778)
(Surplus)/Deficit in the plan	(8,730)	19,961	57,700	57,776	44,060

The Group expects to pay S\$6,975,000 in contributions to defined benefit plans in 2008.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

29. INTEREST-BEARING BORROWINGS

	Note	Group		Company	
		2007 S\$'000	2006 S\$'000	2007 S\$'000	2006 S\$'000
Current liabilities					
Bank overdrafts	22	889	12,664	–	–
Secured term loans	(a)	101,442	81,579	–	–
Unsecured term loans	(b)	406,615	120,581	150,000	–
Finance lease liabilities	(c)	1,248	1,337	–	–
		510,194	216,161	150,000	–
Non-current liabilities					
Secured term loans	(a)	470,997	593,503	–	–
Unsecured term loans	(b)	350,773	501,706	–	150,000
Finance lease liabilities	(c)	1,716	965	–	–
		823,486	1,096,174	–	150,000
		1,333,680	1,312,335	150,000	150,000

Maturity of liabilities (excluding finance lease liabilities)

	Group		Company	
	2007 S\$'000	2006 S\$'000	2007 S\$'000	2006 S\$'000
Within 1 year	508,946	214,824	150,000	–
After 1 year but within 5 years	641,784	871,079	–	150,000
After 5 years	179,986	224,130	–	–
Total borrowings	1,330,716	1,310,033	150,000	150,000

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

	Group	
	Net Book Value	
	2007 S\$'000	2006 S\$'000
Property, plant and equipment and investment properties	1,118,579	967,430

29. INTEREST-BEARING BORROWINGS (cont'd)**b. Unsecured Term Loans**

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

- In 2004, a wholly-owned subsidiary of the Company, Sembcorp Financial Services Pte Ltd (the "Issuer"), established a S\$1.5 billion Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme"). Pursuant to this, the Company, together with the Issuer and other certain subsidiaries of the Company (the "Issuing Subsidiaries"), may from time to time issue debt under the Programme, subject to availability of funds from the market. The obligations of the Issuing Subsidiaries under the notes will be fully guaranteed by the Company. The Programme has not been utilised as at December 31, 2007.

The Programme replaced the S\$2.0 billion Multicurrency Debt Issuance Programme established by the Company ("the Existing Programme") in October 2000. No further debt issuances will be made by the Company under its Existing Programme, and the outstanding debt issuances of S\$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 S\$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 subject to availability of funds from the market. The obligations of Issuing SCM Subsidiaries under the notes will be fully guaranteed by SCM.

Under the Programme, SCM or any of the Issuing SCM Subsidiaries may from time to time issue notes in series or tranches in Singapore Dollars and/or any other currency. Such notes are listed on the Singapore Exchange Securities Trading Limited and will be cleared through the Central Depository (Pte) Ltd.

The principal amount of the notes issued by SCM and its subsidiaries which bear interests ranging from 2.82% to 3.00% (2006: 2.82% to 3.71%) and due from 2008 to 2009 (2006: 2007 to 2009), amounted to S\$285 million (2006: S\$210 million).

c. Finance Lease Liabilities

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

	2007			2006		
	Payments	Interest	Principal	Payments	Interest	Principal
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group						
Within 1 year	1,375	127	1,248	1,417	80	1,337
After 1 year but within 5 years	1,968	252	1,716	1,048	83	965
Total	3,343	379	2,964	2,465	163	2,302

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 2.50% to 7.42% (2006: 5.16% to 6.16%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

30. OTHER LONG-TERM LIABILITIES

	Note	Group	
		2007	2006
		S\$'000	S\$'000
Deferred income	(a)	25,885	31,743
Deferred grants	(b)	26,348	27,574
Other long-term payables	(c)	5,555	3,035
Other financial liabilities	24	2,271	1,134
Amount due to related parties	25	4,484	7,244
Share of net liability of an associate	9	49,299	33,894
		113,842	104,624

- 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 grants relate to government grants for capital assets.
- Other long-term payables relate primarily to retention monies of subsidiaries.

31. TURNOVER

	Note	Group	
		2007	2006
		S\$'000	S\$'000
Continuing Operations:			
Sale of gas, water, electricity and services		3,601,171	3,897,526
Ship repair, building, conversion and related services		4,442,078	3,015,565
Construction and engineering related activities		115,497	211,577
Environmental management and related services		206,940	210,133
Others		253,092	151,052
		8,618,778	7,485,853
Discontinued Operations:			
Construction and engineering related activities		–	488,000
Integrated logistics and related services		–	133,250
	34	–	621,250
		8,618,778	8,107,103

32. FINANCE COSTS

	Note	Group	
		2007 S\$'000	2006 S\$'000
Interest paid and payable to:			
– associates and joint ventures		69	74
– bank loans and others		52,219	49,613
Amortisation of capitalised transaction costs and transactions costs written off		1,189	5,452
Interest rate swap – fair value through profit or loss		448	(1,609)
Finance costs from continuing operations		53,925	53,530
Finance costs			
– continuing operations		53,925	53,530
– discontinued operations	34	–	484
		53,925	54,014

33. INCOME TAX (EXPENSE)/CREDIT

	Note	Group	
		2007 S\$'000	2006 S\$'000
Current tax expense/(credit)			
Current year		150,715	(60,750)
(Over)/under provided in prior years		(44,228)	18,906
		106,487	(41,844)
Deferred tax expense			
Movements in temporary differences		44,789	22,583
Under provided in prior years		2,469	5,162
Change in tax rate		(17,981)	–
		29,277	27,745
Income tax expense/(credit) from continuing operations		135,764	(14,099)
Income tax expense/(credit)			
– continuing operations		135,764	(14,099)
– discontinued operations	34	–	3,224
Total income tax expense/(credit)		135,764	(10,875)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

33. INCOME TAX (EXPENSE)/CREDIT *(cont'd)*

Reconciliation of effective tax rate

	Group	
	2007	2006
	S\$'000	S\$'000
Profit for the year	651,342	1,161,066
Add/(Less): total income tax expense/(credit)		
– continuing operations	135,764	(14,099)
– discontinued operations	–	3,224
Less: share of results of associates and joint ventures		
– continuing operations	(153,196)	(111,882)
– discontinued operations	–	(6,678)
Profit before share of results of associates and joint ventures, and income tax expense	633,910	1,031,631
Income tax using Singapore tax rate of 18% (2006: 20%)	114,103	206,325
Effect of reduction in tax rates	(17,981)	–
Effect of different tax rates in other countries	20,118	10,843
Tax incentives and income not subject to tax	(12,189)	(146,843)
Expenses not deductible for tax purposes	76,759	57,800
Utilisation of tax losses	(4,442)	(25,269)
(Over)/under provided in prior years	(41,759)	23,657
Deferred tax benefit not recognised	990	8,178
Group tax relief	–	(142,824)
Others	165	(2,742)
Income tax expense/(credit)	135,764	(10,875)

34. DISCONTINUED OPERATIONS

On April 3, 2006, the Group completed the divestment of its entire 60.01% stake in Sembcorp Logistics Ltd. On June 2, 2006 and October 7, 2006, the Group divested its 88% and 12% stake respectively in Sembcorp Engineers and Constructors Pte Ltd. These divestments are in line with the Group's aim to sharpen its strategic focus on a smaller stable of core businesses.

