

Financial Statements

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Directors' Report

Year Ended December 31, 2009

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, 2009.

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

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:

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year	At end of the year	At 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
			of the year	of the year	21/01/2010	of the year	of the year	21/01/2010
Peter Seah Lim Huat								
Sembcorp Industries Ltd	Ordinary shares		168,000	225,697	225,697	-	-	-
	Options to subscribe for ordinary shares at - \$0.99 per share	18/05/2005 to 17/05/2009	17,500	-	-	-	-	-
	- \$1.16 per share	23/11/2005 to 22/11/2009	35,000	-	-	-	-	-
	- \$2.37 per share	02/07/2006 to 01/07/2010	35,000	35,000	35,000	-	-	-
	- \$2.36 per share	22/11/2006 to 21/11/2010	52,500	52,500	52,500	-	-	-
	- \$2.52 per share	10/06/2007 to 09/06/2011	105,000	105,000	105,000	-	-	-

Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year	At end of the year	At 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
			of the year	of the year	21/01/2010	of the year	of the year	21/01/2010
Peter Seah Lim Huat (cont'd)								
Sembcorp Industries Ltd	Conditional award of: - 23,984 restricted stocks to be delivered after 2008 (Note 2b(ii))		Up to 31,179	10,393	10,393	-	-	-
	- 23,500 restricted stocks to be delivered after 2009 (Note 3a)		Up to 35,250	Up to 35,250	Up to 35,250	-	-	-
	- 23,500 restricted stocks to be delivered after 2010 (Note 3b)		-	Up to 35,250	Up to 35,250	-	-	-

Tang Kin Fei

Sembcorp Industries Ltd	Ordinary shares		2,354,011	2,782,084	2,782,084	-	-	-
	Options to subscribe for ordinary shares at - \$0.99 per share	18/05/2005 to 17/05/2014	50,000	-	-	-	-	-
	- \$1.16 per share	23/11/2005 to 22/11/2014	50,000	-	-	-	-	-
	- \$2.37 per share	02/07/2006 to 01/07/2015	150,000	150,000	150,000	-	-	-
	- \$2.36 per share	22/11/2006 to 21/11/2015	150,000	150,000	150,000	-	-	-
	- \$2.52 per share	10/06/2007 to 09/06/2016	300,000	300,000	300,000	-	-	-
	Conditional award of: - 428,244 performance shares to be delivered after 2008 (Note 1a)		Up to 642,366	-	-	-	-	-
	- 408,240 performance shares to be delivered after 2009 (Note 1b)		Up to 612,360	Up to 612,360	Up to 612,360	-	-	-
	- 400,000 performance shares to be delivered after 2010 (Note 1c)		Up to 600,000	Up to 600,000	Up to 600,000	-	-	-

Directors' Report

Year Ended December 31, 2009

Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year	At end of the year	At 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
Tang Kin Fei (cont'd)								
Sembcorp Industries Ltd	Conditional award of: – 400,000 performance shares to be delivered after 2011 (Note 1d)		–	Up to 600,000	Up to 600,000	–	–	–
	– 70,189 restricted stocks to be delivered after 2007 (Note 2a)		60,830	30,414	30,414	–	–	–
	– 128,596 restricted stocks to be delivered after 2008 (Note 2b(ii))		Up to 167,175	55,724	55,724	–	–	–
	– 126,000 restricted stocks to be delivered after 2009 (Note 3a)		Up to 189,000	Up to 189,000	Up to 189,000	–	–	–
	– 126,000 restricted stocks to be delivered after 2010 (Note 3b)		–	Up to 189,000	Up to 189,000	–	–	–
Sembcorp Marine Ltd	Ordinary shares		45,500	53,690	53,690	–	–	–
	Options to subscribe for ordinary shares at – \$2.11 per share	12/08/2006 to 11/08/2010	7,000	7,000	7,000	–	–	–
	– \$2.38 per share	03/10/2007 to 02/10/2011	73,500	73,500	73,500	–	–	–
	Conditional award of: – 18,900 restricted stocks to be delivered after 2008 (Note 2b(iii))		Up to 24,570	16,380	16,380	–	–	–
	– 12,000 restricted stocks to be delivered after 2009 (Note 3a)		Up to 18,000	Up to 18,000	Up to 18,000	–	–	–
	– 17,000 restricted stocks to be delivered after 2010 (Note 3b)		–	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			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year	At end of the year	At 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
Tang Kin Fei (cont'd)								
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes Due 2014 issued under Medium Term Note Programme (Note 4)		–	Principal amount: S\$500,000	Principal amount: S\$500,000	–	–	–
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		299,600	327,630	327,630	47,000	47,000	47,000
	Options to subscribe for ordinary shares at – \$0.99 per share	18/05/2005 to 17/05/2009	12,500	–	–	–	–	–
	– \$1.16 per share	23/11/2005 to 22/11/2009	12,500	–	–	–	–	–
	– \$2.37 per share	02/07/2006 to 01/07/2010	26,250	26,250	26,250	–	–	–
	– \$2.36 per share	22/11/2006 to 21/11/2010	26,250	26,250	26,250	–	–	–
	– \$2.52 per share	10/06/2007 to 09/06/2011	70,000	70,000	70,000	–	–	–
	Conditional award of: – 13,982 restricted stocks to be delivered after 2008 (Note 2b(iv))		Up to 18,177	6,058	6,058	–	–	–
	– 13,700 restricted stocks to be delivered after 2009 (Note 3a)		Up to 20,550	Up to 20,550	Up to 20,550	–	–	–
	– 13,700 restricted stocks to be delivered after 2010 (Note 3b)		–	Up to 20,550	Up to 20,550	–	–	–
Sembcorp Marine Ltd	Ordinary shares		–	13,347	13,347	–	–	–
	Options to subscribe for ordinary shares at – \$2.38 per share	03/10/2007 to 02/10/2011	196,000	196,000	196,000	–	–	–

Directors' Report

Year Ended December 31, 2009

Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year	At end of the year	At 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
Goh Geok Ling (cont'd)								
Sembcorp Marine Ltd	Conditional award of: – 30,800 restricted stocks to be delivered after 2008 (Note 2b(v))		Up to 40,040	26,693	26,693	–	–	–
	– 22,000 restricted stocks to be delivered after 2009 (Note 3a)		Up to 33,000	Up to 33,000	Up to 33,000	–	–	–
	– 29,000 restricted stocks to be delivered after 2010 (Note 3b)		–	Up to 43,500	Up to 43,500	–	–	–
Richard Hale, OBE								
Sembcorp Industries Ltd	Ordinary shares		182,500	238,760	238,760	–	–	–
	Options to subscribe for ordinary shares at – \$0.99 per share	18/05/2005 to 17/05/2009	26,250	–	–	–	–	–
	– \$1.16 per share	23/11/2005 to 22/11/2009	26,250	–	–	–	–	–
	– \$2.37 per share	02/07/2006 to 01/07/2010	26,250	26,250	26,250	–	–	–
	– \$2.36 per share	22/11/2006 to 21/11/2010	35,000	35,000	35,000	–	–	–
	– \$2.52 per share	10/06/2007 to 09/06/2011	140,000	140,000	140,000	–	–	–
	Conditional award of: – 17,350 restricted stocks to be delivered after 2008 (Note 2b(vi))		Up to 22,555	7,518	7,518	–	–	–
	– 17,000 restricted stocks to be delivered after 2009 (Note 3a)		Up to 25,500	Up to 25,500	Up to 25,500	–	–	–
	– 17,000 restricted stocks to be delivered after 2010 (Note 3b)		–	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			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year	At end of the year	At 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
Richard Hale, OBE (cont'd)								
Sembcorp Marine Ltd	Conditional award of: – 22,000 restricted stocks to be delivered after 2010 (Note 3b)		–	Up to 33,000	Up to 33,000	–	–	–
Yong Ying-I								
Sembcorp Industries Ltd	Ordinary shares		300,000	300,000	300,000	–	–	–
Evert Henkes								
Sembcorp Industries Ltd	Ordinary shares		–	69,298	69,298	–	–	–
	Options to subscribe for ordinary shares at – \$0.99 per share	18/05/2005 to 17/05/2009	12,000	–	–	–	–	–
	– \$1.16 per share	23/11/2005 to 22/11/2009	12,000	–	–	–	–	–
	– \$2.37 per share	02/07/2006 to 01/07/2010	17,500	4,375	4,375	–	–	–
	– \$2.36 per share	22/11/2006 to 21/11/2010	17,500	4,375	4,375	–	–	–
	– \$2.52 per share	10/06/2007 to 09/06/2011	35,000	17,500	17,500	–	–	–
	Conditional award of: – 7,144 restricted stocks to be delivered after 2008 (Note 2b(vii))		Up to 9,287	3,096	3,096	–	–	–
	– 7,000 restricted stocks to be delivered after 2009 (Note 3a)		Up to 10,500	Up to 10,500	Up to 10,500	–	–	–
	– 7,000 restricted stocks to be delivered after 2010 (Note 3b)		–	Up to 10,500	Up to 10,500	–	–	–

Directors' Report

Year Ended December 31, 2009

Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year	At end of the year	21/01/2010	At beginning of the year	At end of the year	21/01/2010
Lee Suet Fern								
Sembcorp Industries Ltd	Ordinary Shares		35,000	38,030	38,030	-	-	-
	Options to subscribe for ordinary shares at - S\$2.36 per share	22/11/2006 to 21/11/2010	17,500	17,500	17,500	-	-	-
	- S\$2.52 per share	10/06/2007 to 09/06/2011	52,500	52,500	52,500	-	-	-
	Conditional award of:							
	- 13,982 restricted stocks to be delivered after 2008 (Note 2b(viii))		Up to 18,177	6,058	6,058	-	-	-
	- 13,700 restricted stocks to be delivered after 2009 (Note 3a)		Up to 20,550	Up to 20,550	Up to 20,550	-	-	-
	- 13,700 restricted stocks to be delivered after 2010 (Note 3b)		-	Up to 20,550	Up to 20,550	-	-	-
Bobby Chin Yoke Choong								
Sembcorp Industries Ltd	Conditional award of:							
	- 11,000 restricted stocks to be delivered after 2010 (Note 3b)		-	Up to 16,500	Up to 16,500	-	-	-

Directors' Interests (cont'd)

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 threshold 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.

- Period from 2006 to 2008*
- Period from 2007 to 2009
- Period from 2008 to 2010
- Period from 2009 to 2011

* For this period, 269,794 shares were released to Tang Kin Fei on March 27, 2009. The balance of the conditional awards covering the period has thus lapsed.

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 threshold 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.

- Period from 2006 to 2007*
- Period from 2007 to 2008*

* For this period, 30,416 shares (2nd release of the 1/3 of the 91,246 shares) were released to Tang Kin Fei on March 27, 2009 and the remaining 30,414 shares will be released in year 2010. The 1st release of 30,416 shares has been released on March 28, 2008.

- For this period, 5,197 shares (1/3 of the 15,590 shares) were released to Peter Seah Lim Huat on March 27, 2009 and the remaining 10,393 shares will be released in year 2010/2011.
- For this period, 27,863 shares (1/3 of the 83,587 shares) were released to Tang Kin Fei on March 27, 2009 and the remaining 55,724 shares will be released in year 2010/2011.
- For this period, 8,190 shares (1/3 of the 24,570 shares) were released to Tang Kin Fei on March 30, 2009 and the remaining 16,380 shares will be released in year 2010/2011.
- For this period, 3,030 shares (1/3 of the 9,088 shares) were released to Goh Geok Ling on March 27, 2009 and the remaining 6,058 shares will be released in year 2010/2011.
- For this period, 13,347 shares (1/3 of the 40,040 shares) were released to Goh Geok Ling on March 30, 2009 and the remaining 26,693 shares will be released in year 2010/2011.
- For this period, 3,760 shares (1/3 of the 11,278 shares) were released to Richard Hale on March 27, 2009 and the remaining 7,518 shares will be released in year 2010/2011.
- For this period, 1,548 shares (1/3 of the 4,644 shares) were released to Evert Henkes on March 27, 2009 and the remaining 3,096 shares will be released in year 2010/2011.
- For this period, 3,030 shares (1/3 of the 9,088 shares) were released to Lee Suet Fern on March 27, 2009 and the remaining 6,058 shares will be released in year 2010/2011.

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 as indicated below. Achievement of targets below threshold 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.

- Period from 2008 to 2009
- Period from 2009 to 2010

Note 4: Fixed Rate Notes Due 2014 issued under the Medium Term Note Programme of Sembcorp Financial Services Pte Ltd, a related company of Sembcorp Industries Group.

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

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

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

Directors' Report

Year Ended December 31, 2009

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.

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.

Share-based Incentive Plans (cont'd)

a. Share Option Plan (cont'd)

Other information regarding the Share Option Plan is as follows:

- 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.
- After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.
- In 2009, all options were settled by the issuance of treasury shares.

The options granted expire after 5 years for non-executive directors and associated company's employees, and 10 years for the employees of the Group.

v. Sembcorp Industries 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 2009

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2009	Options exercised	Options		Options outstanding at Dec 31, 2009	Number of options holders / (including directors) at Dec 31, 2009	Exercise period
				cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2009			
26/06/2000	S\$1.63	225,323	-	(36,600)	188,723	35 / (-)	27/06/2001 to 26/06/2010	
24/07/2000	S\$1.90	175,175	(27,870)	(147,305)	-	- / (-)	20/05/2001 to 19/05/2009	
24/07/2000	S\$1.76	34,065	(34,065)	-	-	- / (-)	16/09/2001 to 15/09/2009	
19/04/2001	S\$1.19	169,350	(8,000)	(38,600)	122,750	15 / (-)	20/04/2002 to 19/04/2011	
07/05/2002	S\$1.23	222,125	(21,000)	(12,000)	189,125	35 / (-)	08/05/2003 to 07/05/2012	
17/10/2002	S\$0.62	95,875	(1,625)	(3,000)	91,250	15 / (-)	18/10/2003 to 17/10/2012	
02/06/2003	S\$0.78	116,100	(10,875)	-	105,225	25 / (-)	03/06/2004 to 02/06/2013	
18/11/2003	S\$0.93	157,750	(27,625)	-	130,125	35 / (-)	19/11/2004 to 18/11/2013	
17/05/2004	S\$0.99	68,750	(68,250)	(500)	-	- / (-)	18/05/2005 to 17/05/2009	
17/05/2004	S\$0.99	611,650	(319,375)	-	292,275	68 / (-)	18/05/2005 to 17/05/2014	
22/11/2004	S\$1.16	88,250	(85,750)	(2,500)	-	- / (-)	23/11/2005 to 22/11/2009	
22/11/2004	S\$1.16	851,900	(473,625)	(2,000)	376,275	86 / (-)	23/11/2005 to 22/11/2014	
01/07/2005	S\$2.37	105,000	(13,125)	-	91,875	4 / (4)	02/07/2006 to 01/07/2010	
01/07/2005	S\$2.37	1,683,197	(271,495)	(94,750)	1,316,952	232 / (1)	02/07/2006 to 01/07/2015	
21/11/2005	S\$2.36	148,750	(13,125)	-	135,625	5 / (5)	22/11/2006 to 21/11/2010	
21/11/2005	S\$2.36	1,998,870	(325,419)	(123,375)	1,550,076	293 / (1)	22/11/2006 to 21/11/2015	
09/06/2006	S\$2.52	402,500	(17,500)	-	385,000	5 / (5)	10/06/2007 to 09/06/2011	
09/06/2006	S\$2.52	3,378,950	(414,315)	(222,500)	2,742,135	452 / (1)	10/06/2007 to 09/06/2016	
		10,533,580	(2,133,039)	(683,130)	7,717,411			

Directors' Report

Year Ended December 31, 2009

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 2008

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2008	Options		Options outstanding at Dec 31, 2008	Number of options holders / (including directors) at Dec 31, 2008	Exercise period
			exercised	cancelled / lapsed / not accepted			
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)

The details of options of the Company awarded / exercised since commencement of the Scheme (aggregate) to December 31, 2009 are as follows:

Option participants	Aggregate options			
	Aggregate options granted	cancelled / lapsed / not accepted	Aggregate options exercised	Aggregate options outstanding
Directors				
Peter Seah Lim Huat	980,000	-	(787,500)	192,500
Tang Kin Fei	3,444,052	(607,759) ¹	(2,236,293)	600,000
Goh Geok Ling	370,000	-	(247,500)	122,500
Richard Hale, OBE	490,000	-	(288,750)	201,250
Yong Ying-I	235,000	(235,000) ²	-	-
Evert Henkes	94,000	-	(67,750)	26,250
Lee Suet Fern	105,000	-	(35,000)	70,000
Other executives				
Group	149,771,742	(69,045,338)	(74,246,493)	6,479,911
Associated company	748,600	(215,100)	(533,500)	-
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	(72,339,525)	(85,391,536)	7,717,411

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

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

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

Directors' Report

Year Ended December 31, 2009

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 2009

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2009		Options cancelled / lapsed / not accepted		Options outstanding exercisable at Dec 31, 2009		Exercise period	
		Options exercised	Options not accepted	Options exercised	Options not accepted	Options exercisable at Dec 31, 2009	Options exercisable at Dec 31, 2009		
08/09/2000	S\$0.50	191,170	-	-	-	191,170	191,170	191,170	08/09/2001 to 07/09/2010
27/09/2001	S\$0.47	178,710	(79,100)	-	-	99,610	178,710	99,610	28/09/2002 to 27/09/2011
07/11/2002	S\$0.64	335,700	(14,650)	(12,600)	-	308,450	335,700	308,450	08/11/2003 to 07/11/2012
08/08/2003	S\$0.71	1,015,270	(113,250)	(23,800)	-	878,220	1,015,270	878,220	09/08/2004 to 08/08/2013
10/08/2004	S\$0.74	52,500	(52,500)	-	-	-	52,500	-	11/08/2005 to 10/08/2009
10/08/2004	S\$0.74	3,586,885	(956,607)	(32,000)	-	2,598,278	3,586,885	2,598,278	11/08/2005 to 10/08/2014
11/08/2005	S\$2.11	250,250	(47,250)	-	-	203,000	147,000	203,000	12/08/2006 to 11/08/2010
11/08/2005	S\$2.11	9,703,475	(2,589,438)	(78,250)	-	7,035,787	5,348,775	7,035,787	12/08/2006 to 11/08/2015
02/10/2006	S\$2.38	649,250	(61,250)	-	-	588,000	281,750	453,250	03/10/2007 to 02/10/2011
02/10/2006	S\$2.38	9,955,834	(1,450,621)	(169,560)	-	8,335,653	4,318,857	5,774,379	03/10/2007 to 02/10/2016
		25,919,044	(5,364,666)	(316,210)		20,238,168	15,456,617	17,542,144	

Sembcorp Marine Ltd Ordinary shares 2008

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2008		Options cancelled / lapsed / not accepted		Options outstanding exercisable at Dec 31, 2008		Exercise period	
		Options exercised	Options not accepted	Options exercised	Options not accepted	Options exercisable at Dec 31, 2008	Options exercisable at Dec 31, 2008		
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	S\$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	

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. A minimum 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.

