FINANCIAL STATEMENTS

DIRECTORS' REPORT

Year Ended December 31, 2010

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, 2010.

Directors

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

Ang Kong Hua *(Appointed on February 26, 2010)*
Tang Kin Fei
Goh Geok Ling
Richard Hale, OBE
Evert Henkes
Lee Suet Fern
Bobby Chin Yoke Choong
Margaret Lui *(Appointed on June 1, 2010)*
Tan Sri Mohd Hassan Marican *(Appointed on June 16, 2010)*

Directors' Interests

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

			Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	Description of interests	Exercise period	At beginning of the year / date of appointment	At end of the year	At 21/01/2011	At beginning of the year / date of appointment	At end of the year	At 21/01/2011
Ang Kong Hua								
Sembcorp Industries Ltd	Conditional award of: – 20,300 restricted stocks to be delivered in 2011 (Note 4)		–	20,300	20,300	–	–	–
Tang Kin Fei								
Sembcorp Industries Ltd	Ordinary shares		2,782,084	3,024,405	3,024,405	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.37 per share	02/07/2006 to 01/07/2015	150,000	150,000	150,000	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2015	150,000	150,000	150,000	–	–	–
	– S$2.52 per share	10/06/2007 to 09/06/2016	300,000	300,000	300,000	–	–	–

Directors' Interests *(cont'd)*

			Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	Description of interests	Exercise period	At beginning of the year / date of appointment	At end of the year	At 21/01/2011	At beginning of the year / date of appointment	At end of the year	At 21/01/2011
Tang Kin Fei *(cont'd)*								
Sembcorp Industries Ltd	Conditional award of:							
	– 408,240 performance shares to be delivered after 2009 (Note 1a)		Up to 612,360	–	–	–	–	–
	– 400,000 performance shares to be delivered after 2010 (Note 1b)		Up to 600,000	Up to 600,000	Up to 600,000	–	–	–
	– 400,000 performance shares to be delivered after 2011 (Note 1c)		Up to 600,000	Up to 600,000	Up to 600,000	–	–	–
	– 400,000 performance shares to be delivered after 2012 (Note 1d)		–	Up to 600,000	Up to 600,000	–	–	–
	– 70,189 restricted stocks to be delivered after 2007 (Note 2a)		30,414	–	–	–	–	–
	– 128,596 restricted stocks to be delivered after 2008 (Note 2b(i))		55,724	27,861	27,861	–	–	–
	– 126,000 restricted stocks to be delivered after 2009 (Note 3a(i))		Up to 189,000	82,320	82,320	–	–	–
	– 126,000 restricted stocks to be delivered after 2010 (Note 3b)		Up to 189,000	Up to 189,000	Up to 189,000	–	–	–
	– 126,000 restricted stocks to be delivered after 2011 (Note 3c)		–	Up to 189,000	Up to 189,000	–	–	–

DIRECTORS' REPORT
Year Ended December 31, 2010

Directors' Interests *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children: At beginning of the year / date of appointment	At end of the year	At 21/01/2011	Other shareholdings in which director is deemed to have an interest: At beginning of the year / date of appointment	At end of the year	At 21/01/2011
Tang Kin Fei *(cont'd)*								
Sembcorp Marine Ltd	Ordinary shares		53,690	123,880	148,380	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.11 per share	12/08/2006 to 11/08/2010	7,000	–	–	–	–	–
	– S$2.38 per share	03/10/2007 to 02/10/2011	73,500	24,500	–	–	–	–
	Conditional award of:							
	– 18,900 restricted stocks to be delivered after 2008 (Note 2b(ii))		16,380	8,190	8,190	–	–	–
	– 12,000 restricted stocks to be delivered after 2009 (Note 3a(ii))		Up to 18,000	12,000	12,000	–	–	–
	– 17,000 restricted stocks to be delivered after 2010 (Note 3b)		Up to 25,500	Up to 25,500	Up to 25,500	–	–	–
	– 11,500 restricted stocks to be delivered in 2011 (Note 4)		–	11,500	11,500	–	–	–
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes issued under the S$1.5 Billion Multicurrency Medium Term Note Programme (Note 5)		Principal amount:	Principal amount:	Principal amount:			
	– Due 2014		S$500,000	S$500,000	S$500,000	–	–	–
	– Due 2020		–	S$500,000	S$500,000	–	–	–

Directors' Interests *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children: At beginning of the year / date of appointment	At end of the year	At 21/01/2011	Other shareholdings in which director is deemed to have an interest: At beginning of the year / date of appointment	At end of the year	At 21/01/2011
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		327,630	440,136	440,136	47,000	47,000	47,000
	Options to subscribe for ordinary shares at							
	– S$2.37 per share	02/07/2006 to 01/07/2010	26,250	–	–	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2010	26,250	–	–	–	–	–
	– S$2.52 per share	10/06/2007 to 09/06/2011	70,000	17,500	17,500	–	–	–
	Conditional award of:							
	– 13,982 restricted stocks to be delivered after 2008 (Note 2b(iii))		6,058	3,028	3,028	–	–	–
	– 13,700 restricted stocks to be delivered after 2009 (Note 3a(iii))		Up to 20,550	8,950	8,950	–	–	–
	– 13,700 restricted stocks to be delivered after 2010 (Note 3b)		Up to 20,550	Up to 20,550	Up to 20,550	–	–	–
	– 13,700 restricted stocks to be delivered in 2011 (Note 4)		–	13,700	13,700	–	–	–
Sembcorp Marine Ltd	Ordinary shares		13,347	127,694	127,694	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.38 per share	03/10/2007 to 02/10/2011	196,000	106,000	106,000	–	–	–

DIRECTORS' REPORT

Year Ended December 31, 2010

Directors' Interests *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children: At beginning of the year / date of appointment	At end of the year	At 21/01/2011	Other shareholdings in which director is deemed to have an interest: At beginning of the year / date of appointment	At end of the year	At 21/01/2011
Goh Geok Ling *(cont'd)*								
Sembcorp Marine Ltd	Conditional award of:							
	– 30,800 restricted stocks to be delivered after 2008 (Note 2b(iv))		26,693	13,346	13,346	–	–	–
	– 22,000 restricted stocks to be delivered after 2009 (Note 3a(iv))		Up to 33,000	22,000	22,000	–	–	–
	– 29,000 restricted stocks to be delivered after 2010 (Note 3b)		Up to 43,500	Up to 43,500	Up to 43,500	–	–	–
	– 20,500 restricted stocks to be delivered in 2011 (Note 4)		–	20,500	20,500	–	–	–
Richard Hale, OBE								
Sembcorp Industries Ltd	Ordinary shares		238,760	309,324	309,324	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.37 per share	02/07/2006 to 01/07/2010	26,250	–	–	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2010	35,000	–	–	–	–	–
	– S$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(v))		7,518	3,758	3,758	–	–	–
	– 17,000 restricted stocks to be delivered after 2009 (Note 3a(v))		Up to 25,500	11,106	11,106	–	–	–
	– 17,000 restricted stocks to be delivered after 2010 (Note 3b)		Up to 25,500	Up to 25,500	Up to 25,500	–	–	–