The analysis of the results from discontinued operations is as follows:

	Note	2007	2006
		S\$'000	S\$'000
Turnover	31	–	621,250
Cost of sales		–	(578,239)
Gross profit		–	43,011
General and administrative expenses		–	(33,611)
Non-operating income (net)		–	1,876
Finance costs	32	–	(484)
Share of results (net of tax) of:			
– associates		–	4,192
– joint ventures		–	2,486
Profit before income tax expense		–	17,470
Income tax expense	33	–	(3,224)
Profit after income tax expense before gain on divestment of discontinued operations		–	14,246
Gain on divestment of discontinued operations		–	439,199
Profit for the year from discontinued operations		–	453,445

34. DISCONTINUED OPERATIONS *(cont'd)*

The impact of the discontinued operations on the consolidated cash flows of the Group is as follows:

	2007	2006
	S\$'000	S\$'000
Net cash flows from operating activities	–	106,825
Net cash flows from investing activities	–	(4,072)
Net cash flows from financing activities	–	(39,862)
Net cash flows from discontinued operations	–	62,891

35. PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

		Group	
		2007	2006
	Note	S\$'000	S\$'000
a. Staff costs			
Staff costs		650,087	639,025
Included in staff costs are:			
Share-based payments		26,237	19,124
Contributions to:			
– defined benefit plan		4,338	8,104
– defined contribution plan		26,187	25,837
b. Other expenses			
Allowance made/(written back) for impairment losses			
– property, plant and equipment	6	219	(56,953)
– interests in subsidiaries		226	–
– interest in associates		918	–
– interest in joint ventures		560	–
– interest in other investments		(619)	–
– inventories		(189)	220
– doubtful debts		(10,290)	(363)
– investment properties	7	555	(939)
– goodwill		4,615	–
– asset held for sale		–	6,127
Amortisation of intangible assets	16	2,118	606
Audit fees paid/payable			
– auditors of the Company		907	1,272
– other auditors		1,409	1,758
Non-audit fees paid/payable			
– auditors of the Company		151	217
– other auditors		390	167
Depreciation of property, plant and equipment and investment properties		180,741	169,679
Professional fee paid to directors or a firm in which a director is a member		632	1,023
Operating lease expenses		18,081	33,710
Property, plant and equipment written off		1,154	884
Inventory written off		–	4
Intangible assets written off	16	3	498
Bad debts written off		3,799	586

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

35. PROFIT FOR THE YEAR (cont'd)

	Note	Group	
		2007 S\$'000	2006 S\$'000
c. Non-operating income (net)			
Net exchange loss		(10,056)	(4,312)
Grants received			
– income related		67	71
Gross dividend income		6,985	5,239
Gain/(loss) from disposal of			
– property, plant and equipment (net)		4,788	2,567
– investment properties		5,125	–
– subsidiaries		5,284	474,477
– associates		46,865	2,559
– joint ventures		261	5,250
– other financial assets		(72,320)	29,315
Interest income			
– related corporations		–	2,354
– associates and joint ventures		–	5,542
– banks and others		46,709	40,972
d. Material and unusual items included in:			
Non-operating income (net)			
Gain on divestment of investments		276,557	498,924
Realised gain in foreign exchange relating to an amount accumulated in connection with Solitaire arbitration		–	9,213
Foreign exchange losses arising from Unauthorised Transactions in a wholly-owned subsidiary of Semcorp Marine Ltd	(i)	(302,922)	–
General and administrative expenses			
Reversal of impairment for property, plant and equipment		–	83,069
Additional charge arising from final settlement on Solitaire		–	(66,213)
Allowance made for doubtful receivables (net)		–	(7,176)
		(26,365)	517,817
Income tax (expense)/credit on material and unusual items above	(ii)	(49,517)	144,275
Net material and unusual items before minority interests		(75,882)	662,092
Less: Minority interests		44,860	(11,868)
		(31,022)	650,224

35. PROFIT FOR THE YEAR (cont'd)

- i. A subsidiary of the Company, Sembcorp Marine Ltd ("SCM"), has announced that its wholly-owned subsidiary, Jurong Shipyard Pte Ltd ("JSPL"), has reached full and final settlement with nine of the 11 banks involved in the unauthorised foreign exchange transactions (the "Unauthorised Transactions"), all strictly on a commercial basis, as JSPL deems it in its best interests to avoid incurring substantial time and expense to engage in complex litigation with these banks. All the commercial settlements were entered into without any admission on the part of JSPL or the banks as to whether the Unauthorised Transactions were valid or binding on JSPL. The net position from the Unauthorised Transactions amounted to US\$258.7 million comprising US\$208.0 million (S\$302.9 million) expensed in SCM's 2007 income statement and US\$50.7 million (S\$73.1 million) disclosed as a contingent liability in Note 41. If the amounts incurred are available for tax deduction, SCM's future profit after tax may improve by up to S\$55 million. This amount has not been taken up in 2007 accounts on grounds of prudence.

Out of US\$208.0 million, US\$198.9 million arose from Unauthorised Transactions with Societe Generale ("SG"). At the date of this report, based on available information and legal advice, JSPL's position is that it is not liable to SG and intends to recover the amounts paid through litigation.

- ii. Included in income tax credit for 2006 is tax benefit arising from utilisation of tax losses attributable to the Solitaire legal case of S\$153.2 million.

36. EARNINGS PER SHARE

	Group	
	2007	2006
	S\$'000	S\$'000
	(Restated)	
a. Basic earnings per share		
Basic earnings per share is based on:		
i. Profit attributable to shareholders of the Company		
– from continuing operations	526,217	584,140
– from discontinued operations	–	446,879
	526,217	1,031,019
	No. of shares	No. of shares
	'000	'000
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	1,770,178	1,746,412
Weighted average number of shares issued under Share Option Plan	9,254	13,629
Weighted average number of ordinary shares at the end of the year	1,779,432	1,760,041
	Group	
	2007	2006
	S\$'000	S\$'000
	(Restated)	
b. Diluted earnings per share		
Diluted earnings per share is based on:		
i. Profit attributable to shareholders of the Company		
– from continuing operations	526,217	584,140
– from discontinued operations	–	446,879
	526,217	1,031,019

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

36. EARNINGS PER SHARE *(cont'd)*

b. Diluted earnings per share *(cont'd)*

ii. Weighted average number of ordinary shares

For the purpose of calculating diluted earnings per ordinary share, the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, performance shares and restricted stocks.

For share options, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the financial year). The difference between the weighted average number of shares to be issued at the exercise prices under the options and the weighted average number of shares that would have been issued at the fair value based on assumed proceeds from the issue of these shares are treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added to the number of ordinary shares outstanding in the computation of diluted earnings per share. No adjustment is made to the profit attributable to shareholders of the Company.

For performance shares and restricted stocks, the weighted average number of ordinary shares in issue is adjusted as if all dilutive performance shares and restricted stocks are released. No adjustment is made to the profit attributable to shareholders of the Company.