From 2009, the Performance Share Plan was enhanced to create alignment between senior management and other employees at the time of vesting by introducing a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2009 to 2011 will be vested to the senior management participants only if the restricted stocks for the performance period 2010 to 2011 are vested, subject to the achievement of the performance conditions for the respective performance periods.

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

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) are as follows:

	Aggregate					
	Aggregate conditional performance shares awarded during the year	Aggregate conditional performance shares awarded	Aggregate conditional performance shares awarded due to modification	Aggregate conditional performance shares released	Aggregate conditional performance shares lapsed	Aggregate conditional performance shares outstanding
2009						
Director of the Company:						
Tang Kin Fei	400,000	2,640,000	73,720	(1,201,034)	(518,364)	1,208,240
Key executives of the Group	570,000	6,125,000	69,989	(1,630,795)	(3,313,404)	1,432,622
	970,000	8,765,000	143,709	(2,831,829)	(3,831,768)	2,640,862
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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2006 to 2008, a total of 476,730 (2008: 1,176,549) performance shares were released via the issuance of treasury shares.

Directors' Report

Year Ended December 31, 2009

Share-based Incentive Plans (cont'd)

b. Performance Share Plan (cont'd)

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

In 2008, there were additional 395,750 performance shares awarded for the over-achievement of the performance targets.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2009, was 2,640,862 (2008: 2,740,764). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,961,293 (2008: 4,111,146) 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) are as follows:

	2009	2008
Conditional performance shares awarded during the year	545,000	790,000
Aggregate original conditional performance shares awarded	6,560,000	5,215,000
Aggregate conditional performance shares released	(3,594,500)	(2,721,900)
Aggregate conditional performance shares lapsed	(1,193,000)	(425,600)
Aggregate conditional performance shares outstanding	2,315,000	2,610,000

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

In 2008, there were additional 542,500 performance shares awarded for the over-achievement of the performance targets.

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 2009 was 2,315,000 (2008: 2,610,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,472,500 (2008: 3,915,000) performance shares.

c. Restricted Stock Plan

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 for the restricted stocks are calibrated based on Return on Total Assets and Total Shareholder Return for awards granted before 2009 and Return on Total Assets (excluding Sembcorp Marine Ltd) and Earnings Before Interest and Taxes (excluding Sembcorp Marine Ltd) for awards granted in 2009.

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.

Share-based Incentive Plans (cont'd)

c. Restricted Stock Plan (cont'd)

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

i. Sembcorp Industries Ltd Restricted Stocks

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

	Aggregate					
	Conditional restricted stocks awarded during the year	original conditional stocks awarded	restricted stocks awarded due to modification	Aggregate conditional stocks released	Aggregate conditional stocks lapsed	Aggregate conditional stocks outstanding
2009						
Directors of the Company:						
Peter Seah Lim Huat	23,500	70,500	484	(5,197)	(8,394)	57,393
Tang Kin Fei	126,000	444,000	6,785	(88,695)	(45,009)	338,138
Goh Geok Ling	13,700	41,100	282	(3,030)	(4,894)	33,458
Richard Hale, OBE	17,000	51,000	350	(3,760)	(6,072)	41,518
Evert Henkes	7,000	21,000	144	(1,548)	(2,500)	17,096
Lee Suet Fern	13,700	41,100	282	(3,030)	(4,894)	33,458
Bobby Chin Yoke Choong	11,000	11,000	-	-	-	11,000
Other executives of the Group	2,012,500	6,740,600	93,425	(1,082,459)	(1,503,517)	4,506,785
	2,224,400	7,420,300	101,752	(1,187,719)	(1,575,280)	5,038,846
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

Directors' Report

Year Ended December 31, 2009

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 2007 to 2008, a total of 392,617 restricted stocks were released. For awards in relation to the performance period 2006 to 2007, a total of 355,501 (2008: 439,601) restricted stocks were released in 2009. The restricted stocks were released via the issuance of treasury shares.

In 2008, additional 279,793 restricted stocks were awarded for the over-achievement of the performance targets for the performance period 2006 to 2007.

The total number of restricted stocks outstanding, including award(s) achieved but not released, as at end 2009, was 5,038,846 (2008: 4,629,589). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,077,962 (2008: 3,900,597). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,116,943 (2008: 5,491,236) restricted stocks.

Sembcorp Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2008, a total of S\$584,000, equivalent to 252,989 notional restricted stocks, were paid.

A total of 600,000 (2008: 600,000) notional restricted stocks of Sembcorp Industries Ltd's shares were awarded in 2009 for the Sembcorp Challenge Bonus.

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 2009, was 1,200,000 (2008: 1,157,248). 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 1,800,000 (2008: 1,624,422).

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) are as follows:

	Aggregate					
	additional					
	Conditional	Aggregate	conditional	Aggregate	Aggregate	Aggregate
restricted	original	restricted	conditional	conditional	conditional	
stocks awarded	restricted	due to	restricted	restricted	stocks	
Restricted stocks participants	during the year	stocks awarded	bonus issue	stocks released	stocks lapsed	outstanding
2009						
Directors of the Company:						
Tang Kin Fei	17,000	42,500	5,400	(8,190)	-	45,380
Goh Geok Ling	29,000	73,000	8,800	(13,347)	-	77,693
Richard Hale, OBE	22,000	22,000	-	-	-	22,000
Other participants	3,358,330	11,123,170	1,629,952	(3,372,147)	(764,302)	10,261,889
	3,426,330	11,260,670	1,644,152	(3,393,684)	(764,302)	10,406,962

Share-based Incentive Plans (cont'd)

c. Restricted Stock Plan (cont'd)

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

	Aggregate					
	additional					
	Conditional	Aggregate	conditional	Aggregate	Aggregate	Aggregate
restricted	original	restricted	conditional	conditional	conditional	
stocks awarded	restricted	due to	restricted	restricted	restricted	
Restricted stocks participants	during the year	stocks awarded	bonus issue	stocks released	stocks lapsed	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	7,764,840	1,629,952	(708,128)	(485,406)	8,679,151
	3,573,000	7,834,340	1,644,152	(708,128)	(485,406)	8,762,851

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2008, a total of 1,956,117 Sembcorp Marine Ltd's restricted stocks were released via the issuance of treasury shares. For awards in relation to the performance period 2006 to 2007, a total of 729,439 (2008: 708,128) restricted stocks were released in 2009.

In 2009, additional 1,182,233 (2008: 477,893) restricted stocks were awarded for the over-achievement of the performance targets for the performance period 2007 to 2008.

The total number of Sembcorp Marine Ltd's restricted stocks outstanding including award(s) achieved but not released, as at end 2009, was 10,406,962 (2008: 8,762,851). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,709,730 (2008: 7,422,586). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 10,064,595 (2008: 10,339,522) restricted stocks.

Challenge Bonus of a listed subsidiary

With the committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2008, a total of S\$1,679,000, equivalent to 1,203,602 notional restricted stocks, were paid.

A total of 1,130,050 (2008: 957,400) notional restricted stocks of Sembcorp Marine Ltd's shares were awarded in 2009 for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted stocks in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2009, was 1,928,700 (2008: 1,866,248). 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 2,893,050 (2008: 2,606,642).

d. Maximum Number of Shares Issuable

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

Directors' Report

Year Ended December 31, 2009

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

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;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

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

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG 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 25, 2010

Statement by Directors

Year Ended December 31, 2009

In our opinion:

- the financial statements set out on pages 116 to 226 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, 2009, 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
- 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 25, 2010

Independent Auditors' Report

Year Ended December 31, 2009

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, 2009, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 116 to 226.

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 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, 2009 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

Public Accountants and
Certified Public Accountants

Singapore

February 25, 2010

Balance Sheets

As at December 31, 2009

	Note	Group		Company	
		2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000
Equity attributable to shareholders of the Company:					
Share capital	3	554,037	554,037	554,037	554,037
Surplus / (Deficit) in other reserves	5	203,569	(42,381)	(831)	(12,111)
Accumulated profits		2,562,352	2,082,541	1,026,088	879,454
		3,319,958	2,594,197	1,579,294	1,421,380
Minority interests		915,577	670,660	-	-
Total equity		4,235,535	3,264,857	1,579,294	1,421,380
Non-current assets					
Property, plant and equipment	6	2,694,076	2,498,577	482,675	485,403
Investment properties	7	26,603	25,959	-	-
Investments in subsidiaries	8	-	-	1,435,506	1,486,570
Interests in associates	9	618,829	564,388	-	-
Interests in joint ventures	10	311,721	280,816	-	-
Other financial assets	11	193,924	146,080	-	-
Long-term receivables and prepayments	12	349,554	231,401	821	940
Intangible assets	16	114,239	114,771	19,036	19,036
Deferred tax assets	17	27,525	35,217	-	-
		4,336,471	3,897,209	1,938,038	1,991,949
Current assets					
Inventories and work-in-progress	18	1,415,255	949,846	9,335	9,353
Trade and other receivables	19	980,483	1,219,101	251,840	217,379
Assets held for sale	21	657	-	-	-
Cash and cash equivalents	22	2,597,512	2,400,954	261,367	45,541
		4,993,907	4,569,901	522,542	272,273
Current liabilities					
Trade and other payables	23	2,444,545	2,621,434	153,129	316,534
Excess of progress billings over work-in-progress	18	717,409	975,033	-	-
Provisions	27	105,956	63,753	12,878	12,675
Current tax payable		380,598	249,882	-	-
Interest-bearing borrowings	29	284,372	285,768	83	-
		3,932,880	4,195,870	166,090	329,209
Net current assets / (liabilities)		1,061,027	374,031	356,452	(56,936)
		5,397,498	4,271,240	2,294,490	1,935,013
Non-current liabilities					
Deferred tax liabilities	17	315,505	271,960	56,848	50,671
Provisions	27	9,392	10,254	500	500
Retirement benefit obligations	28	12,516	13,552	-	-
Interest-bearing borrowings	29	595,417	522,550	339	-
Other long-term liabilities	30	229,133	188,067	657,509	462,462
		1,161,963	1,006,383	715,196	513,633
		4,235,535	3,264,857	1,579,294	1,421,380

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

Consolidated Income Statement

Year Ended December 31, 2009

	Note	Group	
		2009 S\$'000	2008 S\$'000
Turnover	32	9,572,408	9,928,413
Cost of sales		(8,222,294)	(8,896,422)
Gross profit		1,350,114	1,031,991
General and administrative expenses		(295,063)	(264,599)
Operating profit		1,055,051	767,392
Non-operating income (net)		94,877	12,864
Finance costs	33	(41,186)	(44,407)
Share of results (net of tax) of:			
- Associates		43,629	80,872
- Joint ventures		65,913	45,224
Profit before income tax		1,218,284	861,945
Income tax expense	34	(202,981)	(130,951)
Profit for the year	35	1,015,303	730,994
Attributable to:			
Shareholders of the Company		682,664	507,061
Minority interests		332,639	223,933
Profit for the year		1,015,303	730,994
Earnings per share (cents):	36		
Basic		38.37	28.50
Diluted		38.10	28.27

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

Consolidated Statement of Comprehensive Income

Year Ended December 31, 2009

	Group		
	2009	2008	
	Note	SS'000	SS'000
Profit for the year		1,015,303	730,994
Foreign currency translation differences for foreign operations		(10,562)	(84,439)
Exchange differences on hedges of net investment in foreign operation		(1,744)	-
Exchange differences on monetary items forming part of net investment in foreign operation		(2,145)	-
Net change in fair value of cash flow hedges		127,624	(161,519)
Net change in fair value of cash flow hedges transferred to profit or loss		21,396	(16,270)
Net change in fair value of cash flow hedges transferred to initial carrying value of hedged items		(22)	-
Net change in fair value of available-for-sale financial assets		20,534	(452,965)
Net change in fair value of available-for-sale financial assets transferred to profit or loss		13,210	(725)
Share of other comprehensive income / (loss) of associates and joint ventures		68,699	(76,585)
Other comprehensive income / (loss) for the year (net of tax)	31	236,990	(792,503)
Total comprehensive income / (loss) for the year		1,252,293	(61,509)
Attributable to:			
Shareholders of the Company		894,315	(94,197)
Minority interests		357,978	32,688
Total comprehensive income / (loss) for the year		1,252,293	(61,509)

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

Consolidated Statement of Changes in Equity

Year Ended December 31, 2009

	Attributable to shareholders of the Company							
	Share capital	Reserve for own shares	Other reserves	Currency translation reserve	Accumulated profits	Minority interests	Total	Total equity
At January 1, 2009	554,037	(34,731)	114,000	(121,650)	2,082,541	2,594,197	670,660	3,264,857
Total comprehensive income for the year	-	-	-	-	682,664	682,664	332,639	1,015,303
Other comprehensive income								
Foreign currency translation differences for foreign operations	-	-	-	5,569	-	5,569	(16,131)	(10,562)
Exchange differences on hedges of net investment in foreign operation	-	-	-	(1,744)	-	(1,744)	-	(1,744)
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	-	(2,145)	-	(2,145)	-	(2,145)
Net change in fair value of cash flow hedges	-	-	102,300	-	-	102,300	25,324	127,624
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	18,323	-	-	18,323	3,073	21,396
Net change in fair value of cash flow hedges transferred to initial carrying value of hedged items	-	-	(22)	-	-	(22)	-	(22)
Net change in fair value of available-for-sale financial assets	-	-	12,042	-	-	12,042	8,492	20,534
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	8,657	-	-	8,657	4,553	13,210
Transfer of revenue reserve to capital reserve	-	-	6,891	-	(6,919)	(28)	28	-
Share of other comprehensive income / (loss) of associates and joint ventures	-	-	68,917	-	(218)	68,699	-	68,699
Total other comprehensive income / (loss) for the year	-	-	217,108	1,680	(7,137)	211,651	25,339	236,990
Total comprehensive income for the year	-	-	217,108	1,680	675,527	894,315	357,978	1,252,293

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

Consolidated Statement of Changes in Equity

Year Ended December 31, 2009

Group	Attributable to shareholders of the Company								Attributable to shareholders of the Company								
	Share capital	Reserve		Currency		Accumulated profits	Minority interests	Total equity	Group	Share capital	Reserve		Currency		Accumulated profits	Total equity	Group
		for own shares	Other reserves	translation reserve							for own shares	Other reserves	translation reserve				
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
									At January 1, 2008	551,274	-	676,831	(37,383)	1,842,096	3,032,818	797,211	3,830,029
Transactions with owners, recorded directly in equity									Total comprehensive income for the year								
Issue of shares to minority shareholders of subsidiaries	-	-	-	-	-	-	1,097	1,097	Profit for the year	-	-	-	-	507,061	507,061	223,933	730,994
Share-based payments	-	-	17,573	-	-	17,573	5,928	23,501	Other comprehensive income								
Issue of treasury shares under Share Option Plan	-	8,843	-	-	-	8,843	-	8,843	Foreign currency translation differences for foreign operations	-	-	-	(90,442)	-	(90,442)	6,003	(84,439)
Issue of treasury shares under Performance Share Plan	-	1,753	-	-	-	1,753	-	1,753	Net change in fair value of cash flow hedges	-	-	(136,496)	-	-	(136,496)	(25,023)	(161,519)
Issue of treasury shares under Restricted Stock Plan	-	2,899	-	-	-	2,899	-	2,899	Net change in fair value of cash flow hedges transferred to profit or loss	-	-	(13,231)	-	-	(13,231)	(3,039)	(16,270)
Treasury shares transferred to employees	-	-	(9,667)	-	-	(9,667)	198	(9,469)	Net change in fair value of available-for-sale financial assets	-	-	(278,803)	-	-	(278,803)	(174,162)	(452,965)
Treasury shares held by subsidiary	-	-	6,407	-	-	6,407	4,045	10,452	Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	(725)	-	-	(725)	-	(725)
Realisation of reserve upon disposal of investments and changes in group structure	-	-	(506)	(140)	-	(646)	(14,056)	(14,702)	Share of other comprehensive (loss) / income of associates and joint ventures	-	-	(89,022)	7,461	-	(81,561)	4,976	(76,585)
Final one-tier tax exempt dividend paid of 11.0 cents per share in respect of year 2008	-	-	-	-	(195,716)	(195,716)	-	(195,716)	Total other comprehensive loss for the year	-	-	(518,277)	(82,981)	-	(601,258)	(191,245)	(792,503)
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	(110,273)	(110,273)	Total comprehensive (loss) / income for the year	-	-	(518,277)	(82,981)	507,061	(94,197)	32,688	(61,509)
Total transactions with owners	-	13,495	13,807	(140)	(195,716)	(168,554)	(113,061)	(281,615)									
At December 31, 2009	554,037	(21,236)	344,915	(120,110)	2,562,352	3,319,958	915,577	4,235,535									

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.

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

Consolidated Statement of Changes in Equity

Year Ended December 31, 2009

Consolidated Statement of Cash Flows

Year Ended December 31, 2009

Attributable to shareholders of the Company									Group		
									2009	2008	
									S\$'000	S\$'000	
Group	Share capital	Reserve for own shares	Other reserves	Currency translation reserve	Accumulated profits	Total	Minority interests	Total equity			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000			
Transactions with owners recorded directly in equity									Cash Flows from Operating Activities		
Issue of shares under Share Option Plan	2,763	-	-	-	-	2,763	-	2,763	Profit for the year	1,015,303	730,994
Issue of shares to minority shareholders of subsidiaries	-	-	-	-	-	-	10,778	10,778	Adjustments for:		
Share-based payments	-	-	18,134	-	-	18,134	5,003	23,137	Dividend and interest income	(42,353)	(45,543)
Purchase of treasury shares	-	(50,825)	-	-	-	(50,825)	-	(50,825)	Finance costs	41,186	44,407
Issue of treasury shares under Share Option Plan	-	9,285	-	-	-	9,285	-	9,285	Depreciation and amortisation	199,703	195,069
Issue of treasury shares under Performance Share Plan	-	4,958	-	-	-	4,958	-	4,958	Share of results of associates and joint ventures	(109,542)	(126,096)
Issue of treasury shares under Restricted Stock Plan	-	1,851	-	-	-	1,851	-	1,851	Gain on disposal of property, plant and equipment and investment properties	(1,794)	(18,393)
Treasury shares transferred to employees	-	-	(12,087)	-	-	(12,087)	(10,874)	(22,961)	(Gain) / loss on disposal of other financial assets (net)	(3,853)	38,697
Treasury shares held by subsidiary	-	-	(50,982)	-	-	(50,982)	(21,476)	(72,458)	Allowance made for doubtful debts and bad debts written off (net)	450	1,528
Realisation of reserve upon disposal of investments and changes in group structure	-	-	381	(1,286)	274	(631)	(12,702)	(13,333)	Allowance made for stock obsolescence and inventories written off	430	2,465
Final one-tier tax exempt dividend paid of 15.0 cents per share in respect of year 2007	-	-	-	-	(266,890)	(266,890)	-	(266,890)	Change in fair value of financial instruments	(2,475)	37,935
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	(129,968)	(129,968)	Share-based expenses	27,996	31,253
Total transaction with owners	2,763	(34,731)	(44,554)	(1,286)	(266,616)	(344,424)	(159,239)	(503,663)	Allowance made for impairment in value of assets and assets written off (net)	33,239	10,883
At December 31, 2008	554,037	(34,731)	114,000	(121,650)	2,082,541	2,594,197	670,660	3,264,857	Negative goodwill	(298)	-
									Income tax expense (Note 34)	202,981	130,951
									Operating profit before working capital changes	1,360,973	1,034,150
									Changes in working capital:		
									Inventories and work-in-progress	(723,148)	1,114,381
									Receivables	163,778	6,803
									Payables	163,052	195,370
										964,655	2,350,704
									Net payment to banks for Unauthorised Transactions (Note 35(d))	-	(43,749)
									Income taxes paid	(31,882)	(45,546)
									Net cash inflow from operating activities	932,773	2,261,409

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.

