Financial Statements

IN THIS SECTION

Directors' Report

Year Ended December 31, 2008

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, 2008.

DIRECTORS

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

Peter Seah Lim Huat
Tang Kin Fei
Goh Geok Ling
Richard Hale, OBE
Yong Ying-I
Evert Henkes
Lee Suet Fern
Bobby Chin Yoke Choong *Appointed on December 1, 2008*

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 (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

			Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	**Description of interests**	**Exercise period**	**At beginning of the year**	**At end of the year**	**At 21/1/2009**	**At beginning of the year**	**At end of the year**	**At 21/1/2009**
Peter Seah Lim Huat								
Sembcorp Industries Ltd	Ordinary shares		150,500	168,000	168,000	–	–	–
	Options to subscribe for ordinary shares at							
	– S$0.93 per share	19/11/2004 to 18/11/2008	17,500	–	–	–	–	–
	– S$0.99 per share	18/5/2005 to 17/5/2009	17,500	17,500	17,500	–	–	–
	– S$1.16 per share	23/11/2005 to 22/11/2009	35,000	35,000	35,000	–	–	–
	– S$2.37 per share	2/7/2006 to 1/7/2010	35,000	35,000	35,000	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2010	52,500	52,500	52,500	–	–	–
	– S$2.52 per share	10/6/2007 to 9/6/2011	105,000	105,000	105,000	–	–	–

DIRECTORS' INTERESTS *(cont'd)*

			Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	**Description of interests**	**Exercise period**	**At beginning of the year**	**At end of the year**	**At 21/1/2009**	**At beginning of the year**	**At end of the year**	**At 21/1/2009**
Peter Seah Lim Huat *(cont'd)*								
Sembcorp Industries Ltd	Conditional award of:							
	– 23,984 restricted stocks to be delivered after 2008 (Note 2b)		Up to 31,179	Up to 31,179	Up to 31,179	–	–	–
	– 23,500 restricted stocks to be delivered after 2009 (Note 3)		–	Up to 35,250	Up to 35,250	–	–	–
Tang Kin Fei								
Sembcorp Industries Ltd	Ordinary shares		1,181,841	2,354,011	2,354,011	–	–	–
	Options to subscribe for ordinary shares at							
	– S$0.78 per share	3/6/2004 to 2/6/2013	50,000	–	–	–	–	–
	– S$0.93 per share	19/11/2004 to 18/11/2013	50,000	–	–	–	–	–
	– S$0.99 per share	18/5/2005 to 17/5/2014	100,000	50,000	50,000	–	–	–
	– S$1.16 per share	23/11/2005 to 22/11/2014	100,000	50,000	50,000	–	–	–
	– S$2.37 per share	2/7/2006 to 1/7/2015	300,000	150,000	150,000	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2015	300,000	150,000	150,000	–	–	–
	– S$2.52 per share	10/6/2007 to 9/6/2016	300,000	300,000	300,000	–	–	–
	Conditional award of:							
	– 427,836 performance shares to be delivered after 2007 (Note 1a)		Up to 641,754	–	–	–	–	–
	– 428,244 performance shares to be delivered after 2008 (Note 1b)		Up to 642,366	Up to 642,366	Up to 642,366	–	–	–

DIRECTORS' INTERESTS *(cont'd)*

			Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	**Description of interests**	**Exercise period**	**At beginning of the year**	**At end of the year**	**At 21/1/2009**	**At beginning of the year**	**At end of the year**	**At 21/1/2009**
Tang Kin Fei *(cont'd)*								
Sembcorp Industries Ltd	Conditional award of:							
	– 408,240 performance shares to be delivered after 2009 (Note 1c)		Up to 612,360	Up to 612,360	Up to 612,360	–	–	–
	– 400,000 performance shares to be delivered after 2010 (Note 1d)		–	Up to 600,000	Up to 600,000	–	–	–
	– 70,189 restricted stocks to be delivered after 2007 (Note 2a)		Up to 91,246	60,830	60,830	–	–	–
	– 128,596 restricted stocks to be delivered after 2008 (Note 2b)		Up to 167,175	Up to 167,175	Up to 167,175	–	–	–
	– 126,000 restricted stocks to be delivered after 2009 (Note 3)		–	Up to 189,000	Up to 189,000	–	–	–
Sembcorp Marine Ltd	Ordinary shares		38,500	45,500	45,500	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.11 per share	12/8/2006 to 11/8/2010	14,000	7,000	7,000	–	–	–
	– S$2.38 per share	3/10/2007 to 2/10/2011	73,500	73,500	73,500	–	–	–
	Conditional award of:							
	– 18,900 restricted stocks to be delivered after 2008 (Note 2b)		Up to 24,570	Up to 24,570	Up to 24,570	–	–	–
	– 12,000 restricted stocks to be delivered after 2009 (Note 3)		–	Up to 18,000	Up to 18,000	–	–	–

DIRECTORS' INTERESTS *(cont'd)*

			Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	**Description of interests**	**Exercise period**	**At beginning of the year**	**At end of the year**	**At 21/1/2009**	**At beginning of the year**	**At end of the year**	**At 21/1/2009**
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		287,100	299,600	299,600	47,000	47,000	47,000
	Options to subscribe for ordinary shares at							
	– S$0.78 per share	3/6/2004 to 2/6/2008	6,250	–	–	–	–	–
	– S$0.93 per share	19/11/2004 to 18/11/2008	6,250	–	–	–	–	–
	– S$0.99 per share	18/5/2005 to 17/5/2009	12,500	12,500	12,500	–	–	–
	– S$1.16 per share	23/11/2005 to 22/11/2009	12,500	12,500	12,500	–	–	–
	– S$2.37 per share	2/7/2006 to 1/7/2010	26,250	26,250	26,250	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2010	26,250	26,250	26,250	–	–	–
	– S$2.52 per share	10/6/2007 to 9/6/2011	70,000	70,000	70,000	–	–	–
	Conditional award of:							
	– 13,982 restricted stocks to be delivered after 2008 (Note 2b)		Up to 18,177	Up to 18,177	Up to 18,177	–	–	–
	– 13,700 restricted stocks to be delivered after 2009 (Note 3)		–	Up to 20,550	Up to 20,550	–	–	–
Sembcorp Marine Ltd	Options to subscribe for ordinary shares at							
	– S$2.38 per share	3/10/2007 to 2/10/2011	196,000	196,000	196,000	–	–	–

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: At beginning of the year	At end of the year	At 21/1/2009	Other shareholdings in which director is deemed to have an interest: At beginning of the year	At end of the year	At 21/1/2009
Goh Geok Ling *(cont'd)*								
Sembcorp Marine Ltd	Conditional award of:							
	– 30,800 restricted stocks to be delivered after 2008 (Note 2b)		Up to 40,040	Up to 40,040	Up to 40,040	–	–	–
	– 22,000 restricted stocks to be delivered after 2009 (Note 3)		–	Up to 33,000	Up to 33,000	–	–	–
Richard Hale, OBE								
Sembcorp Industries Ltd	Ordinary shares		147,500	182,500	182,500	–	–	–
	Options to subscribe for ordinary shares at							
	– 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	–	–	–	–	–
	– S$0.99 per share	18/5/2005 to 17/5/2009	26,250	26,250	26,250	–	–	–
	– S$1.16 per share	23/11/2005 to 22/11/2009	26,250	26,250	26,250	–	–	–
	– S$2.37 per share	2/7/2006 to 1/7/2010	26,250	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 stocks to be delivered after 2008 (Note 2b)		Up to 22,555	Up to 22,555	Up to 22,555	–	–	–
	– 17,000 restricted stocks to be delivered after 2009 (Note 3)		–	Up to 25,500	Up to 25,500	–	–	–

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: At beginning of the year	At end of the year	At 21/1/2009	Other shareholdings in which director is deemed to have an interest: At beginning of the year	At end of the year	At 21/1/2009
Yong Ying-I								
Sembcorp Industries Ltd	Ordinary shares		250,000	300,000	300,000	–	–	–
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 stocks to be delivered after 2008 (Note 2b)		Up to 9,287	Up to 9,287	Up to 9,287	–	–	–
	Conditional award of:							
	– 7,000 restricted stocks to be delivered after 2009 (Note 3)		–	Up to 10,500	Up to 10,500	–	–	–
Lee Suet Fern								
Sembcorp Industries Ltd	Ordinary shares		8,750	35,000	35,000	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.36 per share	22/11/2006 to 21/11/2010	26,250	17,500	17,500	–	–	–
	– S$2.52 per share	10/6/2007 to 9/6/2011	70,000	52,500	52,500	–	–	–

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: At beginning of the year	At end of the year	At 21/1/2009	Other shareholdings in which director is deemed to have an interest: At beginning of the year	At end of the year	At 21/1/2009
Lee Suet Fern *(cont'd)*								
Sembcorp Industries Ltd	Conditional award of:							
	– 13,982 restricted stocks to be delivered after 2008 (Note 2b)		Up to 18,177	Up to 18,177	Up to 18,177	–	–	–
	– 13,700 restricted stocks to be delivered after 2009 (Note 3)		–	Up to 20,550	Up to 20,550	–	–	–

Note 1: The actual number to be 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 conditional performance shares awarded could be delivered.
a. Period from 2005 to 2007*
b. Period from 2006 to 2008
c. Period from 2007 to 2009
d. Period from 2008 to 2010

* For this period, 641,754 shares were released to Tang Kin Fei in 2008.

Note 2: The actual number to be delivered will depend on the achievement of set targets at the end of the 2-year performance period as indicated below. Achievement of targets below target level will mean no restricted stocks will be delivered, while achievement up to 130% will mean up to 1.3 times the number of conditional restricted stocks awarded could be delivered.
a. Period from 2006 to 2007*
b. Period from 2007 to 2008

* For this period, 30,416 shares were released to Tang Kin Fei in 2008 and the remaining 60,830 shares will be released in the next two years.

Note 3: The actual number to be delivered will depend on the achievement of set targets at the end of the 2-year performance period from 2008 to 2009. Achievement of targets below target level will mean no restricted stocks will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted stocks awarded could be delivered.

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 34(b) and 38 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, except as disclosed in Interested Person Transactions to the Supplementary Information on purchase of goods and services (if any) from Stamford Law Corporation in which Mrs Lee Suet Fern is the Senior Director.

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 5, 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

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.

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. From 2007 onwards, no share options were granted as share options were entirely replaced with restricted stocks of an equivalent fair value.

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.

SHARE-BASED INCENTIVE PLANS *(cont'd)*
Other information regarding the Share Plan 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 Limited ("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. After the first 12 months of lock-out period, the Group imposed a further vesting of four years for managers and above for retention purposes.

iii. In 2008, all options were either settled by the issuance of new shares or by issuance of treasury shares.

iv. The options granted expire after five years for non-executive directors and associated company's employees, and 10 years for the employees of the Group.

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

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

v. Sembcorp Industries Ltd 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
2008

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2008	Options exercised*	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2008	Number of options holders / (including number of directors) at Dec 31, 2008	Exercise period
26/06/2000	S$1.63	305,953	(3,030)	(77,600)	225,323	36 / (–)	27/06/2001 to 26/06/2010
24/07/2000	S$1.90	350,948	(115,750)	(60,023)	175,175	22 / (–)	20/05/2001 to 19/05/2009
24/07/2000	S$1.76	39,064	–	(4,999)	34,065	1 / (–)	16/09/2001 to 15/09/2009
19/04/2001	S$1.19	230,650	(6,000)	(55,300)	169,350	19 / (–)	20/04/2002 to 19/04/2011
07/05/2002	S$1.23	294,250	(7,875)	(64,250)	222,125	37 / (–)	08/05/2003 to 07/05/2012
17/10/2002	S$0.62	150,625	(12,375)	(42,375)	95,875	18 / (–)	18/10/2003 to 17/10/2012
02/06/2003	S$0.78	36,750	(23,750)	(13,000)	–	– / (–)	03/06/2004 to 02/06/2008
02/06/2003	S$0.78	376,350	(185,375)	(74,875)	116,100	33 / (–)	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	63,000	(56,250)	(6,750)	–	– / (–)	19/11/2004 to 18/11/2008
18/11/2003	S$0.93	608,875	(373,500)	(77,625)	157,750	51 / (–)	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	79,000	(10,250)	–	68,750	5 / (4)	18/05/2005 to 17/05/2009
17/05/2004	S$0.99	1,181,427	(469,652)	(100,125)	611,650	143 / (1)	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	107,250	(19,000)	–	88,250	6 / (4)	23/11/2005 to 22/11/2009
22/11/2004	S$1.16	1,494,400	(463,875)	(178,625)	851,900	214 / (1)	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	122,500	(17,500)	–	105,000	4 / (4)	02/07/2006 to 01/07/2010
01/07/2005	S$2.37	2,371,647	(577,450)	(111,000)	1,683,197	310 / (1)	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	183,750	(35,000)	–	148,750	5 / (5)	22/11/2006 to 21/11/2010
21/11/2005	S$2.36	2,742,320	(600,325)	(143,125)	1,998,870	350 / (1)	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	472,500	(70,000)	–	402,500	5 / (5)	10/06/2007 to 09/06/2011
09/06/2006	S$2.52	4,299,470	(729,020)	(191,500)	3,378,950	494 / (1)	10/06/2007 to 09/06/2016
		15,510,729	**(3,775,977)**	**(1,201,172)**	**10,533,580**		

* In 2008, 1,568,994 options were settled by the issuance of new shares and the rest by issuance of treasury shares.

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

a. Share Option Plan *(cont’d)*

v. Sembcorp Industries Ltd Share Option Plan *(cont’d)*

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 Dec 31, 2007	Exercise period
26/06/2000	S$1.63	961,908	(618,255)	(37,700)	305,953	38 / (–)	27/06/2001 to 26/06/2010
24/07/2000	S$1.90	812,939	(444,325)	(17,666)	350,948	31 / (–)	20/05/2001 to 19/05/2009
24/07/2000	S$1.76	39,066	(2)	–	39,064	1 / (–)	16/09/2001 to 15/09/2009
19/04/2001	S$1.19	476,175	(210,025)	(35,500)	230,650	25 / (–)	20/04/2002 to 19/04/2011
07/05/2002	S$1.23	178,000	(177,500)	(500)	–	– / (–)	08/05/2003 to 07/05/2007
07/05/2002	S$1.23	572,075	(252,625)	(25,200)	294,250	38 / (–)	08/05/2003 to 07/05/2012
17/10/2002	S$0.62	188,000	(187,000)	(1,000)	–	– / (–)	18/10/2003 to 17/10/2007
17/10/2002	S$0.62	510,000	(338,000)	(21,375)	150,625	23 / (–)	18/10/2003 to 17/10/2012
02/06/2003	S$0.78	227,250	(188,500)	(2,000)	36,750	5 / (2)	03/06/2004 to 02/06/2008
02/06/2003	S$0.78	1,041,225	(637,375)	(27,500)	376,350	64 / (1)	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	245,750	(180,250)	(2,500)	63,000	7 / (4)	19/11/2004 to 18/11/2008
18/11/2003	S$0.93	1,396,645	(737,020)	(50,750)	608,875	151 / (1)	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	266,250	(183,750)	(3,500)	79,000	9 / (5)	18/05/2005 to 17/05/2009
17/05/2004	S$0.99	2,195,150	(933,723)	(80,000)	1,181,427	253 / (1)	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	268,750	(156,500)	(5,000)	107,250	10 / (5)	23/11/2005 to 22/11/2009
22/11/2004	S$1.16	2,621,525	(1,028,625)	(98,500)	1,494,400	253 / (1)	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	282,500	(160,000)	–	122,500	5 / (5)	02/07/2006 to 01/07/2010
01/07/2005	S$2.37	4,761,553	(2,099,131)	(290,775)	2,371,647	351 / (1)	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	317,500	(133,750)	–	183,750	6 / (6)	22/11/2006 to 21/11/2010
21/11/2005	S$2.36	5,325,820	(2,249,930)	(333,570)	2,742,320	396 / (1)	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	525,000	(52,500)	–	472,500	6 / (6)	10/06/2007 to 09/06/2011
09/06/2006	S$2.52	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.

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

a. Share Option Plan *(cont’d)*

v. Sembcorp Industries Ltd Share Option Plan *(cont’d)*

The details of options of the Company awarded / exercised since commencement of the Scheme (aggregate) to December 31, 2008 were as follows:

Option participants	Aggregate options granted	Aggregate options cancelled / lapsed / not accepted	Aggregate options exercised	Aggregate options outstanding
Directors				
Peter Seah Lim Huat	980,000	–	(735,000)	245,000
Tang Kin Fei	3,444,052	(607,759)[1]	(2,136,293)	700,000
Goh Geok Ling	370,000	–	(222,500)	147,500
Richard Hale, OBE	490,000	–	(236,250)	253,750
Yong Ying-I	235,000	(235,000)[2]	–	–
Evert Henkes	94,000	–	–	94,000
Lee Suet Fern	105,000	–	(35,000)	70,000
Other executives				
Group	149,771,742	(68,365,208)	(72,411,204)	8,995,330
Associated company	748,600	(212,100)	(533,500)	3,000
Parent Group[3]	378,500	(88,000)	(265,500)	25,000
Former directors of the Company	8,831,578	(2,148,328)	(6,683,250)	–
Total	**165,448,472**	**(71,656,395)**	**(83,258,497)**	**10,533,580**

1. Options lapsed due to replacement of 1999 options and expiry of earlier options.
2. Options not accepted due to civil service regulations.
3. 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.

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 Sembcorp Marine Ltd are as follows:

Sembcorp Marine Ltd
Ordinary shares
2008

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2008	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2008	Number of options holders / (including number of directors) at Dec 31, 2008	Exercise period
08/09/2000	S$0.50	198,870	(7,700)	–	191,170	15 / (–)	08/09/2001 to 07/09/2010
27/09/2001	S$0.47	259,280	(80,570)	–	178,710	25 / (–)	28/09/2002 to 27/09/2011
07/11/2002	S$0.64	513,650	(177,250)	(700)	335,700	63 / (–)	08/11/2003 to 07/11/2012
08/08/2003	S$0.71	142,800	(142,800)	–	–	– / (–)	09/08/2004 to 08/08/2008
08/08/2003	S$0.71	2,130,490	(1,106,820)	(8,400)	1,015,270	109 / (–)	09/08/2004 to 08/08/2013
10/08/2004	S$0.74	430,500	(378,000)	–	52,500	1 / (–)	11/08/2005 to 10/08/2009
10/08/2004	S$0.74	6,856,205	(3,154,220)	(115,100)	3,586,885	462 / (–)	11/08/2005 to 10/08/2014
11/08/2005	S$2.11	365,750	(115,500)	–	250,250	4 / (1)	12/08/2006 to 11/08/2010
11/08/2005	S$2.11	12,635,335	(2,609,460)	(322,400)	9,703,475	915 / (–)	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	724,500	(75,250)	–	649,250	7 / (2)	03/10/2007 to 02/10/2011
02/10/2006	S$2.38	11,319,490	(894,585)	(469,071)	9,955,834	1,062 / (–)	03/10/2007 to 02/10/2016
		35,576,870	**(8,742,155)**	**(915,671)**	**25,919,044**		

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
2007

Date of grant of options	Exercise price# per share	Options outstanding at Jan 1, 2007	Options granted for bonus shares issued during the year	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2007	Number of options holders / (including number of directors) at Dec 31, 2007	Exercise period
08/09/2000	S$0.50	298,000	61,260	(80,440)	(79,950)	198,870	20 / (–)	08/09/2001 to 07/09/2010
27/09/2001	S$0.47	510,200	108,680	(333,850)	(25,750)	259,280	37 / (–)	28/09/2002 to 27/09/2011
07/11/2002	S$0.64	140,000	–	(140,000)	–	–	– / (–)	08/11/2003 to 07/11/2007
07/11/2002	S$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	S$0.71	367,000	40,800	(265,000)	–	142,800	3 / (–)	09/08/2004 to 08/08/2008
08/08/2003	S$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	S$0.74	510,000	129,000	(187,500)	(21,000)	430,500	4 / (–)	11/08/2005 to 10/08/2009
10/08/2004	S$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	S$2.11	505,000	130,500	(185,750)	(84,000)	365,750	5 / (1)	12/08/2006 to 11/08/2010
11/08/2005	S$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	S$2.38	560,000	224,000	(59,500)	–	724,500	8 / (2)	03/10/2007 to 02/10/2011
02/10/2006	S$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)*

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.