Directors' Interests *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children: At beginning of the year / date of appointment	At end of the year	At 21/01/2011	Other shareholdings in which director is deemed to have an interest: At beginning of the year / date of appointment	At end of the year	At 21/01/2011
Richard Hale, OBE *(cont'd)*								
Sembcorp Industries Ltd	Conditional award of:							
	– 17,000 restricted stocks to be delivered in 2011 (Note 4)		–	17,000	17,000	–	–	–
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	Up to 33,000	–	–	–
	– 14,700 restricted stocks to be delivered in 2011 (Note 4)		–	14,700	14,700	–	–	–
Evert Henkes								
Sembcorp Industries Ltd	Ordinary shares		69,298	99,383	99,383	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.37 per share	02/07/2006 to 01/07/2010	4,375	–	–	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2010	4,375	–	–	–	–	–
	– S$2.52 per share	10/06/2007 to 09/06/2011	17,500	–	–	–	–	–
	Conditional award of:							
	– 7,144 restricted stocks to be delivered after 2008 (Note 2b(vi))		3,096	1,548	1,548	–	–	–
	– 7,000 restricted stocks to be delivered after 2009 (Note 3a(vi))		Up to 10,500	4,573	4,573	–	–	–
	– 7,000 restricted stocks to be delivered after 2010 (Note 3b)		Up to 10,500	Up to 10,500	Up to 10,500	–	–	–
	– 7,000 restricted stocks to be delivered in 2011 (Note 4)		–	7,000	7,000	–	–	–

DIRECTORS' REPORT

Year Ended December 31, 2010

Directors' Interests *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children: At beginning of the year / date of appointment	At end of the year	At 21/01/2011	Other shareholdings in which director is deemed to have an interest: At beginning of the year / date of appointment	At end of the year	At 21/01/2011
Lee Suet Fern								
Sembcorp Industries Ltd	Ordinary shares		38,030	98,036	98,036	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.36 per share	22/11/2006 to 21/11/2010	17,500	–	–	–	–	–
	– S$2.52 per share	10/06/2007 to 09/06/2011	52,500	17,500	17,500	–	–	–
	Conditional award of:							
	– 13,982 restricted stocks to be delivered after 2008 (Note 2b(vii))		6,058	3,028	3,028	–	–	–
	– 13,700 restricted stocks to be delivered after 2009 (Note 3a(vii))		Up to 20,550	8,950	8,950	–	–	–
	– 13,700 restricted stocks to be delivered after 2010 (Note 3b)		Up to 20,550	Up to 20,550	Up to 20,550	–	–	–
	– 13,700 restricted stocks to be delivered in 2011 (Note 4)		–	13,700	13,700	–	–	–
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	Up to 16,500	–	–	–
	– 11,000 restricted stocks to be delivered in 2011 (Note 4)		–	11,000	11,000	–	–	–

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.

a. Period from 2007 to 2009*
b. Period from 2008 to 2010
c. Period from 2009 to 2011
d. Period from 2010 to 2012

* For this period, 142,884 Sembcorp Industries Ltd ("SCI") shares were released to Tang Kin Fei on March 10, 2010. 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.

a. Period from 2006 to 2007**
b. Period from 2007 to 2008^

** For this period, 30,414 SCI shares (the final release of the 1/3 of the 91,246 shares) were vested under the award to Tang Kin Fei on March 10, 2010. The 1st and 2nd release of 30,416 shares each have been vested on March 28, 2008 and March 27, 2009 respectively.

^ i. For this period, 27,863 SCI shares (2nd release of the 1/3 of the 83,587 shares) were vested under the award to Tang Kin Fei on March 10, 2010 and the remaining 27,861 shares will be vested in year 2011. The 1st release of 27,863 shares has been vested on March 27, 2009.

ii. For this period, 8,190 Sembcorp Marine Ltd ("SCM") shares (2nd release of the 1/3 of the 24,570 shares) were vested under the award to Tang Kin Fei on March 12, 2010 and the remaining 8,190 shares will be vested in year 2011. The 1st release of 8,190 shares has been vested on March 30, 2009.

iii. For this period, 3,030 SCI shares (2nd release of the 1/3 of the 9,088 shares) were vested under the award to Goh Geok Ling on March 10, 2010 and the remaining 3,028 shares will be vested in year 2011. The 1st release of 3,030 shares has been vested on March 27, 2009.

iv. For this period, 13,347 SCM shares (2nd release of the 1/3 of the 40,040 shares) were vested under the award to Goh Geok Ling on March 12, 2010 and the remaining 13,346 shares will be vested in year 2011. The 1st release of 13,347 shares has been vested on March 30, 2009.

v. For this period, 3,760 SCI shares (2nd release of the 1/3 of the 11,278 shares) were vested under the award to Richard Hale on March 10, 2010 and the remaining 3,758 shares will be vested in year 2011. The 1st release of 3,760 shares has been vested on March 27, 2009.

vi. For this period, 1,548 SCI shares (2nd release of the 1/3 of the 4,644 shares) were vested under the award to Evert Henkes on March 10, 2010 and the remaining 1,548 shares will be vested in year 2011. The 1st release of 1,548 shares has been vested on March 27, 2009.

vii. For this period, 3,030 SCI shares (2nd release of the 1/3 of the 9,088 shares) were vested under the award to Lee Suet Fern on March 10, 2010 and the remaining 3,028 shares will be vested in year 2011. The 1st release of 3,030 shares has been vested on March 27, 2009.

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.

a. Period from 2008 to 2009***
b. Period from 2009 to 2010
c. Period from 2010 to 2011

*** i. For this period, 41,160 SCI shares (1/3 of the 123,480 shares) were vested under the award to Tang Kin Fei on March 10, 2010 and the remaining 82,320 shares will be vested in year 2011/2012.

ii. For this period, 6,000 SCM shares (1/3 of the 18,000 shares) were vested under the award to Tang Kin Fei on March 12, 2010 and the remaining 12,000 shares will be vested in year 2011/2012.

iii. For this period, 4,476 SCI shares (1/3 of the 13,426 shares) were vested under the award to Goh Geok Ling on March 10, 2010 and the remaining 8,950 shares will be vested in year 2011/2012.

iv. For this period, 11,000 SCM shares (1/3 of the 33,000 shares) were vested under the award to Goh Geok Ling on March 12, 2010 and the remaining 22,000 shares will be vested in year 2011/2012.

v. For this period, 5,554 SCI shares (1/3 of the 16,660 shares) were vested under the award to Richard Hale on March 10, 2010 and the remaining 11,106 shares will be vested in year 2011/2012.

vi. For this period, 2,287 SCI shares (1/3 of the 6,860 shares) were vested under the award to Evert Henkes on March 10, 2010 and the remaining 4,573 shares will be vested in year 2011/2012.

vii. For this period, 4,476 SCI shares (1/3 of the 13,426 shares) were vested under the award to Lee Suet Fern on March 10, 2010 and the remaining 8,950 shares will be vested in year 2011/2012.

Note 4: Shares granted will be vested 1 year from the date of grant.

Note 5: Fixed Rate Notes issued under the S$1.5 Billion Multicurrency Medium Term Note Programme of Sembcorp Financial Services Pte Ltd, a related company of Sembcorp Industries Group.