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Consolidated Statement of Cash Flows

Year Ended December 31, 2009

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

	Group		Group	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Cash Flows from Investing Activities				
Dividends and interests received	98,871	120,720		
Cash flows on sale of subsidiaries, net of cash disposed of	14	2,124		
Proceeds from sale of associates and joint ventures	3,628	1,818		
Proceeds from sale of investments	12,722	8,892		
Proceeds from sale of property, plant and equipment	10,179	93,279		
Proceeds from sale of investment properties	-	317		
Proceeds from sale of asset held for sale	-	26,682		
Loans to associates	(67,259)	-		
Additional interest in associates	(111,885)	-		
Acquisition of minority interest	(13,428)	-		
Acquisition of associates and joint ventures	-	(1,495)		
Acquisition of other financial assets	(32)	-		
Purchase of property, plant and equipment	(407,423)	(361,705)		
Payment for intangible assets	(18)	(6,438)		
Net cash outflow from investing activities	(474,631)	(115,806)		
Cash Flows from Financing Activities				
Proceeds from share issue	-	2,763		
Proceeds from share issue to minority shareholders of subsidiaries	1,097	10,778		
Proceeds from ESOS exercised with issue of treasury shares	3,434	3,948		
Proceeds from ESOS exercised with issue of treasury shares to minority shareholders of subsidiaries	10,452	10,915		
Purchase of treasury shares	-	(50,825)		
Purchase of treasury shares by subsidiary	-	(93,745)		
Proceeds from borrowings	827,820	620,126		
Repayment of borrowings	(764,328)	(1,059,198)		
Net (decrease) / increase in other long-term liabilities	(862)	220		
Dividends paid to shareholders of the Company	(195,716)	(266,890)		
Dividends paid to minority shareholders of subsidiaries	(110,273)	(129,968)		
Interest paid	(38,334)	(45,335)		
Net cash outflow from financing activities	(266,710)	(997,211)		
Net increase in cash and cash equivalents	191,432	1,148,392		
Cash and cash equivalents at beginning of the year	2,400,954	1,296,003		
Effect of exchange rate changes on balances held in foreign currency	5,126	(43,441)		
Cash and cash equivalents at end of the year (Note 22)	2,597,512	2,400,954		
			Disposals	
			Non-current assets	246
			Net current assets / (liabilities)	38
			Non-current liabilities	-
			Minority interests	(188)
				96
			Loss on disposal	(14)
			Realisation of currency translation reserve	-
			Total consideration received	82
			Net cash at bank of subsidiaries disposed of	(68)
			Cash inflow on divestment	14
				2,116
				(597)
				824
				2,343
				(219)
				2,124

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

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

Notes to the Financial Statements

Year Ended December 31, 2009

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on February 25, 2010.

1. Domicile and Activities

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

The principal activities of the Company include:

- a. investment holding, as well as the corporate headquarter, 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 energy, water and on-site logistics and services to customers including companies in energy intensive industry clusters. It operates in Singapore, the United Kingdom, China, Vietnam, the United Arab Emirates and Oman.
- 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 integrated 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.

2. Summary of Significant Accounting Policies (cont'd)

a. Basis of Preparation (cont'd)

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

With effect from January 1, 2009, the Group adopted the following new or amended FRS and Interpretations to FRS ("INT FRS") which are relevant to the Group's operations:

FRS 1 (revised 2008)	Presentation of Financial Statements
FRS 23 (revised 2007)	Borrowing Costs
Amendments to FRS 107	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
FRS 108	Operating Segments
INT FRS 116	Hedges of a Net Investment in a Foreign Operation
Improvements to FRSs	

i. Presentation of financial statements

The Group applies revised FRS 1 Presentation of Financial Statements (2008), which became effective as of January 1, 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

ii. Financial instruments: Disclosures

The Group applies the amendments to FRS 107 Financial Instruments: Disclosures, which became effective as of January 1, 2009. As a result, the Group discloses:

- a. how the fair value of its financial instruments are measured using the "three-level hierarchy" and provides additional disclosures about the relative reliability of the fair value measurements; and
- b. the maximum amount of issued financial guarantees in the earliest time period for which the guarantees could be called upon in the contractual maturity analysis. Previously, the Group disclosed the maximum amount of issued financial guarantees in the contractual maturity analysis only if the Group assessed that it is probable that the guarantee would be called upon.

FRS 107 does not require comparative information to be restated and therefore, the contractual maturity analysis for the comparative period has not been represented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

iii. Determination and presentation of operating segments

As of January 1, 2009, the Group determines and presents operating segments based on the information that is provided to the Group President & Chief Executive Officer ("CEO"), who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 108 Operating Segments. Previously operating segments were determined and presented in accordance with FRS 14 Segment Reporting. The new accounting policy in respect of operating segment disclosures is presented as set out in Note 2(x).

The adoption of the above FRS and 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.

Notes to the Financial Statements

Year Ended December 31, 2009

2. Summary of Significant Accounting Policies (cont'd)

b. Consolidation

i. Business Combinations

Business combinations are accounted for using the purchase method with effect from January 1, 2004 upon the adoption of FRS 103. Prior to January 1, 2004, business combinations were accounted for either by the purchase method, or if they were between entities under common control, by the historical cost method similar to the pooling-of-interest method.

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

ii. Subsidiaries

Subsidiaries are those entities 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 an entity 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 entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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.

iii. Acquisitions from Entities under Common Control

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-interest 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.

iv. Associates

Associates are those entities 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 entity.

Associates 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.

2. Summary of Significant Accounting Policies (cont'd)

b. Consolidation (cont'd)

iv. Associates (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.

The results of the associates 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. Joint Ventures

Joint ventures are those entities whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

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 entity.

For incorporated joint ventures, the Group accounts for the joint ventures using the equity method of accounting from the date joint control commences until the day that the joint control ceases.

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

The excess of the Group's interest in the 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.

The results of the 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.

vi. Transactions Eliminated on Consolidation

All significant intra-group balances, transactions, and unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

vii. Accounting for Subsidiaries, Associates and Joint Ventures

Investments in subsidiaries, associates and joint ventures are stated in the Company's balance sheet at cost less accumulated impairment losses.

Notes to the Financial Statements

Year Ended December 31, 2009

2. Summary of Significant Accounting Policies (cont'd)

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 to the respective functional currencies of Group entities at foreign exchange rates 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 other comprehensive income when non-monetary items' gains or losses are recognised directly in other comprehensive income. 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.

iii. Foreign Operations

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

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

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.

2. Summary of Significant Accounting Policies (cont'd)

c. Foreign Currencies (cont'd)

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 foreign currency translation reserve in the consolidated statement of comprehensive income 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 any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

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 costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to the income statement.

iv. Disposals

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

Notes to the Financial Statements

Year Ended December 31, 2009

2. Summary of Significant Accounting Policies (cont'd)

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

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	20 to 60 years or remaining period of lease
Land improvements	20 to 60 years or remaining period of lease
Buildings	10 to 50 years or remaining period of lease
Improvements to premises	3 to 30 years
Quays and dry docks	60 years or remaining period of lease
Floating docks	20 years
Plant and machinery	3 to 30 years
Marine vessels	3 to 20 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' depreciation method, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted as 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 acquired. Goodwill is stated at cost less accumulated impairment losses. Negative goodwill is recognised immediately in the income statement. 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, respectively.

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(m).

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.

Notes to the Financial Statements

Year Ended December 31, 2009

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 30 years.

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

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 Through Profit or Loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit and loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit and loss.

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)).

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

2. Summary of Significant Accounting Policies (cont'd)

g. Financial Assets (cont'd)

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 other comprehensive income. 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 other comprehensive income, 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.

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 recognised on the date that they are originated and 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 other comprehensive income and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income 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 other comprehensive income. 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.

Notes to the Financial Statements

Year Ended December 31, 2009

2. Summary of Significant Accounting Policies (cont'd)

h. Derivatives

Derivative financial instruments are used to manage exposures to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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

i. Hedging Activities

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 other comprehensive income. 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 other comprehensive income 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, then hedge accounting is discontinued prospectively. 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 other comprehensive income. 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 other comprehensive income, 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.

ii. Long-term Contracts

The accounting policy for recognition of contract revenue is set out in Note 2(u)(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.

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.

Notes to the Financial Statements

Year Ended December 31, 2009

2. Summary of Significant Accounting Policies (cont'd)

I. Government Grants

i. 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 fair value or nominal amounts.

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

ii. Jobs Credit Schemes

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised upon receipt. Such grants are provided to defray the wage costs incurred by the Group and are offset against staff costs in the financial statements.

m. 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.

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.

2. Summary of Significant Accounting Policies (cont'd)

n. 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.

o. 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.

p. 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.

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.

Notes to the Financial Statements

Year Ended December 31, 2009

2. Summary of Significant Accounting Policies *(cont'd)*

p. Employee Benefits *(cont'd)*

ii. Defined Benefit Plans *(cont'd)*

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 is 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 reserve for own shares when the options are exercised and treasury shares are issued, or credited to share capital when new shares are issued.

2. Summary of Significant Accounting Policies *(cont'd)*

p. 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 the share price and the 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.

Notes to the Financial Statements

Year Ended December 31, 2009

2. Summary of Significant Accounting Policies (cont'd)

q. Provisions

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

r. 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, or in other comprehensive income.

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 in respect of 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.

s. 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, net of any tax effects.

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.

2. Summary of Significant Accounting Policies (cont'd)

s. Share Capital (cont'd)

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.

t. 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.

u. 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 based on contractual terms stipulated in respective agreements with customers.

Notes to the Financial Statements

Year Ended December 31, 2009

2. Summary of Significant Accounting Policies *(cont'd)*

u. Revenue Recognition *(cont'd)*

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.

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.

v. 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.

w. 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)*

x. Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group President & CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

y. 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).

z. 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	
	2009	2008
Issued and fully paid:		
At the beginning of the year	1,785,351,540	1,783,782,546
Exercise of share options	–	1,568,994
At the end of the year	1,785,351,540	1,785,351,540

- 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.
- As at December 31, 2009, there were 7,717,411 (2008: 10,533,580) unissued ordinary shares granted under the Company's Share Option Plan.
- Movements of the share capital account during the year are set out in the Consolidated Statement of Changes in Equity.

Notes to the Financial Statements

Year Ended December 31, 2009

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 4 years for managers and above for retention purposes.
- iii. In 2009, all options were settled by the issuance of treasury shares.
- iv. The options granted expire after 5 years for non-executive directors and associated company's employees, and 10 years for the employees of the Group.

Notes to the Financial Statements

Year Ended December 31, 2009

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:

Semcorp Industries Ltd
Ordinary shares
2009

Date of grant of options	Exercise price per share	Options				Options		Options exercisable at Dec 31, 2009	Options exercisable at Dec 31, 2009	Proceeds on options exercised during the year credited to share capital S\$'000	Exercise period
		Options outstanding at Jan 1, 2009	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2009	Options exercisable at Jan 1, 2009	Options exercisable at Dec 31, 2009				
26/06/2000	S\$1.63	225,323	–	(36,600)	188,723	225,323	188,723	–	–	27/06/2001 to 26/06/2010	
24/07/2000	S\$1.90	175,175	(27,870)	(147,305)	–	175,175	–	–	–	20/05/2001 to 19/05/2009	
24/07/2000	S\$1.76	34,065	(34,065)	–	–	34,065	–	–	–	16/09/2001 to 15/09/2009	
19/04/2001	S\$1.19	169,350	(8,000)	(38,600)	122,750	169,350	122,750	–	–	20/04/2002 to 19/04/2011	
07/05/2002	S\$1.23	222,125	(21,000)	(12,000)	189,125	222,125	189,125	–	–	08/05/2003 to 07/05/2012	
17/10/2002	S\$0.62	95,875	(1,625)	(3,000)	91,250	95,875	91,250	–	–	18/10/2003 to 17/10/2012	
02/06/2003	S\$0.78	116,100	(10,875)	–	105,225	116,100	105,225	–	–	03/06/2004 to 02/06/2013	
18/11/2003	S\$0.93	157,750	(27,625)	–	130,125	157,750	130,125	–	–	19/11/2004 to 18/11/2013	
17/05/2004	S\$0.99	68,750	(68,250)	(500)	–	68,750	–	–	–	18/05/2005 to 17/05/2009	
17/05/2004	S\$0.99	611,650	(319,375)	–	292,275	611,650	292,275	–	–	18/05/2005 to 17/05/2014	
22/11/2004	S\$1.16	88,250	(85,750)	(2,500)	–	88,250	–	–	–	23/11/2005 to 22/11/2009	
22/11/2004	S\$1.16	851,900	(473,625)	(2,000)	376,275	851,900	376,275	–	–	23/11/2005 to 22/11/2014	
01/07/2005	S\$2.37	105,000	(13,125)	–	91,875	65,625	91,875	–	–	02/07/2006 to 01/07/2010	
01/07/2005	S\$2.37	1,683,197	(271,495)	(94,750)	1,316,952	929,572	1,316,952	–	–	02/07/2006 to 01/07/2015	
21/11/2005	S\$2.36	148,750	(13,125)	–	135,625	100,625	135,625	–	–	22/11/2006 to 21/11/2010	
21/11/2005	S\$2.36	1,998,870	(325,419)	(123,375)	1,550,076	1,224,870	1,550,076	–	–	22/11/2006 to 21/11/2015	
09/06/2006	S\$2.52	402,500	(17,500)	–	385,000	175,000	271,250	–	–	10/06/2007 to 09/06/2011	
09/06/2006	S\$2.52	3,378,950	(414,315)	(222,500)	2,742,135	1,481,700	1,955,385	–	–	10/06/2007 to 09/06/2016	
		10,533,580	(2,133,039)	(683,130)	7,717,411	6,793,705	6,816,911	–	–		

Notes to the Financial Statements

Year Ended December 31, 2009

4. Share-based Incentive Plans *(cont'd)*

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

Sembcorp Industries Ltd
Ordinary shares
2008

Date of grant of options	Exercise price per share	Options		Options		Options		Options		Proceeds on options exercised during the year credited to share capital S\$'000	Exercise period
		outstanding at Jan 1, 2008	Options exercised*	cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2008	Options exercisable at Jan 1, 2008	Options exercisable at Dec 31, 2008	Options exercisable at Dec 31, 2008			
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	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	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	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	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	65	03/06/2004 to 02/06/2013	
18/11/2003	S\$0.93	63,000	(56,250)	(6,750)	–	63,000	–	8	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	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	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	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	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	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	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	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	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	2,763		

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

Notes to the Financial Statements

Year Ended December 31, 2009

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 2009

Date of grant of options	Exercise price per share	Options						Exercise period
		Options outstanding at Jan 1, 2009	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2009	Options exercisable at Jan 1, 2009	Options exercisable at Dec 31, 2009	
08/09/2000	S\$0.50	191,170	–	–	191,170	191,170	191,170	08/09/2001 to 07/09/2010
27/09/2001	S\$0.47	178,710	(79,100)	–	99,610	178,710	99,610	28/09/2002 to 27/09/2011
07/11/2002	S\$0.64	335,700	(14,650)	(12,600)	308,450	335,700	308,450	08/11/2003 to 07/11/2012
08/08/2003	S\$0.71	1,015,270	(113,250)	(23,800)	878,220	1,015,270	878,220	09/08/2004 to 08/08/2013
10/08/2004	S\$0.74	52,500	(52,500)	–	–	52,500	–	11/08/2005 to 10/08/2009
10/08/2004	S\$0.74	3,586,885	(956,607)	(32,000)	2,598,278	3,586,885	2,598,278	11/08/2005 to 10/08/2014
11/08/2005	S\$2.11	250,250	(47,250)	–	203,000	147,000	203,000	12/08/2006 to 11/08/2010
11/08/2005	S\$2.11	9,703,475	(2,589,438)	(78,250)	7,035,787	5,348,775	7,035,787	12/08/2006 to 11/08/2015
02/10/2006	S\$2.38	649,250	(61,250)	–	588,000	281,750	453,250	03/10/2007 to 02/10/2011
02/10/2006	S\$2.38	9,955,834	(1,450,621)	(169,560)	8,335,653	4,318,857	5,774,379	03/10/2007 to 02/10/2016
		25,919,044	(5,364,666)	(316,210)	20,238,168	15,456,617	17,542,144	

Sembcorp Marine Ltd Ordinary shares 2008

Date of grant of options	Exercise price per share	Options						Exercise period
		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	
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	S\$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	

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.

Notes to the Financial Statements

Year Ended December 31, 2009

4. Share-based Incentive Plans *(cont'd)*

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

Sembcorp Industries Ltd's options exercised in 2009 were all settled by way of issuance of treasury shares. Out of the options exercised in 2008, 1,568,994 ordinary shares were issued at a weighted average share price of S\$1.76 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\$3.02 (2008: S\$3.88).

Sembcorp Marine Ltd's options exercised in 2009 resulted in 5,364,666 (2008: 8,742,155) ordinary shares being issued at a weighted average share price of S\$1.87 (2008: S\$1.34) 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\$2.67 (2008: S\$3.33).

Fair Value of Share Options

The fair value of services received is measured by reference to the fair value of share options granted.

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. A minimum 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.

In 2009, the Performance Share Plan was enhanced to create alignment between senior management and other employees at the time of vesting by introducing a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2009 to 2011 will be vested to the senior management participants only if the restricted stocks for the performance period 2010 to 2011 are vested, subject to the achievement of the performance conditions for the respective performance periods.

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

4. Share-based Incentive Plans *(cont'd)*

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

i. Sembcorp Industries Ltd Performance Shares

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

	Aggregate additional					
	Aggregate conditional performance	Aggregate original conditional performance	Aggregate conditional performance due to modification	Aggregate conditional performance shares released	Aggregate conditional performance shares lapsed	Aggregate conditional performance shares outstanding
Performance shares participants	shares awarded during the year	shares awarded	shares awarded	shares released	shares lapsed	shares outstanding
2009						
Director of the Company:						
Tang Kin Fei	400,000	2,640,000	73,720	(1,201,034)	(518,364)	1,208,240
Key executives of the Group						
	570,000	6,125,000	69,989	(1,630,795)	(3,313,404)	1,432,622
	970,000	8,765,000	143,709	(2,831,829)	(3,831,768)	2,640,862
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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2006 to 2008, a total of 476,730 (2008: 1,176,549) performance shares were released via the issuance of treasury shares.