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 conditional performance shares awarded.

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. Sembcorp Industries Ltd Performance Shares

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

Performance shares participants	Conditional performance shares awarded during the year	Aggregate original conditional performance shares awarded	Aggregate additional conditional performance shares awarded due to modification	Aggregate conditional performance shares released	Aggregate conditional performance shares lapsed	Aggregate conditional performance shares outstanding
2008						
Director of the Company:						
Tang Kin Fei	400,000	2,240,000	73,720	(931,240)	(359,914)	1,236,484
Key executives of the Group	550,000	5,555,000	69,989	(1,423,859)	(2,878,682)	1,504,280
	950,000	**7,795,000**	**143,709**	**(2,355,099)**	**(3,238,596)**	**2,740,764**
2007						
Director of the Company:						
Tang Kin Fei	400,000	1,840,000	73,720	(289,486)	(359,914)	1,264,320
Key executives of the Group	490,000	5,005,000	69,989	(889,064)	(2,867,986)	1,317,939
	890,000	**6,845,000**	**143,709**	**(1,178,550)**	**(3,227,900)**	**2,582,259**

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

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

i. Sembcorp Industries Ltd Performance Shares *(cont'd)*

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2005 to 2007, a total of 1,176,549 (2007: 252,850) performance shares were released, of which an additional 395,750 (2007: Nil) performance shares were awarded for the over-achievement of the performance targets. These shares were released via the issuance of treasury shares.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2008, was 2,740,764 (2007: 2,582,259). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,111,146 (2007: 3,873,389) performance shares.

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:

	2008	2007
Conditional performance shares awarded during the financial year	**790,000**	**700,000**
Aggregate conditional performance shares awarded	5,215,000	4,395,000
Additional performance shares awarded arising from targets met during the financial year	542,500	830,000
Aggregate conditional performance shares released	(2,721,900)	(1,555,400)
Aggregate conditional performance shares lapsed	(425,600)	(764,600)
Aggregate conditional performance shares outstanding	**2,610,000**	**2,905,000**

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

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 2008, was 2,610,000 (2007: 2,905,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,915,000 (2007: 4,357,000) performance shares.

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

c. Restricted Stock Plan

From 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 awards granted before 2008, three distinct performance levels are set for each performance measure. 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 conditional restricted stocks awarded.

For awards granted in 2008, four distinct performance levels are set for each performance measure. 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 150% of the conditional restricted stocks awarded.

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.

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

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

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:

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate original conditional restricted stocks awarded	Aggregate additional conditional restricted stocks awarded due to modification	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2008						
Directors of the Company:						
Peter Seah Lim Huat	23,500	47,000	484	–	–	47,484
Tang Kin Fei	126,000	318,000	6,785	(30,416)	–	315,426
Goh Geok Ling	13,700	27,400	282	–	–	27,682
Richard Hale, OBE	17,000	34,000	350	–	–	34,350
Evert Henkes	7,000	14,000	144	–	–	14,144
Lee Suet Fern	13,700	27,400	282	–	–	27,682
Other executives of the Group	1,977,300	4,728,100	93,425	(409,185)	(508,255)	4,162,821
	2,178,200	**5,195,900**	**101,752**	**(439,601)**	**(508,255)**	**4,629,589**
2007						
Directors of the Company:						
Peter Seah Lim Huat	23,500	23,500	484	–	–	23,984
Tang Kin Fei	126,000	192,000	6,785	–	–	198,785
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
K Shanmugam	13,700	13,700	282	–	–	13,982
Other executives of the Group	1,753,300	2,737,100	93,143	–	(229,212)	2,601,031
	1,967,900	**3,017,700**	**101,752**	**–**	**(229,212)**	**2,890,240**

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

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

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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2006 to 2007, a total of 439,601 restricted stocks were released. An additional 279,793 restricted stocks were awarded for the over-achievement of the performance targets. These restricted stocks were released via the issuance of treasury shares. There was no release of restricted stocks in the year 2007.

The total number of restricted stocks outstanding, including award(s) achieved but not released, as at end 2008, was 4,629,589 (2007: 2,890,240). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 3,900,597 (2007: 2,890,240). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 5,491,236 (2007: 3,757,312) restricted stocks.

A total of 600,000 (2007: 546,000) notional restricted stocks of Sembcorp Industries Ltd's shares were awarded on April 7, 2008 for the Sembcorp Challenge Bonus for non-managerial participants for the performance period 2008 to 2009. With the Committee's approval during the year, an additional 11,248 notional restricted stocks for the performance period 2007 to 2008 were added to the outstanding awards as a result of the Special Dividend payment in April 2007, therefore the total outstanding notional restricted stocks for the performance period 2007 to 2008 is 557,248.

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 2008, was 1,157,248 (2007: 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 1,624,422 (2007: 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:

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate original conditional restricted stocks awarded	Aggregate additional conditional restricted stocks awarded due to bonus issue	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2008						
Directors of the Company:						
Tang Kin Fei	12,000	25,500	5,400	–	–	30,900
Goh Geok Ling	22,000	44,000	8,800	–	–	52,800
Other participants	3,539,000	7,534,632	1,931,720	(708,128)	(556,966)	8,679,151
	3,573,000	**7,604,132**	**1,945,920**	**(708,128)**	**(556,966)**	**8,762,851**
2007						
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**

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

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

ii. Restricted stocks of a listed subsidiary *(cont'd)*

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 of 2008, was 8,762,851 (2007: 6,793,685[1]). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 11,391,706 (2007: 8,831,791[2]) restricted stocks. In 2008, an additional 477,893 restricted stocks were awarded for the over-achievement of the performance targets for the performance period 2006 to 2007.

Notes:
1. Includes 1,046,458 notional restricted stocks in awards for the Challenge Bonus.
2. Includes 1,360,396 notional restricted stocks in awards for the Challenge Bonus.

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.

AUDIT COMMITTEE

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

Richard Hale, OBE (Chairman)
Lee Suet Fern
Yong Ying-I
Bobby Chin Yoke Choong *(Appointed on December 1, 2008)*

The Audit Committee held four 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, Chapter 50, 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.

AUDIT COMMITTEE *(cont'd)*
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 LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS
The auditors, KPMG LLP, 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
February 26, 2009

Statement by Directors

Year Ended December 31, 2008

In our opinion:

a. the financial statements set out on pages 110 to 215 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, 2008, and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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
February 26, 2009

Independent Auditors' Report

Year Ended December 31, 2008

INDEPENDENT AUDITORS' REPORT
MEMBERS OF THE COMPANY
SEMBCORP INDUSTRIES LTD

We have audited the financial statements of Sembcorp 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, 2008, 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 110 to 215.

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 profit and loss accounts 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, 2008 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 LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
February 26, 2009

Balance Sheets

Year Ended December 31, 2008

		Group		Company	
		2008	2007	2008	2007
	Note	S$'000	S$'000	S$'000	S$'000
Equity attributable to shareholders of the Company:					
Share capital	3	**554,037**	551,274	**554,037**	551,274
(Deficit) / Surplus in other reserves	5	**(42,381)**	639,448	**(12,111)**	23,699
Accumulated profits		**2,082,541**	1,842,096	**879,454**	884,427
		2,594,197	3,032,818	**1,421,380**	1,459,400
Minority interests		**670,660**	797,211	**–**	–
Total equity		**3,264,857**	3,830,029	**1,421,380**	1,459,400
Non-current assets					
Property, plant and equipment	6	**2,498,577**	2,601,709	**485,403**	3,422
Investment properties	7	**25,959**	31,291	**–**	–
Investments in subsidiaries	8	**–**	–	**1,486,570**	1,479,440
Interests in associates	9	**564,388**	515,487	**–**	–
Interests in joint ventures	10	**280,816**	270,389	**–**	–
Other financial assets	11	**146,080**	708,234	**–**	–
Long-term receivables and prepayments	12	**231,401**	49,572	**940**	–
Intangible assets	16	**114,771**	109,510	**19,036**	90
Deferred tax assets	17	**35,217**	37,823	**–**	–
		3,897,209	4,324,015	**1,991,949**	1,482,952
Current assets					
Inventories and work-in-progress	18	**949,846**	1,657,047	**9,353**	–
Trade and other receivables	19	**1,219,101**	1,404,696	**217,379**	198,310
Assets held for sale	21	**–**	26,682	**–**	–
Cash and cash equivalents	22	**2,400,954**	1,296,892	**45,541**	189,470
		4,569,901	4,385,317	**272,273**	387,780
Current liabilities					
Trade and other payables	23	**2,621,434**	2,242,427	**316,534**	249,183
Excess of progress billings over work-in-progress	18	**975,033**	568,741	**–**	–
Provisions	27	**63,753**	31,798	**12,675**	11,454
Current tax payable		**249,882**	169,105	**–**	–
Interest-bearing borrowings	29	**285,768**	510,194	**–**	150,000
		4,195,870	3,522,265	**329,209**	410,637
Net current assets / (liabilities)		**374,031**	863,052	**(56,936)**	(22,857)
		4,271,240	5,187,067	**1,935,013**	1,460,095
Non-current liabilities					
Deferred tax liabilities	17	**271,960**	385,567	**50,671**	195
Provisions	27	**10,254**	10,034	**500**	500
Retirement benefit obligations	28	**13,552**	24,109	**–**	–
Interest-bearing borrowings	29	**522,550**	823,486	**–**	–
Other long-term liabilities	30	**188,067**	113,842	**462,462**	–
		1,006,383	1,357,038	**513,633**	695
		3,264,857	3,830,029	**1,421,380**	1,459,400

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

Consolidated Income Statement

Year Ended December 31, 2008

		Group	
		2008	2007
	Note	S$'000	S$'000
Turnover	31	**9,928,413**	8,618,778
Cost of sales		**(8,896,422)**	(7,802,101)
Gross profit		**1,031,991**	816,677
Non-operating income (net)		**12,864**	117,237
General and administrative expenses		**(264,599)**	(246,079)
Finance costs	32	**(44,407)**	(53,925)
Share of results (net of tax) of:			
– Associates		**80,872**	96,853
– Joint ventures		**45,224**	56,343
Profit before income tax		**861,945**	787,106
Income tax expense	33	**(130,951)**	(135,764)
Profit for the year	34	**730,994**	651,342
Attributable to:			
Shareholders of the Company		**507,061**	526,217
Minority interests		**223,933**	125,125
Profit for the year		**730,994**	651,342
Earnings per share (cents):	35		
Basic		**28.50**	29.57
Diluted		**28.27**	29.25

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

Consolidated Statement of Changes in Equity

Year Ended December 31, 2008

	Attributable to shareholders of the Company							
	Share capital S$'000	Reserve for own shares S$'000	Other reserves S$'000	Currency translation reserve S$'000	Accumulated profits S$'000	Total S$'000	Minority interests S$'000	Total equity S$'000
Group								
At January 1, 2008	551,274	–	676,831	(37,383)	1,842,096	3,032,818	797,211	3,830,029
Translation adjustments	–	–	–	(90,442)	–	(90,442)	6,003	(84,439)
Net fair value changes of available-for-sale financial assets, net of tax	–	–	(278,803)	–	–	(278,803)	(174,162)	(452,965)
Net fair value changes of available-for-sale financial assets transferred to the income statement, net of tax	–	–	(725)	–	–	(725)	–	(725)
Net fair value changes of cash flow hedges transferred to the income statement	–	–	(1,296)	–	–	(1,296)	–	(1,296)
Net fair value changes of cash flow hedges, net of tax	–	–	(148,431)	–	–	(148,431)	(28,062)	(176,493)
Share of reserves of associates and joint venture companies	–	–	(89,022)	7,461	–	(81,561)	4,976	(76,585)
Realisation of reserve upon disposal of investments and changes in group structure	–	–	381	(1,286)	274	(631)	(12,702)	(13,333)
Net (loss) / gain recognised directly in equity	–	–	(517,896)	(84,267)	274	(601,889)	(203,947)	(805,836)
Profit for the year	–	–	–	–	507,061	507,061	223,933	730,994
Total (loss) / gain recognised for the year	–	–	(517,896)	(84,267)	507,335	(94,828)	19,986	(74,842)
Issue of shares under Share Option Plan	2,763	–	–	–	–	2,763	–	2,763
Issue of shares to minority shareholders of subsidiaries	–	–	–	–	–	–	10,778	10,778
Share-based payments	–	–	18,134	–	–	18,134	5,003	23,137
Purchase of treasury shares	–	(50,825)	–	–	–	(50,825)	–	(50,825)
Issue of treasury shares under Share Option Plan	–	9,285	–	–	–	9,285	–	9,285
Issue of treasury shares under Performance Share Plan	–	4,958	–	–	–	4,958	–	4,958
Issue of treasury shares under Restricted Stock Plan	–	1,851	–	–	–	1,851	–	1,851
Treasury shares transferred to employees	–	–	(28,690)	–	–	(28,690)	(10,874)	(39,564)
Treasury shares held by subsidiary	–	–	(34,379)	–	–	(34,379)	(21,476)	(55,855)
Final one-tier tax exempt dividend paid of 15.0 cents per share in respect of year 2007	–	–	–	–	(266,890)	(266,890)	–	(266,890)
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	–	–	(129,968)	(129,968)
At December 31, 2008	554,037	(34,731)	114,000	(121,650)	2,082,541	2,594,197	670,660	3,264,857

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

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

Consolidated Statement of Changes in Equity

Year Ended December 31, 2008

	Attributable to shareholders of the Company						
	Share capital S$'000	Other reserves S$'000	Currency translation reserve S$'000	Accumulated profits S$'000	Total S$'000	Minority interests S$'000	Total equity S$'000
Group							
At January 1, 2007	525,414	488,658	(13,920)	1,811,447	2,811,599	648,186	3,459,785
Effect of adopting INT FRS 112	–	–	(66)	1,643	1,577	–	1,577
At January 1, 2007, restated	525,414	488,658	(13,986)	1,813,090	2,813,176	648,186	3,461,362
Translation adjustments	–	–	(23,060)	–	(23,060)	(5,857)	(28,917)
Net fair value changes of available-for-sale financial assets, net of tax	–	265,686	–	–	265,686	166,297	431,983
Net fair value changes of available-for-sale financial assets transferred to the income statement, net of tax	–	(90,652)	–	–	(90,652)	(56,761)	(147,413)
Net fair value changes of cash flow hedges, net of tax	–	19,554	–	–	19,554	45	19,599
Share of reserves of associates and joint venture companies	–	(18,648)	(113)	–	(18,761)	(16)	(18,777)
Realisation of reserve upon disposal of investments and changes in group structure	–	(6,492)	(224)	805	(5,911)	(4,595)	(10,506)
Net gain / (loss) recognised directly in equity	–	169,448	(23,397)	805	146,856	99,113	245,969
Profit for the year	–	–	–	526,217	526,217	125,125	651,342
Total gain / (loss) recognised for the year	–	169,448	(23,397)	527,022	673,073	224,238	897,311
Issue of shares under Share Option Plan	25,860	–	–	–	25,860	–	25,860
Issue of shares to minority shareholders of subsidiaries	–	–	–	–	–	26,772	26,772
Share-based payments	–	18,725	–	–	18,725	6,226	24,951
Final dividend paid of 4.9 cents per share less tax at 18% in respect of year 2006	–	–	–	(71,419)	(71,419)	–	(71,419)
Final one-tier tax exempt dividend paid of 8.0 cents per share in respect of year 2006	–	–	–	(142,199)	(142,199)	–	(142,199)
Special final one-tier tax exempt dividend paid of 16.0 cents per share in respect of year 2006	–	–	–	(284,398)	(284,398)	–	(284,398)
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	–	(108,211)	(108,211)
At December 31, 2007	551,274	676,831	(37,383)	1,842,096	3,032,818	797,211	3,830,029

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

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

Consolidated Cash Flow Statement

Year Ended December 31, 2008

	Group 2008 S$'000	Group 2007 S$'000
Cash Flows from Operating Activities		
Profit for the year	**730,994**	651,342
Adjustments for:		
Dividend and interest income	**(45,543)**	(53,694)
Finance costs	**44,407**	53,925
Depreciation and amortisation	**195,069**	182,859
Share of results of associates and joint ventures	**(126,096)**	(157,701)
Gain on disposal of property, plant and equipment and investment properties	**(18,393)**	(9,913)
Loss on disposal of other financial assets (net)	**38,697**	19,910
Allowance made / (written back) for doubtful debts and bad debts written off (net)	**1,528**	(6,491)
Change in fair value of derivative instruments (net)	**36,668**	(922)
Share-based expenses	**31,253**	26,237
Allowance made for impairment in value of assets and assets written off (net)	**10,883**	7,628
Income tax expense (Note 33)	**130,951**	135,764
Operating profit before working capital changes	**1,030,418**	848,944
Changes in working capital:		
Inventories and work-in-progress	**1,114,381**	(361,848)
Receivables	**6,803**	(115,102)
Payables	**199,102**	550,781
	2,350,704	922,775
Net payment to banks for Unauthorised Transactions	**(43,749)**	(260,589)
Income taxes paid	**(45,546)**	(48,155)
Net cash inflow from operating activities	**2,261,409**	614,031

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

	Group 2008 S$'000	Group 2007 S$'000
Cash Flows from Investing Activities		
Dividends and interest received	**120,720**	98,234
Cash flows on divestment of subsidiaries, net of cash	**2,124**	98,385
Proceeds from divestment of associates and joint ventures	**1,818**	69,332
Proceeds from divestment of investments	**8,892**	273,895
Proceeds from sale of property, plant and equipment	**93,279**	47,605
Proceeds from sale of investment properties	**317**	6,959
Proceeds from sale of asset held for sale	**26,682**	11,000
Additional interest in subsidiaries	**–**	(3,457)
Acquisition of / additional investments in associates and joint ventures	**(1,495)**	(4,260)
Acquisition of subsidiaries, net of cash acquired	**–**	160
Acquisition of other long-term investments	**–**	(46,187)
Purchase of property, plant and equipment	**(361,705)**	(456,891)
Payment for intangible assets	**(6,438)**	(55)
Net cash (outflow) / inflow from investing activities	**(115,806)**	94,720
Cash Flows from Financing Activities		
Proceeds from share issue	**2,763**	25,860
Proceeds from share issue to minority shareholders of subsidiaries	**10,778**	26,772
Proceeds from ESOS exercised with issue of treasury shares	**3,948**	–
Proceeds from ESOS exercised with issue of treasury shares to minority shareholders of subsidiaries	**10,915**	–
Purchase of treasury shares	**(50,825)**	–
Purchase of treasury shares by subsidiary	**(93,745)**	–
Proceeds from borrowings	**620,126**	536,735
Repayment of borrowings	**(1,059,198)**	(505,466)
Net increase / (decrease) in other long-term liabilities	**220**	(5,220)
Dividends paid to shareholders of the Company	**(266,890)**	(498,016)
Dividends paid to minority shareholders of subsidiaries	**(129,968)**	(108,211)
Interest paid	**(45,335)**	(53,482)
Net cash outflow from financing activities	**(997,211)**	(581,028)
Net increase in cash and cash equivalents	**1,148,392**	127,723
Cash and cash equivalents at beginning of the year	**1,296,003**	1,172,975
Effect of exchange rate changes on balances held in foreign currency	**(43,441)**	(4,695)
Cash and cash equivalents at end of the year (Note 22)	**2,400,954**	1,296,003

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

Consolidated Cash Flow Statement
Year Ended December 31, 2008

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

	Group	
	2008	2007
	S$'000	S$'000
Disposals		
Non-current assets	**22,067**	104,928
Net current (liabilities) / assets	**(9,650)**	3,791
Non-current liabilities	**(2,044)**	(5,761)
Minority interests	**(8,257)**	(1,824)
	2,116	101,134
(Loss) / profit on disposal	**(597)**	5,284
Realisation of currency translation reserve	**824**	(1,113)
Total consideration received	**2,343**	105,305
Net cash at bank of subsidiaries disposed of	**(219)**	(6,920)
Cash inflow on divestment	**2,124**	98,385
Acquisitions		
Non-current assets	**–**	17
Net current assets	**–**	484
Minority interests	**–**	(150)
Total consideration payable	**–**	351
Net cash at bank of subsidiaries acquired	**–**	(511)
Cash inflow on acquisitions	**–**	(160)

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

Notes to the Financial Statements
Year Ended December 31, 2008

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on February 26, 2009.