DIRECTORS' REPORT

Year Ended December 31, 2010

Directors' Interests *(cont'd)*

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, 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 40 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Interested Person Transactions to the Supplementary Information on purchase of goods and services (if any) from Stamford Law Corporation in which Mrs Lee Suet Fern is the Senior Director.

Share-based Incentive Plans

The Company's Share Option Plan, Performance Share Plan and Restricted Stock Plan (collectively, the "Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000.

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

Ang Kong Hua *(Chairman)*
Goh Geok Ling
Margaret Lui

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, are given an opportunity to participate in the equity of the Company. From 2007 onwards, no share options were granted.

During the year, the Share Plans expired and the New Share Plans comprising Performance Share Plan ("SCI PSP 2010") and Restricted Stock Plan ("SCI RSP 2010") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The Share Option Plan was not replaced.

The New Share Plans are proposed to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. The New Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The SCI RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCI PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCI RSP 2010 and the SCI PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

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

The New Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the New Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the New Share Plans aim to foster a greater ownership culture within the Group which align the interests of Participants with the interests of Shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The New Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for Shareholders. The Company believes that the New Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the New Share Plans cater principally to Group Executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associated companies over which the Company has operational control.

A Participant's Awards under the New Share Plans will be determined at the sole discretion of the Committee. In considering an Award to be granted to a Participant, the Committee may take into account, *inter alia*, the Participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

As at December 31, 2010, no new shares were granted under the New Share Plans. All shares granted during the year were awarded under the Share Plans approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000.

Other information regarding the Share Plan is as follows:

a. **Share Option Plan**

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group or the associated company by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc., or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised options. The Committee may determine the number of shares comprised in that option which may be exercised and the period during which such option shall be exercisable, being a period not later than the expiry of the exercise period in respect of that option. Such option may be exercised at any time notwithstanding that the date of exercise of such option falls on a date prior to the first day of the exercise period in respect of such option. Other information regarding the Share Option Plan is as follows:

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

ii. After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.

iii. In 2010 and 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.

DIRECTORS' REPORT

Year Ended December 31, 2010

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

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

v. Sembcorp Industries Ltd Share Option Plan

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

Sembcorp Industries Ltd
Ordinary shares
2010

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2010	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2010	Number of options holders / (including number of directors) at Dec 31, 2010	Exercise period
26/06/2000	S$1.63	188,723	(127,523)	(61,200)	–	– / (–)	27/06/2001 to 26/06/2010
19/04/2001	S$1.19	122,750	(11,650)	–	111,100	12 / (–)	20/04/2002 to 19/04/2011
07/05/2002	S$1.23	189,125	(28,375)	–	160,750	29 / (–)	08/05/2003 to 07/05/2012
17/10/2002	S$0.62	91,250	(4,250)	–	87,000	13 / (–)	18/10/2003 to 17/10/2012
02/06/2003	S$0.78	105,225	(6,625)	(1,000)	97,600	19 / (–)	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	130,125	(18,750)	–	111,375	25 / (–)	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	292,275	(84,525)	(1,000)	206,750	36 / (–)	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	376,275	(148,275)	(3,000)	225,000	38 / (–)	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	91,875	(91,875)	–	–	– / (–)	02/07/2006 to 01/07/2010
01/07/2005	S$2.37	1,316,952	(513,752)	(10,500)	792,700	125 / (–)	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	135,625	(135,625)	–	–	– / (–)	22/11/2006 to 21/11/2010
21/11/2005	S$2.36	1,550,076	(645,602)	(13,000)	891,474	161 / (–)	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	385,000	(210,000)	–	175,000	3 / (3)	10/06/2007 to 09/06/2011
09/06/2006	S$2.52	2,742,135	(974,595)	(31,750)	1,735,790	308 / (–)	10/06/2007 to 09/06/2016
		7,717,411	**(3,001,422)**	**(121,450)**	**4,594,539**		

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
2009

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2009	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2009	Number of options holders / (including number of directors) at Dec 31, 2009	Exercise period
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, 2010

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, 2010 are as follows:

Option participants	Aggregate options granted	Aggregate options cancelled / lapsed / not accepted	Aggregate options exercised	Aggregate options outstanding
Directors				
Ang Kong Hua	–	–	–	–
Tang Kin Fei	3,444,052	(607,759)[1]	(2,236,293)	600,000
Goh Geok Ling	370,000	–	(352,500)	17,500
Richard Hale, OBE	490,000	–	(350,000)	140,000
Evert Henkes	94,000	–	(94,000)	–
Lee Suet Fern	105,000	–	(87,500)	17,500
Bobby Chin Yoke Choong	–	–	–	–
Margaret Lui	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–
Other executives				
Group	149,771,742	(69,152,788)	(76,810,415)	3,808,539
Associated company	748,600	(215,100)	(533,500)	–
Parent Group[2]	378,500	(102,000)	(265,500)	11,000
Former directors of the Company	10,046,578	(2,383,328)	(7,663,250)	–
Total	**165,448,472**	**(72,460,975)**	**(88,392,958)**	**4,594,539**

1. Options lapsed due to replacement of 1999 options and expiry of earlier options.
2. Parent Group refers to former employees of Singapore Technologies Pte Ltd. No options were granted to former employees of Singapore Technologies Pte Ltd since 2005.

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

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

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

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

vi. Share options of a listed subsidiary

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

Sembcorp Marine Ltd
Ordinary shares
2010

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2010	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2010	Options exercisable at Jan 1, 2010	Options exercisable at Dec 31, 2010	Exercise period
08/09/2000	S$0.50	191,170	(53,890)	(137,280)	–	191,170	–	08/09/2001 to 07/09/2010
27/09/2001	S$0.47	99,610	(42,000)	(2,800)	54,810	99,610	54,810	28/09/2002 to 27/09/2011
07/11/2002	S$0.64	308,450	(142,550)	(4,200)	161,700	308,450	161,700	08/11/2003 to 07/11/2012
08/08/2003	S$0.71	878,220	(661,550)	(200)	216,470	878,220	216,470	09/08/2004 to 08/08/2013
10/08/2004	S$0.74	2,598,278	(868,920)	(5,400)	1,723,958	2,598,278	1,723,958	11/08/2005 to 10/08/2014
11/08/2005	S$2.11	203,000	(203,000)	–	–	203,000	–	12/08/2006 to 11/08/2010*
11/08/2005	S$2.11	7,035,787	(2,790,560)	(31,350)	4,213,877	7,035,787	4,213,877	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	588,000	(396,250)	–	191,750	453,250	191,750	03/10/2007 to 02/10/2011*
02/10/2006	S$2.38	8,335,653	(3,311,179)	(106,065)	4,918,409	5,774,379	4,918,409	03/10/2007 to 02/10/2016
		20,238,168	**(8,469,899)**	**(287,295)**	**11,480,974**	**17,542,144**	**11,480,974**	

* Applicable to non-executive directors of the Company only.

Sembcorp Marine Ltd
Ordinary shares
2009

Date of grant of options	Exercise price per share	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	Exercise period
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**	

* Applicable to non-executive directors of the Company only.