In 2008, there were additional 395,750 performance shares awarded for the over-achievement of the performance targets.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2009, was 2,640,862 (2008: 2,740,764). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,961,293 (2008: 4,111,146) performance shares.

Notes to the Financial Statements

Year Ended December 31, 2009

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) are as follows:

	2009	2008
Conditional performance shares awarded during the year	545,000	790,000
Aggregate original conditional performance shares awarded	6,560,500	5,215,000
Aggregate conditional performance shares released	(3,594,500)	(2,721,900)
Aggregate conditional performance shares lapsed	(1,193,000)	(425,600)
Aggregate conditional performance shares outstanding	2,315,000	2,610,000

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

In 2008, there were additional 542,500 performance shares awarded for the over-achievement of the performance targets.

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 2009 was 2,315,000 (2008: 2,610,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,472,500 (2008: 3,915,000) performance shares.

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 shares granted on April 9, 2009	Fair value of Sembcorp Industries Ltd performance shares granted on April 7, 2008	Fair value of Sembcorp Marine Ltd performance shares granted on April 13, 2009	Fair value of Sembcorp Marine Ltd performance shares granted on April 7, 2008
Fair value at measurement date	S\$2.14	S\$2.08	S\$2.28	S\$2.65
Assumptions under the Monte Carlo model				
Share price	S\$2.67	S\$4.26	S\$2.26	S\$3.77
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	39.9%	32.4%	50.3%	30.9%
Morgan Stanley Capital International ("MSCI")				
AC Asia Pacific excluding Japan Industrials Index	33.9%	21.9%	33.9%	21.9%
Correlation with MSCI	77.5%	60.6%	76.2%	61.3%
Risk-free interest rate	0.7%	1.1%	0.7%	1.1%
Expected dividend	5.8%	4.7%	5.3%	5.0%

4. Share-based Incentive Plans *(cont'd)*

b. Performance Share Plan *(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\$4,284,000 (2008: S\$5,981,000) 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

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 for the restricted stocks are calibrated based on Return on Total Assets and Total Shareholder Return for awards granted before 2009 and Return on Total Assets (excluding Sembcorp Marine Ltd) and Earnings Before Interest and Taxes (excluding Sembcorp Marine Ltd) for awards granted in 2009.

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 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.

Notes to the Financial Statements

Year Ended December 31, 2009

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) are as follows:

	Aggregate additional					
	Aggregate original		Aggregate conditional		Aggregate conditional	
	Conditional restricted	conditional restricted	restricted stocks awarded	Aggregate conditional	Aggregate conditional	conditional restricted
Restricted stocks participants	stocks awarded during the year	restricted stocks awarded	due to modification	restricted stocks released	restricted stocks lapsed	restricted stocks outstanding
2009						
Directors of the Company:						
Peter Seah Lim Huat	23,500	70,500	484	(5,197)	(8,394)	57,393
Tang Kin Fei	126,000	444,000	6,785	(88,695)	(45,009)	338,138
Goh Geok Ling	13,700	41,100	282	(3,030)	(4,894)	33,458
Richard Hale, OBE	17,000	51,000	350	(3,760)	(6,072)	41,518
Evert Henkes	7,000	21,000	144	(1,548)	(2,500)	17,096
Lee Suet Fern	13,700	41,100	282	(3,030)	(4,894)	33,458
Bobby Chin Yoke Choong	11,000	11,000	-	-	-	11,000
Other executives of the Group						
	2,012,500	6,740,600	93,425	(1,082,459)	(1,503,517)	4,506,785
	2,224,400	7,420,300	101,752	(1,187,719)	(1,575,280)	5,038,846
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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2008, a total of 392,617 restricted stocks were released. For awards in relation to the performance period 2006 to 2007, a total of 355,501 (2008: 439,601) restricted stocks were released in 2009. The restricted stocks were released via the issuance of treasury shares.

In 2008, additional 279,793 restricted stocks were awarded for the over-achievement of the performance targets for the performance period 2006 to 2007.

The total number of restricted stocks outstanding, including award(s) achieved but not released, as at end 2009, was 5,038,846 (2008: 4,629,589). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,077,962 (2008: 3,900,597). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,116,943 (2008: 5,491,236) restricted stocks.

4. Share-based Incentive Plans (cont'd)

c. Restricted Stock Plan (cont'd)

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

Sembcorp Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2008, a total of \$584,000, equivalent to 252,989 notional restricted stocks, were paid.

A total of 600,000 (2008: 600,000) notional restricted stocks of Sembcorp Industries Ltd's shares were awarded in 2009 for the Sembcorp Challenge Bonus.

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 2009, was 1,200,000 (2008: 1,157,248). 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 1,800,000 (2008: 1,624,422).

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) are as follows:

	Aggregate additional					
	Aggregate original		Aggregate conditional		Aggregate conditional	
	Conditional restricted	conditional restricted	restricted stocks awarded	Aggregate conditional	Aggregate conditional	conditional restricted
Restricted stocks participants	stocks awarded during the year	restricted stocks awarded	due to bonus issue	restricted stocks released	restricted stocks lapsed	restricted stocks outstanding
2009						
Directors of the Company:						
Tang Kin Fei	17,000	42,500	5,400	(8,190)	-	45,380
Goh Geok Ling	29,000	73,000	8,800	(13,347)	-	77,693
Richard Hale, OBE	22,000	22,000	-	-	-	22,000
Other participants	3,358,330	11,123,170	1,629,952	(3,372,147)	(764,302)	10,261,889
	3,426,330	11,260,670	1,644,152	(3,393,684)	(764,302)	10,406,962
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	7,764,840	1,629,952	(708,128)	(485,406)	8,679,151
	3,573,000	7,834,340	1,644,152	(708,128)	(485,406)	8,762,851

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2008, a total of 1,956,117 Sembcorp Marine Ltd's restricted stocks were released via the issuance of treasury shares. For awards in relation to the performance period 2006 to 2007, a total of 729,439 (2008: 708,128) restricted stocks were released in 2009.

Notes to the Financial Statements

Year Ended December 31, 2009

4. Share-based Incentive Plans (cont'd)

c. Restricted Stock Plan (cont'd)

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

In 2009, additional 1,182,233 (2008: 477,893) restricted stocks were awarded for the over-achievement of the performance targets for the performance period 2007 to 2008.

The total number of Sembcorp Marine Ltd's restricted stocks outstanding, including award(s) achieved but not released, as at end of 2009, was 10,406,962 (2008: 8,762,851). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,709,730 (2008: 7,422,586). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 10,064,595 (2008: 10,339,522) restricted stocks.

Challenge Bonus of a listed subsidiary

With the committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2008, a total of S\$1,679,000, equivalent to 1,203,602 notional restricted stocks were paid.

A total of 1,130,050 (2008: 957,400) notional restricted stocks of Sembcorp Marine Ltd's shares were awarded in 2009 for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted stocks in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2009, was 1,928,700 (2008: 1,866,248). 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 2,893,050 (2008: 2,606,642).

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			
	Fair value of Sembcorp Industries Ltd restricted stocks granted on April 9, 2009	Sembcorp Industries Ltd restricted stocks granted on April 7, 2008 and August 1, 2008	Fair value of Sembcorp Marine Ltd restricted stocks granted on April 13, 2009	Fair value of Sembcorp Marine Ltd restricted stocks granted on April 7, 2008
Fair value at measurement date	S\$2.28	S\$3.07	S\$1.98	S\$3.06
Assumptions under the Monte Carlo model				
Share price	S\$2.67	S\$4.26	S\$2.26	S\$3.77
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	39.9%	32.4%	50.3%	30.9%
Straits Times Index ("STI")	NA	15.9%	NA	15.9%
Correlation with STI	NA	69.7%	NA	47.6%
Risk-free interest rate	0.4%–1.0%	0.9%–1.3%	0.4%–1.0%	0.9%–1.3%
Expected dividend	5.8%	4.7%	5.3%	5.0%

4. Share-based Incentive Plans (cont'd)

c. Restricted Stock Plan (cont'd)

Fair value of restricted stocks (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 restricted stocks.

During the year, the Group charged S\$18,200,000 (2008: S\$14,293,000) 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\$4,491,000 (2008: S\$7,820,000) to the income statement based on the market values of the shares at the balance sheet date. 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. Surplus / (Deficit) in Other Reserves

	Note	Group		Company	
		2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000
Reserve for own shares	(a)	(21,236)	(34,731)	(21,236)	(34,731)
Currency translation reserve	(b)	(120,110)	(121,650)	–	–
Other reserves	(c)	344,915	114,000	20,405	22,620
		203,569	(42,381)	(831)	(12,111)

a. Reserve for Own Shares

At December 31, 2009, the Company held 5,122,674 (2008: 8,377,867) of its own uncanceled shares as treasury shares.

b. Currency Translation Reserve

The currency translation reserve comprises:

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

Notes to the Financial Statements

Year Ended December 31, 2009

5. Surplus / (Deficit) in Other Reserves (cont'd)

c. Other Reserves

	Group					Company	
	Share-based					Share-based	
	Capital reserve S\$'000	Merger reserve S\$'000	payments reserve S\$'000	Fair value reserve S\$'000	Hedging reserve S\$'000	Total S\$'000	payments reserve S\$'000
At January 1, 2009	307,880	29,201	27,086	13,952	(264,119)	114,000	22,620
Share-based payments	-	-	17,573	-	-	17,573	7,502
Treasury shares transferred to employees	-	-	(9,667)	-	-	(9,667)	(9,717)
Treasury shares held by a subsidiary	18,638	-	(12,231)	-	-	6,407	-
Realisation of reserve upon disposal of investments and changes in group structure	(421)	-	(85)	-	-	(506)	-
Net change in fair value of cash flow hedges	-	-	-	-	102,300	102,300	-
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	18,323	18,323	-
Net change in fair value of cash flow hedges transferred to initial carrying value of hedged items	-	-	-	-	(22)	(22)	-
Net change in fair value of available-for-sale financial assets	-	-	-	12,042	-	12,042	-
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	8,657	-	8,657	-
Transfer of revenue reserve to capital reserve	6,891	-	-	-	-	6,891	-
Share of other comprehensive income of associates and joint ventures	-	-	-	-	68,917	68,917	-
At December 31, 2009	332,988	29,201	22,676	34,651	(74,601)	344,915	20,405

5. Surplus / (Deficit) in Other Reserves (cont'd)

c. Other Reserves (cont'd)

	Group					Company	
	Share-based					Share-based	
	Capital reserve S\$'000	Merger reserve S\$'000	payments reserve S\$'000	Fair value reserve S\$'000	Hedging reserve S\$'000	Total S\$'000	payments reserve S\$'000
At January 1, 2008	342,252	29,201	37,525	293,223	(25,370)	676,831	23,699
Share-based payments	-	-	18,134	-	-	18,134	11,008
Treasury shares transferred to employees	-	-	(12,087)	-	-	(12,087)	(12,087)
Treasury shares held by subsidiary	(34,379)	-	(16,603)	-	-	(50,982)	-
Realisation of reserve upon disposal of investments and changes in group structure	7	-	117	257	-	381	-
Net change in fair value of cash flow hedges	-	-	-	-	(136,496)	(136,496)	-
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	(13,231)	(13,231)	-
Net change in fair value of available-for-sale financial assets	-	-	-	(278,803)	-	(278,803)	-
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	(725)	-	(725)	-
Share of other comprehensive loss of associates and joint ventures	-	-	-	-	(89,022)	(89,022)	-
At December 31, 2008	307,880	29,201	27,086	13,952	(264,119)	114,000	22,620

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, convertible loan stock reserve and transfer from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries, associates and joint ventures operate.
- 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-interest method.

Notes to the Financial Statements

Year Ended December 31, 2009

5. Surplus / (Deficit) in Other Reserves (cont'd)

c. Other Reserves (cont'd)

- 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

	Leasehold and freehold land,					Furniture, fittings and office equipment			Capital work-in-progress		Total
	buildings and wet berthage	Improvements to premises	Quays and dry docks	Plant and machinery	Marine vessels	workshop equipment	and office equipment	Motor vehicles	progress		
Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group											
Cost / Valuation											
Balance at January 1, 2009	727,479	39,152	328,479	2,343,186	15,856	39,612	112,136	56,412	291,594	3,953,906	
Translation adjustments	(1,875)	(4)	(8)	33,367	–	(18)	(241)	92	295	31,608	
Additions	13,490	193	26	38,068	414	2,121	5,704	4,923	342,484	407,423	
Reclassification	54,702	8	1,369	235,397	–	144	3,931	433	(295,984)	–	
Transfer to investment properties	7	(1,450)	–	–	–	–	(3)	–	–	(1,453)	
Transfer to assets held for sale	21	(731)	–	–	–	–	–	–	–	(731)	
Disposals / Write-offs	(4,259)	(380)	(72)	(35,251)	(51)	(5,477)	(9,194)	(7,201)	(2,008)	(63,893)	
Disposal of subsidiaries	–	–	–	–	–	(148)	(16)	(260)	–	(424)	
Balance at December 31, 2009	787,356	38,969	329,794	2,614,767	16,219	36,234	112,317	54,399	336,381	4,326,436	
Accumulated Depreciation and Impairment Losses											
Balance at January 1, 2009	241,088	21,276	139,636	879,397	7,934	31,173	92,378	42,447	–	1,455,329	
Translation adjustments	(708)	(1)	(4)	7,332	–	(18)	(307)	83	(132)	6,245	
Depreciation for the year	35(b)	28,800	1,726	8,717	140,659	3,550	9,844	4,448	–	198,504	
Reclassification	(20)	1	686	1,640	–	(1,390)	68	(985)	–	–	
Transfer to investment properties	7	(639)	–	–	–	–	(3)	–	–	(642)	
Transfer to assets held for sale	21	(134)	–	–	–	–	–	–	–	(134)	
Disposals / Write-offs	(1,528)	(263)	(71)	(21,363)	(20)	(4,434)	(8,608)	(4,382)	–	(40,669)	
Disposal of subsidiaries	–	–	–	–	–	(84)	(8)	(81)	–	(173)	
Allowance made for impairment – net	35(b)	5,650	226	–	5,002	–	21	(3)	3,004	13,900	
Balance at December 31, 2009	272,509	22,965	148,964	1,012,667	8,674	28,797	93,385	41,527	2,872	1,632,360	
Carrying Amount											
At December 31, 2009	514,847	16,004	180,830	1,602,100	7,545	7,437	18,932	12,872	333,509	2,694,076	

Notes to the Financial Statements

Year Ended December 31, 2009

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

Group	Leasehold and	Improvements	Quays and	Plant and	Marine	Tools and	Furniture,	Motor	Capital	Total
	freehold land,					workshop	fixtures			
	buildings and	to premises	dry docks	machinery	vessels	equipment	and office	vehicles	progress	
Note	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
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	35(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	35(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

Notes to the Financial Statements

Year Ended December 31, 2009

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

	Leasehold and freehold land, buildings and wet berthage	Improvements to premises	Quays and dry docks	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Capital work-in- progress	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company								
Cost								
Balance at January 1, 2009	17,142	2,111	8,280	417,755	8,320	348	66,755	520,711
Additions	2,793	67	-	1,106	604	527	25,774	30,871
Reclassification	-	15	-	74,478	900	54	(75,447)	-
Disposals / Write-offs	(103)	-	-	(465)	(47)	-	(115)	(730)
Balance at December 31, 2009	19,832	2,193	8,280	492,874	9,777	929	16,967	550,852
Accumulated Depreciation and Impairment Losses								
Balance at January 1, 2009	883	2,043	407	26,130	5,686	159	-	35,308
Depreciation for the year	920	56	407	29,696	1,776	121	-	32,976
Disposals / Write-offs	(2)	-	-	(58)	(47)	-	-	(107)
Balance at December 31, 2009	1,801	2,099	814	55,768	7,415	280	-	68,177
Carrying Amount								
At December 31, 2009	18,031	94	7,466	437,106	2,362	649	16,967	482,675
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	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

Notes to the Financial Statements

Year Ended December 31, 2009

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

Group

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

	Group	
	2009	2008
	S\$'000	S\$'000
Freehold land and buildings	27,758	25,111
Leasehold land and buildings	106,617	11,737
Plant and machinery	854,385	756,964
Capital work-in-progress	43,378	121,181
Other assets	1,992	736
	1,034,130	915,729

- ii. Assets with net book value of S\$1,383,000 (2008: S\$1,587,000) 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 and determined by firms of professional valuers. Also included in the cost of quays and dry docks is an amount of S\$25,152,000 which was stated at Directors' valuation. These revaluations were done on a one-off basis prior to January 1, 1997.
- iv. During the year, interest and direct staff costs amounting to S\$1,037,000 (2008: S\$1,076,000) and S\$982,000 (2008: S\$1,849,000), respectively were capitalised as capital work-in-progress.
- v. **Change in estimates**

During the year ended December 31, 2009, the Group revised its estimates for the useful lives of certain assets within leasehold and freehold land, buildings and wet berthage, quays and dry docks and marine vessels after conducting an operational review of their useful lives. As a result, there was a change in the expected useful lives of these assets. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

	2009	2010	2011	2012	2013	Later
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
(Decrease) / increase in depreciation expense and (increase) / decrease in profit before tax	(1,240)	7,031	7,189	8,772	9,116	(31,220)

7. Investment Properties

	Note	Group	
		2009	2008
		S\$'000	S\$'000
Cost			
Balance at January 1		44,408	48,664
Translation adjustments		842	(3,939)
Transfer from property, plant and equipment	6	1,453	-
Disposals		-	(317)
Balance at December 31		46,703	44,408
Accumulated Depreciation and Impairment Losses			
Balance at January 1		18,449	17,373
Transfer from property, plant and equipment	6	642	-
Depreciation for the year	35(b)	1,009	1,007
Allowance made for impairment – net	35(b)	-	69
Balance at December 31		20,100	18,449
Carrying Amount			
At December 31		26,603	25,959

Investment properties with net book value of S\$10,293,000 (2008: S\$9,451,000) 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\$56,212,000 (2008: S\$51,900,000). 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	
	2009	2008
	S\$'000	S\$'000
At cost and carrying value:		
Quoted equity shares	713,048	713,048
Unquoted equity shares	453,912	503,951
Preference shares	257,500	257,500
Share-based payments reserve	11,046	12,071
	1,435,506	1,486,570

The fair value of the equity interest of the listed subsidiary with carrying amount of S\$713,048,000 (2008: S\$713,048,000), amounts to S\$4,681,871,827 (2008: S\$2,125,822,884) based on the last transacted market price as at December 31, 2009 (December 31, 2008).