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.

Prior to January 2008, the principal activities of the Company were those of an investment holding company, as well as the corporate headquarters, which gives strategic direction and provides management services to its subsidiaries.

In January 2008, the Company entered into an internal restructuring with its wholly-owned subsidiary, Sembcorp Utilities Pte Ltd, for the acquisition of the entire assets, liabilities and businesses of Sembcorp Utilities & Terminals ("SUT") and Propylene Purification Unit ("PPU") divisions, including their current employees.

Following the above acquisition, the principal activities of the Company includes:

a. investment holding, as well as the corporate headquarters, which gives strategic direction and provides management services to its subsidiaries; and

b. production and supply of utilities services, terminalling and storage of petroleum products and chemicals.

The principal activities of key subsidiaries are as follows:

i. Utilities
This business focuses on the provision of centralised utilities, energy and water. 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, China, Vietnam and the United Arab Emirates.

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

iii. Environment
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 managing industrial parks and townships 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 estimates are 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 43.

With effect from January 1, 2008, the Group adopted the following new or amended FRS and Interpretations to FRS ("INT FRS") which are relevant to the Group's operations:

INT FRS 111	FRS 102 – Group and Treasury Share Transactions
INT FRS 114	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above INT FRS did not result in substantial changes to the Group's accounting policies. 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.

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

b. Consolidation *(cont'd)*

i. Subsidiaries (cont'd)

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 net 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.

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 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 net 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.

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

b. Consolidation *(cont'd)*

iii. Joint Ventures (cont'd)

The excess of the Group's interest in the net 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.

iv. Associates and Joint Ventures in the Company's Financial Statements

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 have 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 foreign exchange 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 the 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.

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.

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

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

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
Furniture, fittings and office equipment	1 to 10 years
Tools and workshop equipment	3 to 10 years
Motor vehicles	2 to 10 years

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

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

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

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

e. Investment Properties

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

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. No depreciation is provided on the freehold land.

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 improvements 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.

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 acquisition 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.

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.

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

f. Intangible Assets *(cont'd)*

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 losses. 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.

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, or part thereof, 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.

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

g. Financial Assets *(cont'd)*

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 all risks and rewards of ownership have been substantially transferred.

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).

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).

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

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.

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.

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

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".

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.

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

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 non-financial assets, other than inventories and deferred tax 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. 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.

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.

i. Calculation of Recoverable Amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit. 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 in respect of goodwill is not reversed, even if it relates to an impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or balance sheet date. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

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

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

ii. Reversals of Impairment (cont'd)

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

When the Group receives advance payments from customers in respect of connection and capacity charges for the supply and delivery of gas and utilities, the Group recognises the deferred income to the income statement 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.

When the Group receives a deferred income and a financial asset as consideration for providing construction services in a service concession arrangement, the Group recognises the deferred income as the difference between the fair value of the construction services provided and the fair value of the financial asset received. The fair value of the construction services provided is estimated as the value of construction services at an arm's length transaction between willing parties. The fair value of the financial asset received is estimated as the present value of the minimum guaranteed sum receivable from the grantor of the service concession which is discounted at the imputed rate of interest i.e. the prevailing rate of interest for a similar instrument of the grantor. Subsequent to initial recognition, the deferred income is measured at cost less accumulated amortisation.

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.

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 the grant. The method involves projecting future outcomes using statistical distributions of key random variables including share prices and 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 the grant. The method involves projecting future outcomes using statistical distributions of key random variables including share prices and volatility of returns. This model takes into the account the probability of achieving the performance conditions in the future.

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 the original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

In the Company's separate financial statements, the fair value of options, performance shares and restricted stocks granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the 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.

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

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.

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, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as "reserve for own 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 reserve for own shares 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.

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

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.

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 ratio 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 from the sale of electricity, utilities and gases is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when electricity, utilities and gases are delivered at the customers' premises which is taken to be the point of time when the customer has accepted the deliveries and the related risks and rewards of ownership and based on contractual terms stipulated in respective agreements with customers.

iv. Service Concession Arrangement

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

Infrastructure constructed under a service concession arrangement is not recognised as property, plant and equipment of the Group.

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

v. Revenue Recognition *(cont'd)*

iv. Service Concession Arrangement (cont'd)

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).

v. 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.

vi. 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. Leases

i. Operating Lease

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.

ii. Finance Lease

When entities within the Group are lessors of a finance lease

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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. Financial Guarantee Contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group'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.

3. SHARE CAPITAL

	Group and Company No. of ordinary shares	
	2008	**2007**
Issued and fully paid:		
At the beginning of the year	**1,783,782,546**	1,770,177,555
Exercise of share options	**1,568,994**	13,604,991
At the end of the year	**1,785,351,540**	1,783,782,546

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, 2008, there were 10,533,580 (2007: 15,510,729) unissued ordinary shares granted under the Company's Share Option Plan.

c. 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 5, 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

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.

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. From 2007 onwards, no share options were granted as share options were entirely replaced with restricted stocks of an equivalent fair value.

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.

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

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 Limited ("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. After the first 12 months of lock-out period, the Group imposed a further vesting of four years for managers and above for retention purposes.

iii. In 2008, all options were either settled by the issuance of new shares or by issuance of treasury shares.

iv. The options granted expire after five years for non-executive directors and associated company's employees, and 10 years for the employees of the Group.

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

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

At the end of the 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
2008

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2008	Options exercised*	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2008	Options exercisable at Jan 1, 2008	Options exercisable at Dec 31, 2008	Proceeds on options exercised during the year credited to share capital S$'000	Exercise period
26/06/2000	S$1.63	305,953	(3,030)	(77,600)	225,323	305,953	225,323	–	27/06/2001 to 26/06/2010
24/07/2000	S$1.90	350,948	(115,750)	(60,023)	175,175	350,948	175,175	84	20/05/2001 to 19/05/2009
24/07/2000	S$1.76	39,064	–	(4,999)	34,065	39,064	34,065	–	16/09/2001 to 15/09/2009
19/04/2001	S$1.19	230,650	(6,000)	(55,300)	169,350	230,650	169,350	4	20/04/2002 to 19/04/2011
07/05/2002	S$1.23	294,250	(7,875)	(64,250)	222,125	294,250	222,125	10	08/05/2003 to 07/05/2012
17/10/2002	S$0.62	150,625	(12,375)	(42,375)	95,875	150,625	95,875	5	18/10/2003 to 17/10/2012
02/06/2003	S$0.78	36,750	(23,750)	(13,000)	–	36,750	–	–	03/06/2004 to 02/06/2008
02/06/2003	S$0.78	376,350	(185,375)	(74,875)	116,100	376,350	116,100	65	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	63,000	(56,250)	(6,750)	–	63,000	–	8	19/11/2004 to 18/11/2008
18/11/2003	S$0.93	608,875	(373,500)	(77,625)	157,750	608,875	157,750	198	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	79,000	(10,250)	–	68,750	32,750	68,750	107	18/05/2005 to 17/05/2009
17/05/2004	S$0.99	1,181,427	(469,652)	(100,125)	611,650	464,552	611,650	–	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	107,250	(19,000)	–	88,250	60,500	88,250	303	23/11/2005 to 22/11/2009
22/11/2004	S$1.16	1,494,400	(463,875)	(178,625)	851,900	774,525	851,900	10	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	122,500	(17,500)	–	105,000	26,250	65,625	–	02/07/2006 to 01/07/2010
01/07/2005	S$2.37	2,371,647	(577,450)	(111,000)	1,683,197	736,897	929,572	589	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	183,750	(35,000)	–	148,750	70,000	100,625	21	22/11/2006 to 21/11/2010
21/11/2005	S$2.36	2,742,320	(600,325)	(143,125)	1,998,870	1,057,820	1,224,870	966	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	472,500	(70,000)	–	402,500	78,750	175,000	–	10/06/2007 to 09/06/2011
09/06/2006	S$2.52	4,299,470	(729,020)	(191,500)	3,378,950	1,233,095	1,481,700	393	10/06/2007 to 09/06/2016
		15,510,729	**(3,775,977)**	**(1,201,172)**	**10,533,580**	**6,991,604**	**6,793,705**	**2,763**	

* In 2008, 1,568,994 options were settled by the issuance of new shares and the rest by issuance of treasury shares.

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

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

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	Options exercisable at Jan 1, 2007	Options exercisable at Dec 31, 2007	Proceeds on options exercised during the year credited to share capital S$'000	Exercise period
26/06/2000	S$1.63	961,908	(618,255)	(37,700)	305,953	961,908	305,953	1,093	27/06/2001 to 26/06/2010
24/07/2000	S$1.90	812,939	(444,325)	(17,666)	350,948	812,939	350,948	908	20/05/2001 to 19/05/2009
24/07/2000	S$1.76	39,066	(2)	–	39,064	39,066	39,064	–	16/09/2001 to 15/09/2009
19/04/2001	S$1.19	476,175	(210,025)	(35,500)	230,650	476,175	230,650	281	20/04/2002 to 19/04/2011
07/05/2002	S$1.23	178,000	(177,500)	(500)	–	178,000	–	247	08/05/2003 to 07/05/2007
07/05/2002	S$1.23	572,075	(252,625)	(25,200)	294,250	572,075	294,250	345	08/05/2003 to 07/05/2012
17/10/2002	S$0.62	188,000	(187,000)	(1,000)	–	188,000	–	144	18/10/2003 to 17/10/2007
17/10/2002	S$0.62	510,000	(338,000)	(21,375)	150,625	510,000	150,625	257	18/10/2003 to 17/10/2012
02/06/2003	S$0.78	227,250	(188,500)	(2,000)	36,750	174,125	36,750	171	03/06/2004 to 02/06/2008
02/06/2003	S$0.78	1,041,225	(637,375)	(27,500)	376,350	370,850	376,350	524	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	245,750	(180,250)	(2,500)	63,000	192,625	63,000	195	19/11/2004 to 18/11/2008
18/11/2003	S$0.93	1,396,645	(737,020)	(50,750)	608,875	746,520	608,875	765	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	266,250	(183,750)	(3,500)	79,000	171,750	32,750	205	18/05/2005 to 17/05/2009
17/05/2004	S$0.99	2,195,150	(933,723)	(80,000)	1,181,427	664,650	464,552	983	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	268,750	(156,500)	(5,000)	107,250	174,250	60,500	205	23/11/2005 to 22/11/2009
22/11/2004	S$1.16	2,621,525	(1,028,625)	(98,500)	1,494,400	1,085,025	774,525	1,309	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	282,500	(160,000)	–	122,500	138,125	26,250	399	02/07/2006 to 01/07/2010
01/07/2005	S$2.37	4,761,553	(2,099,131)	(290,775)	2,371,647	2,152,303	736,897	5,166	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	317,500	(133,750)	–	183,750	146,875	70,000	336	22/11/2006 to 21/11/2010
21/11/2005	S$2.36	5,325,820	(2,249,930)	(333,570)	2,742,320	2,641,945	1,057,820	5,544	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	525,000	(52,500)	–	472,500	–	78,750	132	10/06/2007 to 09/06/2011
09/06/2006	S$2.52	7,450,500	(2,636,205)	(514,825)	4,299,470	9,000	1,233,095	6,651	10/06/2007 to 09/06/2016
		30,663,581	**(13,604,991)**	**(1,547,861)**	**15,510,729**	**12,406,206**	**6,991,604**	**25,860**	

* 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.

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 Sembcorp Marine Ltd are as follows:

Sembcorp Marine Ltd
Ordinary shares
2008

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2008	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2008	Options exercisable at Jan 1, 2008	Options exercisable at Dec 31, 2008	Exercise period
08/09/2000	S$0.50	198,870	(7,700)	–	191,170	198,870	191,170	08/09/2001 to 07/09/2010
27/09/2001	S$0.47	259,280	(80,570)	–	178,710	259,280	178,710	28/09/2002 to 27/09/2011
07/11/2002	S$0.64	513,650	(177,250)	(700)	335,700	513,650	335,700	08/11/2003 to 07/11/2012
08/08/2003	S$0.71	142,800	(142,800)	–	–	142,800	–	09/08/2004 to 08/08/2008
08/08/2003	$0.71	2,130,490	(1,106,820)	(8,400)	1,015,270	2,130,490	1,015,270	09/08/2004 to 08/08/2013
10/08/2004	S$0.74	430,500	(378,000)	–	52,500	280,000	52,500	11/08/2005 to 10/08/2009
10/08/2004	S$0.74	6,856,205	(3,154,220)	(115,100)	3,586,885	2,412,955	3,586,885	11/08/2005 to 10/08/2014
11/08/2005	S$2.11	365,750	(115,500)	–	250,250	134,750	147,000	12/08/2006 to 11/08/2010
11/08/2005	S$2.11	12,635,335	(2,609,460)	(322,400)	9,703,475	3,582,935	5,348,775	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	724,500	(75,250)	–	649,250	136,500	281,750	03/10/2007 to 02/10/2011
02/10/2006	S$2.38	11,319,490	(894,585)	(469,071)	9,955,834	2,388,059	4,318,857	03/10/2007 to 02/10/2016
		35,576,870	**(8,742,155)**	**(915,671)**	**25,919,044**	**12,180,289**	**15,456,617**	

Sembcorp Marine Ltd
Ordinary shares
2007

Date of grant of options	Exercise price# per share	Options outstanding at Jan 1, 2007	Options granted for bonus shares issued during the year	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2007	Options exercisable at Jan 1, 2007	Options exercisable at Dec 31, 2007	Exercise period
08/09/2000	S$0.50	298,000	61,260	(80,440)	(79,950)	198,870	298,000	198,870	08/09/2001 to 07/09/2010
27/09/2001	S$0.47	510,200	108,680	(333,850)	(25,750)	259,280	510,200	259,280	28/09/2002 to 27/09/2011
07/11/2002	S$0.64	140,000	–	(140,000)	–	–	140,000	–	08/11/2003 to 07/11/2007
07/11/2002	S$0.64	3,202,450	182,700	(2,688,750)	(182,750)	513,650	3,202,450	513,650	08/11/2003 to 07/11/2012
08/08/2003	S$0.71	367,000	40,800	(265,000)	–	142,800	265,750	142,800	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	2,358,150	2,130,490	09/08/2004 to 08/08/2013
10/08/2004	S$0.74	510,000	129,000	(187,500)	(21,000)	430,500	280,000	280,000	11/08/2005 to 10/08/2009
10/08/2004	S$0.74	8,968,200	2,085,380	(3,726,325)	(471,050)	6,856,205	2,357,200	2,412,955	11/08/2005 to 10/08/2014
11/08/2005	S$2.11	505,000	130,500	(185,750)	(84,000)	365,750	257,500	134,750	12/08/2006 to 11/08/2010
11/08/2005	S$2.11	13,405,650	3,803,910	(3,902,275)	(671,950)	12,635,335	3,146,150	3,582,935	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	560,000	224,000	(59,500)	–	724,500	–	136,500	03/10/2007 to 02/10/2011
02/10/2006	S$2.38	9,224,075	3,480,850	(648,335)	(737,100)	11,319,490	–	2,388,059	03/10/2007 to 02/10/2016
		43,002,225	**10,968,320**	**(15,899,875)**	**(2,493,800)**	**35,576,870**	**12,815,400**	**12,180,289**	

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

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.

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

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

Sembcorp Industries Ltd's options exercised in 2008 resulted in 1,568,994 (2007: 13,604,991) ordinary shares being issued at a weighted average share price of S$1.76 (2007: S$1.90) per ordinary share. Sembcorp Industries Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S$3.88 (2007: S$5.42).

Sembcorp Marine Ltd's options exercised in 2008 resulted in 8,742,155 (2007: 15,899,875) ordinary shares being issued at a weighted average share price of S$1.34 (2007: S$1.50) per ordinary share. Sembcorp Marine Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S$3.33 (2007: S$3.52).

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.

Sembcorp Industries Ltd Share Options

There were no share options granted during 2008.

Sembcorp Marine Ltd Share Options

There were no share options granted during 2008.

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.

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 conditional performance shares awarded.

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

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:

Performance shares participants	Conditional performance shares awarded during the year	Aggregate original conditional performance shares awarded	Aggregate additional conditional performance shares awarded due to modification	Aggregate conditional performance shares released	Aggregate conditional performance shares lapsed	Aggregate conditional performance shares outstanding
2008						
Director of the Company:						
Tang Kin Fei	400,000	2,240,000	73,720	(931,240)	(359,914)	1,236,484
Key executives of the Group	550,000	5,555,000	69,989	(1,423,859)	(2,878,682)	1,504,280
	950,000	**7,795,000**	**143,709**	**(2,355,099)**	**(3,238,596)**	**2,740,764**
2007						
Director of the Company:						
Tang Kin Fei	400,000	1,840,000	73,720	(289,486)	(359,914)	1,264,320
Key executives of the Group	490,000	5,005,000	69,989	(889,064)	(2,867,986)	1,317,939
	890,000	**6,845,000**	**143,709**	**(1,178,550)**	**(3,227,900)**	**2,582,259**

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2005 to 2007, a total of 1,176,549 (2007: 252,850) performance shares were released, of which an additional 395,750 (2007: Nil) performance shares were awarded for the over-achievement of the performance targets. These shares were released via the issuance of treasury shares.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2008, was 2,740,764 (2007: 2,582,259). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,111,146 (2007: 3,873,389) performance shares.

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

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

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:

	2008	2007
Conditional performance shares awarded during the financial year	**790,000**	**700,000**
Aggregate conditional performance shares awarded	5,215,000	4,395,000
Additional performance shares awarded arising from targets met during the year	542,500	–
Additional performance shares awarded arising from bonus shares issued during the year	–	830,000
Aggregate conditional performance shares released	(2,721,900)	(1,555,400)
Aggregate conditional performance shares lapsed	(425,600)	(764,600)
Aggregate conditional performance shares outstanding	**2,610,000**	**2,905,000**

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

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 2008, was 2,610,000 (2007: 2,905,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,915,000 (2007: 4,357,500) performance shares. During the year, a total of 790,000 (2007: 700,000) Sembcorp Marine Ltd's performance shares were released by the Committee in the form of existing shares transferred to such participants for the performance period 2008 to 2010.