DIRECTORS' REPORT
Year Ended December 31, 2010

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 onwards, 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 2010 to 2012 will be vested to the senior management participants only if the restricted stocks for the performance period 2011 to 2012 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:

Performance shares participants	Conditional performance shares awarded during the year	Aggregate conditional performance shares awarded	Aggregate conditional performance shares released	Aggregate conditional performance shares lapsed	Aggregate conditional performance shares outstanding
2010					
Director of the Company:					
Tang Kin Fei	400,000	3,327,638	(1,343,918)	(783,720)	1,200,000
Key executives of the Group	600,000	6,976,821	(1,755,530)	(3,809,626)	1,411,665
	1,000,000	**10,304,459**	**(3,099,448)**	**(4,593,346)**	**2,611,665**
2009					
Director of the Company:					
Tang Kin Fei	400,000	2,927,638	(1,201,034)	(518,364)	1,208,240
Key executives of the Group	570,000	6,376,821	(1,630,795)	(3,313,404)	1,432,622
	970,000	**9,304,459**	**(2,831,829)**	**(3,831,768)**	**2,640,862**

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2009, a total of 267,619 (2009: 476,730) performance shares were released via the issuance of treasury shares.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2010, was 2,611,665 (2009: 2,640,862). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,917,498 (2009: 3,961,293) performance shares.

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:

	2010	2009
Conditional performance shares awarded during the year	**635,000**	**545,000**
Aggregate conditional performance shares awarded	7,737,500	7,102,500
Additional performance shares awarded arising from targets met during the year	235,200	–
Aggregate conditional performance shares released	(4,809,700)	(3,594,500)
Aggregate conditional performance shares lapsed	(1,193,000)	(1,193,000)
Aggregate conditional performance shares outstanding	**1,970,000**	**2,315,000**

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

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 2009, a total of 1,215,200 (2009: 411,600) performance shares were released via the issuance of treasury shares.

In 2010, there were additional 235,200 (2009: nil) performance shares awarded for 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 December 31, 2010, was 1,970,000 (2009: 2,315,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,955,000 (2009: 3,472,500) 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 (excluding Sembcorp Marine Ltd) and Earnings Before Interest and Taxes (excluding Sembcorp Marine Ltd) for awards granted in 2010.

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.

DIRECTORS' REPORT
Year Ended December 31, 2010

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

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

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.

There is no performance condition for the conditional award of the restricted stocks granted to non-executive directors in 2010. Shares granted will be vested 1 year from the date of grant.

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:

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate conditional restricted stocks awarded	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2010					
Directors of the Company:					
Ang Kong Hua	20,300	20,300	–	–	20,300
Tang Kin Fei	126,000	597,842	(188,132)	(47,529)	362,181
Goh Geok Ling	13,700	55,082	(10,536)	(5,168)	39,378
Richard Hale, OBE	17,000	68,350	(13,074)	(6,412)	48,864
Evert Henkes	7,000	28,144	(5,383)	(2,640)	20,121
Lee Suet Fern	13,700	55,082	(10,536)	(5,168)	39,378
Bobby Chin Yoke Choong	11,000	22,000	–	–	22,000
Margaret Lui	–	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–	–
Former director of the Company	13,725	84,709	(75,845)	(8,864)	–
Other executives of the Group	2,046,075	9,138,836	(2,345,485)	(1,830,127)	4,963,224
	2,268,500	**10,070,345**	**(2,648,991)**	**(1,905,908)**	**5,515,446**
2009					
Directors of the Company:					
Peter Seah Lim Huat	23,500	70,984	(5,197)	(8,394)	57,393
Tang Kin Fei	126,000	471,842	(88,695)	(45,009)	338,138
Goh Geok Ling	13,700	41,382	(3,030)	(4,894)	33,458
Richard Hale, OBE	17,000	51,350	(3,760)	(6,072)	41,518
Evert Henkes	7,000	21,144	(1,548)	(2,500)	17,096
Lee Suet Fern	13,700	41,382	(3,030)	(4,894)	33,458
Bobby Chin Yoke Choong	11,000	11,000	–	–	11,000
Other executives of the Group	2,012,500	7,092,761	(1,082,459)	(1,503,517)	4,506,785
	2,224,400	**7,801,845**	**(1,187,719)**	**(1,575,280)**	**5,038,846**

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 2008 to 2009, a total of 736,370 restricted stocks were released. For awards in relation to the performance period 2007 to 2008, a total of 359,706 (2009: 392,617) restricted stocks were released in 2010. For awards in relation to the performance period 2006 to 2007, a total of 311,950 (2009: 355,501) restricted stocks were released in 2010. In 2010, there were additional 53,246 restricted stocks released to employees upon retirement. The restricted stocks were released via the issuance of treasury shares.

The total number of restricted stocks outstanding, including award(s) achieved but not released, as at end 2010, was 5,515,446 (2009: 5,038,846). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,097,300 (2009: 4,077,962). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,145,950 (2009: 6,116,943) 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 2008 to 2009, a total of S$1,511,000, equivalent to 358,274 (2009: S$584,000, equivalent to 252,989) notional restricted stocks, were paid.

A total of 600,000 (2009: 600,000) notional restricted stocks of Sembcorp Industries Ltd's shares were awarded in 2010 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 2010, was 1,200,000 (2009: 1,200,000). Based on the multiplying factor, the number of notional restricted stocks to be converted into the funding pool could range from zero to a maximum of 1,800,000 (2009: 1,800,000).

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:

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate conditional restricted stocks awarded	Additional conditional restricted stocks awarded arising from targets met during the year	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2010						
Directors of the Company:						
Tang Kin Fei	11,500	65,070	6,000	(22,380)	–	48,690
Goh Geok Ling	20,500	111,540	11,000	(37,694)	–	84,846
Richard Hale, OBE	14,700	36,700	–	–	–	36,700
Other participants	3,447,500	17,845,838	1,658,250	(7,262,565)	(1,031,456)	11,210,067
	3,494,200	**18,059,148**	**1,675,250**	**(7,322,639)**	**(1,031,456)**	**11,380,303**

DIRECTORS' REPORT

Year Ended December 31, 2010

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

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

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

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate conditional restricted stocks awarded	Additional conditional restricted stocks awarded arising from targets met during the year	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2009						
Directors of the Company:						
Tang Kin Fei	17,000	47,900	5,670	(8,190)	–	45,380
Goh Geok Ling	29,000	81,800	9,240	(13,347)	–	77,693
Richard Hale, OBE	22,000	22,000	–	–	–	22,000
Other participants	3,358,330	13,231,015	1,167,323	(3,372,147)	(764,302)	10,261,889
	3,426,330	**13,382,715**	**1,182,233**	**(3,393,684)**	**(764,302)**	**10,406,962**

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2008 to 2009, a total of 1,791,238 restricted stocks were released. For awards in relation to the performance period 2007 to 2008, a total of 1,561,953 (2009: 1,956,117) restricted stocks were released in 2010. For awards in relation to the performance period 2006 to 2007, a total of 575,764 (2009: 729,439) restricted stocks were released in 2010. The restricted stocks were either released via the issuance of treasury shares or the issuance of new shares.