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

Notes to the Financial Statements

Year Ended December 31, 2009

9. Interests in Associates

Group

2009	2008
S\$'000	S\$'000

Interests in associates	618,829	564,388
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The carrying value as at year end includes goodwill on acquisition as follows:

Group

2009	2008
S\$'000	S\$'000

Balance at beginning and end of the year	55	55
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The fair value of the equity interest of a listed associate, with a carrying amount of S\$201,689,000 (2008: S\$204,426,000), amounts to S\$181,773,000 (2008: S\$69,247,000) based on the last transacted market price as at December 31, 2009 (December 31, 2008).

Summarised financial information of associates is as follows:

Group

2009	2008
S\$'000	S\$'000

Combined results		
Turnover	3,781,982	3,340,714
Profit for the year	177,972	362,736

Combined assets and liabilities

Total assets	10,093,670	10,293,602
Total liabilities	7,216,412	8,067,968

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

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

In 2008, as the Group had provided guarantees to the banks in respect of the bank loans taken up by the associate, the Group had 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 (Note 26). The bank loans were subsequently settled by the Group during the financial year.

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

10. Interests in Joint Ventures

Group

2009	2008
S\$'000	S\$'000

Interests in joint ventures	311,721	280,816
-----------------------------	---------	---------

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

Group

2009	2008
S\$'000	S\$'000

Balance at beginning of the year	1,919	2,074
Translation during the year	(64)	(155)
Balance at end of the year	1,855	1,919

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

Group's share

2009	2008
S\$'000	S\$'000

Combined results		
Turnover	346,182	330,568
Expenses	(275,145)	(281,350)
Profit before income tax	71,037	49,218
Income tax expense	(5,124)	(3,994)
Profit for the year	65,913	45,224

Combined assets and liabilities

Non-current assets	419,666	456,958
Current assets	285,516	327,449
Current liabilities	(140,186)	(210,825)
Non-current liabilities	(269,570)	(310,525)
Minority interest	(1,120)	(836)
Net assets	294,306	262,221

Capital commitments

	4,932	12,394
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The Group's interest in a joint venture with a carrying amount of S\$54,015,000 (2008: S\$50,088,000) as at the balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entity.

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

Notes to the Financial Statements

Year Ended December 31, 2009

11. Other Financial Assets

	Note	Group	
		2009 S\$'000	2008 S\$'000
a. Non-current Assets			
Available-for-sale financial assets:			
– Equity shares		170,420	143,169
– Unit trusts and funds		1,528	2,878
		171,948	146,047
Financial assets at fair value through profit or loss:			
– Forward foreign exchange contracts		110	–
– Equity shares		35	33
Cash flow hedges:			
– Forward foreign exchange contracts		71	–
– Interest rate swaps		20,279	–
– Fuel oil swaps		1,481	–
		193,924	146,080
b. Current Assets			
Financial assets at fair value through profit or loss:			
– Forward foreign exchange contracts		1,707	52
– Foreign exchange swap contracts		655	2,386
– Others		–	1
Cash flow hedges:			
– Interest rate swaps		629	–
– Forward foreign exchange contracts		1,416	1,823
– Fuel oil swaps		20,874	–
– Forward electricity sale		1,647	25,507
	19	26,928	29,769

12. Long-Term Receivables and Prepayments

	Note	Group		Company	
		2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000
Long-term trade receivables	13	196	1,968	–	–
Service concession receivables	(a)	231,481	167,146	–	–
Finance lease receivables due after 12 months	14	14,505	18,025	–	–
Amount due from related parties	15	79,807	21,099	–	–
Prepayments	(b)	23,358	22,922	821	940
Staff loans		199	233	–	–
Recoverables		8	8	–	–
		349,554	231,401	821	940

12. Long-Term Receivables and Prepayments (cont'd)

a. Service concession receivables

This relates to a 25-year agreement between a subsidiary and PUB (grantor) to design, build and operate a NEWater plant. The construction of the new plant started in April 2008 of which the plant 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 guaranteed sum from the grantor in exchange for services performed. The subsidiary recognised 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		Company	
		2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000
Trade receivables including work completed but unbilled		327,005	596,024	26,489	15,280
Allowance for doubtful receivables		(16,442)	(16,740)	–	–
		310,563	579,284	26,489	15,280
Trade receivables due within 1 year	19	(310,367)	(577,316)	(26,489)	(15,280)
	12	196	1,968	–	–

In 2008, included in trade receivables of the Group were retention monies on contracts amounting to S\$755,000. The retention monies were fully recovered by the Group during the financial year.

Notes to the Financial Statements

Year Ended December 31, 2009

14. Finance Lease Receivables

		Minimum lease payment	Estimated residual value	Total gross investment in lease	Unearned interest income	Net value of lease receivables
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group						
2009						
Within 1 year		4,218	–	4,218	(698)	3,520
After 1 year but within 5 years		12,657	3,000	15,657	(1,152)	14,505
		16,875	3,000	19,875	(1,850)	18,025
Amount due within 1 year	19	(4,218)	–	(4,218)	698	(3,520)
	12	12,657	3,000	15,657	(1,152)	14,505
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

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		Joint ventures		Related companies		Minority shareholders of subsidiaries		Total	
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group											
Amounts due from:											
Trade		6,063	9,124	1,540	1,685	1	–	43	–	7,647	10,809
Non-trade		3,135	2,811	15,900	13,927	–	–	–	–	19,035	16,738
Loans		64,678	5,887	20,560	20,816	–	–	–	–	85,238	26,703
		73,876	17,822	38,000	36,428	1	–	43	–	111,920	54,250
Allowance for doubtful receivables		(10,491)	(13,827)	(13,219)	(13,219)	–	–	–	–	(23,710)	(27,046)
		63,385	3,995	24,781	23,209	1	–	43	–	88,210	27,204
Amount due within 1 year	19	(4,138)	(3,712)	(4,221)	(2,393)	(1)	–	(43)	–	(8,403)	(6,105)
	12	59,247	283	20,560	20,816	–	–	–	–	79,807	21,099

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

Notes to the Financial Statements

Year Ended December 31, 2009

15. Amounts Due from Related Parties (cont'd)

	Subsidiaries		Associates		Joint ventures		Total		
	2009	2008	2009	2008	2009	2008	2009	2008	
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Company									
Amounts due from related parties		30,818	8,333	627	190	107	581	31,552	9,104
Allowance for doubtful receivables		-	(187)	-	-	-	-	-	(187)
	19	30,818	8,146	627	190	107	581	31,552	8,917

The amounts due from subsidiaries are unsecured, repayable on demand and interest-free, except for an amount of S\$178,000 in 2008 which bore an effective interest rate of 2.17% per annum.

16. Intangible Assets

	Note	Goodwill	Others	Total
		S\$'000	S\$'000	S\$'000
Group Cost				
Balance at January 1, 2009		110,060	8,290	118,350
Translation adjustments		(54)	(131)	(185)
Additions		-	18	18
Disposal of subsidiaries		(110)	-	(110)
Disposals		-	(165)	(165)
Transfer to assets held for sale	21	-	(60)	(60)
Write-offs	35(b)	-	(42)	(42)
Balance at December 31, 2009		109,896	7,910	117,806
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2009		110	3,469	3,579
Translation adjustments		-	(34)	(34)
Amortisation charge for the year	35(b)	-	199	199
Disposal of subsidiaries		(110)	-	(110)
Disposals		-	(67)	(67)
Balance at December 31, 2009		-	3,567	3,567
Carrying Amount				
At December 31, 2009		109,896	4,343	114,239

16. Intangible Assets (cont'd)

	Note	Goodwill	Others	Total
		S\$'000	S\$'000	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	35(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	35(b)	-	102	102
Disposal of subsidiaries		-	(480)	(480)
Write-offs	35(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
			Corporate club membership	Total
		Goodwill	S\$'000	S\$'000
Company				
Balance at January 1, 2008		-	90	90
Acquisition		18,946	-	18,946
Balance at December 31, 2008 and December 31, 2009		18,946	90	19,036

The Company's goodwill related to goodwill of SUT on the acquisition of the SUT Division in 2008.

Impairment Testing for Goodwill

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

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

	Note	Group	
		2009	2008
		S\$'000	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		18,192	18,246
		109,896	109,950

Notes to the Financial Statements

Year Ended December 31, 2009

16. Intangible Assets (cont'd)

Impairment Testing for Goodwill (cont'd)

The recoverable amounts are determined based on calculations of the value-in-use. These calculations use cash flow projections from years 2010 to 2018, of which 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 flows since 2014. 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 5.44% 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

- Market demand and supply for industrial utilities and services are updated for changes during the year; and
- 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

- Demand and supply for electricity and electricity margin are updated for changes in market conditions;
- Required plant maintenance and its associated maintenance costs have been accounted for in the forecast of the plant's gross profit margin;
- Expected capital expenditure for replenishment of parts has also been accounted for in the forecast in accordance with plant maintenance programme; and
- 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

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

	Recognised in				
	income statement		Recognised in	Translation	
	At Jan 1, 2009	(Note 34)	equity	adjustments	At Dec 31, 2009
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group					
2009					
Deferred tax liabilities					
Property, plant and equipment	275,958	13,990	-	6,810	296,758
Interest in associates	6,054	(3,566)	-	-	2,488
Other financial assets	52,299	-	18,048	637	70,984
Trade and other receivables	337	31	-	-	368
Trade and other payables	-	295	-	69	364
Other items	6,921	350	-	480	7,751
Total	341,569	11,100	18,048	7,996	378,713
Deferred tax assets					
Property, plant and equipment	(321)	84	-	-	(237)
Inventories	(22)	22	-	-	-
Trade receivables	(1,599)	1,600	-	(1)	-
Trade and other payables	(653)	243	(487)	-	(897)
Tax losses	(647)	497	-	-	(150)
Provisions	(13,083)	(1,183)	-	(771)	(15,037)
Other items	(88,501)	(20)	14,308	(199)	(74,412)
Total	(104,826)	1,243	13,821	(971)	(90,733)
	Recognised in				
	income statement		Recognised in	Translation	
	At Jan 1, 2008	(Note 34)	equity	adjustments	At Dec 31, 2008
	S\$'000	S\$'000	S\$'000	S\$'000	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)

Notes to the Financial Statements

Year Ended December 31, 2009

17. Deferred Tax Assets and Liabilities (cont'd)

	Recognised in income		Recognised in income			
	At Jan 1, 2008	statement	Acquisition	At Dec 31, 2008	statement	At Dec 31, 2009
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company						
2008 & 2009						
Deferred tax liabilities						
Property, plant and equipment	195	5,809	44,667	50,671	6,177	56,848

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		Company	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax liabilities	315,505	271,960	56,848	50,671
Deferred tax assets	(27,525)	(35,217)	–	–
	287,980	236,743	56,848	50,671

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

	Group	
	2009	2008
	S\$'000	S\$'000
Deductible temporary differences	17,404	33,715
Tax losses	38,920	35,874
Capital allowances	26,110	27,368
	82,434	96,957

Of the above tax losses, tax losses of the Group amounting to S\$13,697,000 (2008: S\$12,439,000) will expire between 2010 and 2014 (2008: 2009 and 2013). 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:

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

18. Inventories and Work-In-Progress

	Note	Group		Company	
		2009	2008	2009	2008
		S\$'000	S\$'000	S\$'000	S\$'000
Raw materials		104,352	97,768	4,330	4,582
Finished goods		83,570	69,488	5,005	4,771
		187,922	167,256	9,335	9,353
Allowance for inventory obsolescence		(9,005)	(8,370)	–	–
		178,917	158,886	9,335	9,353
Work-in-progress	(a)	1,236,338	790,960	–	–
		1,415,255	949,846	9,335	9,353
a. Work-in-progress:					
Costs and attributable profits		5,274,160	3,651,155	1,343	1,343
Allowance for foreseeable losses		(300)	(4,254)	–	–
		5,273,860	3,646,901	1,343	1,343
Progress billings		(4,754,931)	(3,830,974)	(1,343)	(1,343)
		518,929	(184,073)	–	–
Comprising:					
Work-in-progress		1,236,338	790,960	–	–
Excess of progress billings over work-in-progress		(717,409)	(975,033)	–	–
		518,929	(184,073)	–	–

19. Trade and Other Receivables

	Note	Group		Company	
		2009	2008	2009	2008
		S\$'000	S\$'000	S\$'000	S\$'000
Trade receivables	13	310,367	577,316	26,489	15,280
Current portion of finance lease	14	3,520	3,374	–	–
Amount due from related parties	15	8,403	6,105	31,552	8,917
Other receivables, deposits and prepayments	20	630,694	595,385	193,799	193,182
Other financial assets	11	26,928	29,769	–	–
Advance to suppliers		571	7,152	–	–
		980,483	1,219,101	251,840	217,379

Notes to the Financial Statements

Year Ended December 31, 2009

20. Other Receivables, Deposits and Prepayments

	Group		Company	
	2009	2008	2009	2008
Note	\$S'000	\$S'000	\$S'000	\$S'000
Deposits	6,247	7,356	1,106	1,124
Prepayments	48,632	34,196	6,185	2,391
Tax recoverable	229,756	259,896	152,645	175,394
Sundry receivables	60,803	81,761	800	467
Unbilled receivables	283,645	207,593	31,192	13,294
Loan receivables	4,281	7,234	–	–
Recoverable	3,170	6,300	2,192	572
Interest receivable	311	601	–	–
	636,845	604,937	194,120	193,242
Allowance for doubtful receivables	(6,151)	(9,552)	(321)	(60)
19	630,694	595,385	193,799	193,182

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

21. Assets Held For Sale

	Group	
	2009	2008
Note	\$S'000	\$S'000
Property, plant and equipment	6	597
Other intangible asset	16	60
	657	–

22. Cash and Cash Equivalents

	Group		Company	
	2009	2008	2009	2008
	\$S'000	\$S'000	\$S'000	\$S'000
Cash and cash equivalents in the consolidated statement of cash flows	2,597,512	2,400,954	261,367	45,541

Included in the Group's cash and cash equivalents at the balance sheet date are amounts of \$S\$4.7 million (2008: \$S\$7.5 million) held in countries with foreign exchange control restrictions.

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of \$S\$255.5 million (2008: \$S\$43 million) placed with a bank via a subsidiary.

23. Trade and Other Payables

	Group		Company	
	2009	2008	2009	2008
Note	\$S'000	\$S'000	\$S'000	\$S'000
Trade payables	1,594,791	1,500,869	5,859	3,264
Advance payments from customers	25,617	36,673	305	555
Other financial liabilities	24	30,069	–	–
Amount due to related parties	25	18,011	45,873	232,086
Other payables and accrued charges	26	776,057	906,906	101,092
	2,444,545	2,621,434	153,129	316,534

24. Other Financial Liabilities

	Group	
	2009	2008
Note	\$S'000	\$S'000
a. Current Liabilities		
Financial liabilities at fair value through profit or loss:		
– Interest rate swaps	–	1,001
– Forward foreign exchange contracts	25	127
– Foreign exchange swap contracts	1,054	2,454
– Commodity contracts	–	44
Cash flow hedges:		
– Interest rate swaps	5,148	6,703
– Forward foreign exchange contracts	23,842	72,530
– Foreign exchange swap contracts	–	1,261
– Fuel oil swaps	–	82,618
	23	30,069
166,738		
b. Non-current Liabilities		
Financial liabilities at fair value through profit or loss:		
– Interest rate swaps	527	–
Cash flow hedges:		
– Interest rate swaps	10,373	10,913
– Forward foreign exchange contracts	19,548	50,506
– Fuel oil swaps	–	3,669
	30	30,448
65,088		

Notes to the Financial Statements

Year Ended December 31, 2009

25. Amounts Due to Related Parties

	Note	Associates		Joint ventures		Minority shareholders of subsidiaries		Total	
		2009	2008	2009	2008	2009	2008	2009	2008
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group									
Amounts due to:									
Trade		3,328	–	2,107	2,034	11,391	312	16,826	2,346
Non-trade		775	1,604	2,835	5,364	–	–	3,610	6,968
Loans		–	–	–	–	86,593	8,585	86,593	8,585
		4,103	1,604	4,942	7,398	97,984	8,897	107,029	17,899
Amounts due after 1 year	30	(3,328)	–	–	–	(85,690)	(7,651)	(89,018)	(7,651)
	23	775	1,604	4,942	7,398	12,294	1,246	18,011	10,248

Loans from minority shareholders of subsidiaries of S\$85,690,000 (2008: S\$7,651,000) bear interest at rates ranging from 3.53% to 8.35% (2008: 3.53% to 7.02%) per annum, are unsecured and repayable from 2013 onwards.

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

	Note	Subsidiaries		Joint ventures		Total		
		2009	2008	2009	2008	2009	2008	
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Company								
Amounts due to related parties		(i)	45,870	25,888	3	–	45,873	25,888
Loans from a related party		(ii)	646,700	664,932	–	–	646,700	664,932
			692,570	690,820	3	–	692,573	690,820
Amounts due after 1 year	30	(646,700)	(458,734)	–	–	(646,700)	(458,734)	
	23	45,870	232,086	3	–	45,873	232,086	

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

ii. The loans from a related party comprise:

- S\$206,000,000 in 2008 which were unsecured, repayable on demand and bore an effective interest rate of 1.23% per annum.
- S\$646,700,000 (2008: S\$458,700,000) which are unsecured, repayable on December 31, 2013 and bear an effective interest rate of 3.31% (2008: 2.48%) per annum.

26. Other Payables and Accrued Charges

	Note	Group		Company	
		2009	2008	2009	2008
		S\$'000	S\$'000	S\$'000	S\$'000
Accrued operating expenses		699,206	675,400	91,003	75,366
Deposits		14,594	14,204	–	–
Accrued interest payable		6,759	5,374	–	–
Other payables		55,498	72,348	10,089	5,263
Share of net liability of an associate	9	–	139,580	–	–
	23	776,057	906,906	101,092	80,629

27. Provisions

	Obligations relating to							
	Loan		disposal		Onerous		Restoration	
	undertakings	of business	Claims	contracts	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	9,739	11,454	1,222	7,180	6,507	37,721	184	74,007
Translation adjustments	–	–	–	–	(29)	(239)	–	(268)
Provisions made during the year, net	5,009	–	15,072	–	15	22,687	–	42,783
Provisions utilised during the year	–	–	(945)	–	–	(45)	–	(990)
Disposal of subsidiaries	–	–	–	–	–	–	(184)	(184)
Balance at end of the year	14,748	11,454	15,349	7,180	6,493	60,124	–	115,348
Provisions due:								
– within 1 year	14,748	11,454	15,349	4,281	–	60,124	–	105,956
– after 1 year	–	–	–	2,899	6,493	–	–	9,392
	14,748	11,454	15,349	7,180	6,493	60,124	–	115,348

	Obligations relating to			
	disposal		Restoration	
	of business	Claims	costs	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Company				
Balance at beginning of the year	11,454	1,221	500	13,175
Provisions made during the year, net	–	1,148	–	1,148
Provisions utilised during the year	–	(945)	–	(945)
Balance at end of the year	11,454	1,424	500	13,378
Provisions due:				
– within 1 year	11,454	1,424	–	12,878
– after 1 year	–	–	500	500
	11,454	1,424	500	13,378

Notes to the Financial Statements

Year Ended December 31, 2009

27. Provisions (cont'd)

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 a business in which the Group and the Company retains certain obligations in respect of contracts pursuant to the Sale and Purchase Agreement.