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 shares granted during the year are as follows:

	Fair value of Sembcorp Industries Ltd Performance Share granted on April 7, 2008	Fair value of Sembcorp Industries Ltd Performance Share granted on April 9, 2007	Fair value of Sembcorp Marine Ltd Performance Share granted on April 7, 2008	Fair value of Sembcorp Marine Ltd Performance Share granted on June 12, 2007
Fair value at measurement date	S$2.08	S$5.35	S$2.65	S$4.25
Assumptions under the Monte Carlo model				
Share price	S$4.26	S$5.50	S$3.77	S$4.78
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	32.4%	25.5%	30.9%	24.6%
Morgan Stanley Capital International ("MSCI") AC Asia Pacific excluding Japan Industrials Index	21.9%	12.9%	21.9%	13.8%
Correlation with MSCI	60.6%	40.1%	61.3%	30.0%
Risk-free interest rate	1.1%	2.5%	1.1%	2.5%
Expected dividend	4.7%	3.2%	5.0%	4.9%

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

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

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

Fair value of performance shares *(cont'd)*

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 year, the Group charged S$5,981,000 (2007: S$4,970,000) 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

From 2007, share option grant was ceased and entirely replaced with restricted stocks 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 awards granted before 2008, three distinct performance levels are set for each performance measure. 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 conditional restricted stocks awarded.

For awards granted in 2008, four distinct performance levels are set for each performance measure. 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 150% of the conditional restricted stocks awarded.

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.

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

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

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:

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate original conditional restricted stocks awarded	Aggregate additional conditional restricted stocks awarded due to modification	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2008						
Directors of the Company:						
Peter Seah Lim Huat	23,500	47,000	484	–	–	47,484
Tang Kin Fei	126,000	318,000	6,785	(30,416)	–	315,426
Goh Geok Ling	13,700	27,400	282	–	–	27,682
Richard Hale, OBE	17,000	34,000	350	–	–	34,350
Evert Henkes	7,000	14,000	144	–	–	14,144
Lee Suet Fern	13,700	27,400	282	–	–	27,682
Other executives of the Group	1,977,300	4,728,100	93,425	(409,185)	(508,255)	4,162,821
	2,178,200	**5,195,900**	**101,752**	**(439,601)**	**(508,255)**	**4,629,589**
2007						
Directors of the Company:						
Peter Seah Lim Huat	23,500	23,500	484	–	–	23,984
Tang Kin Fei	126,000	192,000	6,785	–	–	198,785
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
K Shanmugam	13,700	13,700	282	–	–	13,982
Other executives of the Group	1,753,300	2,737,100	93,143	–	(229,212)	2,601,031
	1,967,900	**3,017,700**	**101,752**	**–**	**(229,212)**	**2,890,240**

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2006 to 2007, a total of 439,601 restricted stocks were released. An additional 279,793 restricted stocks were awarded for the over-achievement of the performance targets. These restricted stocks were released via the issuance of treasury shares. There was no release of restricted stocks in the year 2007.

The total number of restricted stocks outstanding, including award(s) achieved but not released, as at end 2008, was 4,629,589 (2007: 2,890,240). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 3,900,597 (2007: 2,890,240). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 5,491,236 (2007: 3,757,312) restricted stocks.

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

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

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

A total of 600,000 (2007: 546,000) notional restricted stocks of Sembcorp Industries Ltd's shares were awarded on April 7, 2008 for the Sembcorp Challenge Bonus for non-managerial participants for the performance period 2008 to 2009. With the Committee's approval during the year, an additional 11,248 notional restricted stocks for the performance period 2007 to 2008 were added to the outstanding awards as a result of the Special Dividend payment in April 2007, therefore the total outstanding notional restricted stocks for the performance period 2007 to 2008 is 557,248.

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 2008, was 1,157,248 (2007: 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 1,624,422 (2007: 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:

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate original conditional restricted stocks awarded	Aggregate additional conditional restricted stocks awarded due to bonus issue	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2008						
Directors of the Company:						
Tang Kin Fei	12,000	25,500	5,400	–	–	30,900
Goh Geok Ling	22,000	44,000	8,800	–	–	52,800
Other participants	3,539,000	7,534,632	1,931,720	(708,128)	(556,966)	8,679,151
	3,573,000	**7,604,132**	**1,945,920**	**(708,128)**	**(556,966)**	**8,762,851**
2007						
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 of 2008, was 8,762,851 (2007: 6,793,685[1]). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 11,391,706 (2007: 8,831,791[2]) restricted stocks. In 2008, an additional 477,893 restricted stocks were awarded for the over-achievement of the performance targets for the performance period 2006 to 2007.

Notes:

1. Includes 1,046,458 notional restricted stocks in awards for the Challenge Bonus.
2. Includes 1,360,396 notional restricted stocks in awards for the Challenge Bonus.

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

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

ii. Restricted stocks of a listed subsidiary *(cont'd)*

A total of 957,400 (2007: 816,250) notional restricted stocks of Sembcorp Marine Ltd's shares were awarded on April 7, 2008 for the Challenge Bonus for the performance period 2008 to 2009.

The total number of notional restricted stocks in awards for the Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2008, was 1,866,248 (2007: 1,046,458). 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 2,606,642 (2007: 1,360,396).

Fair value of restricted stocks

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

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

	Fair value of Sembcorp Industries Ltd Restricted Stocks granted on April 7, 2008 and August 1, 2008	Fair value of Sembcorp Industries Ltd Restricted Stocks granted on April 9, 2007 and August 1, 2007	Fair value of Sembcorp Marine Ltd Restricted Stocks granted on April 7, 2008	Fair value of Sembcorp Marine Ltd Restricted Stocks granted on June 12, 2007
Fair value at measurement date	S$3.07	S$4.79	S$3.06	S$4.15
Assumptions under the Monte Carlo model				
Share price	S$4.26	S$5.50	S$3.77	S$4.78
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	32.4%	25.5%	30.9%	24.6%
Straits Times Index ("STI")	15.9%	10.2%	15.9%	10.0%
Correlation with STI	69.7%	49.5%	47.6%	14.1%
Risk-free interest rate	0.9%-1.3%	2.4%-2.6%	0.9%-1.3%	2.4%-2.6%
Expected dividend	4.7%	3.2%	5.0%	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$14,293,000 (2007: S$12,817,000) 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$7,820,000 (2007: S$1,568,000) 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 S$9,391,000 (2007: S$1,571,221) as at December 31, 2008. 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. (DEFICIT) / SURPLUS IN OTHER RESERVES

		Group		Company	
		2008	2007	2008	2007
	Note	S$'000	S$'000	S$'000	S$'000
Reserve for own shares	(a)	**(34,731)**	–	**(34,731)**	–
Currency translation reserve	(b)	**(121,650)**	(37,383)	**–**	–
Other reserves	(c)	**114,000**	676,831	**22,620**	23,699
		(42,381)	639,448	**(12,111)**	23,699

a. Reserve for Own Shares

At December 31, 2008, the Company held 8,377,867 (2007: Nil) of its own uncancelled shares as treasury shares.

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 presentation currency of the Group;

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.

5. (DEFICIT) / SURPLUS IN OTHER RESERVES *(cont'd)*

c. Other Reserves

	Group						Company
	Capital reserve S$'000	Merger reserve S$'000	Share-based payments reserve S$'000	Fair value reserve S$'000	Hedging reserve S$'000	Total S$'000	Share-based payments reserve S$'000
At January 1, 2008	342,252	29,201	37,525	293,223	(25,370)	676,831	23,699
Net fair value changes of available-for-sale financial assets, net of tax	–	–	–	(278,803)	–	(278,803)	–
Net fair value changes of available-for-sale financial assets transferred to the income statement, net of tax	–	–	–	(725)	–	(725)	–
Net fair value, changes of cash flow hedges transferred to the income statement	–	–	–	–	(1,296)	(1,296)	–
Net fair value changes of cash flow hedges, net of tax	–	–	–	–	(148,431)	(148,431)	–
Share of hedging reserve of associates and joint venture companies	–	–	–	–	(89,022)	(89,022)	–
Share-based payments	–	–	18,134	–	–	18,134	11,008
Treasury shares transferred to employees	–	–	(28,690)	–	–	(28,690)	(12,087)
Treasury shares held by subsidiary	(34,379)	–	–	–	–	(34,379)	–
Realisation of reserve upon disposal of investments and changes in group structure	7	–	117	257	–	381	–
At December 31, 2008	307,880	29,201	27,086	13,952	(264,119)	114,000	22,620

5. (DEFICIT) / SURPLUS IN OTHER RESERVES *(cont'd)*

c. Other Reserves *(cont'd)*

	Group						Company
	Capital reserve S$'000	Merger reserve S$'000	Share-based payments reserve S$'000	Fair value reserve S$'000	Hedging reserve S$'000	Total S$'000	Share-based payments reserve S$'000
At January 1, 2007	345,907	29,201	18,907	120,919	(26,276)	488,658	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	29,201	37,525	293,223	(25,370)	676,831	23,699

Other reserves include:

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

ii. 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.

iii. 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.

iv. Fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised.

v. 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.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold and freehold land, buildings and wet berthage S$'000	Improvements to premises S$'000	Quays and dry docks S$'000	Plant and machinery S$'000	Marine vessels S$'000	Tools and workshop equipment S$'000	Furniture, fittings and office equipment S$'000	Motor vehicles S$'000	Capital work-in-progress S$'000	Total S$'000
Group											
Cost / Valuation											
Balance at January 1, 2008		668,125	39,500	327,595	2,431,107	8,042	39,052	107,591	56,130	296,764	3,973,906
Translation adjustments		(9,836)	(589)	–	(174,904)	–	–	(9)	(711)	(37,943)	(223,992)
Additions		61,063	263	–	53,018	7,814	1,916	8,769	3,775	225,087	361,705
Reclassification		27,505	240	884	156,874	345	–	2,392	160	(188,400)	–
Disposals / Write-offs		(5,333)	(262)	–	(100,098)	(345)	(1,356)	(6,467)	(2,661)	(87)	(116,609)
Disposal of subsidiaries		(14,045)	–	–	(22,811)	–	–	(140)	(281)	(3,827)	(41,104)
Balance at December 31, 2008		727,479	39,152	328,479	2,343,186	15,856	39,612	112,136	56,412	291,594	3,953,906
Accumulated Depreciation and Impairment Losses											
Balance at January 1, 2008		231,858	19,427	131,989	822,694	7,354	28,664	87,132	43,079	–	1,372,197
Translation adjustments		(1,590)	(301)	2	(44,876)	–	14	89	(532)	–	(47,194)
Depreciation for the year	34(b)	22,147	2,125	7,592	144,676	583	3,836	9,720	3,177	–	193,856
Reclassification		(2,752)	90	53	1,220	185	–	1,726	(522)	–	–
Disposals / Write-offs		(4,946)	(65)	–	(37,263)	(188)	(1,341)	(6,205)	(2,571)	–	(52,579)
Disposal of subsidiaries		(3,629)	–	–	(14,861)	–	–	(84)	(184)	–	(18,758)
Allowance made for impairment – net	34(b)	–	–	–	7,807	–	–	–	–	–	7,807
Balance at December 31, 2008		241,088	21,276	139,636	879,397	7,934	31,173	92,378	42,447	–	1,455,329
Carrying Amount											
At December 31, 2008		486,391	17,876	188,843	1,463,789	7,922	8,439	19,758	13,965	291,594	2,498,577

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

	Note	Leasehold and freehold land, buildings and wet berthage S$'000	Improvements to premises S$'000	Quays and dry docks S$'000	Plant and machinery S$'000	Marine vessels S$'000	Tools and workshop equipment S$'000	Furniture, fittings and office equipment S$'000	Motor vehicles S$'000	Capital work-in-progress S$'000	Total S$'000
Group											
Cost / Valuation											
Balance at January 1, 2007		816,493	40,348	328,196	2,121,581	53,887	38,420	98,843	53,694	276,630	3,828,092
Reclassification to investment properties											
on adoption of FRS 40	7	(50,868)	(728)	–	–	–	–	–	–	–	(51,596)
Balance at January 1, 2007, restated		765,625	39,620	328,196	2,121,581	53,887	38,420	98,843	53,694	276,630	3,776,496
Translation adjustments		(5,506)	120	(50)	(29,765)	–	(235)	(575)	(134)	(4,167)	(40,312)
Additions		13,784	37	3	66,491	34	5,060	12,493	4,339	354,640	456,881
Reclassification		35,148	–	–	292,878	223	(13)	145	(38)	(327,661)	682
Disposals / Write-offs		(6,595)	(116)	(554)	(12,648)	(46,102)	(47)	(3,022)	(1,444)	(2,678)	(73,206)
Acquisition of subsidiaries		–	–	–	–	–	–	17	–	–	17
Disposal of subsidiaries		(134,331)	(161)	–	(7,430)	–	(4,133)	(310)	(287)	–	(146,652)
Balance at December 31, 2007		668,125	39,500	327,595	2,431,107	8,042	39,052	107,591	56,130	296,764	3,973,906
Accumulated Depreciation											
and Impairment Losses											
Balance at January 1, 2007		271,375	17,554	125,225	711,366	9,880	28,378	82,378	41,661	5,770	1,293,587
Reclassification to investment properties											
on adoption of FRS 40	7	(15,526)	(682)	–	–	–	–	–	–	–	(16,208)
Balance at January 1, 2007, restated		255,849	16,872	125,225	711,366	9,880	28,378	82,378	41,661	5,770	1,277,379
Translation adjustments		(1,011)	41	(7)	(7,379)	–	(100)	(334)	(101)	(16)	(8,907)
Depreciation for the year	34(b)	20,742	2,685	7,267	132,293	2,434	3,435	8,465	2,785	–	180,106
Reclassification		–	–	–	3,950	–	–	–	–	(3,950)	–
Disposals / Write-offs		(8,069)	(104)	(496)	(13,059)	(4,960)	(39)	(3,077)	(1,138)	(1,804)	(32,746)
Disposal of subsidiaries		(35,653)	(67)	–	(4,698)	–	(3,010)	(298)	(128)	–	(43,854)
Allowance made / (reversed)											
for impairment – net	34(b)	–	–	–	221	–	–	(2)	–	–	219
Balance at December 31, 2007		231,858	19,427	131,989	822,694	7,354	28,664	87,132	43,079	–	1,372,197
Carrying Amount											
At December 31, 2007		436,267	20,073	195,606	1,608,413	688	10,388	20,459	13,051	296,764	2,601,709

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

In 2008, the impairment losses relates mainly to the writing down of plant and machinery by a subsidiary, Sembcorp Environment Pte Ltd. The subsidiary made an assessment of the recoverable amount of its assets and made an impairment to certain parts of its plant and machinery which are no longer in use amounting to S$7.8 million.

In 2007, property, plant and equipment of net book value amounting to S$682,000 were reclassified from investment property (Note 7).

	Note	Leasehold and freehold land, buildings and wet berthage S$'000	Improvements to premises S$'000	Quays and dry docks S$'000	Plant and machinery S$'000	Furniture, fittings and office equipment S$'000	Motor vehicles S$'000	Capital work-in-progress S$'000	Total S$'000
Company									
Cost									
Balance at January 1, 2008		312	2,019	–	–	6,134	324	–	8,789
Additions		–	92	–	11,455	1,414	–	54,105	67,066
Reclassification		–	–	–	23,982	–	–	(23,982)	–
Disposals / Write-offs		(1)	–	–	(2,097)	(302)	–	–	(2,400)
Acquisition	37	16,831	–	8,280	384,415	1,074	24	36,632	447,256
Balance at December 31, 2008		17,142	2,111	8,280	417,755	8,320	348	66,755	520,711
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2008		15	1,534	–	–	3,748	70	–	5,367
Depreciation for the year		868	509	407	26,130	2,059	89	–	30,062
Disposals / Write-offs		–	–	–	–	(121)	–	–	(121)
Balance at December 31, 2008		883	2,043	407	26,130	5,686	159	–	35,308
Carrying Amount									
At December 31, 2008		16,259	68	7,873	391,625	2,634	189	66,755	485,403

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

	Leasehold building S$'000	Improvements to premises S$'000	Furniture, fittings and office equipment S$'000	Motor vehicles S$'000	Capital work-in-progress S$'000	Total S$'000
Company						
Cost						
Balance at January 1, 2007	312	2,056	5,052	324	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	6,134	324	–	8,789
Accumulated Depreciation and Impairment Losses						
Balance at January 1, 2007	10	667	3,330	5	–	4,012
Depreciation for the year	5	867	1,436	65	–	2,373
Disposals / Write-offs	–	–	(1,018)	–	–	(1,018)
Balance at December 31, 2007	15	1,534	3,748	70	–	5,367
Carrying Amount						
At December 31, 2007	297	485	2,386	254	–	3,422

Group

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

	Group 2008 S$'000	Group 2007 S$'000
Freehold land and buildings	**25,111**	36,106
Leasehold land and buildings	**11,737**	17,735
Plant and machinery	**756,964**	891,907
Capital work-in-progress	**121,181**	157,001
Other assets	**736**	2,123
	915,729	1,104,872

ii. Assets with net book value of S$1,587,000 (2007: S$1,403,000) 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$1,076,000 (2007: S$6,179,000) and S$1,849,000 (2007: S$3,017,000), respectively were capitalised as capital work-in-progress.

7. INVESTMENT PROPERTIES

		Group	
		2008	2007
	Note	S$'000	S$'000
Cost			
Balance at January 1		**48,664**	–
Reclassification from property, plant and equipment on adoption of FRS 40	6	**–**	51,596
Balance at January 1, restated		**48,664**	51,596
Translation adjustments		**(3,939)**	(426)
Additions		**–**	10
Reclassification to property, plant and equipment	6	**–**	(682)
Disposals		**(317)**	(1,834)
Balance at December 31		**44,408**	48,664
Accumulated Depreciation and Impairment Losses			
Balance at January 1		**17,373**	–
Reclassification from property, plant and equipment on adoption of FRS 40	6	**–**	16,208
Balance at January 1, restated		**17,373**	16,208
Depreciation for the year	34(b)	**1,007**	610
Allowance made for impairment – net	34(b)	**69**	555
Balance at December 31		**18,449**	17,373
Carrying Amount			
At December 31		**25,959**	31,291

Investment properties with net book values of S$9,451,000 (2007: S$13,707,000) 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$51,900,000 (2007: S$65,989,000). 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	
	2008	2007
	S$'000	S$'000
At cost and carrying value:		
Quoted equity shares	**713,048**	705,432
Unquoted equity shares	**503,951**	502,951
Preference shares	**257,500**	257,500
Share-based payments reserve – effect of adopting INT FRS 108	**12,071**	13,557
	1,486,570	1,479,440

Details of subsidiaries are set out in Note 47 to the financial statements.

9. INTERESTS IN ASSOCIATES

	Group	
	2008	2007
	S$'000	S$'000
Interests in associates	**564,388**	515,487

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

	Group	
	2008	2007
	S$'000	S$'000
Balance at beginning of the year	**55**	–
Additions	**–**	55
Balance at end of the year	**55**	55

The fair value of the equity interest of a listed associate, with a carrying amount of S$204,426,000 (2007: S$202,902,000), amounts to S$69,247,000 (2007: S$562,631,000) based on the last transacted market price as at December 31, 2008 (December 31, 2007).

Summarised financial information of associates is as follows:

	Group	
	2008	2007
	S$'000	S$'000
Combined results		
Turnover	**3,340,714**	3,077,491
Profit for the year	**362,736**	406,191
Combined assets and liabilities		
Total assets	**10,293,602**	7,467,430
Total liabilities	**8,067,968**	5,427,336

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

9. INTERESTS IN ASSOCIATES *(cont'd)*

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

At December 31, 2008, an associate of a subsidiary has net liability of S$407.3 million (2007: S$123.5 million). As the Group has provided guarantees to the banks in respect of the bank loans taken up by the associate, the Group has accordingly taken up its share of the net liability of the associate to the extent of the Group's legal obligation of S$139.6 million (2007: S$49.3 million).

The Group's share of capital commitment of associates at balance sheet date was S$19,154,000 (2007: S$50,741,000).