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

	Group	
	2007	2006
	No. of shares	No. of shares
	'000	'000
Weighted average number of shares issued used in the calculation of basic earnings per share	1,779,432	1,760,041
Weighted average number of unissued ordinary shares from:		
– share options	20,468	38,859
– performance shares	3,505	2,812
– restricted stocks	3,165	1,008
Number of shares that would have been issued at fair value	(7,748)	(23,273)
Weighted average number of ordinary shares	1,798,822	1,779,447

37. DIVIDENDS AND CAPITAL DISTRIBUTION

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary 1-tier tax exempt dividend of 15.0 cents per share (2006: gross dividend of 28.9 cents (net 28.0 cents) per share comprising a final gross ordinary dividend of 4.9 cents (net 4.0 cents) per share; ordinary 1-tier dividend of 8.0 cents per share and special 1-tier dividend of 16.0 cents per share) amounting to an estimated net dividend of S\$267,567,000 (2006: S\$498,016,000) in respect of the financial year ended December 31, 2007, based on the share capital as at that date.

The proposed dividend of 15.0 cents per share has not been included as a liability in the financial statements.

In 2006, the directors approved and paid a distribution to shareholders via capital distribution of 15.0 cents per share amounting to S\$264,578,000, following the divestment of its 60.01% in Semcorp Logistics Ltd.

38. SIGNIFICANT ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Except for the divestment of Sembcorp Logistics Ltd and Sembcorp Engineers & Constructors Pte Ltd in 2006, there have been no other significant acquisitions and disposals of subsidiaries in 2006 and 2007. The effect of these disposals is set out in Note 34 to the financial statements.

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

39. RELATED PARTIES

Group

a. Related party transactions

The Group had the following significant transactions with related parties during the year:

	Group	
	2007	2006
	S\$'000	S\$'000
Related Corporations		
Sales	13	791,038
Purchases including rental	–	7,836
Associates and Joint Ventures		
Sales	39,376	21,196
Purchases including rental	255,737	353,700

b. Compensation of key management personnel

In 2007, Directors of the Company, CEOs of our key subsidiaries, namely Sembcorp Marine Ltd, Sembcorp Environmental Management Pte Ltd, Executive Chairman of Sembcorp Parks Holdings Ltd, Executive Vice President of Sembcorp Utilities Pte Ltd, Executive Vice President/Managing Director of Sembcorp Utilities UK, as well as Group Chief Financial Officer, Executive Vice President of Group Business & Strategic Development and Executive Vice President of Group Performance Management & Group Mergers & Acquisitions are considered to be key management personnel in accordance with FRS 24 *Related Party Disclosures*. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	Group	
	2007	2006
	S\$'000	S\$'000
Directors' fees and remuneration	5,508	3,223
Other key management personnel remuneration	8,227	7,643
	13,735	10,866
Fair value of share-based compensation	6,902	3,348

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 stocks released during the year).

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

39. RELATED PARTIES *(cont'd)*

Group *(cont'd)*

b. Compensation of key management personnel *(cont'd)*

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added ("EVA"), as well as to attainment of individual and Group 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.

The fair value of share-based compensation relates to share options, performance shares and restricted stocks granted during the year. The amount charged to the income statement is determined in accordance with FRS 102 *Share-based Payment*.

Company

- a. The Company has provided a corporate guarantee to a subsidiary, Sembcorp Cogen Pte Ltd ("SembCogen") which 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, the Company and one of its subsidiaries, Sembcorp Utilities Pte Ltd issued corporate guarantees in favour of SembGas for 70% and 30% respectively of SembCogen's obligations under the End User Agreement.

- b. The Company has provided financial guarantees for the indebtedness of other companies within the Group; the Company considers these to be insurance arrangements and treats them as contingent liabilities. Details of the guarantees are set out in Note 41 to the financial statements.

40. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's activities expose it to market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

As part of the Group's Enterprise Risk Management framework, Group treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Group utilises foreign exchange contracts, foreign exchange swaps, interest rate swaps, interest rate options, zero cost collars, contracts for difference and various financial instruments to manage exposures to interest rate, foreign exchange and commodity price risks arising from operating, financing and investment activities. Exposures to foreign currency risks are also hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount where possible. All such transactions must involve underlying assets or liabilities and no speculative transactions are allowed.

The financial authority limits seek to limit and mitigate transactional risks by setting out the threshold of approvals required for the entry into contractual obligations and investments.

40. FINANCIAL INSTRUMENTS (cont'd)**a. Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

i. Interest rate risk

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-term and short-term borrowings.

The Group enters into interest rate swaps to minimise its exposure to interest rate volatility. In accordance with the Group's policy, the duration of such interest rate swaps must not exceed the tenor of the underlying debt.

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	Total	Within	Between	After
		interest rate		1 year	1 to 5 years	5 years
		%	S\$'000	S\$'000	S\$'000	S\$'000
Group						
2007						
Financial assets						
Lease receivables	14	4.25	36,951	15,551	14,401	6,999
Balances with related parties		0.01	4,748	4,748	-	-
Loan receivables		2.11	17,491	17,491	-	-
Other receivables		4.04	23,908	23,908	-	-
Fixed deposits						
and bank balances		3.03	1,230,463	1,230,463	-	-
			1,313,561	1,292,161	14,401	6,999
Financial liabilities						
Secured term loans:						
- Floating rate loans		5.51	(536,067)	(536,067)	-	-
- Effect of interest rate swaps		0.40	-	258,249	(171,014)	(87,235)
			(536,067)	(277,818)	(171,014)	(87,235)
- Fixed rate loans		3.93	(44,000)	(12,000)	(32,000)	-
Total secured term loans			(580,067)	(289,818)	(203,014)	(87,235)
Unsecured term loans:						
- Floating rate loans		3.19	(204,015)	(204,015)	-	-
- Effect of interest rate swaps		(0.08)	-	200,000	(200,000)	-
			(204,015)	(4,015)	(200,000)	-
- Fixed rate loans		4.53	(253,504)	(253,504)	-	-
- Medium-term notes		3.56	(299,869)	(150,000)	(149,869)	-
Total unsecured term loans	29		(757,388)	(407,519)	(349,869)	-
Bank overdrafts	29	5.00	(889)	(889)	-	-
Lease liabilities	29	5.51	(2,964)	(1,248)	(1,716)	-
Balances with related parties		3.53	(4,492)	(8)	(4,484)	-
			(1,345,800)	(699,482)	(559,083)	(87,235)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

40. FINANCIAL INSTRUMENTS (cont'd)

a. Market risk (cont'd)

i. Interest rate risk (cont'd)