Claims

This provision relates to the obligations arising from contractual and commercial arrangements in the Group's and the Company's operations, based on the best estimate of the possible outflow considering both contractual and commercial factors. These claims are expected to be settled within the next 12 months.

Onerous Contracts

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

Restoration Costs

Restoration costs relating to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The subsidiaries expect to incur the liability upon termination of the lease.

Warranty

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

28. Retirement Benefit Obligations

	Note	Group	
		2009 S\$'000	2008 S\$'000
Provision for retirement gratuities	(a)	1,500	1,932
Defined benefit obligations	(b)	11,016	11,620
		12,516	13,552
Non-current		12,516	13,552

a. Provision for Retirement Gratuities

	Group	
	2009 S\$'000	2008 S\$'000
Balance at beginning of the year	1,932	2,809
Provision utilised during the year	(36)	(407)
Less: Amount due within 12 months	(396)	(470)
Balance at end of the year	1,500	1,932

28. Retirement Benefit Obligations (cont'd)

b. Defined Benefit Obligations

A subsidiary provides pension arrangements to its full time employees through a defined benefit plan and the related costs are assessed in accordance with the advice of professionally qualified actuaries. The pension scheme is closed to new entrants and is funded by the payment of contributions to separately administrated trust funds.

The numbers shown below have been based on calculations carried out by a qualified independent actuary to take into account of the requirements of FRS19 in order to assess the liabilities of the scheme at December 31, 2009. The scheme's assets are stated at their market values at December 31, 2009.

The present values of the funded defined benefit obligations, the related current service cost and, where applicable, past service cost were measured using the projected unit credit method. Details of the scheme are as follows:

	Group	
	2009 S\$'000	2008 S\$'000
Present value of funded defined benefit obligations	209,474	151,053
Fair value of plan assets	(187,686)	(158,761)
Deficit / (surplus) in scheme	21,788	(7,708)
Unrecognised actuarial (losses) / gains	(10,772)	19,328
Net liability recognised in the balance sheet	11,016	11,620

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

	Group	
	2009 %	2008 %
Equity instruments	38.03	40.08
Debt instruments	53.56	53.45
Other assets	8.41	6.47
	100.00	100.00

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

Notes to the Financial Statements

Year Ended December 31, 2009

28. Retirement Benefit Obligations (cont'd)

b. Defined Benefit Obligations (cont'd)

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

	Group	
	2009	2008
	S\$'000	S\$'000
Opening defined benefit obligations	151,053	244,774
Translation adjustment	13,175	(65,871)
Current service cost	2,483	3,302
Interest cost	9,985	12,465
Actuarial losses / (gains)	44,268	(36,223)
Benefits paid	(11,695)	(7,630)
Employee contributions	205	236
	209,474	151,053

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

	Group	
	2009	2008
	S\$'000	S\$'000
Opening fair value of plan assets	158,761	253,504
Translation adjustment	14,345	(69,135)
Expected return on plan assets	9,617	14,268
Actuarial gains / (losses)	12,656	(38,322)
Contributions by employer	3,797	5,840
Benefits paid	(11,695)	(7,630)
Employee contributions	205	236
	187,686	158,761

Expenses recognised in the income statement are as follows:

	Group	
	2009	2008
	S\$'000	S\$'000
Current service cost	2,483	3,302
Interest cost	9,985	12,465
Expected return on plan assets	(9,617)	(14,268)
Net actuarial gains recognised in year	(418)	(320)
	2,433	1,179

28. Retirement Benefit Obligations (cont'd)

b. Defined Benefit Obligations (cont'd)

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

	Group	
	2009	2008
	S\$'000	S\$'000
Cost of sales	1,987	2,642
Administrative expenses	496	660
Other expenses	(50)	(2,123)
	2,433	1,179
Actual return / (loss) in value of plan assets	22,273	(24,054)

Principal actuarial assumptions

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 19 were as follows:

	Group	
	2009	2008
	%	%
Discount rate at December 31	5.7	6.2
Expected return on plan assets at December 31	6.1	5.6
Future rate of annual salary increases	5.1	4.3
Future rate of pension increases	2.8	2.4

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 (2008: 9 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 (2008: 21) for male and 23 (2008: 23) for female.

The overall expected long-term rate of return on assets is 6.1% (2008: 5.6%). The expected rate of return on plan assets is a weighted average of the individual expected rate of return on each asset class.

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

	2009	2008	2007	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group					
Present value of funded defined benefit obligations	209,474	151,053	244,774	259,498	259,598
Fair value of plan assets	(187,686)	(158,761)	(253,504)	(239,537)	(201,898)
Deficit / (surplus) in scheme	21,788	(7,708)	(8,730)	19,961	57,700

The Group expects to pay S\$3.1 million in contributions to defined benefit plans in 2010.

Notes to the Financial Statements

Year Ended December 31, 2009

29. Interest-Bearing Borrowings

	Note	Group		Company	
		2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000
Current liabilities					
Secured term loans	(a)	56,554	81,750	–	–
Unsecured term loans	(b)	227,565	202,613	–	–
Finance lease liabilities	(c)	253	1,405	83	–
		284,372	285,768	83	–
Non-current liabilities					
Secured term loans	(a)	259,523	319,740	–	–
Unsecured term loans	(b)	335,388	200,000	–	–
Finance lease liabilities	(c)	506	2,810	339	–
		595,417	522,550	339	–
		879,789	808,318	422	–

Maturity of liabilities (excluding finance lease liabilities)

	Group		Company	
	2009 S\$'000	2008 S\$'000	2009 S\$'000	2008 S\$'000
Within 1 year	284,119	284,363	–	–
After 1 year but within 5 years	542,281	432,164	–	–
After 5 years	52,630	87,576	–	–
Total borrowings	879,030	804,103	–	–

a. Secured Term Loans

The secured loans are collateralised by the following assets:

	Group	
	2009 S\$'000	2008 S\$'000
Property, plant and equipment and investment property	1,044,423	925,180

29. Interest-Bearing Borrowings (cont'd)

b. Unsecured Term Loans

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

- In 2004, a wholly-owned subsidiary of the Company, Sembcorp Financial Services Pte Ltd ("SFS"), established a \$1.5 billion Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme"). Pursuant to this, the Company, together with SFS 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.

During the year, SFS issued an inaugural S\$200 million 5-year note under the Programme. The principal amount of the notes bears an interest rate of 5.00% per annum and is due by April, 2014.

- 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. Subsequent to the year ended December 31, 2009, SCM increased its current MTN from S\$500 million to S\$2 billion with the inclusion of SMOE Pte Ltd as one of the Issuing SCM Subsidiaries.

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.

In 2008, the principal amount of the notes issued by SCM amounted to S\$150 million and bore an interest rate of 3.00% per annum. The medium term notes were repaid by SCM in 2009.

c. Finance Lease Liabilities

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

	2009			2008		
	Payments S\$'000	Interest S\$'000	Principal S\$'000	Payments S\$'000	Interest S\$'000	Principal S\$'000
Group						
Within 1 year	294	41	253	1,574	169	1,405
After 1 year but within 5 years	559	53	506	3,178	368	2,810
Total	853	94	759	4,752	537	4,215

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 2.50% to 7.42% (2008: 2.50% to 7.42%) per annum.

Notes to the Financial Statements

Year Ended December 31, 2009

29. Interest-Bearing Borrowings (cont'd)

c. Finance Lease Liabilities (cont'd)

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

	2009			2008		
	Payments	Interest	Principal	Payments	Interest	Principal
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company						
Within 1 year	107	24	83	-	-	-
After 1 year but within 5 years	377	38	339	-	-	-
Total	484	62	422	-	-	-

Under the terms of the lease agreements, no contingent rents are payable. The effective interest rate is 6.09% (2008: nil) per annum.

30. Other Long-Term Liabilities

	Note	Group		Company	
		2009	2008	2009	2008
		S\$'000	S\$'000	S\$'000	S\$'000
Deferred income	(a)	103,508	91,342	10,809	3,728
Deferred grants	(b)	2,171	17,815	-	-
Other long-term payables	(c)	3,988	6,171	-	-
Other financial liabilities	24	30,448	65,088	-	-
Amount due to related parties	25	89,018	7,651	646,700	458,734
		229,133	188,067	657,509	462,462

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

31. Other Comprehensive Income

Tax effects relating to each component of other comprehensive income

	2009			2008		
	Before tax	Tax expense	Net of tax	Before tax	Tax benefit	Net of tax
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Foreign currency translation differences for foreign operations	(10,562)	-	(10,562)	(84,439)	-	(84,439)
Exchange differences on hedge of net investment in a foreign operation	(1,744)	-	(1,744)	-	-	-
Exchange differences on monetary items forming part of net investment in a foreign operation	(2,145)	-	(2,145)	-	-	-
Share of other comprehensive income / (loss) of associates and joint ventures	68,699	-	68,699	(76,585)	-	(76,585)
Cash flow hedges: net movement in hedging reserves	175,620	(26,622)	148,998	(212,849)	35,060	(177,789)
Available-for-sale financial assets: net movement in fair value reserve	38,993	(5,249)	33,744	(551,643)	97,953	(453,690)
Other comprehensive income / (loss)	268,861	(31,871)	236,990	(925,516)	133,013	(792,503)
				2009	2008	
				S\$'000	S\$'000	
Cash flow hedges:						
Net change in fair value of hedging instruments				149,743	(192,342)	
Less: amount transferred to initial carrying amount of hedged items				(26)	-	
Less: amount transferred to profit or loss				25,903	(20,507)	
Income tax				(26,622)	35,060	
Net movement in the hedging reserve during the year recognised in other comprehensive income				148,998	(177,789)	
Available-for-sale financial assets:						
Changes in fair value				25,783	(550,918)	
Less: amount transferred to profit or loss				13,210	(725)	
Income tax				(5,249)	97,953	
Net change in fair value during the year recognised in other comprehensive income				33,744	(453,690)	

Notes to the Financial Statements

Year Ended December 31, 2009

32. Turnover

	Group	
	2009	2008
	S\$'000	S\$'000
Sale of gas, water, electricity and related services	3,265,774	4,197,760
Ship and rig repair, building, conversion and related services	5,683,941	4,989,922
Construction and engineering related activities	131,240	131,957
Environment management and related services	185,044	213,685
Service concession revenue	184,295	129,964
Others	122,114	265,125
	9,572,408	9,928,413

33. Finance Costs

	Group	
	2009	2008
	S\$'000	S\$'000
Interest paid and payable to:		
– banks and others	39,925	43,764
Amortisation of capitalised transaction costs and transactions costs written off	1,467	1,099
Interest rate swap		
– fair value through profit or loss	(206)	(456)
	41,186	44,407

34. Income Tax Expense

	Group	
	2009	2008
	S\$'000	S\$'000
Current tax expense		
Current year	190,410	125,311
Under / (over) provided in prior years	228	(43,161)
	190,638	82,150
Deferred tax expense		
Movements in temporary differences	19,168	29,040
Under provided in prior years	1,856	19,761
Change in tax rate	(8,681)	–
	12,343	48,801
Income tax expense	202,981	130,951

34. Income Tax Expense (cont'd)

Reconciliation of effective tax rate

	Group	
	2009	2008
	S\$'000	S\$'000
Profit for the year	1,015,303	730,994
Total income tax expense	202,981	130,951
Share of results of associates and joint ventures	(109,542)	(126,096)
Profit before share of results of associates and joint ventures, and income tax expense	1,108,742	735,849
Income tax using Singapore tax rate of 17% (2008: 18%)	188,486	132,453
Effect of reduction in tax rates	(8,681)	–
Effect of different tax rates in foreign jurisdictions	8,363	13,013
Tax incentives and income not subject to tax	(11,504)	(27,924)
Expenses not deductible for tax purposes	21,318	38,433
Utilisation of deferred tax benefits not previously recognised	(3,239)	(6,118)
Under / (over) provided in prior years	2,084	(23,400)
Deferred tax benefits not recognised	4,081	8,241
Others	2,073	(3,747)
Income tax expense	202,981	130,951

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 financial effect of the reduction in tax rate is reflected in the current financial year.

35. Profit For The Year

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

	Group	
	2009	2008
	S\$'000	S\$'000
a. Staff costs		
Staff costs	723,880	698,409
Included in staff costs are:		
Share-based payments	27,996	31,253
Contributions to:		
– defined benefit plan	2,483	3,302
– defined contribution plan	31,608	28,593
Jobs Credit Scheme, offset against staff costs	(17,987)	–

Notes to the Financial Statements

Year Ended December 31, 2009

35. Profit For The Year (cont'd)

	Note	Group	
		2009 S\$'000	2008 S\$'000
b. Other expenses			
Allowance made / (written back) for impairment losses			
– property, plant and equipment	6	13,900	7,807
– interests in other investments		13,206	486
– receivables		(53)	1,291
– investment properties	7	–	69
– inventory obsolescence		393	2,465
– foreseeable losses on construction contracts		(1,034)	2,957
Amortisation of intangible assets	16	199	102
Audit fees paid / payable			
– auditors of the Company		1,367	1,421
– other auditors		572	614
Non-audit fees paid / payable			
– auditors of the Company		143	119
– other auditors		207	307
Depreciation			
– property, plant and equipment	6	198,504	193,856
– investment properties	7	1,009	1,007
Professional fee paid to directors or a firm in which a director is a member		127	97
Operating lease expenses		21,094	18,623
Property, plant and equipment written off		6,091	3,203
Inventory written off		37	–
Intangible assets written off	16	42	100
Bad debts written off		503	237
c. Non-operating income / (expenses) (net)			
Net exchange loss		(2,494)	(19,564)
Net change in fair value of derivative instruments		2,475	(37,935)
Grants received			
– income related		830	83
Gross dividend income		8,379	9,771
Gain / (Loss) from disposal of			
– property, plant and equipment (net)		1,794	18,393
– subsidiaries		(14)	–
– associates		637	–
– joint ventures		(145)	35
– other financial assets		3,375	(38,135)
Interest income			
– associates and joint ventures		2,456	94
– banks and others		31,518	35,678

35. Profit For The Year (cont'd)

	Note	Group	
		2009 S\$'000	2008 S\$'000
d. Material and unusual items included in:			
Non-operating income (net)			
Foreign exchange losses arising from Unauthorised Transactions in a wholly-owned subsidiary of Sembcorp Marine Ltd	(i)	–	(43,749)
Less: Minority interests		–	16,821
		–	(26,928)
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 a subsidiary, Jurong Shipyard Pte Ltd (“JSPL”), 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 in 2008, strictly on a 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.			

36. Earnings Per Share

	Group	
	2009 S\$'000	2008 S\$'000
a. Basic earnings per share		
Basic earnings per share is based on:		
i. Profit attributable to shareholders of the Company	682,664	507,061
	No. of shares '000	No. of shares '000
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	1,776,974	1,783,783
Effect of share options exercised	2,158	2,767
Effect of own shares held	–	(7,635)
Weighted average number of ordinary shares at the end of the year	1,779,132	1,778,915
b. Diluted earnings per share		
Diluted earnings per share is based on:		
i. Profit attributable to shareholders of the Company	682,664	507,061

Notes to the Financial Statements

Year Ended December 31, 2009

36. Earnings Per Share (cont'd)

b. Diluted earnings per share (cont'd)

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

	2009	2008
	No. of shares	No. of shares
	'000	'000
ii. Weighted average number of shares issued used in the calculation of basic earnings per share	1,779,132	1,778,915
Weighted average number of unissued ordinary shares from:		
– share options	8,808	12,363
– performance shares	3,668	3,774
– restricted stocks	6,335	5,576
Number of shares that would have been issued at fair value	(6,350)	(6,741)
Weighted average number of ordinary shares	1,791,593	1,793,887

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.

37. Dividends

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 15.0 cents (2008: one-tier tax exempt dividend of 11.0 cents) per share amounting to an estimated net dividend of S\$267,034,000 (2008: S\$195,467,000) in respect of the year ended December 31, 2009, based on the share capital as at that date.

The proposed dividend of 15.0 (2008: 11.0) cents per share has not been included as a liability in the financial statements.

38. Significant Acquisitions and Disposals

There have been no significant acquisitions and disposals of subsidiaries in 2008 and 2009.

39. Related Parties

Group

a. Related party transactions

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

	Group	
	2009	2008
	S\$'000	S\$'000

Related Corporations

Sales	452	165
Purchases including rental	25,609	2,470

Associates and Joint Ventures

Sales	47,894	41,251
Purchases including rental	4,054	21,542

b. Compensation of key management personnel

The Group considers the directors of the Company (including the Group President & CEO of the Company), the President & CEO 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 & Strategic 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	
	2009	2008
	S\$'000	S\$'000
Directors' fees and remuneration	5,787	5,663
Other key management personnel remuneration	6,543	6,797
	12,330	12,460
Fair value of share-based compensation	3,912	5,408

Remuneration includes salary (which includes 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. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.

The fair value of share-based compensation relates to share options, performance shares and restricted stocks granted that were charged to the income statement.

Notes to the Financial Statements

Year Ended December 31, 2009

39. Related Parties (cont'd)

Company

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

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

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

40. Financial Instruments

Financial risk management objectives and policies

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

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

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

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

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.