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

10. INTERESTS IN JOINT VENTURES

	Group	
	2008	2007
	S$'000	S$'000
Interests in joint ventures	**280,816**	270,389

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

	Group	
	2008	2007
	S$'000	S$'000
Balance at beginning of the year	**2,074**	7,570
Translation during the year	**(155)**	16
Reclassified to assets held for sale (Note 21)	**–**	(5,512)
Balance at end of the year	**1,919**	2,074

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

	Group's share	
	2008	2007
	S$'000	S$'000
Combined results		
Turnover	**330,568**	371,984
Expenses	**(281,350)**	(307,298)
Profit before income tax	**49,218**	64,686
Income tax expense	**(3,994)**	(3,872)
Impairment of goodwill	**–**	(4,471)
Profit for the year	**45,224**	56,343
Combined assets and liabilities		
Non-current assets	**456,958**	389,508
Current assets	**327,449**	232,649
Current liabilities	**(210,825)**	(119,769)
Non-current liabilities	**(310,525)**	(234,073)
Minority interest	**(836)**	–
Net assets	**262,221**	268,315
Capital commitments	**12,394**	1,645

10. INTERESTS IN JOINT VENTURES *(cont'd)*

The Group's interest in a joint venture with a carrying amount of S$50,088,000 (2007: S$64,837,000) 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 48 to the financial statements.

11. OTHER FINANCIAL ASSETS

	Note	Group	
		2008	2007
		S$'000	S$'000
a. Non-current Assets			
Available-for-sale financial assets:			
– Equity shares		**143,169**	694,242
– Unit trusts and funds		**2,878**	6,775
		146,047	701,017
Financial assets at fair value through profit or loss:			
– Forward foreign exchange contracts		**–**	206
– Equity shares		**33**	69
Cash flow hedges:			
– Interest rate swaps		**–**	828
– Fuel oil swaps		**–**	6,114
		146,080	708,234
b. Current Assets			
Financial assets at fair value through profit or loss:			
– Interest rate swaps		**–**	800
– Forward foreign exchange contracts		**52**	12,853
– Foreign exchange swap contracts		**2,386**	541
– Others		**1**	96
Cash flow hedges:			
– Interest rate swaps		**–**	2,481
– Forward foreign exchange contracts		**1,823**	908
– Fuel oil swaps		**–**	49,970
– Forward electricity sale		**25,507**	–
	19	**29,769**	67,649

12. LONG-TERM RECEIVABLES AND PREPAYMENTS

	Note	Group 2008 S$'000	Group 2007 S$'000	Company 2008 S$'000	Company 2007 S$'000
Long-term trade receivables	13	**1,968**	984	**–**	–
Service concession receivables	(a)	**167,146**	–	**–**	–
Finance lease receivables due after 12 months	14	**18,025**	21,400	**–**	–
Loan receivables (unsecured)		**–**	2,656	**–**	–
Amount due from related parties	15	**21,099**	1,310	**–**	–
Prepayments	(b)	**22,922**	25,870	**940**	–
Staff loans		**233**	–	**–**	–
Recoverables		**8**	8	**–**	–
		231,401	52,228	**940**	–
Allowance for doubtful loan receivables		**–**	(2,656)	**–**	–
		231,401	49,572	**940**	–

a. Service concession receivables

This relates to a 25-year agreement between a subsidiary and PUB (grantor) to design, build, own and operate a NEWater plant. The construction of the new plant started in April 2008 and will treat and convert feedwater to NEWater starting from May 2010. At the end of the concession period, the subsidiary will transfer the plant to the grantor. This arrangement falls within the scope of INT FRS 112.

Under the terms of the agreement, the subsidiary will receive a minimum guarantee sum from the grantor in exchange for services performed. The subsidiary recognises this service concession receivable as it has a contractual right under the concession arrangement. The financial receivable is measured on initial recognition at its fair value.

b. Prepayments

Prepayments relate primarily to:

Group

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.

Company

i. Prepayments relate to connection and capacity charges prepaid for the use of pipelines and piperacks.

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

13. TRADE RECEIVABLES

	Note	Group 2008 S$'000	Group 2007 S$'000	Company 2008 S$'000	Company 2007 S$'000
Trade receivables including work completed but unbilled		**596,024**	661,138	**15,280**	–
Allowance for doubtful receivables		**(16,740)**	(15,171)	**–**	–
		579,284	645,967	**15,280**	–
Trade receivables due within 1 year	19	**(577,316)**	(644,983)	**(15,280)**	–
	12	**1,968**	984	**–**	–

Included in trade receivables of the Group are retention monies on contracts amounting to S$755,000 (2007: S$1,235,602).

14. FINANCE LEASE RECEIVABLES

	Note	Minimum lease payment S$'000	Estimated residual value S$'000	Total gross investment in lease S$'000	Unearned interest income S$'000	Net value of lease receivables S$'000
Group						
2008						
Within 1 year		4,218	–	4,218	(844)	3,374
After 1 year but within 5 years		16,875	3,000	19,875	(1,850)	18,025
		21,093	3,000	24,093	(2,694)	21,399
Amount due within 1 year	19	(4,218)	–	(4,218)	844	(3,374)
	12	16,875	3,000	19,875	(1,850)	18,025
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

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.

15. AMOUNTS DUE FROM RELATED PARTIES

	Note	Associates 2008 S$'000	Associates 2007 S$'000	Joint ventures 2008 S$'000	Joint ventures 2007 S$'000	Minority shareholders of subsidiaries 2008 S$'000	Minority shareholders of subsidiaries 2007 S$'000	Total 2008 S$'000	Total 2007 S$'000
Group									
Amounts due from:									
Trade		**9,124**	13,289	**1,685**	4,731	**–**	41	**10,809**	18,061
Non-trade		**2,811**	7,053	**13,927**	14,041	**–**	2	**16,738**	21,096
Loans		**5,887**	11,851	**20,816**	1,027	**–**	–	**26,703**	12,878
		17,822	32,193	**36,428**	19,799	**–**	43	**54,250**	52,035
Allowance for doubtful receivables		**(13,827)**	(18,339)	**(13,219)**	(13,225)	**–**	–	**(27,046)**	(31,564)
		3,995	13,854	**23,209**	6,574	**–**	43	**27,204**	20,471
Amount due within 1 year	19	**(3,712)**	(13,571)	**(2,393)**	(5,547)	**–**	(43)	**(6,105)**	(19,161)
	12	**283**	283	**20,816**	1,027	**–**	–	**21,099**	1,310

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

	Note	Subsidiaries 2008 S$'000	Subsidiaries 2007 S$'000	Associates 2008 S$'000	Associates 2007 S$'000	Joint Ventures 2008 S$'000	Joint Ventures 2007 S$'000	Total 2008 S$'000	Total 2007 S$'000
Company									
Amounts due from related parties		**8,333**	21,424	**190**	–	**581**	9	**9,104**	21,433
Allowance for doubtful receivables		**(187)**	–	**–**	–	**–**	–	**(187)**	–
	19	**8,146**	21,424	**190**	–	**581**	9	**8,917**	21,433

The amounts due from subsidiaries are unsecured, repayable on demand and interest-free, except for an amount of S$178,000 (2007: S$535,000) which bears an effective interest rate of 2.17% per annum (2007: 4.45% per annum).

16. INTANGIBLE ASSETS

	Note	Goodwill S$'000	Others S$'000	Total S$'000
Group				
Cost				
Balance at January 1, 2008		105,440	8,163	113,603
Translation adjustments		47	213	260
Additions		4,573	1,865	6,438
Disposal of subsidiaries		–	(1,668)	(1,668)
Write-offs	34(b)	–	(283)	(283)
Balance at December 31, 2008		110,060	8,290	118,350
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2008		110	3,983	4,093
Translation adjustments		–	47	47
Amortisation charge for the year	34(b)	–	102	102
Disposal of subsidiaries		–	(480)	(480)
Write-offs	34(b)	–	(183)	(183)
Balance at December 31, 2008		110	3,469	3,579
Carrying Amount				
At December 31, 2008		109,950	4,821	114,771
Cost				
Balance at January 1, 2007		107,222	4,582	111,804
Translation adjustments		(13)	(60)	(73)
Additions		1,738	1,033	2,771
Reclassification (to) / from other categories of assets		(3,507)	2,611	(896)
Write-offs	34(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	34(b)	–	2,118	2,118
Allowance for impairment loss	34(b)	110	–	110
Balance at December 31, 2007		110	3,983	4,093
Carrying Amount				
At December 31, 2007		105,330	4,180	109,510

16. INTANGIBLE ASSETS *(cont'd)*

	Note	At Jan 1, 2007 and Dec 31, 2007 S$'000	Acquisition S$'000	At Dec 31, 2008 S$'000
Company				
2007 & 2008				
Corporate club membership		90	–	90
Goodwill	37	–	18,946	18,946
Total		90	18,946	19,036

The Company's goodwill relates to goodwill of SUT on the acquisition of the SUT Division during the year.

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:

		Group	
	Note	2008 S$'000	2007 S$'000
Cash-Generating Unit ("CGU")			
SUT Division	(a)	**18,946**	18,946
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		**18,246**	13,626
		109,950	105,330

The recoverable amounts are determined based on calculations of the value-in-use. These calculations use cash flow projections from years 2009 to 2017, of which the projections for the first five years are based on financial budgets / forecasts approved by management and that for the remaining years are based on the same cash flow since 2013. Management has applied past experience in operating the business to forecast the performance and believes that this cash flow projection period was justified in consideration of the long-term nature of CGUs' businesses. Zero terminal value is assumed and discount rates ranging from 5.74% to 6.00% 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. Market demand and supply for industrial utilities and services are updated for changes during the year;

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. Demand and supply for electricity and electricity spark spread are updated for changes in market conditions;

ii. Required plant maintenance and associated maintenance cost have been accounted for in the forecast of the plant's gross profit;

iii. Expected capital expenditure for replenishment of parts has been included in the forecast in accordance with the plant maintenance programme; and

16. INTANGIBLE ASSETS *(cont'd)*

Impairment Testing for Goodwill *(cont'd)*

b. Sembcorp Cogen Pte Ltd *(cont'd)*

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.

c. Sembcorp Gas Pte Ltd

i. Depreciating USD / SGD exchange rate and High Sulphur Fuel Oil ("HSFO") prices compared to prior year;

ii. Gross profit margin is expected to remain stable as the pricing of both customer and supplier contracts are pegged to the 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 sales 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 5-year financial forecast of the company. The forecasted revenue and operating expenses are based on past performance and its expectation of market development.

17. DEFERRED TAX ASSETS AND LIABILITIES

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

	At Jan 1, 2008 S$'000	Recognised in income statement (Note 33) S$'000	Recognised in equity S$'000	Translation adjustments S$'000	At Dec 31, 2008 S$'000
Group					
2008					
Deferred tax liabilities					
Property, plant and equipment	260,322	48,094	–	(32,458)	275,958
Interest in associates	5,091	963	–	–	6,054
Other financial assets	116,439	625	(62,843)	(1,922)	52,299
Trade and other receivables	277	60	–	–	337
Other items	7,723	1,304	–	(2,106)	6,921
Total	389,852	51,046	(62,843)	(36,486)	341,569
Deferred tax assets					
Property, plant and equipment	(3,508)	157	–	3,030	(321)
Inventories	(22)	–	–	–	(22)
Trade receivables	(282)	(1,317)	–	–	(1,599)
Trade and other payables	(528)	(125)	–	–	(653)
Tax losses	(1,162)	555	–	(40)	(647)
Provisions	(15,318)	(2,860)	–	5,095	(13,083)
Other items	(21,288)	1,345	(68,343)	(215)	(88,501)
Total	(42,108)	(2,245)	(68,343)	7,870	(104,826)

17. DEFERRED TAX ASSETS AND LIABILITIES *(cont'd)*

	At Jan 1, 2007 S$'000	Recognised in income statement (Note 33) S$'000	Recognised in equity S$'000	Acquisition / (disposal) of subsidiary S$'000	Translation adjustments S$'000	At Dec 31, 2007 S$'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	299,335	27,533	66,064	812	(3,892)	389,852
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	(41,717)	1,744	(2,660)	–	525	(42,108)

	At Jan 1, 2007 S$'000	Recognised in income statement S$'000	At Dec 31, 2007 S$'000	Recognised in income statement S$'000	Acquisition (Note 37) S$'000	At Dec 31, 2008 S$'000
Company						
2007 & 2008						
Deferred tax liabilities						
Property, plant and equipment	195	–	195	5,809	44,667	50,671
Total	195	–	195	5,809	44,667	50,671

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 amounts determined after appropriate offsetting included in the balance sheet are as follows:

	Group 2008 S$'000	Group 2007 S$'000	Company 2008 S$'000	Company 2007 S$'000
Deferred tax liabilities	**271,960**	385,567	**50,671**	195
Deferred tax assets	**(35,217)**	(37,823)	**–**	–
	236,743	347,744	**50,671**	195

17. DEFERRED TAX ASSETS AND LIABILITIES *(cont'd)*

Deferred tax assets have not been recognised in respect of the following items:

	Group 2008 S$'000	Group 2007 S$'000
Deductible temporary differences	**33,715**	18,644
Tax losses	**35,874**	41,319
Capital allowances	**27,368**	24,413
	96,957	84,376

Of the above tax losses, tax losses of the Group amounting to S$4,312,000 (2007: S$20,518,000) will expire between 2009 and 2011 (2007: 2008 and 2012). The deductible temporary differences and capital allowances do not expire under current tax legislation.

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

a. Where they are qualified for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; and

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

18. INVENTORIES AND WORK-IN-PROGRESS

	Note	Group 2008 S$'000	Group 2007 S$'000	Company 2008 S$'000	Company 2007 S$'000
Raw materials		**97,768**	72,532	**4,582**	–
Finished goods		**69,488**	41,417	**4,771**	–
		167,256	113,949	**9,353**	–
Allowance for inventory obsolescence		**(8,370)**	(7,286)	**–**	–
		158,886	106,663	**9,353**	–
Work-in-progress	(a)	**790,960**	1,550,384	**–**	–
		949,846	1,657,047	**9,353**	–
a. Work-in-progress:					
Costs and attributable profits		**3,651,155**	5,149,233	**1,343**	–
Allowance for foreseeable losses		**(4,254)**	(1,297)	**–**	–
		3,646,901	5,147,936	**1,343**	–
Progress billings		**(3,830,974)**	(4,166,293)	**(1,343)**	–
		(184,073)	981,643	**–**	–
Comprising:					
Work-in-progress		**790,960**	1,550,384	**–**	–
Excess of progress billings over work-in-progress		**(975,033)**	(568,741)	**–**	–
		(184,073)	981,643	**–**	–

19. TRADE AND OTHER RECEIVABLES

	Note	Group 2008 S$'000	Group 2007 S$'000	Company 2008 S$'000	Company 2007 S$'000
Trade receivables	13	**577,316**	644,983	**15,280**	–
Current portion of finance lease	14	**3,374**	15,551	**–**	–
Amount due from related parties	15	**6,105**	19,161	**8,917**	21,433
Other receivables, deposits and prepayments	20	**595,385**	655,267	**193,182**	176,877
Other financial assets	11	**29,769**	67,649	**–**	–
Advance to suppliers		**7,152**	2,085	**–**	–
		1,219,101	1,404,696	**217,379**	198,310

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group 2008 S$'000	Group 2007 S$'000	Company 2008 S$'000	Company 2007 S$'000
Deposits		**7,356**	5,789	**1,124**	671
Prepayments		**34,196**	46,124	**2,391**	542
Tax recoverable		**259,896**	214,991	**175,394**	174,984
Sundry receivables		**81,761**	67,834	**467**	740
Unbilled receivables		**207,593**	287,539	**13,294**	–
Loan receivables		**7,234**	21,079	**–**	–
Recoverable		**6,300**	19,660	**572**	–
Interest receivable		**601**	845	**–**	–
		604,937	663,861	**193,242**	176,937
Allowance for doubtful receivables		**(9,552)**	(8,594)	**(60)**	(60)
	19	**595,385**	655,267	**193,182**	176,877

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 sale was completed in June 2008 by the subsidiary.

22. CASH AND CASH EQUIVALENTS

	Note	Group 2008 S$'000	Group 2007 S$'000	Company 2008 S$'000	Company 2007 S$'000
Bank balances, fixed deposits and cash		**2,400,954**	1,296,892	**45,541**	189,470
Bank overdrafts	29	**–**	(889)	**–**	–
Cash and cash equivalents in the consolidated cash flow statement		**2,400,954**	1,296,003	**45,541**	189,470

Included in the Group's cash and cash equivalents at the balance sheet date are amounts of S$7.5 million (2007: S$13.5 million) held in countries with foreign exchange control restrictions.

23. TRADE AND OTHER PAYABLES

	Note	Group 2008 S$'000	Group 2007 S$'000	Company 2008 S$'000	Company 2007 S$'000
Trade payables		**1,500,869**	1,302,592	**3,264**	–
Advance payments from customers		**36,673**	27,667	**555**	–
Other financial liabilities	24	**166,738**	28,941	**–**	–
Amount due to related parties	25	**10,248**	18,399	**232,086**	215,227
Other payables and accrued charges	26	**906,906**	864,828	**80,629**	33,956
		2,621,434	2,242,427	**316,534**	249,183

24. OTHER FINANCIAL LIABILITIES

	Note	Group 2008 S$'000	Group 2007 S$'000
a. Current Liabilities			
Financial liabilities at fair value through profit or loss:			
– Interest rate swaps		**1,001**	1,457
– Forward foreign exchange contracts		**127**	34
– Foreign exchange swap contracts		**2,454**	82
– Commodity contracts		**44**	1,006
Cash flow hedges:			
– Interest rate swaps		**6,703**	184
– Forward foreign exchange contracts		**72,530**	6,453
– Foreign exchange swap contracts		**1,261**	–
– Fuel oil swap contracts		**82,618**	188
– Forward electricity sale		**–**	19,537
	23	**166,738**	28,941
b. Non-current Liabilities			
Cash flow hedges:			
– Interest rate swaps		**10,913**	1,192
– Forward foreign exchange contracts		**50,506**	1,079
– Fuel oil swap contracts		**3,669**	–
	30	**65,088**	2,271

25. AMOUNTS DUE TO RELATED PARTIES

	Note	Associates 2008 S$'000	Associates 2007 S$'000	Joint ventures 2008 S$'000	Joint ventures 2007 S$'000	Minority shareholders of subsidiaries 2008 S$'000	Minority shareholders of subsidiaries 2007 S$'000	Total 2008 S$'000	Total 2007 S$'000
Group									
Amounts due to:									
Trade		**–**	4,762	**2,034**	3,591	**312**	244	**2,346**	8,597
Non-trade		**1,604**	3,045	**5,364**	5,329	**–**	492	**6,968**	8,866
Loans		**–**	–	**–**	–	**8,585**	5,420	**8,585**	5,420
		1,604	7,807	**7,398**	8,920	**8,897**	6,156	**17,899**	22,883
Amounts due after 1 year	30	**–**	–	**–**	–	**(7,651)**	(4,484)	**(7,651)**	(4,484)
	23	**1,604**	7,807	**7,398**	8,920	**1,246**	1,672	**10,248**	18,399

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

Loans from minority shareholders of subsidiaries of S$7,651,000 (2007: S$4,484,000) bear interest at rates ranging from 3.53% to 7.02% (2007: 3.53%) per annum and are unsecured and repayable from 2011 to 2014.