	Note	Effective	Total	Within	Between	After
		interest rate		1 year	1 to 5 years	5 years
		%	S\$'000	S\$'000	S\$'000	S\$'000
Group						
2006						
Financial assets						
Lease receivables	14	4.23	45,814	5,862	23,705	16,247
Balances with related parties		0.98	4,773	4,773	-	-
Loan receivables		3.80	18,743	18,743	-	-
Other receivables		2.52	14,067	14,067	-	-
Fixed deposits						
and bank balances		3.34	1,176,693	1,176,693	-	-
			1,260,090	1,220,138	23,705	16,247
Financial liabilities						
Secured term loans:						
- Floating rate loans		4.86	(624,763)	(624,763)	-	-
- Effect of interest rate swaps		0.02	-	359,234	(250,442)	(108,792)
			(624,763)	(265,529)	(250,442)	(108,792)
- Fixed rate loans		4.00	(59,074)	(12,000)	(44,000)	(3,074)
Total secured term loans			(683,837)	(277,529)	(294,442)	(111,866)
Unsecured term loans:						
- Floating rate loans		4.10	(204,328)	(204,328)	-	-
- Effect of interest rate swaps		(0.99)	-	200,000	(200,000)	-
			(204,328)	(4,328)	(200,000)	-
- Fixed rate loans		4.29	(118,164)	(118,118)	(46)	-
- Medium-term notes		3.57	(299,795)	-	(299,795)	-
Total unsecured term loans	29		(622,287)	(122,446)	(499,841)	-
Bank overdrafts	29	5.95	(12,664)	(12,664)	-	-
Lease liabilities	29	5.46	(2,302)	(431)	(1,871)	-
Balances with related parties		3.64	(8,093)	(849)	-	(7,244)
			(1,329,183)	(413,919)	(796,154)	(119,110)

Sensitivity analysis

It is estimated that a one percentage point increase/decrease in interest rate would increase/decrease the Group's profit before tax by approximately S\$9,489,000 (2006: S\$8,942,000). In computing the effect of changes in interest rates, the effect of interest rate swaps has been considered. The analysis is performed on the same basis for 2006.

Notional amount

At the balance sheet date, the Group had interest rate swaps with an aggregate notional amount of S\$691,308,000 (2006: S\$578,750,000).

40. FINANCIAL INSTRUMENTS (cont'd)**a. Market risk** (cont'd)*ii. Foreign currency risk*

The Group operates globally and is exposed to foreign currency exchange rate volatility primarily for United States dollar ("USD"), Pound sterling ("GBP"), Euro ("EUR"), Australian dollar ("AUD") and Chinese Yuan ("RMB") on sales and purchases of assets and liabilities, which arise from the daily course of operations. Such risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount.

The Group's exposure to foreign currency is as follows:

	SGD	USD	GBP	EURO	Others	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group						
2007						
Financial assets						
Bank balances, fixed deposits and cash	41,217	305,687	37,924	114,767	22,335	521,930
Trade and other receivables	15,366	134,976	125	4,975	20,105	175,547
Other financial assets	–	69,847	–	–	15,291	85,138
	56,583	510,510	38,049	119,742	57,731	782,615
Financial liabilities						
Trade and other payables*	169,239	208,659	40,141	48,108	19,248	485,395
Interest-bearing borrowings	–	66,171	–	–	11,567	77,738
	169,239	274,830	40,141	48,108	30,815	563,133
Net financial (liabilities)/assets	(112,656)	235,680	(2,092)	71,634	26,916	219,482

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

40. FINANCIAL INSTRUMENTS *(cont'd)*

a. Market risk *(cont'd)*

ii. Foreign currency risk *(cont'd)*

	SGD	USD	GBP	EURO	Others	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group <i>(cont'd)</i>						
2006						
Financial assets						
Bank balances, fixed deposits and cash	6,600	191,608	25,989	66,778	44,038	335,013
Trade and other receivables	10,828	322,969	129	1,767	4,252	339,945
Other financial assets	–	9,476	–	–	754	10,230
	<u>17,428</u>	<u>524,053</u>	<u>26,118</u>	<u>68,545</u>	<u>49,044</u>	<u>685,188</u>
Financial liabilities						
Trade and other payables*	158,887	166,583	25,818	38,092	10,490	399,870
Interest-bearing borrowings	3,220	–	–	20,229	61	23,510
	<u>162,107</u>	<u>166,583</u>	<u>25,818</u>	<u>58,321</u>	<u>10,551</u>	<u>423,380</u>
Net financial (liabilities)/assets	<u>(144,679)</u>	<u>357,470</u>	<u>300</u>	<u>10,224</u>	<u>38,493</u>	<u>261,808</u>

* Excludes share of net liability of an associate

Company

The Company's financial assets and liabilities are predominantly denominated in Singapore dollar.

Sensitivity analysis

A 10% strengthening of foreign currencies against Singapore dollar at the balance sheet date would have increased/(decreased) profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

	2007	2006
	Profit	Profit
	before tax	before tax
	S\$'000	S\$'000
Group		
SGD	11,266	14,468
USD	(54,262)	(64,188)
EURO	7,163	73,402
Others	<u>2,483</u>	<u>35,494</u>

40. FINANCIAL INSTRUMENTS (cont'd)**a. Market risk** (cont'd)*ii. Foreign currency risk* (cont'd)*Sensitivity analysis* (cont'd)

A 10% weakening of foreign currencies against Singapore dollar at the balance sheet date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notional amount

At the balance sheet date, the Group had foreign exchange contracts with the following notional contract amount.

	Group	
	2007	2006
	Notional amount S\$'000	Notional amount S\$'000
Foreign exchange contracts	915,499	177,536
Foreign exchange swap agreements	107,287	1,107,300
	1,022,786	1,284,836

*iii. Price risk**Equity securities price risk*

The Group is exposed to equity securities price risk because of the investments held by the Group which are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

Sensitivity analysis

If prices for equity securities increase by 10% with all other variables held constant, the increase in equity and profit before tax will be:

	Group	
	2007	2006
	S\$'000	S\$'000
Equity	70,102	35,876
Profit before tax	7	50

A 10% decrease in the underlying equity prices would have had the equal but opposite effect to the amounts shown above. The analysis is performed on the same basis for 2006 and assumes that all other variables remain constant.

Commodity risk

The Group hedges against fluctuations in commodity prices that affect revenue and cost. Exposures are managed via swaps, options, contracts for difference, fixed price and forward contracts.

A contract for difference is entered into with a counterparty at a strike price, with or without fixing the quantity in advance, to hedge against adverse price movements on the sale of electricity. Exposure to price fluctuations arising on the purchase of fuel is managed via fuel oil swaps, where the price of fuel is indexed to a benchmark fuel price index, for example Singapore High Sulphur Fuel Oil ("HSFO") 180-CST.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

40. FINANCIAL INSTRUMENTS *(cont'd)*

a. Market risk *(cont'd)*

iii. Price risk *(cont'd)*

Commodity risk (cont'd)

For precious metal commodities, such as gold, exposures to fluctuations in price are hedged through the use of forward contracts or options that fix the purchases at an agreed price. The quantum of commitment is based on actual or forecasted requirements.

Sensitivity analysis

If prices for commodities increase/decrease by 10% with all other variables held constant, profit before tax will increase/decrease by approximately S\$559,000 (2006: S\$nil). The analysis is performed on the same basis for 2006.

Notional amount

At the balance sheet date, the Group had financial instruments with the following notional contract amount.

	Group	
	2007	2006
	Notional amount S\$'000	Notional amount S\$'000
Fuel oil swap agreements	155,682	122,566
Commodity contracts	6,775	7,372
	162,457	129,938

The notional quantity of power hedges with option to buy back at spot purchase price is 524,880 (2006: 1,313,000) megawatt hours.

b. Credit risk

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers. The Group only deals with pre-approved customers and financial institutions with a good credit rating and imposes a cap on the amount to be transacted with any of these counterparties so as to reduce its concentration risk. To minimise the Group's counterparty risk, the Group enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating.