40. 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:

	Effective interest rate	Fixed Interest Rate Repricing					Total	
		Note	%	Floating	Within	Between		After
				Interest	1 year	1 to 5 years		5 years
			\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	
Group								
2009								
Financial assets								
Finance lease receivables	14	4.25	–	3,520	14,505	–	18,025	
Balances with related parties		1.52	59,342	–	–	–	59,342	
Loan receivables		5.25	–	65	–	–	65	
Other receivables		3.21	1	931	195	–	1,127	
Fixed deposits and bank balances		2.33	570,110	1,444,332	–	–	2,014,442	
			629,453	1,448,848	14,700	–	2,093,001	
Financial liabilities								
Secured term loans:								
– Floating rate loans		4.18	(320,765)	–	–	–	(320,765)	
– Effect of interest rate swaps		1.02	259,243	(113,709)	(111,934)	(33,600)	–	
Total secured term loans			(61,522)	(113,709)	(111,934)	(33,600)	(320,765)	
Unsecured term loans:								
– Floating rate loans		1.79	(330,203)	–	–	–	(330,203)	
– Effect of interest rate swaps		1.65	307,275	(200,000)	(107,275)	–	–	
			(22,928)	(200,000)	(107,275)	–	(330,203)	
– Fixed rate loans		4.31	–	(25,628)	(8,000)	–	(33,628)	
Bonds & notes		5.00	–	–	(199,122)	–	(199,122)	
Total unsecured term loans	29		(22,928)	(225,628)	(314,397)	–	(562,953)	
Lease liabilities	29	4.29	–	(253)	(506)	–	(759)	
Balances with related parties		8.15	–	–	(85,690)	–	(85,690)	
			(84,450)	(339,590)	(512,527)	(33,600)	(970,167)	

Notes to the Financial Statements

Year Ended December 31, 2009

40. Financial Instruments (cont'd)

a. Market risk (cont'd)

i. Interest rate risk (cont'd)

	Effective interest rate	Fixed Interest Rate Repricing					Total
		Floating	Within 1 year	Between 1 to 5 years	After 5 years		
		Interest	1 year	1 to 5 years	5 years	5 years	
Note	%	\$S'000	\$S'000	\$S'000	\$S'000	\$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	1,652	93	-	-	1,745
Other receivables		4.39	-	19,226	-	-	19,226
Fixed deposits and bank balances		3.17	188,516	1,738,265	-	-	1,926,781
			190,168	1,765,069	18,025	-	1,973,262
Financial liabilities							
Secured term loans:							
- Floating rate loans		4.76	(406,582)	-	-	-	(406,582)
- Effect of interest rate swaps		(0.24)	308,300	-	(231,699)	(76,601)	-
Total secured term loans			(98,282)	-	(231,699)	(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		(2,905)	(399,708)	-	-	(402,613)
Lease liabilities	29	5.20	-	(1,405)	(2,810)	-	(4,215)
Balances with related parties		5.39	-	-	(7,651)	-	(7,651)
			(101,187)	(401,113)	(242,160)	(76,601)	(821,061)

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.

40. Financial Instruments (cont'd)

a. Market risk (cont'd)

i. Interest rate risk (cont'd)

	Profit before income tax		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
	\$S'000	\$S'000	\$S'000	\$S'000
Group				
December 31, 2009				
Variable rate financial instruments	5,978	(5,978)	62,173	(62,173)
December 31, 2008				
Variable rate financial instruments	1,401	(1,401)	17,659	(17,659)

Notional Amount

At December 31, 2009, the Group had interest rate swaps with an aggregate notional amount of \$S\$1,377,901,000 (2008: \$S\$544,030,000) of which \$S\$738,564,000 are interest rate swaps with forward starting date. The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.57% to 6.1% (2008: 2.65% to 6.0%) per annum on the notional amount. The Company classifies these interest rate swaps as cash flow hedges.

	Effective interest rate	Fixed Interest Rate Repricing					Total
		Floating	Within 1 year	Between 1 to 5 years	After 5 years		
		Interest	1 year	1 to 5 years	5 years	5 years	
Note	%	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	
Company							
2009							
Financial assets							
Fixed deposits and bank balances	0.20	261,367	-	-	-	-	261,367
Financial liabilities							
Lease liabilities	29	6.09	-	(83)	(339)	-	(422)
Balances with related parties		3.17	(229,100)	-	(417,600)	-	(646,700)
			(229,100)	(83)	(417,939)	-	(647,122)

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	(441,332)	-	(223,600)	-	-	(664,932)
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Notes to the Financial Statements

Year Ended December 31, 2009

40. Financial Instruments (cont'd)

a. Market risk (cont'd)

i. Interest rate risk (cont'd)

	Profit before income tax		Equity	
	100 bp	100 bp	100 bp	100 bp
	Increase	Decrease	Increase	Decrease
	S\$'000	S\$'000	S\$'000	S\$'000
Company				
December 31, 2009				
Variable rate financial instruments	323	(323)	-	-
December 31, 2008				
Variable rate financial instruments	(3,956)	3,956	-	-

ii. Foreign currency risk

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

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

	SGD	USD	EURO	GBP	Others
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group					
2009					
Financial assets					
Cash and cash equivalents	81,042	180,920	159,355	8,454	4,227
Trade and other receivables	20,783	86,237	69	337	2,698
Other financial assets	-	72,238	-	-	28,438
	101,825	339,395	159,424	8,791	35,363
Financial liabilities					
Trade and other payables	190,224	446,982	114,796	3,173	7,204
Interest-bearing borrowings	140	70,198	-	-	-
	190,364	517,180	114,796	3,173	7,204
Net financial (liabilities) / assets	(88,539)	(177,785)	44,628	5,618	28,159

40. Financial Instruments (cont'd)

a. Market risk (cont'd)

ii. Foreign currency risk (cont'd)

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

* 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.

Notional Amount

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

	Group	
	2009	2008
	Notional amount	Notional amount
	S\$'000	S\$'000
Foreign exchange forward contracts	2,191,713	2,980,835
Foreign exchange swap agreements	266,774	175,811
	2,458,487	3,156,646

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 2008.

Notes to the Financial Statements

Year Ended December 31, 2009

40. Financial Instruments (cont'd)

- a. **Market risk** (cont'd)
 ii. **Foreign currency risk** (cont'd)

	Group	
	Profit	
	before	
	Equity	income tax
	S\$'000	S\$'000
2009		
SGD	(13,854)	(525)
USD	105,561	3,092
EURO	16,779	4,971
Others	2,354	613
2008		
SGD	6,106	63,485
USD	202,810	44,577
EURO	517	5,858
Others	(198)	1,192

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.

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	
	2009	2008
	S\$'000	S\$'000
Equity	17,195	14,605
Profit before income tax	4	3

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 2008 and assumes that all other variables remain constant.

40. Financial Instruments (cont'd)

- a. **Market risk** (cont'd)
 iii. **Price risk** (cont'd)

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.

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	
	2009	2008
	S\$'000	S\$'000
Equity	18,584	4,637
Profit before income tax	-	-

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 2008 and assumes that all other variables remain constant.

Notional amount

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

	Group	
	2009	2008
	Notional amount S\$'000	Notional amount S\$'000
Fuel oil swap agreements	188,785	199,483
Power swap contracts	7,072	116,053
	195,857	315,536

Notes to the Financial Statements

Year Ended December 31, 2009

40. Financial Instruments (cont'd)

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	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
By business activity				
Utilities	715,958	527,117	93,936	38,381
Marine	313,772	575,379	-	-
Environment	28,903	36,524	-	-
Industrial parks	6,435	5,150	-	-
Others	31,161	32,149	6,401	4,791
	1,096,229	1,176,319	100,337	43,172

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

	Gross	Impairment	Gross	Impairment
	2009	2009	2008	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
Not past due	554,307	5,007	752,178	8,343
Past due 0 to 3 months	97,517	1,740	79,483	2,840
Past due 3 to 6 months	9,614	5,295	17,779	2,582
Past due 6 to 12 months	8,021	918	9,128	1,009
More than 1 year	26,995	18,725	53,842	23,904
	696,454	31,685	912,410	38,678
Company				
Not past due	86,690	-	32,457	-
Past due 0 to 3 months	2,435	-	3,054	-
Past due 3 to 6 months	35	-	1,292	-
Past due 6 to 12 months	64	-	606	-
More than 1 year	726	321	691	247
	89,950	321	38,100	247

40. Financial Instruments (cont'd)

b. Credit risk (cont'd)

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

	Group		Company	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at beginning of the year	53,338	57,985	247	60
Currency translation difference	(148)	(686)	-	-
Allowance made	7,103	11,546	74	187
Allowance utilised	(6,834)	(4,355)	-	-
Allowance written back	(7,156)	(10,255)	-	-
Disposal of subsidiaries	-	(897)	-	-
Balance at end of the year	46,303	53,338	321	247

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

c. Liquidity risk

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

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

	Carrying amount	Cash Flows			
		Contractual cash flow	Less than 1 year	Between 1 and 5 years	Over 5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group					
2009					
Derivatives					
Derivative financial liabilities	60,517				
- inflow		2,170,340	1,440,736	729,166	438
- outflow		(2,262,825)	(1,490,098)	(767,368)	(5,359)
Derivative financial assets	(6,235)				
- inflow		288,835	283,430	5,405	-
- outflow		(277,804)	(272,580)	(5,224)	-
Non-derivative financial liabilities					
Trade and other payables*	2,460,032	(2,460,535)	(2,370,354)	(90,181)	-
Issued financial guarantee	-	(31,450)	(31,450)	-	-
Interest-bearing borrowings	879,789	(980,445)	(314,152)	(607,806)	(58,487)
	3,394,103	(3,553,884)	(2,754,468)	(736,008)	(63,408)

Notes to the Financial Statements

Year Ended December 31, 2009

40. Financial Instruments (cont'd)

c. Liquidity risk (cont'd)

	Cash Flows				
	Carrying amount S\$'000	Contractual cash flow S\$'000	Cash Flows		
			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)

	Cash Flows				
	Carrying amount S\$'000	Contractual cash flow S\$'000	Cash Flows		
			Less than 1 year S\$'000	Between 1 and 5 years S\$'000	Over 5 years S\$'000
Company					
2009					
Trade and other payables*	795,971	881,659	169,892	711,767	
Intra-group financial guarantee	-	1,639,622	1,639,622	-	
Interest-bearing borrowings	422	484	107	377	
	796,393	2,521,765	1,809,621	712,144	
2008					
Trade and other payables*	774,713	(834,605)	(327,976)	(506,629)	
Intra-group financial guarantee	-	1,239,063	1,239,063	-	
	774,713	404,458	911,087	(506,629)	

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

40. Financial Instruments (cont'd)

c. Liquidity risk (cont'd)

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

	Cash Flows				
	Carrying amount S\$'000	Contractual cash flow S\$'000	Cash Flows		
			Less than 1 year S\$'000	Between 1 and 5 years S\$'000	Over 5 years S\$'000
Group					
2009					
Derivative financial liabilities	58,911				
- inflow		1,971,349	1,241,745	729,166	438
- outflow		(2,062,228)	(1,289,501)	(767,368)	(5,359)
Derivative financial assets	(46,397)				
- inflow		197,026	172,781	3,966	20,279
- outflow		(145,833)	(143,419)	(2,414)	-
	12,514	(39,686)	(18,394)	(36,650)	15,358
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)

Notes to the Financial Statements

Year Ended December 31, 2009

40. Financial Instruments *(cont'd)*

d. Estimation of fair values

As discussed in Note 2, effective January 1, 2009, the Group adopted FRS 107 Financial Instruments: Disclosures. FRS 107 establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy defined by FRS 107 are as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

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.

40. Financial Instruments *(cont'd)*

d. Estimation of fair values *(cont'd)*

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.

e. Fair value hierarchy

The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for fair value on a recurring basis as of December 31, 2009. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

	Fair value measurement at December 31, 2009 using:			
	Level 1	Level 2	Level 3	Total
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
Group				
At December 31, 2009				
Available-for-sale financial assets	163,997	6,542	–	170,539
Financial assets at fair value through profit or loss	35	–	–	35
Derivative financial assets	–	48,869	–	48,869
	164,032	55,411	–	219,443
Derivative financial liabilities	–	(60,517)	–	(60,517)
	164,032	(5,106)	–	158,926

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, 2009 (2008: net cash position).

Notes to the Financial Statements

Year Ended December 31, 2009

41. Contingent Liabilities (Unsecured)

Group

	Group	
	2009	2008
	S\$'000	S\$'000
Guarantees given to banks to secure banking facilities provided to:		
– Associates and joint ventures	31,450	–
– Others	7,238	7,441
Performance guarantees granted for contracts awarded to the Group	34,037	238,596

- a. 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.
- b. 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 in the subsidiary's books 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.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to S\$1,640 million (2008: S\$1,239 million), of which S\$200 million was drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company	
	2009	2008
	S\$'000	S\$'000
Less than 1 year	1,639,622	1,239,063

41. Contingent Liabilities (Unsecured) (cont'd)

Company (cont'd)

- 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.

42. Commitments

	Group	
	2009	2008
	S\$'000	S\$'000
Commitments not provided for in the financial statements are as follows:		
Capital expenditure for:		
– Commitments in respect of contracts placed	1,348,777	56,502
– Amounts approved by directors but not contracted	168,882	121,988
– Uncalled capital and commitments to subscribe for additional shares in investments	146,348	137,870
	1,664,007	316,360

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	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Lease payments due:				
Within 1 year	21,538	24,447	6,092	6,213
Between 1 and 5 years	48,089	40,696	14,118	18,019
After 5 years	289,410	79,629	31,947	36,260
	359,037	144,772	52,157	60,492

- i. On January 15, 1999, 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 to import natural gas over a period of 15 years, with first delivery of gas targeted to take place in 2011.

Notes to the Financial Statements

Year Ended December 31, 2009

42. Commitments (cont'd)

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

	Group	
	2009	2008
	S\$'000	S\$'000
Lease receivable:		
Within 1 year	2,625	3,097
Between 1 and 5 years	3,375	4,848
	6,000	7,945

43. Segment Reporting

a. Operating Segments

For management purposes, the Group is organised into business units based on their products and services, and has five reportable operating segments as follows:

- The Utilities segment's principal activities are in the provision of energy, water and on-site logistics and services to customers including companies in energy intensive industry clusters. It operates in Singapore, the United Kingdom, China, Vietnam, the United Arab Emirates and Oman.
- 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 integrated industrial parks and townships in Asia.
- Others / Corporate segment comprises businesses relating to minting, design and construction activities, offshore engineering and the corporate companies.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Information regarding the results of each reportable segment is included in the table below. Segment performance is evaluated based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group President & CEO.

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.

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 and total assets are based on the geographical location of the assets.

43. Segment Reporting (cont'd)

a. Operating Segments

	Industrial			Others /		Elimination	Total
	Utilities	Marine	Environment	Parks	Corporate		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2009							
Turnover							
External sales	3,495,412	5,723,061	185,044	14,971	153,920	–	9,572,408
Inter-segment sales	31,701	1,681	2,615	3,504	37,977	(77,478)	–
Total	3,527,113	5,724,742	187,659	18,475	191,897	(77,478)	9,572,408
Results							
Segment results	247,405	858,331	(739)	11,383	(426)	–	1,115,954
Interest income	4,602	28,806	220	777	27,499	(27,930)	33,974
Interest expense	(36,800)	(5,329)	(1,067)	–	(25,920)	27,930	(41,186)
	215,207	881,808	(1,586)	12,160	1,153	–	1,108,742
Share of results of associates	10,601	12,078	15,937	5,013	–	–	43,629
Share of results of joint ventures	34,170	7,218	–	17,658	6,867	–	65,913
	259,978	901,104	14,351	34,831	8,020	–	1,218,284
Income tax (expense) / credit	(46,798)	(144,276)	1,217	(2,477)	(10,647)	–	(202,981)
Minority interests	(1,899)	(326,654)	(113)	(4,022)	49	–	(332,639)
Profit for the year	211,281	430,174	15,455	28,332	(2,578)	–	682,664
Assets							
Segment assets	3,567,887	4,421,099	141,154	187,587	1,219,278	(1,394,458)	8,142,547
Interests in associates	–	240,033	80,523	298,273	–	–	618,829
Interests in joint ventures	119,919	43,627	–	86,661	61,514	–	311,721
Tax assets	25,670	1,752	8,703	1,560	219,596	–	257,281
Total assets	3,713,476	4,706,511	230,380	574,081	1,500,388	(1,394,458)	9,330,378
Liabilities							
Segment liabilities	2,183,293	2,402,539	72,464	31,092	1,103,810	(1,394,458)	4,398,740
Tax liabilities	267,753	323,575	9,148	13,127	82,500	–	696,103
Total liabilities	2,451,046	2,726,114	81,612	44,219	1,186,310	(1,394,458)	5,094,843
Capital expenditure	330,036	66,994	7,173	362	2,876	–	407,441
Significant non-cash items							
Depreciation and amortisation	105,888	75,621	10,432	2,166	5,596	–	199,703
Other non-cash items (including provisions, loss on disposal and exchange differences)	21,741	63,584	740	2,388	276	–	88,729

Notes to the Financial Statements

Year Ended December 31, 2009

43. Segment Reporting (cont'd)

a. Operating Segments (cont'd)

	Utilities	Marine	Environment	Industrial Parks	Others / Corporate	Elimination	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	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

43. Segment Reporting (cont'd)

b. Geographical Segments

	Singapore S\$'000	Rest of Asia S\$'000	Europe S\$'000	Others S\$'000	Consolidated S\$'000
2009					
Revenue from external customers	3,915,779	1,353,896	2,553,376	1,749,357	9,572,408
Total assets	7,059,045	1,020,742	686,999	563,592	9,330,378
Segment assets	6,550,654	368,937	674,908	548,048	8,142,547
Capital expenditure	92,002	38,453	23,046	253,940	407,441
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

44. Significant Accounting Estimates and Judgements

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

Key sources of estimation uncertainty

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

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

a. Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Information about the assumptions and their risk factors relating to goodwill impairment are disclosed in Note 16.

Notes to the Financial Statements

Year Ended December 31, 2009

44. Significant Accounting Estimates and Judgements *(cont'd)*

b. Income taxes

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

c. Pension assumptions

The Group has decided on certain principal actuarial assumptions, as detailed in Note 28, in estimating its pension liability as at the balance sheet date. If there were 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.

e. Provisions and contingent liabilities

Estimates of the Group's obligations arising from contracts exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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.

44. Significant Accounting Estimates and Judgements *(cont'd)*

Critical accounting judgements in applying the Group's accounting policies *(cont'd)*

b. Impairment of investments and financial assets

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

45. Subsequent Event

A subsidiary of the Company, Jurong Shipyard Pte Ltd ("JSPL") through Estaleiro Jurong Aracruz Ltda, a Brazilian incorporated subsidiary of JSPL, acquired a freehold land in the State of Espirito Santo in Brazil to develop into a shipyard. Jurong do Brasil Prestacao de Servicos Ltda, another Brazilian incorporated subsidiary of JSPL will undertake marine and offshore services in Brazil.

46. Comparative Information

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

47. New or Revised Accounting Standards and Interpretations

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 27 (revised)	Consolidated and Separate Financial Statements
FRS 103 (revised)	Business Combinations
INT FRS 117	Distributions of Non-cash Assets to Owners
Improvements to FRSs 2009	
Amendment to FRS 32 Financial Instruments: Presentation – Classification of Rights Issue	
Amendment to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items	
Amendment to FRS 102 Share-based Payment – Group Cash-settled Share-based Payment Transactions	

FRS 103 (revised) and FRS 27 (revised) will become effective for the Group's financial statements for the year ending December 31, 2010. FRS 103 (revised) introduces significant changes to the accounting for business combinations both at the acquisition date and post acquisition, and requires greater use of fair values. The revised FRS 103 will be applied prospectively and therefore there will be no impact on prior periods in the Group's financial statements for the year ending December 31, 2010. FRS 27 (revised) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the income statement. The Group is in the process of assessing the impact of these amendments.

INT FRS 117 will become effective for the Group's financial statements for the year ending December 31, 2010.