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

		Subsidiaries		Associates		Total	
		2008	2007	2008	2007	2008	2007
	Note	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company							
Amounts due to related parties	(i)	**25,888**	25,223	**–**	4	**25,888**	25,227
Loan from a related party	(ii)	**664,932**	190,000	**–**	–	**664,932**	190,000
		690,820	215,223	**–**	4	**690,820**	215,227
Amounts due after 1 year	30	**(458,734)**	–	**–**	–	**(458,734)**	–
	23	**232,086**	215,223	**–**	4	**232,086**	215,227

i. The amounts due to related parties are unsecured, interest-free and repayable on demand.

ii. The loans from a related party comprise:

a. S$206,000,000 (2007: S$190,000,000) which are unsecured, repayable on demand and bear an effective interest rate of 1.23% (2007: 2.59%) per annum.

b. S$458,700,000 (2007: S$Nil) which are unsecured, repayable on December 31, 2013 and bear an effective interest rate of 2.48% (2007: Nil) per annum.

26. OTHER PAYABLES AND ACCRUED CHARGES

		Group		Company	
		2008	2007	2008	2007
	Note	S$'000	S$'000	S$'000	S$'000
Accrued operating expenses		**675,400**	729,196	**75,366**	29,794
Deposits		**14,204**	13,554	**–**	–
Accrued interest payable		**5,374**	7,401	**–**	441
Other payables		**72,348**	114,677	**5,263**	3,721
Share of net liability of an associate	9	**139,580**	–	**–**	–
	23	**906,906**	864,828	**80,629**	33,956

27. PROVISIONS

	Loan undertakings	Obligations relating to disposal of business	Claims	Onerous contracts	Restoration costs	Warranty	Others	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group								
Balance at beginning of the year	9,167	11,454	4,238	8,680	5,309	2,800	184	41,832
Translation adjustments	–	–	–	–	(2)	132	–	130
Provisions made / (written back) during the year, net	2,217	–	(3,016)	–	1,200	29,136	–	29,537
Provisions utilised during the year	(1,645)	–	–	(1,500)	–	(7,350)	–	(10,495)
Reclassification	–	–	–	–	–	13,003	–	13,003
Balance at end of the year	9,739	11,454	1,222	7,180	6,507	37,721	184	74,007
Provisions due:								
– within 1 year	9,739	11,454	1,222	3,433	–	37,721	184	63,753
– after 1 year	–	–	–	3,747	6,507	–	–	10,254
	9,739	11,454	1,222	7,180	6,507	37,721	184	74,007

	Note	Obligations relating to disposal of business	Claims	Restoration costs	Total
		S$'000	S$'000	S$'000	S$'000
Company					
Balance at beginning of the year		11,454	–	500	11,954
Acquisition	37	–	3,780	–	3,780
Provisions written back during the year, net		–	(2,559)	–	(2,559)
Balance at end of the year		11,454	1,221	500	13,175
Provisions due:					
– within 1 year		11,454	1,221	–	12,675
– after 1 year		–	–	500	500
		11,454	1,221	500	13,175

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.

27. PROVISIONS *(cont'd)*

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.

Warranty

The provision for warranty is based on estimates made from historical warranty data associated with similar projects.

28. RETIREMENT BENEFIT OBLIGATIONS

		Group	
		2008	2007
	Note	S$'000	S$'000
Provision for retirement gratuities	(a)	**1,932**	2,809
Defined benefit obligations	(b)	**11,620**	21,300
		13,552	24,109
Non-current		**13,552**	24,109

a. Provision for Retirement Gratuities

	Group	
	2008	2007
	S$'000	S$'000
Balance at beginning of the year	**2,809**	3,303
Provision utilised during the year	**(407)**	(494)
Less: Amount due within 12 months	**(470)**	–
Balance at end of the year	**1,932**	2,809

b. Defined Benefit Obligations

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	
	2008	2007
	S$'000	S$'000
Present value of funded obligations	**151,053**	244,774
Fair value of plan assets	**(158,761)**	(253,504)
Surplus in the plan	**(7,708)**	(8,730)
Actuarial gains not recognised in accordance with FRS 19	**19,328**	30,030
Net liability recognised in the balance sheet	**11,620**	21,300

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

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

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

	Group	
	2008	2007
	%	%
Equity instruments	**40.08**	52.79
Debt instruments	**53.45**	39.83
Other assets	**6.47**	7.38
	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.

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

	Group	
	2008	2007
	S$'000	S$'000
Opening defined benefit obligations	**244,774**	259,498
Translation adjustments	**(65,871)**	(7,458)
Current service costs	**3,302**	4,338
Interest cost	**12,465**	13,247
Actuarial gains	**(36,223)**	(22,115)
Benefits paid	**(7,630)**	(2,946)
Employee contributions	**236**	210
	151,053	244,774

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

	Group	
	2008	2007
	S$'000	S$'000
Opening fair value of plan assets	**253,504**	239,537
Translation adjustments	**(69,135)**	(7,603)
Expected return on plan assets	**14,268**	16,473
Actuarial (losses) / gains	**(38,322)**	676
Contributions by employer	**5,840**	7,157
Benefits paid	**(7,630)**	(2,946)
Employee contributions	**236**	210
	158,761	253,504

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

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

Expenses recognised in the income statement are as follows:

	Group	
	2008	2007
	S$'000	S$'000
Current service costs	**3,302**	4,338
Interest costs	**12,465**	13,247
Expected return on plan assets	**(14,268)**	(16,473)
Actuarial losses	**(320)**	–
	1,179	1,112

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

	Group	
	2008	2007
	S$'000	S$'000
Cost of sales	**2,642**	3,469
Administrative expenses	**660**	869
Other expenses	**(2,123)**	(3,226)
	1,179	1,112
Actual (loss) / return in value of plan assets	**(24,054)**	17,149

Principal actuarial assumptions

Principal actuarial assumptions at the balance sheet date are as follows:

	Group	
	2008	2007
	%	%
Discount rate at December 31	**6.2**	5.8
Expected return on plan assets at December 31	**5.6**	6.4
Future rate of annual salary increases	**4.3**	4.7
Future rate of pension increases	**2.0**	3.2

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 9 years (2007: 13 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 (2007: 21) for male and 23 (2007: 23) for female.

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

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

Principal actuarial assumptions *(cont'd)*

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

	2008	2007	2006	2005	2004	2003
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
Present value of						
funded obligations	**151,053**	244,774	259,498	259,598	224,690	180,838
Fair value of plan assets	**(158,761)**	(253,504)	(239,537)	(201,898)	(166,914)	(136,778)
(Surplus) / Deficit in the plan	**(7,708)**	(8,730)	19,961	57,700	57,776	44,060

The Group expects to pay S$4,700,000 in contributions to defined benefit plans in 2009.

29. INTEREST-BEARING BORROWINGS

		Group		Company	
		2008	2007	2008	2007
	Note	S$'000	S$'000	S$'000	S$'000
Current liabilities					
Bank overdrafts	22	–	889	–	–
Secured term loans	(a)	**81,750**	101,442	–	–
Unsecured term loans	(b)	**202,613**	406,615	–	150,000
Finance lease liabilities	(c)	**1,405**	1,248	–	–
		285,768	510,194	–	150,000
Non-current liabilities					
Secured term loans	(a)	**319,740**	470,997	–	–
Unsecured term loans	(b)	**200,000**	350,773	–	–
Finance lease liabilities	(c)	**2,810**	1,716	–	–
		522,550	823,486	–	–
		808,318	1,333,680	–	150,000

Maturity of liabilities (excluding finance lease liabilities)

	Group		Company	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
Within 1 year	**284,363**	508,946	–	150,000
After 1 year but within 5 years	**432,164**	641,784	–	–
After 5 years	**87,576**	179,986	–	–
Total borrowings	**804,103**	1,330,716	–	150,000

29. INTEREST-BEARING BORROWINGS *(cont'd)*

a. Secured Term Loans

The secured loans are collaterised by the following assets:

	Group	
	Net Book Value	
	2008	2007
	S$'000	S$'000
Property, plant and equipment and investment property	**925,180**	1,118,579

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, 2008.

  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. The outstanding debt issuances of S$150 million was fully settled upon its maturity on June 6, 2008 and the Existing Programme was 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 SCM 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 are cleared through the Central Depository (Pte) Ltd.

  The principal amount of the notes issued by SCM amounted to S$150 million (2007: S$285 million), bears an interest rate of 3.00% (2007: 2.82% to 3.00%) per annum and is due by September 26, 2009 (2007: 2008 to 2009).

29. INTEREST-BEARING BORROWINGS *(cont'd)*

c. Finance Lease Liabilities

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

	2008			2007		
	Payments	Interest	Principal	Payments	Interest	Principal
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
Within 1 year	**1,574**	**169**	**1,405**	1,375	127	1,248
After 1 year but within 5 years	**3,178**	**368**	**2,810**	1,968	252	1,716
Total	**4,752**	**537**	**4,215**	3,343	379	2,964

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 2.50% to 7.42% (2007: 2.50% to 7.42%) per annum.

30. OTHER LONG-TERM LIABILITIES

		Group		Company	
		2008	2007	2008	2007
	Note	S$'000	S$'000	S$'000	S$'000
Deferred income	(a)	**91,342**	25,885	**3,728**	–
Deferred grants	(b)	**17,815**	26,348	**–**	–
Other long-term payables	(c)	**6,171**	5,555	**–**	–
Other financial liabilities	24	**65,088**	2,271	**–**	–
Amount due to related parties	25	**7,651**	4,484	**458,734**	–
Share of net liability of an associate	9	**–**	49,299	**–**	–
		188,067	113,842	**462,462**	–

a. Deferred income relates mainly to advance payments received from customers in respect of connection and capacity charges for the supply and delivery of gas and utilities, the difference between the fair value of the construction services provided and the fair value of the financial asset receivable.

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

c. Other long-term payables relate primarily to retention monies of subsidiaries.

31. TURNOVER

	Group 2008 S$'000	Group 2007 S$'000
Sale of gas, water, electricity and related services	**4,197,760**	3,601,171
Ship and rig repair, building, conversion and related services	**4,989,922**	4,442,078
Construction and engineering related activities	**131,957**	115,497
Environment management and related services	**213,685**	206,940
Service concession revenue	**129,964**	–
Others	**265,125**	253,092
	9,928,413	8,618,778

32. FINANCE COSTS

	Group 2008 S$'000	Group 2007 S$'000
Interest paid and payable to:		
– associates and joint ventures	**–**	69
– bank loans and others	**43,764**	52,219
Amortisation of capitalised transaction costs and transactions costs written off	**1,099**	1,189
Interest rate swap		
– fair value through profit or loss	**(456)**	448
	44,407	53,925

33. INCOME TAX EXPENSE

	Group 2008 S$'000	Group 2007 S$'000
Current tax expense		
Current year	**125,311**	150,715
Over provided in prior years	**(43,161)**	(44,228)
	82,150	106,487
Deferred tax expense		
Movements in temporary differences	**29,040**	44,789
Under provided in prior years	**19,761**	2,469
Change in tax rate	**–**	(17,981)
	48,801	29,277
Income tax expense	**130,951**	135,764

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

Reconciliation of effective tax rate

	Group 2008 S$'000	Group 2007 S$'000
Profit for the year	**730,994**	651,342
Total income tax expense	**130,951**	135,764
Share of results of associates and joint ventures	**(126,096)**	(153,196)
Profit before share of results of associates and joint ventures, and income tax expense	**735,849**	633,910
Income tax using Singapore tax rate of 18%	**132,453**	114,103
Effect of reduction in tax rates	**–**	(17,981)
Effect of different tax rates in other countries	**13,013**	20,118
Tax incentives and income not subject to tax	**(27,924)**	(12,189)
Expenses not deductible for tax purposes	**38,433**	76,759
Utilisation of tax benefits	**(6,118)**	(4,442)
Over provided in prior years	**(23,400)**	(41,759)
Deferred tax benefit not recognised	**8,241**	990
Others	**(3,747)**	165
Income tax expense	**130,951**	135,764

On January 22, 2009, the Minister for Finance announced in his Budget speech that the corporate income tax rate will be reduced from 18% to 17% from the year of assessment 2010. The tax expense for the Company and its Singapore subsidiaries within the Group for the year ended December 31, 2008 have been computed at the rate of 18%, being the corporate income tax rate in effect as at that date.

34. PROFIT FOR THE YEAR

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

	Group 2008 S$'000	Group 2007 S$'000
a. **Staff costs**		
Staff costs	**698,409**	650,087
Included in staff costs are:		
Share-based payments	**31,253**	26,237
Contributions to:		
– defined benefit plan	**3,302**	4,338
– defined contribution plan	**28,593**	26,187

34. PROFIT FOR THE YEAR *(cont'd)*

	Note	Group 2008 S$'000	Group 2007 S$'000
b. Other expenses			
Allowance made / (written back) for impairment losses			
– property, plant and equipment	6	**7,807**	219
– investments in subsidiaries		**–**	226
– interests in associates		**–**	918
– interests in joint ventures		**–**	560
– interests in other investments		**486**	(619)
– receivables		**1,291**	(10,290)
– investment properties	7	**69**	555
– intangible assets	16	**–**	110
Allowance made / (written back) for:			
– inventory obsolescence		**2,465**	(189)
– foreseeable losses on construction contracts		**2,957**	963
Amortisation of intangible assets	16	**102**	2,118
Audit fees paid / payable			
– auditors of the Company		**1,421**	907
– other auditors		**614**	1,409
Non-audit fees paid / payable			
– auditors of the Company		**119**	151
– other auditors		**307**	390
Depreciation of property, plant and equipment, and investment properties		**194,863**	180,741
Professional fee paid to directors or a firm in which a director is a member		**97**	632
Operating lease expenses		**18,623**	18,081
Property, plant and equipment written off		**3,203**	1,154
Intangible assets written off	16	**100**	3
Bad debts written off		**237**	3,799
c. Non-operating income (net)			
Net exchange loss		**(19,564)**	(10,056)
Net change in fair value of derivative instruments		**(36,668)**	922
Grants received			
– income related		**83**	67
Gross dividend income		**9,771**	6,985
Gain / (Loss) from disposal of			
– property, plant and equipment (net)		**18,393**	4,788
– investment properties		**–**	5,125
– subsidiaries		**–**	5,284
– associates		**–**	46,865
– joint ventures		**35**	261
– other financial assets		**(38,135)**	(72,320)
Interest income			
– associates and joint ventures		**94**	–
– banks and others		**35,772**	46,709

34. PROFIT FOR THE YEAR *(cont'd)*

	Note	Group 2008 S$'000	Group 2007 S$'000
d. Material and unusual items included in:			
Non-operating income (net)			
Gain on divestment of investments		**–**	276,557
Foreign exchange losses arising from Unauthorised Transactions			
in a wholly-owned subsidiary of Sembcorp Marine Ltd	(i)	**(43,749)**	(302,922)
		(43,749)	(26,365)
Income tax expense on material and unusual items above		**–**	(49,517)
Net material and unusual items before minority interests		**(43,749)**	(75,882)
Less: Minority interests		**16,821**	44,860
		(26,928)	(31,022)

i. Arising from the various unauthorised foreign exchange transactions entered into previously by an employee of a subsidiary of the Company, Sembcorp Marine Ltd ("SCM"), for the account of one of its wholly-owned subsidiaries, Jurong Shipyard Pte Ltd ("JSPL"), S$302.9 million was charged to the income statement in 2007.

During the year, another S$43.7 million had been charged to the income statement following the full and final amicable settlement of BNP Paribas's claim of S$73.1 million, strictly on commercial basis.

Going forward, JSPL intends to recover the S$289.9 million paid to Societe Generale ("SG") in 2007 as JSPL's position is that the underlying transactions with SG are not valid and binding. If JSPL succeeds in doing so, there will be an inflow of funds to be recognised in the financial statements at that relevant point in time.

ii. Certain underbillings relating to prior years had been noted between two subsidiaries. No material impact on Group turnover and PATMI has arisen from this. Its net impact has been recognised in the current year, increasing profit attributable to minority interests and decreasing the profit attributable to the shareholders of the Company.

35. EARNINGS PER SHARE

a. Basic earnings per share

Basic earnings per share is based on:

	Group 2008 S$'000	Group 2007 S$'000
i. Profit attributable to shareholders of the Company	**507,061**	526,217

	No. of shares '000 (2008)	No. of shares '000 (2007)
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	**1,783,783**	1,770,178
Effects of share options exercised	**2,767**	9,254
Effect of own shares held	**(7,635)**	–
Weighted average number of ordinary shares at the end of the year	**1,778,915**	1,779,432

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

b. Diluted earnings per share

Diluted earnings per share is based on:

	Group	
	2008	2007
	S$'000	S$'000
i. Profit attributable to shareholders of the Company	**507,061**	526,217

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

	No. of shares '000	No. of shares '000
ii. Weighted average number of shares issued used in the calculation of basic earnings per share	**1,778,915**	1,779,432
Weighted average number of unissued ordinary shares from:		
– share options	**12,363**	20,468
– performance shares	**3,774**	3,505
– restricted stocks	**5,576**	3,165
Number of shares that would have been issued at fair value	**(6,741)**	(7,748)
Weighted average number of ordinary shares	**1,793,887**	1,798,822

For the purpose of calculating diluted earnings per ordinary share, the weighted average numbers 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 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.

36. DIVIDENDS AND CAPITAL DISTRIBUTION

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary one-tier tax exempt dividend of 11.0 cents (2007: one-tier tax exempt dividend of 15.0 cents) per share amounting to an estimated net dividend of S$195,467,000 (2007: S$266,890,000) in respect of the year ended December 31, 2008, based on the share capital as at that date.

The proposed dividend of 11.0 (2007:15.0) cents per share has not been included as a liability in the financial statements.

37. SIGNIFICANT ACQUISITIONS AND DISPOSALS

Group

There have been no other significant acquisitions and disposals of subsidiaries in 2007 and 2008.

Company

In January 2008, the Company entered into an internal restructuring with its wholly-owned subsidiary, Sembcorp Utilities Pte Ltd, for the acquisition of the entire assets, liabilities and businesses of Sembcorp Utilities & Terminals ("SUT") and Propylene Purification Unit ("PPU") divisions, including their current employees. The assets and liabilities were transferred at net book value as at December 31, 2007.

The acquisition is accounted for using "as-if-pooling" method. No restatement was made to the comparatives.

The effect of the acquisition is set out below:

	Note	Company S$'000
Non-current assets		
Property, plant and equipment	6	447,256
Long-term receivables and prepayments		1,059
Intangible assets	16	18,946
		467,261
Current assets		
Inventories and work-in-progress		8,630
Trade and other receivables		59,386
Cash and cash equivalents		43,611
		111,627
Total assets		**578,888**
Non-current liabilities		
Deferred tax liabilities	17	44,667
Trade and other payables		4,087
		48,754
Current liabilities		
Trade and other payables		67,748
Provisions	27	3,780
		71,528
Total liabilities		**120,282**
Net identificable assets acquired		**458,606**

38. RELATED PARTIES

Group

a. Related party transactions

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

	Group	
	2008	2007
	S$'000	S$'000
Related Corporations		
Sales	165	13
Purchases including rental	2,470	–
Associates and Joint Ventures		
Sales	41,251	39,376
Purchases including rental	21,542	255,737

b. Compensation of key management personnel

The Group considers the directors of the Company (including the Group President & Chief Executive Officer ("CEO") of the Company), the Group President & CEO of Sembcorp Marine Ltd, the President & Chief Operating Officer ("COO") of Sembcorp Marine Ltd, the Executive Chairman of Sembcorp Industrial Parks Ltd, the Executive Vice President of Sembcorp Utilities (UK) Limited, the Group Chief Financial Officer and the Executive Vice President of Group Business Development 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	
	2008	2007
	S$'000	S$'000
Directors' fees and remuneration	5,663	5,508
Other key management personnel remuneration	6,797	8,227
	12,460	13,735
Fair value of share-based compensation	5,408	5,956

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.

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.

38. RELATED PARTIES *(cont'd)*

Group *(cont'd)*

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

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 40 to the financial statements.

39. 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.

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 reduce 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.