As the Group and the Company does not hold any collateral, the maximum exposure to credit risk is the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

40. FINANCIAL INSTRUMENTS (cont'd)**b. Credit risk** (cont'd)

The Group's and the Company's maximum exposure to credit risk for loans and receivables at the balance sheet date is as follows:

	Group		Company	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
By business activities				
Utilities	536,376	388,433	–	–
Marine and offshore engineering	523,464	499,316	–	–
Environmental management	35,781	36,053	–	–
Industrial parks	10,095	24,502	–	–
Others	33,188	45,972	22,173	13,710
	1,138,904	994,276	22,173	13,710

The age analysis of current trade and other receivables is as follows:

	Gross	Impairment	Gross	Impairment
	2007	2007	2006	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
Not past due	849,454	1,075	703,582	5,096
Past due 0 to 3 months	80,284	562	171,265	158
Past due 3 to 6 months	46,019	892	14,978	2,277
Past due 6 to 12 months	31,352	1,562	24,553	9,484
More than 1 year	80,451	36,568	77,129	48,009
	1,087,560	40,659	991,507	65,024
	Gross	Impairment	Gross	Impairment
	2007	2007	2006	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Company				
Not past due	670	–	878	–
Past due 0 to 3 months	15,232	–	8,048	–
Past due 3 to 6 months	2,036	–	724	–
Past due 6 to 12 months	3,073	–	3,042	–
More than 1 year	1,162	60	1,018	60
	22,173	60	13,710	60

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

40. FINANCIAL INSTRUMENTS (cont'd)

b. Credit risk (cont'd)

Movements in the allowance for impairment of current and non-current trade and other receivables are as follows:

	Group		Company	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at beginning of the year	87,046	172,900	60	60
Currency translation difference	(129)	(983)	-	-
Allowance made	2,893	21,810	-	-
Allowance utilised	(16,673)	(10,146)	-	-
Allowance written back	(13,183)	(22,173)	-	-
Acquisition of subsidiaries	(53)	3,438	-	-
Disposal of subsidiaries	(1,916)	(77,800)	-	-
Balance at end of the year	57,985	87,046	60	60

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written against the carrying amount of the impaired financial asset.

c. Liquidity risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on expected contractual undiscounted cash inflows/(outflows), including interest payments and excluding the impact of netting agreements:

	Cash Flows				
	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 5 years	Over 5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group					
2007					
Derivatives					
Derivative financial liabilities	31,212	(31,191)	(28,258)	(2,885)	(48)
Derivative financial assets	(74,792)	73,932	67,057	6,875	-
Non-derivative financial liabilities					
Trade and other payables*	1,445,707	(1,445,707)	(1,435,668)	(10,039)	-
Bank overdrafts	889	(889)	(889)	-	-
Interest-bearing borrowings	1,332,791	(1,400,733)	(568,279)	(647,201)	(185,253)
	2,735,807	(2,804,588)	(1,966,037)	(653,250)	(185,301)

40. FINANCIAL INSTRUMENTS (cont'd)**c. Liquidity risk** (cont'd)

	Cash Flows				
	Carrying	Contractual	Less than	Between	Over
	amount	cash flow	1 year	1 and 5 years	5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group (cont'd)					
2006					
Derivatives					
Derivative financial liabilities	25,775	(33,795)	(31,339)	(2,456)	–
Derivative financial assets	(26,686)	28,880	24,530	3,408	942
Non-derivative financial liabilities					
Trade and other payables*	1,009,673	(1,009,673)	(999,394)	(3,035)	(7,244)
Bank overdrafts	12,664	(12,664)	(12,664)	–	–
Interest-bearing borrowings	1,299,671	(1,516,944)	(269,890)	(985,505)	(261,549)
	<u>2,321,097</u>	<u>(2,544,196)</u>	<u>(1,288,757)</u>	<u>(987,588)</u>	<u>(267,851)</u>

	Cash Flows				
	Carrying	Contractual	Less than	Between	
	amount	cash flow	1 year	1 and 5 years	5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company					
2007					
Trade and other payables*		218,948	(218,948)	(218,948)	–
Interest-bearing borrowings		150,000	(153,103)	(153,103)	–
		<u>368,948</u>	<u>(372,051)</u>	<u>(372,051)</u>	<u>–</u>
2006					
Trade and other payables*		234,272	(234,272)	(234,272)	–
Interest-bearing borrowings		150,000	(159,290)	(6,187)	(153,103)
		<u>384,272</u>	<u>(393,562)</u>	<u>(240,459)</u>	<u>(153,103)</u>

* Excludes accrued expenses, deposits, advance payments from customers and share of net liability of an associate.

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact the income statement.

	Cash Flows				
	Carrying	Contractual	Less than	Between	Over
	amount	cash flow	1 year	1 and 5 years	5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group					
2007					
Derivative financial liabilities	28,633	(30,074)	(27,141)	(2,885)	(48)
Derivative financial assets	(60,301)	59,542	52,873	6,669	–
	<u>(31,668)</u>	<u>29,468</u>	<u>25,732</u>	<u>3,784</u>	<u>(48)</u>
2006					
Derivative financial liabilities	16,862	(24,883)	(22,427)	(2,456)	–
Derivative financial assets	(25,971)	29,039	24,690	3,408	941
	<u>(9,109)</u>	<u>4,156</u>	<u>2,263</u>	<u>952</u>	<u>941</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

40. FINANCIAL INSTRUMENTS *(cont'd)*

d. Estimation of fair values

Securities

The fair value of financial assets at fair value through profit or loss, and available-for-sale financial assets is based on quoted market prices (bid price) at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using valuation techniques.

Derivatives

Forward exchange contracts are either marked to market using listed market prices at the balance sheet date or, if a listed market price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current spot rate.

The fair value of interest rate swaps, based on current interest rates curves, is the estimated amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

The fair value of fuel oil 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 the contracted price entered into with the counterparty and the reference price. The fair value of contracts for differences cannot be reliably measured as the financial instrument does not have quoted market prices in an active market. The gains and losses for contracts for differences are taken to the income statement upon settlement.

The electricity forward sale with option to buyback contracts is entered into with a single counterparty for a 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.

Non-derivative financial liabilities

Fair values are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other financial assets and liabilities

The carrying 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 because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

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.

40. FINANCIAL INSTRUMENTS (cont'd)**e. Financial instruments not carried at fair value**

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

	2007		2006	
	Carrying	Fair	Carrying	Fair
	amount	value	amount	value
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
Financial liabilities				
Medium-term notes	(299,869)	(297,810)	(299,795)	(298,201)
Term loans	(32,000)	(33,620)	(44,000)	(44,000)
Unrecognised gain		439		1,594
Company				
Financial liabilities				
Medium-term notes	(150,000)	(150,000)	(150,000)	(150,931)
Unrecognised loss		-		(931)

The fair value of the medium-term notes is based on their listed market prices.

f. Capital management

The Group aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding minority interests. Management also monitors the level of dividends to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a minimum Return on Equity ("ROE") of 12%; in 2007, the ROE was 18% (2006: 43%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 4.55% (2006: 4.76%).