In 2010, additional 1,675,250 (2009: 1,182,233) restricted stocks were awarded for the over-achievement of the performance targets for the performance period 2008 to 2009 (2009: 2007 to 2008).

The total number of restricted stocks outstanding, including awards achieved but not released, as at December 31, 2010, was 11,380,303 (2009: 10,406,962). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,615,930 (2009: 6,709,730). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 9,923,895 (2009: 10,064,595) restricted stocks.

Challenge Bonus of a listed subsidiary

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2008 to 2009, a total of S$3,785,714 (2009: S$1,679,000), equivalent to 1,030,600 (2009: 1,203,602) notional restricted stocks, were paid.

A total of 1,234,400 (2009: 1,130,050) notional restricted stocks were awarded on April 19, 2010 (2009: April 13, 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 December 31, 2010, was 2,149,950 (2009: 1,928,700). 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 3,224,925 (2009: 2,893,050).

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

d. Maximum Number of Shares Issuable

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

Audit Committee

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

Richard Hale, OBE *(Chairman)*
Lee Suet Fern
Bobby Chin Yoke Choong
Tan Sri Mohd Hassan Marican

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

Ang Kong Hua
Chairman

Tang Kin Fei
Director

Singapore
February 25, 2011

STATEMENT BY DIRECTORS

Year Ended December 31, 2010

In our opinion:

a. the financial statements set out on pages 124 to 240 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, 2010, and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

b. at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

Ang Kong Hua
Chairman

Tang Kin Fei
Director

Singapore
February 25, 2011

INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 2010

Independent Auditors' Report
Members of the Company
Sembcorp Industries Ltd

Report on the financial statements

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 the Company as at December 31, 2010, 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 information, as set out on pages 124 to 240.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for 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.

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 about 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 of the financial statements that give a true and fair view 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, 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, 2010, and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, 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, 2011

BALANCE SHEETS

As at December 31, 2010

		Group		Company	
		2010	2009	2010	2009
	Note	S$'000	S$'000	S$'000	S$'000
Equity attributable to shareholders of the Company:					
Share capital	3	**571,099**	554,037	**571,099**	554,037
Surplus / (Deficit) in other reserves	5	**156,588**	203,569	**9,869**	(831)
Accumulated profits		**3,087,523**	2,562,352	**1,089,251**	1,026,088
		3,815,210	3,319,958	**1,670,219**	1,579,294
Non-controlling interests		**1,205,050**	915,577	**–**	–
Total equity		**5,020,260**	4,235,535	**1,670,219**	1,579,294
Non-current assets					
Property, plant and equipment	6	**3,438,579**	2,694,076	**453,344**	482,675
Investment properties	7	**24,112**	26,603	**–**	–
Investments in subsidiaries	8	**–**	–	**1,563,246**	1,435,506
Interests in associates	9	**686,601**	618,829	**–**	–
Interests in joint ventures	10	**347,427**	311,721	**–**	–
Other financial assets	11	**324,929**	193,924	**–**	–
Long-term receivables and prepayments	12	**363,665**	349,554	**729**	821
Intangible assets	16	**311,834**	114,239	**19,097**	19,036
Deferred tax assets	17	**48,162**	27,525	**–**	–
		5,545,309	4,336,471	**2,036,416**	1,938,038
Current assets					
Inventories and work-in-progress	18	**915,933**	1,415,255	**7,417**	9,335
Trade and other receivables	19	**788,859**	750,727	**70,951**	99,195
Tax recoverable		**116,751**	229,756	**105,544**	152,645
Assets held for sale	21	**36,813**	657	**–**	–
Cash and cash equivalents	22	**3,487,876**	2,597,512	**310,342**	261,367
		5,346,232	4,993,907	**494,254**	522,542
Current liabilities					
Trade and other payables	23	**2,285,225**	2,444,545	**155,101**	153,129
Excess of progress billings over work-in-progress	18	**664,109**	717,409	**–**	–
Provisions	27	**122,870**	105,956	**7,246**	12,878
Current tax payable		**343,340**	380,598	**–**	–
Interest-bearing borrowings	29	**48,945**	284,372	**88**	83
		3,464,489	3,932,880	**162,435**	166,090
Net current assets		**1,881,743**	1,061,027	**331,819**	356,452
		7,427,052	5,397,498	**2,368,235**	2,294,490
Non-current liabilities					
Deferred tax liabilities	17	**419,539**	315,505	**40,535**	56,848
Provisions	27	**38,529**	9,392	**500**	500
Retirement benefit obligations	28	**19,973**	12,516	**–**	–
Interest-bearing borrowings	29	**1,553,125**	595,417	**250**	339
Other long-term liabilities	30	**375,626**	229,133	**656,731**	657,509
		2,406,792	1,161,963	**698,016**	715,196
		5,020,260	4,235,535	**1,670,219**	1,579,294

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

CONSOLIDATED INCOME STATEMENT

Year Ended December 31, 2010

		Group	
		2010	2009
	Note	S$'000	S$'000
Turnover	32	**8,763,614**	9,572,408
Cost of sales		**(7,242,974)**	(8,222,294)
Gross profit		**1,520,640**	1,350,114
General and administrative expenses		**(341,065)**	(295,063)
Operating profit		**1,179,575**	1,055,051
Non-operating income (net)		**88,788**	94,877
Finance costs	33	**(61,129)**	(41,186)
Share of results (net of tax) of:			
– Associates		**85,635**	43,629
– Joint ventures		**74,460**	65,913
Profit before income tax		**1,367,329**	1,218,284
Income tax expense	34	**(194,378)**	(202,981)
Profit for the year	35	**1,172,951**	1,015,303
Attributable to:			
Shareholders of the Company		**792,871**	682,664
Non-controlling interests		**380,080**	332,639
Profit for the year		**1,172,951**	1,015,303
Earnings per share (cents):	36		
Basic		**44.44**	38.37
Diluted		**44.11**	38.10

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2010

	Note	Group 2010 S$'000	Group 2009 S$'000
Profit for the year		**1,172,951**	1,015,303
Foreign currency translation differences for foreign operations		**(131,504)**	(10,562)
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		**(3,663)**	(2,145)
Net change in fair value of cash flow hedges		**(1,843)**	127,624
Net change in fair value of cash flow hedges transferred to profit or loss		**(7,269)**	21,396
Net change in fair value of cash flow hedges transferred to initial carrying value of hedged items		**2,798**	(22)
Net change in fair value of available-for-sale financial assets		**101,099**	20,534
Net change in fair value of available-for-sale financial assets transferred to profit or loss		–	13,210
Share of other comprehensive income of associates and joint ventures		**2,520**	68,699
Other comprehensive (loss) / income for the year (net of tax)	31	**(37,862)**	236,990
Total comprehensive income for the year		**1,135,089**	1,252,293
Attributable to:			
Shareholders of the Company		**735,140**	894,315
Non-controlling interests		**399,949**	357,978
Total comprehensive income for the year		**1,135,089**	1,252,293