INT FRS 117 provides guidance when an entity distributes assets other than cash as dividends to its owners acting in their capacity as owners, or when the distributions give owners a choice of receiving either non-cash assets or cash alternative. The interpretation requires that an entity should recognise such distributions as dividend payable when it is appropriately authorised and is no longer at the discretion of the entity. The dividend payable should be measured at the fair value of the non-cash assets to be distributed. The Group is in the process of assessing the impact of these amendments.

Notes to the Financial Statements

Year Ended December 31, 2009

47. New or Revised Accounting Standards and Interpretations *(cont'd)*

Improvements to FRSs 2009 will become effective for the Group's financial statements for the year ending December 31, 2010 for amendments relating to:

- FRS 102 Share-based payment
- FRS 38 Intangible assets
- INT FRS 109 Reassessment of embedded derivatives
- INT FRS 116 Hedges of a net investment in a foreign operation

Improvements to FRSs 2009 will become effective for the Group's financial statements for the year ending December 31, 2011 for amendments relating to:

- FRS 1 Presentation of financial statements
- FRS 7 Statement of cash flows
- FRS 17 Leases
- FRS 36 Impairment of assets
- FRS 39 Financial Instruments: Recognition and measurement
- FRS 105 Non-current assets held for sale and discontinued operations
- FRS 108 Operating segments

Improvements to FRSs 2009 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement and disclosure purposes. The Group is in the process of assessing the impact of these amendments.

The amendment to FRS 32 on classification of rights issues will become effective for the Group's financial statements for the year ending December 31, 2010. This amendment addresses the accounting for rights issues (rights, options and warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. The amendment requires that rights issues to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This is regardless of the currency in which the exercise price is denominated. The Group is in the process of assessing the impact of this amendment.

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 two 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 102 on group cash-settled share-based payment transactions will become effective for the Group's financial statements for the year ending December 31, 2010. The amendments require an entity receiving goods or services in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. The Group is in the process of assessing the impact of these amendments.

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.

48. Subsidiaries

Details of significant subsidiaries are as follows:

Name of significant subsidiaries	Country of incorporation	Effective equity held by the Group	
		2009 %	2008 %
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	61.30	61.55
Jurong Shipyard Pte Ltd	Singapore	61.30	61.55
PPL Shipyard Pte Ltd	Singapore	52.11	52.32
Sembawang Shipyard Pte Ltd	Singapore	61.30	61.55
SMOE Pte Ltd	Singapore	61.30	61.55
Environment			
Sembcorp Environment Pte. Ltd.	Singapore	100	100
SembWaste Pte Ltd	Singapore	100	100
Industrial Parks			
Sembcorp Industrial Parks 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.

Notes to the Financial Statements

Year Ended December 31, 2009

49. Associates and Joint Ventures

Details of significant associates and joint ventures are as follows:

Name of significant associates and joint ventures	Country of incorporation	Effective equity held by the Group	
		2009	2008
		%	%
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 Shipyards Group	People's Republic of China	18.39	18.47
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, 2009

(Under SGX-ST Listing Manual Requirements)

A. Directors' and Key Executives' Remuneration Earned for the Year

Summary compensation table for the year ended December 31, 2009

Name of Director	Salary ¹	Bonus Earned ²	Fair value of share-based compensation granted for the year ⁴	Directors' fees ⁵	Brought Forward Bonus Bank ³
Payable by Company					
Peter Seah Lim Huat	–	–	53,526	175,000	–
Tang Kin Fei	862,398	2,796,040	1,144,190	–	6,928,272
Goh Geok Ling	–	–	31,204	105,000	–
Richard Hale, OBE	–	–	38,721	133,000	–
Yong Ying-I ⁵	–	–	–	103,000	–
Evert Henkes	–	–	15,944	95,000	–
Lee Suet Fern	–	–	31,204	102,000	–
Bobby Chin Yoke Choong	–	–	25,055	89,000	–
Payable by Subsidiaries					
Goh Geok Ling	–	–	57,420	289,250	–
Richard Hale, OBE	–	–	43,560	145,000	–
Tang Kin Fei ⁶	–	–	33,660	255,000	–
Key Executives					
Name of Key Executive	Salary ¹	Bonus Earned ²	Fair value of share-based compensation granted for the year ⁴	Directors' fees ⁵	Brought Forward Bonus Bank ³
	\$S	\$S	\$S	\$S	\$S
Low Sin Leng	528,420	375,185	291,019	–	2,264,088
Tan Cheng Guan ⁶	530,043	749,220	291,019	31,333	109,355
Ngiam Joke Mui ⁶	495,420	676,263	308,839	169,000	1,813,455
Wong Weng Sun	600,300	8,369,750	490,500	–	2,771,230
	GBP	GBP	\$S	\$S	GBP
Paul Gavens	182,554	122,264	243,188	–	168,669

Notes:

- The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
- With effect from this financial year ending December 31, 2009, rather than disclosing the bonus paid in the year for the previous year's performance, the Bonus Earned during the financial year is shown.
- The Brought Forward Bonus Bank is the outstanding balance of Bonus as at December 31, 2009 (excluding the Bonus earned during the financial year). Typically, one-third of the accumulated Bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.
- Previously taxable income from share-based compensation is shown. With effect from this financial year ending December 31, 2009, the fair value of the share plans granted for the year is disclosed. The shares granted are contingent upon meeting performance measures. If these performance measures are not met, the key executive will not be vested with any shares.
- Fee for public sector director is payable to a government agency.
- Directors' fees from subsidiaries for Mr Tang Kin Fei, Mr Tan Cheng Guan and Ms Ngiam Joke Mui are payable to SCI.

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.

Supplementary Information

Year Ended December 31, 2009

(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)	
2009	
S\$'000	
Sale of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– PSA International Pte Ltd and its Associates	24,212
– Mapletree Investments Pte Ltd and its Associates	15,852
– MediaCorp Pte Ltd and its Associates	8,207
– PowerSeraya Limited	5,903
– Temasek Capital (Private) Limited and its Associates	3,429
– Singapore Power Limited and its Associates	1,753
– Singapore Technologies Telemedia Pte Ltd and its Associates	795
– National University Hospital (S) Pte Ltd	273
– Certis CISCO Security Pte Ltd	167
	60,591
SMRT Corporation Ltd and its Associates	61,602
Starhub Ltd and its Associates	10,816
Singapore Technologies Engineering Ltd and its Associates	1,444
STATS ChipPAC Ltd	318
Singapore Airport Terminal Services Ltd and its Associates	183
Singapore Airlines Limited and its Associates	177
	135,131
Purchase of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates ¹	610,878
– Singapore Power Limited and its Associates	11,400
	622,278
Singapore Technologies Engineering Ltd and its Associates	902
	623,180
Sub-total	758,311

(Under SGX-ST Listing Manual Requirements)

B. Interested Person Transactions (cont'd)

Aggregate value of all interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	
2009	
S\$'000	
Establishment of joint venture	
Temasek Holdings (Private) Limited and its Associates	
– Surbana Corporation Pte Ltd and its Associates	43,777
Divestment of investment	
– Singapore Technologies Engineering Ltd and its Associates	1,736
Sub-total	45,513
Total interested person transactions	803,824

Note:

1. This relates mainly to the purchase of gas by Sembcorp Cogen Pte Ltd from Sembcorp Gas Pte Ltd for the generation of electricity.

EVA Statement

Year Ended December 31, 2009

		2009	2008
	Note	S\$'000	S\$'000
Net operating profit before income tax expense		1,108,742	735,849
Adjust for:			
Share of associates' and joint ventures' profits		136,412	139,846
Interest expense	1	44,538	47,521
Others	2	20,020	5,199
Adjusted profit before interest and tax		1,309,712	928,415
Cash operating taxes	3	(216,663)	(104,536)
Net operating profit after tax (NOPAT)		1,093,049	823,879
Average capital employed	4	5,376,210	5,419,183
Weighted average cost of capital	5	6.0%	5.8%
Capital charge		322,573	313,221
Economic Value Added (EVA)		770,476	510,658
Minority share of EVA		(284,850)	(174,888)
EVA attributable to shareholders		485,626	335,770
Less: Unusual Items (UI) Gains	6	2,101	9,810
EVA attributable to shareholders (exclude UI)		483,525	325,960

Notes:

- Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to income statement upon disposal of the assets.
- Other adjustments include recovery of investment costs, timing difference of allowances made for / (write-back) of doubtful debts, warranty, inventory obsolescence and goodwill written off / impaired and construction-in-progress.
- The reported current tax is adjusted for the statutory tax impact of interest expense.
- Average capital employed is computed by taking monthly average total assets less non interest-bearing liabilities plus timing provision, goodwill written off / impaired and present value of operating leases.

	2009	2008
	S\$'000	S\$'000
Major Capital Components:		
Fixed assets	2,680,567	2,757,086
Investments	1,143,646	1,116,191
Other long-term assets	451,564	803,711
Net working capital and long-term liabilities	1,100,433	742,195
Average capital employed	5,376,210	5,419,183

- The Weighted Average Cost of Capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:
 - Cost of Equity using Capital Asset Pricing Model with market risk premium at 6.0% (2008: 6.0%);
 - Risk-free rate of 2.08% (2008: 2.74%) based on yield-to-maturity of Singapore Government 10-year Bonds;
 - Ungeared beta ranging from 0.5 to 1.1 (2008: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and
 - Cost of Debt rate at 4.98% (2008: 3.53%).
- Unusual items ("UI") refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major fixed assets.

Shareholders' Information

Statistics of Shareholders as of March 3, 2010

Issued and fully paid-up capital	: S\$554,036,964.88
Number of issued shares	: 1,785,351,540
Number of shareholders	: 29,106
Class of shares	: Ordinary shares with equal voting rights ^o

Shareholdings Held by the Public

Based on information available to the company as of March 3, 2010, 50.36%* 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	49.64

Top 20 Shareholders as of March 3, 2010

No.	Name	No. of Ordinary Shares Held	% [†]
1	Temasek Holdings (Private) Limited	871,200,328	48.93
2	Citibank Nominees Singapore Pte Ltd	191,461,191	10.75
3	DBS Nominees Pte Ltd	191,202,704	10.74
4	DBSN Services Pte Ltd	133,241,734	7.48
5	HSBC (Singapore) Nominees Pte Ltd	91,549,452	5.14
6	United Overseas Bank Nominees Pte Ltd	49,138,993	2.76
7	Raffles Nominees (Pte) Ltd	20,121,827	1.13
8	Startree Investments Pte Ltd	9,400,000	0.53
9	OCBC Nominees Singapore Pte Ltd	7,004,876	0.39
10	DBS Vickers Securities (Singapore) Pte Ltd	3,982,695	0.22
11	Merrill Lynch (Singapore) Pte Ltd	3,917,494	0.22
12	Phillip Securities Pte Ltd	3,456,952	0.19
13	BNP Paribas Securities Services Singapore	3,119,775	0.18
14	BNP Paribas Nominees Singapore Pte Ltd	3,002,194	0.17
15	Tang Kin Fei	2,782,084	0.16
16	DB Nominees (S) Pte Ltd	2,701,753	0.15
17	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,338,654	0.13
18	UOB Kay Hian Pte Ltd	2,302,235	0.13
19	TM Asia Life Singapore Ltd-Par Fund	1,800,000	0.10
20	OCBC Securities Private Ltd	1,528,909	0.09
		1,595,253,850	89.59

^o Ordinary shares purchased and held as treasury shares by the company will have no voting rights.

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as of March 3, 2010 excluding 4,691,549 ordinary shares held as treasury shares as at that date.

** Temasek is deemed to be interested in the 12,718,760 shares in which its subsidiaries and / or associated companies have or are deemed to have an interest pursuant to Section 7 of the Companies Act.

Analysis of Shareholdings as of March 3, 2010

Range of Shareholdings	No. of Ordinary Shareholders		No. of Ordinary Shares Held	
	No. of Shareholders	%	No. of Shares	%
1 – 999	2,898	9.96	1,596,310	0.09
1,000 – 10,000	23,190	79.67	77,864,908	4.36
10,001 – 1,000,000	2,994	10.29	102,569,809	5.75
1,000,001 – and above	24	0.08	1,603,320,513	89.80
	29,106	100.00	1,785,351,540	100.00

Corporate Information

Registered Office

30 Hill Street #05-04
Singapore 179360
Tel: (65) 6723 3113
Fax: (65) 6822 3254
www.sembcorp.com

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
Ang Kong Hua

Executive Committee

Peter Seah Lim Huat
Chairman

Goh Geok Ling
Tang Kin Fei
Ang Kong Hua

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
Ang Kong Hua

Nominating Committee

Peter Seah Lim Huat
Chairman

Goh Geok Ling
Ang Kong Hua

Risk Committee

Richard Hale, OBE
Chairman

Lee Suet Fern
Yong Ying-I

Company Secretary

Kwong Sook May

Registrar

M & C Services
138 Robinson Road #17-00
The Corporate Office
Singapore 068906
Tel: (65) 6227 6660
Fax: (65) 6225 1452

Principal Bankers

DBS Bank
6 Shenton Way
DBS Building, Tower One
Singapore 068809

Mizuho Corporate Bank
168 Robinson Road #13-00
Capital Tower
Singapore 068912

Oversea-Chinese Banking Corporation

65 Chulia Street #10-00
OCBC Centre
Singapore 049513

Standard Chartered Bank

6 Battery Road #23-00
Singapore 049909

Sumitomo Mitsui Banking Corporation
3 Temasek Avenue #06-01
Centennial Tower
Singapore 039190

The Bank of Tokyo-Mitsubishi UFJ
9 Raffles Place #01-01
Republic Plaza
Singapore 048619

The Hongkong and Shanghai Banking Corporation
21 Collyer Quay, Level 3
HSBC Building
Singapore 049320

United Overseas Bank
80 Raffles Place
UOB Plaza
Singapore 048624

Natixis
50 Raffles Place #41-01
Singapore Land Tower
Singapore 048623

Maybank
2 Battery Road, 16th Floor
Maybank Tower
Singapore 049907

Auditors
KPMG LLP
Certified Public Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

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

Notice of Annual General Meeting

Notice is hereby given that the Twelfth Annual General Meeting of the Company will be held at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Thursday, April 22, 2010 at 11.00 am for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2009 and the Auditors' Report thereon. **Resolution 1**
2. To declare a final ordinary tax exempt 1-tier dividend of 15 cents per ordinary share for the year ended December 31, 2009. **Resolution 2**
3. To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 93 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:
 - a. Goh Geok Ling **Resolution 3**
 - b. Evert Henkes **Resolution 4**

Yong Ying-I is also due to retire by rotation under Article 93 of the Company's Articles of Association, but will not be offering herself for re-election.
4. To re-elect Ang Kong Hua, a Director retiring pursuant to Article 99 of the Company's Articles of Association and who, being eligible, will offer himself for re-election. **Resolution 5**
5. To re-appoint Richard Hale, OBE (*Independent Chairman of Audit Committee*), a Director retiring under Section 153(6) of the Companies Act, Chapter 50 of Singapore, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **Resolution 6**
6. To approve Directors' Fees of S\$802,000 for the year ended December 31, 2009 (2008: S\$801,250). **Resolution 7**
7. To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

Special Business

To consider and, if thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions:

8. That authority be and is hereby given to the Directors to:
 - a. i. issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and / or
 - ii. make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

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Notice of Annual General Meeting

- b. (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution):
- (A) by way of renounceable rights issues on a *pro rata* basis to shareholders of the Company (“**Renounceable Rights Issues**”) shall not exceed 100% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (3) below); and
- (B) otherwise than by way of Renounceable Rights Issues (“**Other Share Issues**”) shall not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (3) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed 5% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (3) below);
- (2) the Renounceable Rights Issues and Other Share Issues shall not, in aggregate, exceed 100% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (3) below);
- (3) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”)) for the purpose of determining the aggregate number of shares that may be issued under paragraphs (1)(A) and (1)(B) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time this Resolution is passed, after adjusting for:
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
- (ii) any subsequent bonus issue or consolidation or subdivision of shares;

- (4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (5) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

9. To transact any other business.

By Order of the Board

Kwong Sook May
Company Secretary
March 26, 2010

Explanatory Notes:

Resolutions 3 to 6 – Detailed information on these Directors can be found under the Board of Directors and Corporate Governance Report sections in the Annual Report 2009.

If re-appointed, Richard Hale, OBE will remain as the Chairman of the Audit Committee. Mr Hale is an independent Director.

Notice of Annual General Meeting

Statement Pursuant to Article 55 of the Articles of Association of the Company:

Resolution 9 – is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding (i) 100% for Renounceable Rights Issues and (ii) 50% for Other Share Issues, of which up to 5% may be issued other than on a *pro rata* basis to shareholders, provided that the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares in the capital of the Company excluding treasury shares. The aggregate number of shares which may be issued shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be lodged at the office of the Company's Registrar, M&C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 not later than 48 hours before the time appointed for the Annual General Meeting.

Notice of Books Closure and Dividend Payment Date

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on April 29, 2010 to determine the shareholders' entitlements to the proposed dividend. Duly completed transfers of shares received by the Company's Share Registrar, M&C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 pm on April 28, 2010 (the "Book Closure Date") will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 pm on the Book Closure Date will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Annual General Meeting, will be paid on May 12, 2010.

Proxy Form

IMPORTANT

1. For investors who have used their CPF monies to buy Sembcorp Industries Ltd's shares, this report is forwarded to them at the request of their CPF Approved Nominees solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

Sembcorp Industries Ltd

Co Regn No. 199802418D
(Incorporated in the Republic of Singapore)

Twelfth Annual General Meeting

I / We, _____ (Name), _____ (NRIC / Passport No.)

of _____ (Address)

being a member / members of SEMBCORP INDUSTRIES LTD hereby appoint:

Name	Address	NRIC / Passport No.	% of Shareholdings

and / or (delete as appropriate)

Name	Address	NRIC / Passport No.	% of Shareholdings

as my / our proxy / proxies to attend and vote for me / us on my / our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held on Thursday, April 22, 2010 at 11.00 am at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy / proxies will vote or abstain as he / they may think fit, as he / they will on any other matter arising at the Annual General Meeting.)

Resolutions	For	Against
ORDINARY BUSINESS		
1. To adopt the Directors' Report and Accounts		
2. To declare a final dividend		
3. To re-elect Goh Geok Ling		
4. To re-elect Evert Henkes		
5. To re-elect Ang Kong Hua		
6. To re-appoint Richard Hale, OBE		
7. To approve Directors' fees for financial year ended December 31, 2009		
8. To re-appoint KPMG LLP as Auditors and to fix their remuneration		
SPECIAL BUSINESS		
9. To approve the renewal of Share Issue Mandate		

Total Number of Shares Held

Signature(s) or Common Seal of Member(s)

Date

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Registrar, M&C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 not less than 48 hours before the time appointed for the Annual General Meeting.

1st FOLD

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by the Central Depository (Pte) Limited to the Company.

2nd FOLD



BUSINESS REPLY SERVICE PERMIT
NO. 06735



The Company Secretary
Sembcorp Industries Ltd
c/o M&C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

Postage will be
paid by addressee.
For posting in
Singapore only.

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