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

41. CONTINGENT LIABILITIES (UNSECURED)

	Note	Group	
		2007	2006
		S\$'000	S\$'000
Outstanding litigation	(a)	73,117	-
Guarantees given to banks to secure banking facilities provided to:			
- Associates and joint ventures	(b)	197,209	387,801
- Others		-	564
Performance guarantees granted for contracts awarded to the Group (including guarantees granted on behalf of associates and joint ventures)		35,057	130,433

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

41. CONTINGENT LIABILITIES (UNSECURED) *(cont'd)*

- a. On October 22, 2007, a subsidiary, SCM, announced that its former Director of Group Finance, Mr Wee Sing Guan, had entered into various Unauthorised Transactions for the account of one of its wholly-owned subsidiaries, JSPL.

On February 14, 2008, SCM announced that JSPL has reached full and final settlement with nine of the 11 banks involved in the Unauthorised Transactions, all strictly on a commercial basis, as JSPL deems it in its best interests to avoid incurring substantial time and expense to engage in complex litigation with these banks. All the commercial settlements were entered into without any admission on the part of JSPL or the banks as to whether the Unauthorised Transactions were valid or binding on JSPL. The net position from the Unauthorised Transactions amounted to US\$258.7 million comprising US\$208.0 million (S\$302.9 million) expensed in SCM's 2007 income statement and US\$50.7 million (S\$73.1 million) disclosed as a contingent liability. If the amounts incurred are available for tax deduction, SCM's future profit after tax may improve by up to S\$55 million. This amount has not been taken up in 2007 accounts on grounds of prudence.

Out of US\$208.0 million, US\$198.9 million arose from Unauthorised Transactions with Societe Generale ("SG"). At the date of this report, based on available information and legal advice, JSPL's position is that it is not liable to SG and intends to recover the amounts paid through litigation.

- b. Included in guarantees given to banks to secure banking facilities provided to associates and joint ventures are the following:
- i. In consideration of a consortium of banks making available to an associate, Emirates Sembcorp Water & Power Company P.J.S.C ("ESWPC") (a private joint stock company incorporated under the laws of the United Arab Emirates and the Emirate of Fujairah), a US\$220 million equity bridge loan facility ("EBL"), Sembcorp Utilities Pte Ltd ("SCU") guarantees the payment of its proportionate 40% share of the sums relating to EBL by ESWPC to the banks. The aggregate liability of SCU, including outstanding interest, shall not exceed an amount of US\$90.6 million (2006: US\$90.6 million). The final maturity date for the EBL would be the earliest of (i) April 30, 2009, (ii) 2 years 7 months after date of the loan agreement, or (iii) the Project Commercial Operation Date.
 - ii. In consideration of the contracting banks entering into the interest rate swap hedging agreement relating to EBL ("EBH") with ESWPC, SCU guarantees its proportionate 40% share of the amounts falling due on the EBH, payable by ESWPC to the banks. The aggregate liability of SCU shall not exceed an amount of US\$6.5 million. These hedging agreements mature on February 1, 2009.

A Deed of Indemnity had been entered into between a subsidiary of the Company, Sembcorp Gas Pte Ltd ("SembGas") and the Government of Singapore where SembGas will indemnify the Government of Singapore in respect of all claims arising out of the construction of a submarine gas pipeline (the seabed structure) which is due to any act, neglect, omission or default of SembGas, its employees or contractors and against all other liabilities actions, suits proceedings, claims, demands, costs and expenses. No such claim has arisen to date.

Company

- a. The Company has provided guarantees to banks to secure banking facilities provided to a wholly-owned subsidiary, Sembcorp Financial Services Pte Ltd. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed is credit risk in connection with the guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

41. CONTINGENT LIABILITIES (UNSECURED) *(cont'd)***Company** *(cont'd)*

- a. Estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to S\$1,265 million (2006: S\$1,317 million), of which S\$200 million was drawn down for 2006. The periods in which the financial guarantees expire are as follows:

	Company	
	2007	2006
	S\$'000	S\$'000
Less than 1 year	1,064,922	1,117,469
Between 1 to 5 years	200,000	200,000
	1,264,922	1,317,469

- b. The Company has also provided a guarantee to a bank to secure banking facilities provided to a former subsidiary, amounting to approximately S\$3 million. During 2006, the former subsidiary has fully repaid the loan and the guarantee was discharged on February 12, 2007.
- c. The Company has provided a corporate guarantee to a subsidiary, SembCogen, which entered into a long-term contract ("End User Agreement") with a fellow subsidiary, SembGas, to purchase natural gas over the period of 22 years with effect from 1999.

Under the End User Guarantee Agreement, the Company and one of its subsidiaries, Sembcorp Utilities Pte Ltd, issued corporate guarantees in favour of SembGas for 70% and 30% respectively of SembCogen's obligations under the End User Agreement.

42. COMMITMENTS

	Group	
	2007	2006
	S\$'000	S\$'000
Commitments not provided for in the financial statements are as follows:		
Capital expenditure for:		
– Commitments in respect of contracts placed	56,961	87,003
– Amounts approved by directors but not contracted	122,720	89,596
– Uncalled capital and commitments to subscribe for additional shares in investments	123,220	147,828
	302,901	324,427

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

42. COMMITMENTS *(cont'd)*

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	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Lease payments due:				
Within 1 year	25,774	28,641	808	2,278
Between 1 and 5 years	51,828	66,323	–	759
After 5 years	82,064	80,500	–	–
	159,666	175,464	808	3,037

- i. A subsidiary, SembGas, entered into a long-term Gas Sales Agreement (“GSA”) with Perusahaan Pertambangan Minyak Dan Gas Bumi Negara (“Pertamina”) to purchase an estimated total of 2.6 TCF (trillion cubic feet) of natural gas over a period of 22 years from January 1999.

SembGas has also entered into End User Agreements with Tuas Power Ltd, SembCogen, Esso Singapore Pte Ltd, Power Seraya Limited, Ellba Eastern Pte Ltd and Shell Eastern Petroleum Pte Ltd to on-sell a total of 341 mmscfd (million standard cubic feet per day) of gas to them. The End User Agreements contain provisions, which specifically deal with, inter alia, SembGas’ liability for shortfalls in deliveries of gas and relief from such liability in certain circumstances.

- ii. SembGas is required under the Gas Act to transfer its onshore natural gas pipeline assets to the designated gas transporter, PowerGas Ltd. The Government of Singapore informed SembGas that claims for compensation associated with the transfer of its pipeline assets will be considered. The compensation value is still being finalised and the transfer to PowerGas Ltd has not been effected.

The Group leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:

	Group	
	2007	2006
	S\$'000	S\$'000
Lease receivable:		
Within 1 year	2,484	1,390
Between 1 and 5 years	3,952	3,794
	6,436	5,184

43. 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.

a. Business Segments

The Group comprises the following main business segments:

The Utilities segment's principal activities are in provision of energy, water and centralised utilities. It offers industrial utilities and services such as energy, steam, industrial water and wastewater treatment to energy intensive users. It operates in Singapore, the United Kingdom, Vietnam, China and the United Arab Emirates.