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2010

Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Other reserves S$'000	Accumulated profits S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
	Attributable to shareholders of the Company							
At January 1, 2010	554,037	(21,236)	(120,110)	344,915	2,562,352	3,319,958	915,577	4,235,535
Total comprehensive income for the year								
Profit for the year	–	–	–	–	792,871	792,871	380,080	1,172,951
Other comprehensive income								
Foreign currency translation differences for foreign operations	–	–	(106,972)	–	–	(106,972)	(24,532)	(131,504)
Exchange differences on monetary items forming part of net investment in foreign operation	–	–	(3,663)	–	–	(3,663)	–	(3,663)
Net change in fair value of cash flow hedges	–	–	–	(7,458)	–	(7,458)	5,615	(1,843)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	(6,570)	–	(6,570)	(699)	(7,269)
Net change in fair value of cash flow hedges transferred to initial carrying value of hedged items	–	–	–	2,798	–	2,798	–	2,798
Net change in fair value of available-for-sale financial assets	–	–	–	61,565	–	61,565	39,534	101,099
Transfer of reserve	–	–	(9)	–	58	49	(49)	–
Share of other comprehensive income / (loss) of associates and joint ventures	–	–	–	2,671	(151)	2,520	–	2,520
Total other comprehensive (loss) / income for the year	–	–	(110,644)	53,006	(93)	(57,731)	19,869	(37,862)
Total comprehensive (loss) / income for the year	–	–	(110,644)	53,006	792,778	735,140	399,949	1,135,089

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2010

	Attributable to shareholders of the Company							
Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Other reserves S$'000	Accumulated profits S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Issue of ordinary shares as acquisition consideration	17,062	–	–	–	–	17,062	–	17,062
Issue of shares to non-controlling interests	–	–	–	–	–	–	16,162	16,162
Share-based payments	–	–	–	15,829	–	15,829	5,256	21,085
Purchase of treasury shares	–	(3,466)	–	–	–	(3,466)	–	(3,466)
Issue of treasury shares under Share Option Plan	–	12,478	–	–	–	12,478	–	12,478
Issue of treasury shares under Performance Share Plan	–	991	–	–	–	991	–	991
Issue of treasury shares under Restricted Stock Plan	–	5,565	–	–	–	5,565	–	5,565
Treasury shares transferred to employees	–	–	–	(12,232)	–	(12,232)	–	(12,232)
Treasury shares of a subsidiary	–	–	–	1,978	–	1,978	1,270	3,248
Realisation of reserve upon disposal of investments and changes in group structure	–	–	–	–	–	–	(745)	(745)
Final one-tier tax exempt dividend paid of 15.0 cents per share in respect of year 2009	–	–	–	–	(267,607)	(267,607)	–	(267,607)
Dividend paid to non-controlling interests	–	–	–	–	–	–	(147,078)	(147,078)
Total contributions by and distributions to owners of the Company	17,062	15,568	–	5,575	(267,607)	(229,402)	(125,135)	(354,537)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests with a change in control	–	–	–	–	–	–	35,428	35,428
Acquisition of non-controlling interests without a change in control	–	–	–	(10,486)	–	(10,486)	(20,769)	(31,255)
Total changes in ownership interests in subsidiaries	–	–	–	(10,486)	–	(10,486)	14,659	4,173
Total transactions with owners	17,062	15,568	–	(4,911)	(267,607)	(239,888)	(110,476)	(350,364)
At December 31, 2010	571,099	(5,668)	(230,754)	393,010	3,087,523	3,815,210	1,205,050	5,020,260

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

	Attributable to shareholders of the Company							
Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Other reserves S$'000	Accumulated profits S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
At January 1, 2009	554,037	(34,731)	(121,650)	114,000	2,082,541	2,594,197	670,660	3,264,857
Total comprehensive income for the year								
Profit 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	–	–	1,680	217,108	(7,137)	211,651	25,339	236,990
Total comprehensive income for the year	–	–	1,680	217,108	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, 2010

Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Other reserves S$'000	Accumulated profits S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
	Attributable to shareholders of the Company							
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Issue of shares to non-controlling interests	–	–	–	–	–	–	1,097	1,097
Share-based payments	–	–	–	17,573	–	17,573	5,928	23,501
Issue of treasury shares under Share Option Plan	–	8,843	–	–	–	8,843	–	8,843
Issue of treasury shares under Performance Share Plan	–	1,753	–	–	–	1,753	–	1,753
Issue of treasury shares under Restricted Stock Plan	–	2,899	–	–	–	2,899	–	2,899
Treasury shares transferred to employees	–	–	–	(9,667)	–	(9,667)	198	(9,469)
Treasury shares of a subsidiary	–	–	–	6,407	–	6,407	4,045	10,452
Realisation of reserve upon disposal of investments and changes in group structure	–	–	(140)	(506)	–	(646)	(142)	(788)
Final one-tier tax exempt dividend paid of 11.0 cents per share in respect of year 2008	–	–	–	–	(195,716)	(195,716)	–	(195,716)
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	(110,273)	(110,273)
Total contributions by and distributions to owners of the Company	–	13,495	(140)	13,807	(195,716)	(168,554)	(99,147)	(267,701)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interest without a change in control	–	–	–	–	–	–	(13,726)	(13,726)
Disposal of subsidiary	–	–	–	–	–	–	(188)	(188)
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	(13,914)	(13,914)
Total transactions with owners	–	13,495	(140)	13,807	(195,716)	(168,554)	(113,061)	(281,615)
At December 31, 2009	554,037	(21,236)	(120,110)	344,915	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).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

	Group 2010 S$'000	Group 2009 S$'000
Cash Flows from Operating Activities		
Profit for the year	**1,172,951**	1,015,303
Adjustments for:		
Dividend and interest income	**(36,020)**	(42,353)
Finance costs	**61,129**	41,186
Depreciation and amortisation	**242,139**	199,703
Share of results of associates and joint ventures	**(160,095)**	(109,542)
Gain on disposal of property, plant and equipment	**(1,576)**	(1,794)
Gain on disposal of assets held for sale and investments (net)	**(141)**	(3,853)
Full and final settlement of disputed foreign exchange transactions	**(52,640)**	–
Changes in fair value of financial instruments	**(12,428)**	(2,475)
Equity settled share-based compensation expenses	**21,085**	23,501
Allowance made for impairment in value of assets and assets written off (net)	**11,433**	33,239
Negative goodwill	**–**	(298)
Income tax expense (Note 34)	**194,378**	202,981
Operating profit before working capital changes	**1,440,215**	1,355,598
Changes in working capital:		
Inventories and work-in-progress	**449,259**	(722,718)
Receivables	**77,255**	164,228
Payables	**(185,479)**	171,003
	1,781,250	968,111
Net payment from banks for Unauthorised Transactions (Note 35(d))	**52,640**	–
Income taxes paid	**(131,525)**	(31,882)
Net cash inflow from operating activities	**1,702,365**	936,229