39. FINANCIAL INSTRUMENTS *(cont'd)*

a. Market risk *(cont'd)*

i. Interest rate risk (cont'd)

Effective interest rates and repricing analysis

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

	Note	Effective interest rate %	Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000	Total S$'000
Group						
2008						
Financial assets						
Finance lease receivables	14	4.25	3,374	18,025	–	21,399
Balances with related parties		0.01	4,111	–	–	4,111
Loan receivables		2.74	1,745	–	–	1,745
Other receivables		4.39	19,226	–	–	19,226
Fixed deposits and bank balances		3.17	1,926,781	–	–	1,926,781
			1,955,237	18,025	–	1,973,262
Financial liabilities						
Secured term loans:						
– Floating rate loans		4.76	(398,582)	(8,000)	–	(406,582)
– Effect of interest rate swaps		(0.24)	308,300	(231,699)	(76,601)	–
Total secured term loans			(90,282)	(239,699)	(76,601)	(406,582)
Unsecured term loans:						
– Floating rate loans		2.13	(202,905)	–	–	(202,905)
– Effect of interest rate swaps		1.00	200,000	(200,000)	–	–
			(2,905)	(200,000)	–	(202,905)
– Fixed rate loans		2.48	(49,763)	–	–	(49,763)
Medium-term notes		3.10	(149,945)	–	–	(149,945)
Total unsecured term loans	29		(202,613)	(200,000)	–	(402,613)
Lease liabilities	29	5.20	(1,405)	(2,810)	–	(4,215)
Balances with related parties		5.39	–	(7,651)	–	(7,651)
			(294,300)	(450,160)	(76,601)	(821,061)

39. FINANCIAL INSTRUMENTS *(cont'd)*

a. Market risk *(cont'd)*

i. Interest rate risk (cont'd)

Effective interest rates and repricing analysis (cont'd)

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

Sensitivity analysis

It is estimated that a one percentage point change in interest rate at the reporting date would increase / (decrease) equity and profit before income tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

39. FINANCIAL INSTRUMENTS *(cont'd)*

a. Market risk *(cont'd)*

i. Interest rate risk (cont'd)

Effective interest rates and repricing analysis (cont'd)

	Profit before income tax		Equity	
	100 bp Increase S$'000	100 bp Decrease S$'000	100 bp Increase S$'000	100 bp Decrease S$'000
Group				
December 31, 2008				
Variable rate financial instruments	1,401	(1,401)	17,659	(17,659)
December 31, 2007				
Variable rate financial instruments	9,489	(9,489)	11,739	(11,739)

Notional amount

At December 31, 2008, the Group had interest rate swaps with an aggregate notional amount of S$544,030,000 (2007: S$691,308,000) whereby it receives a variable interest rate and pays a fixed rate interest ranging from 2.65% to 6.0% (2007: 2.78% to 5.95%) per annum on the notional amount. The Company classifies these interest rate swaps as cash flow hedges.

	Effective interest rate %	Within 1 year S$'000	Between 1 to 5 years S$'000	Total S$'000
Company				
2008				
Financial assets				
Balances with related parties	2.17	178	–	178
Fixed deposits and bank balances	0.66	45,541	–	45,541
		45,719	–	45,719
Financial liabilities				
Balances with related parties	2.12	(206,198)	(458,734)	(664,932)

	Effective interest rate %	Within 1 year S$'000	Between 1 to 5 years S$'000	Total S$'000
Company				
2007				
Financial assets				
Balances with related parties	4.45	535	–	535
Fixed deposits and bank balances	1.82	189,470	–	189,470
		190,005	–	190,005
Financial liabilities				
Unsecured term loans:				
– Fixed rate loans	4.12	(150,000)	–	(150,000)
Balances with related parties	2.59	(190,000)	–	(190,000)
		(340,000)	–	(340,000)

	Profit before income tax		Equity	
	100 bp Increase S$'000	100 bp Decrease S$'000	100 bp Increase S$'000	100 bp Decrease S$'000
Company				
December 31, 2008				
Variable rate financial instruments	(3,956)	3,956	–	–
December 31, 2007				
Variable rate financial instruments	–*	–*	–	–

* Amount less than S$1,000.

ii. Foreign currency risk

The Group operates globally and is exposed to foreign currency exchange rate volatility primarily for United States dollars ("USD"), pounds sterling ("GBP"), euros ("EURO"), Australian dollars ("AUD") and Chinese renminbi ("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.

39. FINANCIAL INSTRUMENTS *(cont'd)*

a. Market risk *(cont'd)*

ii. Foreign currency risk (cont'd)

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

	SGD S$'000	USD S$'000	GBP S$'000	EURO S$'000	Others S$'000
Group					
2008					
Financial assets					
Cash and cash equivalents	98,220	928,866	98	71,687	12,088
Trade and other receivables	14,239	339,173	5,205	27,535	10,964
Other financial assets	–	2,365	–	(23)	1,990
	112,459	1,270,404	5,303	99,199	25,042
Financial liabilities					
Trade and other payables*	101,965	273,561	3,875	44,655	8,881
Interest-bearing borrowings	–	139,235	1,912	–	1,937
	101,965	412,796	5,787	44,655	10,818
Net financial assets / (liabilities)	10,494	857,608	(484)	54,544	14,224

	SGD S$'000	USD S$'000	GBP S$'000	EURO S$'000	Others S$'000
2007					
Financial assets					
Cash and cash equivalents	41,217	305,687	37,924	114,767	22,335
Trade and other receivables	15,366	134,976	125	4,975	20,105
Other financial assets	–	69,847	–	–	15,291
	56,583	510,510	38,049	119,742	57,731
Financial liabilities					
Trade and other payables*	169,239	208,659	40,141	48,108	19,248
Interest-bearing borrowing	–	66,171	–	–	11,567
	169,239	274,830	40,141	48,108	30,815
Net financial (liabilities) / assets	(112,656)	235,680	(2,092)	71,634	26,916

* Excludes share of net liability of an associate

Company

The Company's financial assets and liabilities are predominantly denominated in Singapore dollars at balance sheet dates.

39. FINANCIAL INSTRUMENTS *(cont'd)*

a. Market risk *(cont'd)*

ii. Foreign currency risk (cont'd)

Notional amount

At the balance sheet date, the Group had foreign exchange contracts with the following notional amounts:

	Group 2008 Notional amount S$'000	Group 2007 Notional amount S$'000
Foreign exchange forward contracts	**2,980,835**	915,499
Foreign exchange swap agreements	**175,811**	107,287
	3,156,646	1,022,786

Sensitivity analysis

A 10% strengthening of the following currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have increased / (decreased) equity and profit before income 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 2007.

	Group Equity S$'000	Group Profit before income tax S$'000
2008		
SGD	**6,106**	**63,485**
USD	**202,810**	**44,577**
EURO	**517**	**5,858**
Others	**(198)**	**1,192**
2007		
SGD	–	11,266
USD	39,869	(54,262)
EURO	1,608	7,163
Others	–	2,483

A 10% weakening of the above currencies against the functional currencies of the Company and its subsidiaries 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.

39. FINANCIAL INSTRUMENTS *(cont'd)*

a. Market risk *(cont'd)*

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 income tax will be:

	Group	
	2008	2007
	S$'000	S$'000
Equity	**14,605**	70,102
Profit before income tax	**3**	7

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 2007 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.

Contracts for differences are entered into with a counterparty at a strike price, with or without fixing the quantity upfront, to hedge against adverse price movements on the sale of electricity. Naphtha swaps are entered into for fixed quantity to hedge revenue indexed to naphtha. Exposure to price fluctuations arising on the purchase of fuel is managed via fuel oil swaps where the price of fuel is indexed to a benchmark fuel price index, for example Singapore High Sulphur Fuel Oil ("HSFO") 180 CST fuel oil.

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

	Group	
	2008	2007
	S$'000	S$'000
Equity	**4,637**	15,178
Profit before income tax	**–**	559

A 10% decrease in the prices for commodities would have had the equal but opposite effect to the amounts shown above. The analysis is performed on the same basis for 2007 and assumes that all other variables remain constant.

39. FINANCIAL INSTRUMENTS *(cont'd)*

a. Market risk *(cont'd)*

iii. Price risk

Notional amount

At the balance sheet date, the Group had financial instruments with the following notional contract amounts:

	2008	2007
	Notional amount	Notional amount
	S$'000	S$'000
Group		
Fuel oil swap agreements	**199,483**	155,682
Power swap contracts	**116,053**	95,856
Commodity contracts	**–**	6,775
	315,536	258,313

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 good credit rating. 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.

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	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
By business activity				
Utilities	**527,117**	580,889	**38,381**	–
Marine	**575,379**	543,899	**–**	–
Environment	**36,524**	41,174	**–**	–
Industrial parks	**5,150**	10,640	**–**	–
Others	**32,149**	40,085	**4,791**	23,386
	1,176,319	1,216,687	**43,172**	23,386

39. FINANCIAL INSTRUMENTS *(cont'd)*

b. Credit risk *(cont'd)*

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

	Gross 2008 S$'000	Impairment 2008 S$'000	Gross 2007 S$'000	Impairment 2007 S$'000
Group				
Not past due	**752,178**	**8,343**	849,454	1,075
Past due 0 to 3 months	**79,483**	**2,840**	80,284	562
Past due 3 to 6 months	**17,779**	**2,582**	46,019	892
Past due 6 to 12 months	**9,128**	**1,009**	31,352	1,562
More than 1 year	**53,842**	**23,904**	80,451	36,568
	912,410	**38,678**	1,087,560	40,659
Company				
Not past due	**32,457**	**–**	670	–
Past due 0 to 3 months	**3,054**	**–**	15,232	–
Past due 3 to 6 months	**1,292**	**–**	2,036	–
Past due 6 to 12 months	**606**	**–**	3,073	–
More than 1 year	**691**	**247**	1,162	60
	38,100	**247**	22,173	60

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

	Group 2008 S$'000	Group 2007 S$'000	Company 2008 S$'000	Company 2007 S$'000
Balance at beginning of the year	**57,985**	87,046	**60**	60
Currency translation difference	**(686)**	(129)	**–**	–
Allowance made	**11,546**	2,893	**187**	–
Allowance utilised	**(4,355)**	(16,673)	**–**	–
Allowance written back	**(10,255)**	(13,183)	**–**	–
Acquisition of subsidiaries	**–**	(53)	**–**	–
Disposal of subsidiaries	**(897)**	(1,916)	**–**	–
Balance at end of the year	**53,338**	57,985	**247**	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.

39. FINANCIAL INSTRUMENTS *(cont'd)*

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 S$'000	Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
2008					
Derivatives					
Derivative financial liabilities	231,826				
– inflow		2,958,465	2,246,599	711,866	–
– outflow		(3,188,897)	(2,417,282)	(771,202)	(413)
Derivative financial assets	(4,261)				
– inflow		156,629	156,629	–	–
– outflow		(152,368)	(152,368)	–	–
Non-derivative financial liabilities					
Trade and other payables*	2,272,217	(2,273,268)	(2,260,683)	(12,585)	–
Interest–bearing borrowings	808,318	(840,870)	(301,407)	(450,008)	(89,455)
	3,308,100	(3,340,309)	(2,728,512)	(521,929)	(89,868)
2007					
Derivatives					
Derivative financial liabilities	31,212				
– inflow		218,737	198,479	20,258	–
– outflow		(252,313)	(228,799)	(23,466)	(48)
Derivative financial assets	(15,319)				
– inflow		789,983	784,607	5,376	–
– outflow		(775,080)	(770,218)	(4,862)	–
Non-derivative financial liabilities					
Trade and other payables*	2,174,903	(2,174,903)	(2,164,864)	(10,039)	–
Bank overdrafts	889	(889)	(889)	–	–
Interest–bearing borrowings	1,332,791	(1,400,733)	(568,279)	(647,201)	(185,253)
	3,524,476	(3,595,198)	(2,749,963)	(659,934)	(185,301)

39. FINANCIAL INSTRUMENTS *(cont'd)*

c. Liquidity risk *(cont'd)*

	Carrying amount S$'000	Cash Flows: Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000
Company				
2008				
Trade and other payables*	774,713	(834,605)	(327,976)	(506,629)
2007				
Trade and other payables*	249,183	(249,183)	(249,183)	–
Interest-bearing borrowings	150,000	(153,103)	(153,103)	–
	399,183	(402,286)	(402,286)	–

* Excludes 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.

	Carrying amount S$'000	Cash Flows: Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
2008					
Derivative financial liabilities	228,200				
– inflow		2,849,920	2,138,054	711,866	–
– outflow		(3,076,726)	(2,305,111)	(771,202)	(413)
Derivative financial assets	(27,330)				
– inflow		94,605	94,605	–	–
– outflow		(67,275)	(67,275)	–	–
	200,870	(199,476)	(139,727)	(59,336)	(413)
2007					
Derivative financial liabilities	28,633				
– inflow		180,316	160,058	20,258	–
– outflow		(211,477)	(187,963)	(23,466)	(48)
Derivative financial assets	(60,301)				
– inflow		60,685	54,263	6,422	–
– outflow		–	–	–	–
	(31,668)	29,524	26,358	3,214	(48)

39. 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.

39. 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:

	2008		2007	
	Carrying amount S$'000	Fair value S$'000	Carrying amount S$'000	Fair value S$'000
Group				
Financial liabilities				
Medium-term notes	**(149,945)**	**(149,945)**	(299,869)	(297,810)
Term loans	**(20,000)**	**(20,000)**	(32,000)	(33,620)
Unrecognised gain		**–**		439
Company				
Financial liabilities				
Medium-term notes	**–**	**–**	(150,000)	(150,000)
Unrecognised loss		**–**		–

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 records a net cash position as at December 31, 2008 (2007: net gearing ratio of 0.01).

40. CONTINGENT LIABILITIES (UNSECURED)

Group

		Group	
	Note	2008 S$'000	2007 S$'000
Outstanding litigation		**–**	73,117
Guarantees given to banks to secure banking facilities provided to:			
– Associates and joint ventures	(a)	**–**	197,209
– Others		**7,441**	–
Performance guarantees granted for contracts awarded to the Group (including guarantees granted on behalf of associates and joint ventures)		**238,596**	35,057

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

Group *(cont'd)*

a. In consideration of a consortium of banks making available to 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 the EBL by ESWPC to the banks. The aggregate liability of SCU, including outstanding interest, shall not exceed an amount of US$90.6 million.

Additionally, in consideration of the contracting banks entering into interest rate swap hedging agreements relating to the 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. The maturity date for these hedging agreements is on February 1, 2009.

At balance sheet date, as the Group has provided the guarantee, the Group has accordingly taken up its share of the net liability of an ESWPC of S$139.6 million (2007: S$49.3 million).

b. A Wayleave Agreement was entered into between SembGas and the Government of Singapore with respect to certain pipelines where SembGas would indemnify the Government of Singapore against all claims, actions, demands, proceedings, liabilities, damages, costs and expenses arising out of or in connection with any occurrence during the use, maintenance or operations of these pipelines. No such claim has arisen to date.

c. A subsidiary, Sembcorp Air Products (Hyco) Pte Ltd's ("SembAP") Synthesis Gas and Hydrogen Plant had an unplanned shutdown from June 26, 2008 to August 4, 2008 which gave rise to a claim by its main customer for termination based on non-supply of synthesis gas and hydrogen during this period. SembAP is disputing the claim on the basis that the shutdown was an event of force majeure and accordingly no provision has been made for the claim pending resolution of the dispute.

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.

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.

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

Company *(cont'd)*

a. Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to S$1,239 million (2007: S$1,265 million), of which S$200 million was drawn down as at balance sheet dates. The periods in which the financial guarantees expire are as follows:

	Company	
	2008	2007
	S$'000	S$'000
Less than 1 year	**1,239,063**	1,064,922
Between 1 to 5 years	**–**	200,000
	1,239,063	1,264,922

b. 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.

41. COMMITMENTS

Commitments not provided for in the financial statements are as follows:

	Group	
	2008	2007
	S$'000	S$'000
Capital expenditure for:		
– Commitments in respect of contracts placed	**56,502**	56,961
– Amounts approved by directors but not contracted	**121,988**	122,720
– Uncalled capital and commitments to subscribe for additional shares in investments	**137,870**	123,220
	316,360	302,901

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	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
Lease payments due:				
Within 1 year	**24,447**	25,774	**6,213**	808
Between 1 and 5 years	**40,696**	49,462	**18,019**	–
After 5 years	**79,629**	84,430	**36,260**	–
	144,772	159,666	**60,492**	808

41. COMMITMENTS *(cont'd)*

i. On January 15, 1999, Sembcorp Gas Pte Ltd ("SembGas") entered into a long-term Gas Sales Agreement to purchase natural gas over a period of 22 years. SembGas also entered into agreements with certain customers for the on-sale of this gas, which agreements incorporated provisions, which specifically deal with, inter-alia, SembGas' liability for shortfalls in deliveries of gas and relief from such liability in certain circumstances.

ii. On April 15, 2008, SembGas entered into another agreement (which agreement became unconditional and effective as of October 31, 2008) to import natural gas over a period of 15 years, with first delivery of gas targeted to take place between 2010 and 2011.

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

	Group	
	2008	2007
	S$'000	S$'000
Lease receivable:		
Within 1 year	**3,097**	2,484
Between 1 and 5 years	**4,848**	3,952
	7,945	6,436

42. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The business segments are 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 centralised utilities, energy and water. 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, China, Vietnam and the United Arab Emirates.

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

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

The Industrial Parks segment owns, develops, markets and manages industrial parks and townships in Asia.

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 the 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.