The Marine & Offshore Engineering segment focuses on repair, building and conversion of ships and rigs, and on offshore engineering.

The Environmental Management segment provides integrated waste management services and undertakes waste-to-resource businesses in the Asia Pacific region.

The Industrial Parks segment provides technical and marketing services to industrial parks.

The Others/Corporate segment comprises businesses relating to minting, design and construction activities, offshore engineering and the corporate companies.

b. Geographical Segments

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

43. SEGMENT REPORTING *(cont'd)*

a. Business Segments

	Utilities*	Marine & Offshore Engineering	Environmental Management	Industrial Parks	Others/ Corporate*
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2007					
Turnover					
External sales	3,736,082	4,511,582	205,074	23,335	142,705
Inter-segment sales	29,506	1,541	2,415	2,502	4,522
Total	3,765,588	4,513,123	207,489	25,837	147,227
Results					
Segment results	302,056	277,002	1,680	55,418	4,970
Interest income	16,901	21,486	725	3,349	28,134
Interest expense	(40,940)	(13,692)	(2,275)	–	(20,904)
	278,017	284,796	130	58,767	12,200
Share of results of associates	2,289	68,133	16,946	9,485	–
Share of results of joint ventures	23,980	5,515	(1,868)	19,631	9,085
	304,286	358,444	15,208	87,883	21,285
Income tax (expense)/credit	(59,160)	(103,929)	(1,199)	(10,124)	38,648
Minority interests	(14,899)	(104,152)	(364)	(5,055)	(655)
Profit for the year	230,227	150,363	13,645	72,704	59,278
Assets					
Segment assets	2,952,750	4,250,332	211,662	201,623	695,349
Investment in associates	5	193,368	54,929	267,185	–
Investment in joint ventures	119,817	28,020	1,097	69,528	51,927
Tax assets	36,544	5,086	3,468	13,453	194,263
Total assets	3,109,116	4,476,806	271,156	551,789	941,539
Liabilities					
Segment liabilities	1,714,207	2,469,233	124,765	36,521	620,979
Tax liabilities	243,449	287,809	4,910	17,802	702
Total liabilities	1,957,656	2,757,042	129,675	54,323	621,681
Capital expenditure	324,125	106,764	25,434	185	3,142
Significant non-cash items					
Depreciation and amortisation	102,672	64,441	7,291	2,800	5,655
Other non-cash items (including provisions, loss on disposal and exchange differences)	5,591	10,293	1,052	8,380	3,037

* Offshore Engineering has been reclassified from "Utilities" to "Others/Corporate".

Elimination	Total
S\$'000	S\$'000

–	8,618,778
(40,486)	–
(40,486)	8,618,778

–	641,126
(23,886)	46,709
23,886	(53,925)
–	633,910
–	96,853
–	56,343
–	787,106
–	(135,764)
–	(125,125)
–	526,217

(641,074)	7,670,642
–	515,487
–	270,389
–	252,814
(641,074)	8,709,332

(641,074)	4,324,631
–	554,672
(641,074)	4,879,303

–	459,650
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–	182,859
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–	28,353
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NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

43. SEGMENT REPORTING (cont'd)

a. Business Segments (cont'd)

	Continuing Operations				
		Marine & Offshore	Environmental	Industrial	Others/ Corporate*
	Utilities*	Engineering	Management	Parks	Corporate*
	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
2006					
Turnover					
External sales	3,425,372	3,538,845	210,133	65,246	246,257
Inter-segment sales	39,057	6,204	1,749	2,769	10,566
Total	3,464,429	3,545,049	211,882	68,015	256,823
Results					
Segment results	277,536	256,374	(28,142)	120,407	(37,291)
Interest income	12,422	19,530	709	10,281	30,522
Interest expense	(42,835)	(10,549)	(1,877)	(1,605)	(23,842)
	247,123	265,355	(29,310)	129,083	(30,611)
Share of results of associates	4,596	35,947	10,540	16,307	–
Share of results of joint ventures	17,535	3,439	930	7,927	14,661
	269,254	304,741	(17,840)	153,317	(15,950)
Income tax (expense)/credit	(60,213)	(57,056)	505	3,659	127,204
Minority interests	(14,944)	(100,956)	528	(7,628)	(481)
Profit/(Loss) for the year	194,097	146,729	(16,807)	149,348	110,773
Assets					
Segment assets	2,551,657	3,277,271	170,932	360,904	744,903
Investment in associates	–	141,224	51,590	283,607	–
Investment in joint ventures	107,480	22,005	29,080	54,736	52,733
Tax assets	35,333	2,185	6,177	12,525	231,198
Total assets	2,694,470	3,442,685	257,779	711,772	1,028,834
Liabilities					
Segment liabilities	1,575,267	1,887,423	129,902	73,268	567,268
Tax liabilities	202,516	169,415	4,751	6,827	57,541
Total liabilities	1,777,783	2,056,838	134,653	80,095	624,809
Capital expenditure	298,458	126,278	23,211	2,875	9,467
Significant non-cash items					
Depreciation and amortisation	89,328	49,292	6,443	9,677	9,858
Other non-cash items (including provisions, loss on disposal and exchange differences)	11,301	5,441	18,343	17,984	103,153

* Offshore Engineering has been reclassified from "Utilities" to "Others/Corporate".

Discontinued Operations

Engineering and

Elimination	Sub-total	Logistics	Construction	Sub-total	Elimination	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
–	7,485,853	133,250	488,000	621,250	–	8,107,103
(60,345)	–	150	48	198	(198)	–
(60,345)	7,485,853	133,400	488,048	621,448	(198)	8,107,103
–	588,884	472,112	(24,219)	447,893	–	1,036,777
(27,178)	46,286	2,270	671	2,941	(359)	48,868
27,178	(53,530)	(108)	(735)	(843)	359	(54,014)
–	581,640	474,274	(24,283)	449,991	–	1,031,631
–	67,390	4,199	(7)	4,192	–	71,582
–	44,492	2,486	–	2,486	–	46,978
–	693,522	480,959	(24,290)	456,669	–	1,150,191
–	14,099	(3,156)	(68)	(3,224)	–	10,875
–	(123,481)	(6,546)	(20)	(6,566)	–	(130,047)
–	584,140	471,257	(24,378)	446,879	–	1,031,019
(548,142)	6,557,525	–	–	–	–	6,557,525
–	476,421	–	–	–	–	476,421
–	266,034	–	–	–	–	266,034
–	287,418	–	–	–	–	287,418
(548,142)	7,587,398	–	–	–	–	7,587,398
(548,142)	3,684,986	–	–	–	–	3,684,986
–	441,050	–	–	–	–	441,050
(548,142)	4,126,036	–	–	–	–	4,126,036
–	460,289	3,798	1,192	4,990	–	465,279
–	164,598	3,260	2,490	5,750	–	170,348
–	156,222	836	6,247	7,083	–	163,305

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

43. SEGMENT REPORTING *(cont'd)*

b. Geographical Segments

	Singapore	Rest of Asia	Europe	Others	Discontinued Operations	Consolidated
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2007						
Revenue from						
external customers	4,176,229	1,139,538	3,019,328	283,683	–	8,618,778
Total assets	6,878,175	849,204	928,626	53,327	–	8,709,332
Segment assets	6,411,462	297,798	910,273	51,109	–	7,670,642
Capital expenditure	245,588	63,698	149,937	427	–	459,650
2006						
Revenue from						
external customers	3,438,967	899,667	2,727,348	419,673	621,448	8,107,103
Total assets	5,944,168	620,422	831,465	191,343	–	7,587,398
Segment assets	5,404,613	202,537	819,699	130,676	–	6,557,525
Capital expenditure	284,879	42,081	132,669	660	4,990	465,279

44. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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.