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

	Group	
	2010	2009
	S$'000	S$'000
Cash Flows from Investing Activities		
Dividends and interest received	97,306	98,871
Cash flows on sale of subsidiaries, net of cash disposed (Note a)	–	14
Proceeds from sale of associates and joint ventures	–	3,628
Proceeds from sale of assets held for sale and investments	59	12,722
Proceeds from sale of property, plant and equipment	7,619	10,179
Proceeds from sale of intangible assets	10	–
Cash paid to non-controlling interests upon liquidation of a subsidiary	(542)	–
Loans to associates	–	(67,259)
Acquisition of / additional investments in associates and joint ventures	(18,758)	(111,885)
Acquisition of subsidiaries, net of cash acquired (Note 38)	(197,003)	–
Acquisition of non-controlling interests	(15,766)	(13,428)
Acquisition of other financial assets	(2,005)	(32)
Purchase of property, plant and equipment (Note c)	(629,357)	(406,847)
Payment for intangible assets	(2,960)	(18)
Net cash outflow from investing activities	(761,397)	(474,055)
Cash Flows from Financing Activities		
Proceeds from share issue to non-controlling interests of subsidiaries	16,162	1,097
Proceeds from share options exercised with issue of treasury shares	6,802	3,434
Proceeds from share options exercised with issue of treasury shares of a subsidiary	3,248	10,452
Purchase of treasury shares	(3,466)	–
Proceeds from borrowings	948,146	827,820
Repayment of borrowings	(538,206)	(764,328)
Payment on finance leases	(2,336)	(4,032)
Net increase / (decrease) in other long-term liabilities	626	(862)
Dividends paid to shareholders of the Company	(267,607)	(195,716)
Dividends paid to non-controlling interests of subsidiaries	(147,078)	(110,273)
Interest paid	(45,807)	(38,334)
Net cash outflow from financing activities	(29,516)	(270,742)
Net increase in cash and cash equivalents	911,452	191,432
Cash and cash equivalents at beginning of the year	2,597,512	2,400,954
Effect of exchange rate changes on balances held in foreign currency	(21,088)	5,126
Cash and cash equivalents at end of the year (Note 22)	3,487,876	2,597,512

Significant Non-Cash Transaction:

During the financial year, the Company issued 3,630,192 new ordinary shares amounting to S$17,062,000 for the acquisition of non-controlling interests (Notes 3 and 38).

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

	Group	
	2010	2009
	S$'000	S$'000
Disposals		
Non-current assets	–	246
Net current assets	–	38
Non-controlling interests	–	(188)
	–	96
Loss on disposal	–	(14)
Total consideration received	–	82
Net cash at bank of subsidiaries disposed of	–	(68)
Cash inflow on divestment	–	14

b. Please refer to Note 38 for the effects of acquisition of subsidiaries on the cash flows of the Group.

c. During the year, the Group acquired property, plant and equipment with an aggregate cost of S$658,807,000 (2009: S$407,423,000) of which S$4,432,000 (2009: S$576,000) was acquired by means of finance lease, and S$25,018,000 relates to provision for restoration costs (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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, 2011.

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 solid waste management. Key activities in the energy sector include power generation and retail, process steam production and supply, as well as natural gas import, supply and retail. In the water sector, the business offers wastewater treatment as well as the production and supply of reclaimed, desalinated and potable water and water for industrial use.

ii. Marine

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

iii. Industrial Parks

This business owns, develops, markets and manages integrated industrial parks and townships in Asia.

iv. Others / Corporate

This business mainly relates to minting, design and construction activities, offshore engineering and the corporate companies.

The financial statements comprise the Company and its subsidiaries (referred to as the "Group" and individually as "Group entities") 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.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed in Note 45.

With effect from January 1, 2010, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years except as disclosed below. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

i. FRS 103 (revised 2009) Business Combinations

The Group applies FRS 103 (revised 2009) Business Combinations, which became effective for annual periods beginning on or after July 1, 2009. The revised accounting policy on business combinations is set out in Note 2b(i).

As the changes have been implemented prospectively, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

ii. FRS 27 (revised 2009) Consolidated and Separate Financial Statements

The Group applies FRS 27 (revised 2009) Consolidated and Separate Financial Statements, which became effective for annual periods beginning on or after July 1, 2009. The revisions to FRS 27 principally changed the accounting for acquisitions of non-controlling interests. See Note 2b(ii). The revised accounting policy on changes in ownership interests that results in a loss of control is set out in Note 2b(v). The accounting policy on changes in ownership interests that does not result in loss of control is set out in Note 2b(ii).

As the changes have been implemented prospectively, no adjustments were necessary to any of the amounts previously recognised in the financial statements and this has no impact on earnings per share.

b. Consolidation

i. Business Combinations

Acquisitions on or after January 1, 2010

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

b. Consolidation *(cont'd)*

i. Business Combinations (cont'd)

Acquisitions on or after January 1, 2010 *(cont'd)*

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Acquisitions between January 1, 2004 and December 31, 2009

For acquisitions between January 1, 2004 and December 31, 2009, business combinations are accounted for using the purchase method, upon the adoption of FRS 103. 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.

Acquisitions prior to January 1, 2004

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.

ii. Acquisition of Non-Controlling Interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the fair value of net assets of the subsidiary.

Prior to January 1, 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

iii. Subsidiaries

Subsidiaries are those entities that are controlled by the Group.

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

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income or losses is attributed to the non-controlling interests based on their respective interests in a subsidiary even if this results in the non-controlling interests having a deficit balance.

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

b. Consolidation *(cont'd)*

iv. 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.

v. Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

vi. 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. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of 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.

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.

vii. 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.

Joint ventures are accounted for using the equity method of accounting from the date joint control commences until the day that the joint control ceases.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

b. Consolidation *(cont'd)*

vii. Joint Ventures (cont'd)

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to December 31.

viii. Transactions Eliminated on Consolidation

All 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.

ix. 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.

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 reporting 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.

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

c. Foreign Currencies *(cont'd)*

iii. Foreign Operations

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

- Assets and liabilities are translated at foreign exchange rates ruling at the date of the balance sheet.
- Revenues and expenses are translated at average foreign exchange rates.
- All resulting foreign exchange differences are taken to the foreign currency translation reserve in 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 foreign currency translation differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

d. Property, Plant and Equipment

i. Owned Assets

Property, plant and equipment are stated at cost less accumulated depreciation and 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.

v. Finance Lease Assets

Finance leases are those leasing agreements with terms of which the Group assumes substantially all the risks and rewards of 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.

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

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

vi. Provision for Restoration Costs

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

vii. Depreciation

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

Leasehold land and wet berthage	Lease period of 3 to 60 years
Buildings	10 to 75 years or lease period of 3 to 30 years
Improvements to premises	3 to 30 years
Quays and dry docks	60 years or lease period of 6 to 22 years
Infrastructure	8 to 100 years
Plant and machinery	3 to 40 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

f. Intangible Assets

i. Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Goodwill is stated at cost less accumulated impairment losses.

Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively. An impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investments.

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.

iv. Service Concession Arrangements

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement is the period when it is available for use to the end of the concession period.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of 25 to 30 years.

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

f. Intangible Assets *(cont'd)*

v. 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.

vi. Subsequent Expenditure

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

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).

g. Financial Assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies its non-derivative 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 financial assets are acquired or held. Management determines the classification of its financial assets 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 the income statement as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

ii. Held to Maturity Investments

Where the Group has the positive intent and ability to hold investments to maturity, they are recognised initially at fair value plus any directly attributable transaction costs and subsequently stated at amortised cost using the effective interest method less impairment losses. During the year, the Group did not hold any investment in this category.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

g. Financial Assets *(cont'd)*

iii. Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date for which they are classified as non-current assets. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs 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)).