42. SEGMENT REPORTING *(cont'd)*

a. Business Segments

	Utilities S$'000	Marine S$'000	Environment S$'000	Industrial Parks S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2008							
Turnover							
External sales	4,477,509	5,061,032	213,762	16,233	159,877	–	9,928,413
Inter-segment sales	38,912	2,916	3,038	2,618	26,177	(73,661)	–
Total	4,516,421	5,063,948	216,800	18,851	186,054	(73,661)	9,928,413
Results							
Segment results	289,866	467,031	(9,819)	7,575	(10,169)	–	744,484
Interest income	10,263	25,130	221	1,329	28,670	(29,841)	35,772
Interest expense	(40,725)	(11,370)	(2,366)	609	(20,396)	29,841	(44,407)
	259,404	480,791	(11,964)	9,513	(1,895)	–	735,849
Share of results of associates	568	55,304	16,590	8,410	–	–	80,872
Share of results of joint ventures	15,920	8,174	–	18,753	2,377	–	45,224
	275,892	544,269	4,626	36,676	482	–	861,945
Income tax (expense) / credit	(46,655)	(91,937)	(877)	(460)	8,978	–	(130,951)
Minority interests	(28,925)	(188,641)	(1,618)	(4,667)	(82)	–	(223,933)
Profit for the year	200,312	263,691	2,131	31,549	9,378	–	507,061
Assets							
Segment assets	2,865,194	4,331,584	162,884	195,780	941,664	(1,170,313)	7,326,793
Interests in associates	5	249,086	43,139	272,158	–	–	564,388
Interests in joint ventures	110,387	36,409	1,097	74,854	58,069	–	280,816
Tax assets	24,504	14,129	4,730	14,809	236,941	–	295,113
Total assets	3,000,090	4,631,208	211,850	557,601	1,236,674	(1,170,313)	8,467,110
Liabilities							
Segment liabilities	1,824,956	3,018,813	80,586	33,641	892,728	(1,170,313)	4,680,411
Tax liabilities	218,466	232,510	6,880	14,537	49,449	–	521,842
Total liabilities	2,043,422	3,251,323	87,466	48,178	942,177	(1,170,313)	5,202,253
Capital expenditure	251,870	104,097	7,345	849	3,982	–	368,143
Significant non-cash items							
Depreciation and amortisation	106,742	71,578	9,554	1,962	5,233	–	195,069
Other non-cash items (including provisions, loss on disposal and exchange differences)	8,158	97,531	462	4,681	793	–	111,625

42. SEGMENT REPORTING *(cont'd)*

a. Business Segments (cont'd)

	Utilities S$'000	Marine S$'000	Environment S$'000	Industrial Parks S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2007							
Turnover							
External sales	3,736,082	4,511,582	205,074	23,335	142,705	–	8,618,778
Inter-segment sales	29,506	1,541	2,415	2,502	4,522	(40,486)	–
Total	3,765,588	4,513,123	207,489	25,837	147,227	(40,486)	8,618,778
Results							
Segment results	302,056	277,002	1,680	55,418	4,970	–	641,126
Interest income	16,901	21,486	725	3,349	28,134	(23,886)	46,709
Interest expense	(40,940)	(13,692)	(2,275)	–	(20,904)	23,886	(53,925)
	278,017	284,796	130	58,767	12,200	–	633,910
Share of results of associates	2,289	68,133	16,946	9,485	–	–	96,853
Share of results of joint ventures	23,980	5,515	(1,868)	19,631	9,085	–	56,343
	304,286	358,444	15,208	87,883	21,285	–	787,106
Income tax (expense) / credit	(59,160)	(103,929)	(1,199)	(10,124)	38,648	–	(135,764)
Minority interests	(14,899)	(104,152)	(364)	(5,055)	(655)	–	(125,125)
Profit for the year	230,227	150,363	13,645	72,704	59,278	–	526,217
Assets							
Segment assets	2,952,750	4,250,332	211,662	201,623	695,349	(641,074)	7,670,642
Interests in associates	5	193,368	54,929	267,185	–	–	515,487
Interests in joint ventures	119,817	28,020	1,097	69,528	51,927	–	270,389
Tax assets	36,544	5,086	3,468	13,453	194,263	–	252,814
Total assets	3,109,116	4,476,806	271,156	551,789	941,539	(641,074)	8,709,332
Liabilities							
Segment liabilities	1,714,207	2,469,233	124,765	36,521	620,979	(641,074)	4,324,631
Tax liabilities	243,449	287,809	4,910	17,802	702	–	554,672
Total liabilities	1,957,656	2,757,042	129,675	54,323	621,681	(641,074)	4,879,303
Capital expenditure	324,125	106,764	25,434	185	3,142	–	459,650
Significant non-cash items							
Depreciation and amortisation	102,672	64,441	7,291	2,800	5,655	–	182,859
Other non-cash items (including provisions, loss on disposal and exchange differences)	5,591	10,293	1,052	8,380	3,037	–	28,353

42. SEGMENT REPORTING *(cont'd)*

b. Geographical Segments

	Singapore S$'000	Rest of Asia S$'000	Europe S$'000	Others S$'000	Consolidated S$'000
2008					
Revenue from external customers	5,415,489	1,691,070	2,194,717	627,137	9,928,413
Total assets	6,843,700	959,358	633,638	30,414	8,467,110
Segment assets	6,335,017	338,649	622,713	30,414	7,326,793
Capital expenditure	187,166	118,328	62,465	184	368,143
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

43. 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.

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

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 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 1 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.

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.

44. SUBSEQUENT EVENTS

a. In February 2009, the Group repaid US$88 million, which is the Group's proportionate 40% share of the US$220 million EBL taken by ESWPC. The US$88 million repayment represented an injection of approximately US$44 million as equity interest into ESWPC and the remaining as a shareholder's loan to ESWPC.

b. Our subsidiary, Sembcorp Marine Ltd ("SCM") acquired the remaining 30% equity interest in JPL Corporation Pte Ltd ("JPLC") from its minority shareholders for a consideration of S$13,428,000.

45. COMPARATIVE INFORMATION

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

46. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

FRS 1 (revised 2008)	Presentation of Financial Statements
FRS 23 (revised 2007)	Borrowing Costs
Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	
Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Amendment relating to eligible hedged items	
Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	
Amendments to FRS 102 Share-based Payment – Vesting Conditions and Cancellations	
FRS 108	Operating Segments
Improvements to FRSs	
INT FRS 113	Customer Loyalty Programmes
INT FRS 116	Hedges of a Net Investment in a Foreign Operation

FRS 1 (revised 2008) will become effective for the Group's financial statements for the year ending December 31, 2009. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. FRS 1 (revised 2008) does not have any impact on the Group's financial position or results.

FRS 23 (revised 2007) will become effective for financial statements for the year ending December 31, 2009. FRS 23 (revised 2007) removes the option to expense borrowing costs 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 that asset. The Group's current policy to capitalise borrowing costs is consistent with the requirement in the revised FRS 23.

The amendments to FRS 32 and FRS 1 on puttable financial instruments will become effective for the Group's financial statements for the year ending December 31, 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if and only if they meet certain conditions. The Group does not issue such puttable financial instruments and thus the application of these amendments is not expected to have any significant impact on the Group's financial statements.

The amendments to FRS 39 on eligible hedged items will become effective for the Group's financial statements for the year ending December 31, 2010. The amendments clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in 2 particular situations: (i) the designation of a one-sided risk in a hedged item; and (ii) the designation of inflation in particular situations. The Group is in the process of assessing the impact of these amendments.

The amendments to FRS 101 and FRS 27 on the cost of an investment in a subsidiary, jointly controlled entity or associate will become effective for the Company's financial statements for the year ending December 31, 2009. The amendments remove the definition of "cost method" currently set out in FRS 27, and instead require an entity to recognise all dividend from a subsidiary, jointly controlled entity or associate as income in its separate financial statements when its right to receive the dividend is established. The application of these amendments is not expected to have any significant impact on the Company's financial statements.

46. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS *(cont'd)*

The amendments to FRS 102 on vesting conditions and cancellations will become effective for the Group's financial statements for the year ending December 31, 2009. The amendments clarify the definition of vesting conditions and provide the accounting treatment for non-vesting conditions and cancellations. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

FRS 108 will become effective for financial statements for the year ending December 31, 2009. FRS 108, which replaces FRS 14 Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. 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.

Improvements to FRSs 2008 will become effective for the Group's financial statements for the year ending December 31, 2009, except for the amendment to FRS 105 Non-current Assets Held for Sale and Discontinued Operations which will become effective for the year ending December 31, 2010. Improvements to FRSs 2008 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Group is in the process of assessing the impact of these amendments.

INT FRS 113 will become effective for the Group's financial statements for the year ending December 31, 2009. INT FRS 113 concludes that where entities grant award credits as incentives to customers to buy their goods or services (e.g. loyalty points or free products), such customer loyalty programmes should be accounted for by taking a multiple sales approach, i.e. by deferring some of the revenue received from the initial sales transaction, to be recognised as revenue as and when the entity provides the goods or services promised under the customer loyalty programmes. The application of this Interpretation is not expected to have any significant impact on the Group's financial statements.

INT FRS 116 will become effective for the Group's financial statements for the year ending December 31, 2009. INT FRS 116 provides guidance on identifying foreign currency risks and hedging instruments that qualify for hedge accounting in the hedge of a net investment in a foreign operation. It also explains how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The application of this Interpretation is not expected to have any significant impact on the Group's financial statements.

Other than the changes in disclosures relating to FRS 1, the initial application of these standards (including their consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

47. SUBSIDIARIES

Details of significant subsidiaries are as follows:

Name of significant subsidiaries	Country of incorporation	Effective equity held by the Group 2008 %	2007 %
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	The United Kingdom	**100**	100
Marine			
Sembcorp Marine Ltd	Singapore	**61.55**	60.86
Jurong Shipyard Pte Ltd	Singapore	**61.55**	60.86
PPL Shipyard Pte Ltd	Singapore	**52.32**	51.73
Sembawang Shipyard Pte Ltd	Singapore	**61.55**	60.86
SMOE Pte Ltd	Singapore	**61.55**	60.86
Environment			
Sembcorp Environment Pte. Ltd. (formerly known as Sembcorp Environmental Management Pte. Ltd.)	Singapore	**100**	100
SembWaste Pte Ltd	Singapore	**100**	100
Industrial Parks			
Sembcorp Industrial Parks Ltd (formerly known as 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 LLP is the auditor of the significant Singapore incorporated subsidiaries and other member firms of KPMG International are auditors of the significant foreign incorporated subsidiaries.

48. 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 2008 %	2007 %
	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			
@@	COSCO Shipyard Group	People's Republic of China	**18.47**	18.26
	Environment			
^^	SembSITA Pacific Pte Ltd	Singapore	**40.00**	40.00
	Industrial Parks			
**	Gallant Venture Ltd	Singapore	**23.92**	23.92
##	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 BDO Shenzhen Dahua Tiancheng Certified Public Accountants
* Audited by Ernst & Young, Abu Dhabi
@@ Audited by Zhongrui Yuehua Certified Public Accountants Co., Ltd
^^ Audited by Ernst & Young LLP
** 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 KPMG Limited, Vietnam
^^^ Audited by KPMG Huazhen Shanghai Branch

Supplementary Information

Year Ended December 31, 2008

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

A. DIRECTORS' AND KEY EXECUTIVES' REMUNERATION

Summary compensation table for the year ended December 31, 2008

Name of Director	Salary[1] S$	Taxable income from share-based compensation[2] S$	Bonus[3] S$	Directors' fees S$	Total S$
Peter Seah Lim Huat	–	21,350	–	185,000	206,350
Tang Kin Fei	869,041	3,992,632	3,992,215	–	8,853,888
Goh Geok Ling	–	40,688	–	113,000	153,688
Richard Hale, OBE	–	113,925	–	137,000	250,925
Yong Ying-I	–	–	–	103,000	103,000
Evert Henkes	–	–	–	100,000	100,000
Lee Suet Fern	–	48,650	–	115,000	163,650
Bobby Chin Yoke Choong	–	–	–	8,250	8,250
K Shanmugam	–	368,938	–	40,000	408,938
	869,041	4,586,183	3,992,215	801,250	10,248,689

Name of Key Executive	Salary[1] S$	Taxable income from share-based compensation[2] S$	Bonus[3] S$	Total S$
Low Sin Leng	522,663	1,159,046	1,588,495	3,270,204
Tan Cheng Guan[4]	553,375	–	147,864	701,239
Paul Gavens	517,976	361,005	269,389	1,148,370
Ngiam Joke Mui	490,063	630,408	1,435,288	2,555,759
Tan Kwi Kin	782,825	4,279,973	60,000	5,122,798
Wong Weng Sun	399,298	1,201,995	30,000	1,631,293
	3,266,200	7,632,427	3,531,036	14,429,663

Notes:

1. The salary amount shown is inclusive of allowances, employer CPF, all fees other than directors' fee and other emoluments.
2. Taxable income from share-based compensation for the Directors and Key Executives are from the Company and a listed subsidiary's share-based compensation during the year. These relate to taxable gains and are not charged to the income statement.
3. The bonus amount shown includes AWS, discretionary bonus and performance target bonus paid during the year.
4. Mr Tan Cheng Guan joined the Company on July 1, 2007. His bonus relates to the period from July 1, 2007 till December 31, 2007. There is no taxable income from share-based compensation for Tan Cheng Guan as share plans granted to him have not yet vested.

Details on the share options, performance shares and restricted stocks granted to the directors are set out in the Share-based Incentive Plans of the Directors' Report.

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

B. INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") are as follows:

	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S$100,000) 2008 S$'000
Sale of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Tuas Power Ltd / PowerSeraya Limited[1]	200,333
– Temasek Capital (Private) Limited and its Associates	20,895
– MediaCorp Pte Ltd and its Associates	5,432
– PSA International Pte Ltd and its Associates	50,061
– National University Hospital (S) Pte Ltd and its Associates	211
– Singapore Power Ltd and its Associates	574
– Certis Cisco Security Pte Ltd	1,832
– Wildlife Reserves Singapore Pte Ltd and its Associates	530
– Singapore Technologies Telemedia Pte Ltd and its Associates	877
– Senoko Power Ltd	849
– Mapletree Investments Pte Ltd and its Associates	6,148
	287,742
Starhub Ltd and its Associates	8,900
Singapore Airlines Limited and its Associates	7,660
SNP Corporation Ltd and its Associates	492
Singapore Food Industries Ltd and its Associates	233
Singapore Telecommunications Ltd and its Associates	363
SMRT Corporation Ltd and its Associates	418
	305,808
Purchase of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates[2]	822,952
– Singapore Power Ltd and its Associates	6,596
– Surbana Corporation Pte Ltd and its Associates	222
	829,770
Singapore Technologies Engineering Ltd and its Associates	8,578
CapitaLand Ltd and its Associates	415
	838,763
Total interested person transactions	**1,144,571**

Notes:

1. This relates mainly to the sale of gas by Sembcorp Gas Pte Ltd to Tuas Power Ltd and PowerSeraya Limited for the generation of electricity.
2. This relates mainly to the purchase of gas by Sembcorp Cogen Pte Ltd from Sembcorp Gas Pte Ltd for the generation of electricity.

There was no transaction which was not conducted under the shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual during the period January 1, 2008 to December 31, 2008.

EVA Statement

Year Ended December 31, 2008

	Note	2008 S$'000	2007 S$'000
Net operating profit before income tax expense		**735,849**	633,910
Adjust for:			
Share of associates' and joint ventures' profits		**139,846**	174,631
Interest expense	1	**47,521**	57,783
Others	2	**5,199**	2,397
Adjusted profit before interest and tax		**928,415**	868,721
Cash operating taxes	3	**(104,536)**	(138,242)
Net operating profit after tax (NOPAT)		**823,879**	730,479
Average capital employed	4	**5,419,183**	5,158,888
Weighted average cost of capital	5	**5.8%**	6.1%
Capital charge		**313,221**	313,372
Economic Value Added (EVA)		**510,658**	417,107
Minority share of EVA		**(174,888)**	(77,068)
EVA attributable to shareholders		**335,770**	340,039
Less: Unusual Items (UI) Gains	6	**9,810**	208,123
EVA attributable to shareholders (exclude UI)		**325,960**	131,916

Notes:

1. Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to income statement upon disposal of the assets.

2. Other adjustments include recovery of investment costs, timing difference of allowances made for / (write-back) of doubtful debts, inventory obsolescence and goodwill written off / impaired and construction-in-progress.

3. The reported current tax is adjusted for the statutory tax impact of interest expense.

4. Monthly average total assets less non interest-bearing liabilities plus timing provision, goodwill written off / impaired and present value of operating leases.

	2008 S$'000	2007 S$'000
Major Capital Components:		
Fixed assets	**2,757,086**	2,740,085
Investments	**1,116,191**	1,231,615
Other long-term assets	**803,711**	512,148
Net working capital and long-term liabilities	**742,195**	675,040
Average capital employed	**5,419,183**	5,158,888

5. The Weighted Average Cost of Capital is calculated in accordance with Sembcorp Industries Ltd Group EVA Policy as follows:

   i. Cost of Equity using Capital Asset Pricing Model with market risk premium at 6.0% (2007: 6.0%);

   ii. Risk-free rate of 2.74% (2007: 3.05%) based on yield-to-maturity of Singapore Government 10-years Bonds;

   iii. Ungeared beta ranging from 0.5 to 1.0 (2007: 0.5 to 1.0) based on Sembcorp Industries Ltd risk categorisation; and

   iv. Cost of Debt rate at 3.53% (2007: 4.12%) using 5-year Singapore Dollar Swap Offer Rate plus 55 basis points (2007: 5-year Singapore Dollar Swap Offer Rate plus 75 basis points).

6. Unusual items ("UI") refer to divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major fixed assets.

Shareholders' Information

STATISTICS OF SHAREHOLDERS AS OF FEBRUARY 23, 2009

Issued and fully paid-up capital	: S$554,036,964.88
Number of issued shares	: 1,785,351,540
Number of shareholders	: 27,041
Class of shares	: Ordinary shares with equal voting rights@

SHAREHOLDINGS HELD BY THE PUBLIC

Based on information available to the company as of February 23, 2009, 50.26%** of the issued ordinary shares of the company is held by the public and therefore, the company has complied with Rule 723 of the SGX-ST Listing Manual.

Substantial Shareholders	Direct Interest	Indirect Interest	Total	%**
Temasek Holdings (Private) Limited	871,200,328	12,718,760*	883,919,088	49.74

TOP 20 SHAREHOLDERS AS OF FEBRUARY 23, 2009

No.	Name	No. of Ordinary Shares Held	%**
1	Temasek Holdings (Private) Limited	871,200,328	49.02
2	DBS Nominees Pte Ltd	255,437,332	14.37
3	DBSN Services Pte Ltd	180,721,777	10.17
4	Citibank Nominees S'pore Pte Ltd	96,436,030	5.43
5	HSBC (Singapore) Nominees Pte Ltd	81,646,098	4.60
6	United Overseas Bank Nominees Pte Ltd	51,336,923	2.89
7	Raffles Nominees Pte Ltd	16,359,849	0.92
8	Startree Investments Pte Ltd	9,400,000	0.53
9	DB Nominees (S) Pte Ltd	7,372,372	0.42
10	OCBC Nominees Singapore Pte Ltd	7,148,367	0.40
11	Morgan Stanley Asia (S'pore) Pte Ltd	5,510,661	0.31
12	Oversea Chinese Bank Nominees Pte Ltd	4,234,550	0.24
13	TM Asia Life Singapore Ltd-Par Fund	3,390,580	0.19
14	Tang Kin Fei	2,354,011	0.13
15	Merrill Lynch (S'pore) Pte Ltd	2,221,621	0.13
16	BNP Paribas Nominees S'pore Pte Ltd	2,187,334	0.12
17	Royal Bank Of Canada (Asia) Ltd	2,118,000	0.12
18	Phillip Securities Pte Ltd	1,671,195	0.09
19	DBS Vickers Securities (S) Pte Ltd	1,361,715	0.08
20	Low Sin Leng	1,314,227	0.07
		1,603,422,970	90.23

@ Ordinary shares purchased and held as treasury shares by the Company will have no voting rights.

* Temasek is deemed to be interested in the 12,718,760 shares held by its other subsidiaries.

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as of February 23, 2009 excluding 8,249,992 ordinary shares held as treasury shares as at that date.

ANALYSIS OF SHAREHOLDINGS AS OF FEBRUARY 23, 2009

Range of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares Held	%
1 – 999	2,945	10.89	1,642,354	0.09
1,000 – 10,000	21,268	78.65	71,840,590	4.02
10,001 – 1,000,000	2,805	10.37	97,942,364	5.49
1,000,001 and above	23	0.09	1,613,926,232	90.40
	27,041	100.00	1,785,351,540	100.00

Corporate Information

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BOARD OF DIRECTORS
Peter Seah Lim Huat
Chairman

Tang Kin Fei
Group President & CEO

Goh Geok Ling
Richard Hale, OBE
Yong Ying-I
Evert Henkes
Lee Suet Fern
Bobby Chin Yoke Choong

EXECUTIVE COMMITTEE
Peter Seah Lim Huat
Chairman

Goh Geok Ling
Tang Kin Fei

AUDIT COMMITTEE
Richard Hale, OBE
Chairman

Lee Suet Fern
Yong Ying-I
Bobby Chin Yoke Choong

EXECUTIVE RESOURCE & COMPENSATION COMMITTEE
Peter Seah Lim Huat
Chairman

Goh Geok Ling

NOMINATING COMMITTEE
Peter Seah Lim Huat
Chairman

Goh Geok Ling

RISK COMMITTEE
Richard Hale, OBE
Chairman

Lee Suet Fern
Yong Ying-I

COMPANY SECRETARY
Kwong Sook May

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Capital Tower
Singapore 068912

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Standard Chartered Bank
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Singapore 049909

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Partner-in-Charge: Yap Chee Meng
(Appointed during the financial year ended December 31, 2008)