Information on other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

a. Impairment of goodwill

The Group determines 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 16.

b. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement 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 28, in estimating its pension liability as at the balance sheet date. If there were to be 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 income statement.

d. Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within one to 60 years. The carrying amount of the Group's property, plant and equipment are set out in Note 6. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

44. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

a. Revenue recognition

The Group has 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. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition.

b. Impairment of investments and financial assets

The Group follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* on determining when an investment or financial asset is other than temporarily impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment and financial asset is less than its cost; and the financial health of and near-term business outlook for the investment of financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

45. SUBSEQUENT EVENT

On January 18, 2008, the Group has been awarded the fifth and largest NEWater project from PUB, Singapore's national water agency, following an open tender.

The plant, under PUB's Design-Build-Own-Operate scheme, will have an initial capacity of 15 million gallons per day in 2009 and will be ramped up to 50 million gallons per day (228,000 cubic metres per day) by 2010. When completed, it will be one of the largest water recycling plants in the world, producing 50 million gallons per day of NEWater over a term of 25 years.

The investment, valued at approximately S\$180 million, will be funded through a mix of bank borrowings and internal sources.

SCU, a wholly-owned subsidiary of the Company, has incorporated a wholly-owned subsidiary in Singapore, Sembcorp NEWater Pte Ltd, as a special vehicle for this project.

46. COMPARATIVE INFORMATION

Certain comparatives in the financial statements have been changed from the previous year to be consistent with the current year's presentation.

47. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2008 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting these standards, amendments and interpretations that are relevant to the Group is set out below:

- a. INT FRS 111 *FRS 102 – Group and Treasury Share Transactions* (effective for annual periods beginning on or after March 1, 2007)

The Group adopted INT FRS 111 on January 1, 2008. INT FRS 111 clarifies that the arrangement where an entity receives goods or services as consideration for its own equity-instruments shall be accounted for as an equity-settled share-based payment ("SBP") transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether group SBP arrangements shall be classified as equity-settled or cash-settled SBP arrangements.

The Group operates share plans. As the Group has been recognising those share option grants and performance shares, as well as restricted stocks awarded to managerial participants as equity-settled and restricted stocks awarded to non-managerial participants as cash-settled, INT FRS 111 is not expected to have any impact to the Group.

- b. FRS 108 *Operating Segments* (effective for annual periods beginning on or after January 1, 2009)
FRS 108 supersedes FRS 14 *Segment Reporting* and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources.

The Group will apply FRS 108 from January 1, 2009 and provide comparative information that conforms to the requirements of FRS 108. Currently, the Group presents segment information in respect of its business and geographical segments. The adoption of FRS 108 is not expected to have any impact to the Group.

- c. Revised FRS 23 *Borrowing Costs* (effective for annual periods beginning on or after January 1, 2009)
The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.

The Group will apply the revised FRS 23 from January 1, 2009. As the Group has been capitalising borrowing costs, the revised standard is not expected to have a material impact to the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2007

48. SUBSIDIARIES

Details of significant subsidiaries are as follows:

Name of significant subsidiaries	Country of incorporation	Effective equity held by the Group	
		2007 %	2006 %
Utilities			
Sembcorp Utilities Pte Ltd	Singapore	100	100
Sembcorp Cogen Pte Ltd	Singapore	100	100
Sembcorp Gas Pte Ltd	Singapore	70	70
Sembcorp Air Products (Hyco) Pte Ltd	Singapore	60	60
* Sembcorp Utilities (UK) Limited	United Kingdom	100	100
Marine & Offshore Engineering			
^ Sembcorp Marine Ltd	Singapore	60.86	61.50
^ Jurong Shipyard Pte Ltd	Singapore	60.86	61.50
^ PPL Shipyard Pte Ltd	Singapore	51.73	52.28
^ Sembawang Shipyard Pte Ltd	Singapore	60.86	61.50
^ SMOE Pte Ltd	Singapore	60.86	61.50
Environmental Management			
Sembcorp Environmental Management Pte. Ltd.	Singapore	100	100
SembWaste Pte Ltd	Singapore	100	100
Industrial Parks			
** Sembcorp Parks Holdings Ltd	Singapore	100	100
Others			
Sembcorp Design and Construction Pte Ltd	Singapore	100	100
Sembcorp Financial Services Pte Ltd	Singapore	100	100
Singapore Precision Industries Pte Ltd	Singapore	100	100

KPMG Singapore is the auditor of the significant Singapore incorporated subsidiaries and other member firms of KPMG International are auditors of the significant foreign incorporated subsidiaries, except as denoted below:

* Audited by Ernst & Young LLP

^ The consolidated financial statements of Sembcorp Marine Ltd, a company listed on Singapore Exchange, and its subsidiaries are audited by Ernst & Young, Singapore

** The consolidated financial statements of Sembcorp Parks Holdings Ltd are audited by Ernst & Young, Singapore

49. ASSOCIATES AND JOINT VENTURES

Details of significant associates and joint ventures are as follows:

Name of significant associates and joint ventures	Country of incorporation	Effective equity held by the Group	
		2007 %	2006 %
Utilities			
[^] Phu My 3 BOT Power Company Ltd	Vietnam	33.33	33.33
[#] Shanghai Cao Jing Cogeneration Co. Ltd	People's Republic of China	30.00	30.00
[#] Shenzhen Chiwan Sembawang Engineering Co Ltd	People's Republic of China	32.00	32.00
^{@@} Emirates Sembcorp Water & Power Company P.J.S.C	United Arab Emirates	40.00	40.00
Marine & Offshore Engineering			
[*] COSCO Shipyard Group	People's Republic of China	18.26	18.45
Environmental Management			
^{^^} SembSITA Pacific Pte Ltd	Singapore	40.00	40.00
Industrial Parks			
^{**} Gallant Venture Ltd	Singapore	23.92	26.84
[^] Vietnam Singapore Industrial Park JV Co Ltd	Vietnam	40.44	40.44
^{##} Wuxi Singapore Industrial Park Development Co. Ltd	People's Republic of China	45.36	45.36

The auditors of significant associates and joint ventures are as follows:

[^] Audited by Ernst & Young Vietnam Limited

[#] Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company

^{*} Audited by Reanda CPA, China

^{^^} Audited by Ernst & Young, Singapore

^{**} The consolidated financial statements of Gallant Venture Ltd, a company listed on Singapore Exchange, and its subsidiaries are audited by Foo, Kon & Tan Grant Thornton

^{##} Audited by Wuxi Dazhong CPA Co Ltd

^{@@} Audited by Ernst & Young, Abu Dhabi