Loans and receivables comprise trade and other receivables (Note 2(k)), including service concession receivables.

Cash and Cash Equivalents

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

Service Concession Arrangement

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration (see also Note 2(f)(iv)).

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 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.

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. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

g. Financial Assets *(cont'd)*

Impairment *(cont'd)*

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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised.

Reversals of Impairment

An impairment loss in respect of a held-to-maturity investment 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. The decrease in impairment loss is reversed through the income statement.

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.

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; attributable transaction costs are recognised in the income statement as incurred. 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

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

i. Hedging Activities *(cont'd)*

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 attributable to a particular risk associated with 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 billings and allowance for foreseeable losses, and are presented in the balance sheet as "Work-in-progress" (as an asset) or "Excess of progress billings 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 billings not yet paid by the customer are included in the balance sheet under "Trade receivables". Amounts received before progress billings are included in the balance sheet, as a liability, as "Advance payments from customers".

k. Trade Receivables

Trade receivables (including service concession receivables) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

l. Government Grants

i. Deferred Asset Grants

Asset related grants are credited to a deferred asset grant account at fair value 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 Scheme

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.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2010

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

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 reporting 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 ("CGU") exceeds its recoverable amount. A CGU 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 CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (group of CGUs) and then, to reduce the carrying amount of the other assets in the CGU (group of CGUs) 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 CGU 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 CGU. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

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

n. Non-Derivative Financial Liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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. On completion of the construction services, the deferred income in a service concession arrangement is amortised over the estimated useful life. 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.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2010

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

p. Employee Benefits *(cont'd)*

ii. Defined Benefit Plans (cont'd)

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.

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.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

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.

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

p. Employee Benefits *(cont'd)*

v. Equity and Equity-Related Compensation Benefits

Share Option Plan

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

The proceeds received net of any directly attributable transaction costs are credited to share capital when new shares are issued. The amount in the share-based payments reserve is retained when the option is exercised or expires.

Where treasury shares are issued, the difference between the cost of treasury shares and the proceeds received net of any directly attributable costs are transferred to share-based payments reserve.

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 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.

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

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 prices and volatility of returns. This model takes into 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

p. Employee Benefits *(cont'd)*

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

Restricted Stock Plan *(cont'd)*

The share-based payments reserve relating to the restricted stocks released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

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.

q. Provisions

A provision is recognised in the balance sheet when there is a present 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.

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

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. Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

u. Revenue Recognition *(cont'd)*

ii. Contract Revenue

Revenue from repair work, engineering, overhaul, service work and marine and civil construction contracts is recognised based on percentage of completion. The percentage of completion is assessed by reference to surveys of work performed, or by reference to the 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.

iv. Service Concession Arrangements

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 (see (ii) above). 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. Rental Income

Rental income receivable under operating lease 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. 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 rate method.

w. Leases

i. Operating Lease

When entities within the Group are lessees of an operating lease

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

When entities within the Group are lessors of an operating lease

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

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

w. Leases *(cont'd)*

ii. Finance Lease

When entities within the Group are lessors of a finance lease

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

x. Finance Costs

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

y. 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.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

z. Assets (or Disposal Groups) Held For Sale

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

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

aa. Financial Guarantee Contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2010

3. Share Capital

	Note	Group and Company No. of ordinary shares 2010	2009
Issued and fully paid, with no par value:			
At the beginning of the year		**1,785,351,540**	1,785,351,540
Issue of shares	(b)	**3,630,192**	–
At the end of the year		**1,788,981,732**	1,785,351,540

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

b. 3,630,192 (2009: nil) ordinary shares were issued as a result of acquisition of The China Water Company Limited (Note 38(ii)).

c. Movements of the share capital account during the year are set out in the Consolidated Statement of Changes in Equity.

4. Share-based Incentive Plans

The Company's Share Option Plan, Performance Share Plan and Restricted Stock Plan (collectively, the "Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000.

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

Ang Kong Hua *(Chairman)*
Goh Geok Ling
Margaret Lui

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, are given an opportunity to participate in the equity of the Company. From 2007 onwards, no share options were granted.

During the year, the Share Plans expired and the New Share Plans comprising Performance Share Plan ("SCI PSP 2010") and Restricted Stock Plan ("SCI RSP 2010") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The Share Option Plan was not replaced.

The New Share Plans are proposed to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. The New Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

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

The SCI RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCI PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCI RSP 2010 and the SCI PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The New Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the New Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the New Share Plans aim to foster a greater ownership culture within the Group which align the interests of Participants with the interests of Shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The New Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for Shareholders. The Company believes that the New Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the New Share Plans cater principally to Group Executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associated companies over which the Company has operational control.

A Participant's Awards under the New Share Plans will be determined at the sole discretion of the Committee. In considering an Award to be granted to a Participant, the Committee may take into account, inter alia, the Participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

As at December 31, 2010, no new shares were granted under the New Share Plans. All shares granted during the year were awarded under the Share Plans approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000.

Other information regarding the Share Plan is as follows:

a. Share Option Plan

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

Other information regarding the Share Option Plan is as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

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

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 2010 and 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.

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

Sembcorp Industries Ltd
Ordinary shares
2010

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2010	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2010	Options exercisable at Jan 1, 2010	Options exercisable at Dec 31, 2010	Exercise period
26/06/2000	S$1.63	188,723	(127,523)	(61,200)	–	188,723	–	27/06/2001 to 26/06/2010
19/04/2001	S$1.19	122,750	(11,650)	–	111,100	122,750	111,100	20/04/2002 to 19/04/2011
07/05/2002	S$1.23	189,125	(28,375)	–	160,750	189,125	160,750	08/05/2003 to 07/05/2012
17/10/2002	S$0.62	91,250	(4,250)	–	87,000	91,250	87,000	18/10/2003 to 17/10/2012
02/06/2003	S$0.78	105,225	(6,625)	(1,000)	97,600	105,225	97,600	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	130,125	(18,750)	–	111,375	130,125	111,375	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	292,275	(84,525)	(1,000)	206,750	292,275	206,750	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	376,275	(148,275)	(3,000)	225,000	376,275	225,000	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	91,875	(91,875)	–	–	91,875	–	02/07/2006 to 01/07/2010
01/07/2005	S$2.37	1,316,952	(513,752)	(10,500)	792,700	1,316,952	792,700	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	135,625	(135,625)	–	–	135,625	–	22/11/2006 to 21/11/2010
21/11/2005	S$2.36	1,550,076	(645,602)	(13,000)	891,474	1,550,076	891,474	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	385,000	(210,000)	–	175,000	271,250	175,000	10/06/2007 to 09/06/2011
09/06/2006	S$2.52	2,742,135	(974,595)	(31,750)	1,735,790	1,955,385	1,735,790	10/06/2007 to 09/06/2016
		7,717,411	**(3,001,422)**	**(121,450)**	**4,594,539**	**6,816,911**	**4,594,539**	

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

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

Sembcorp Industries Ltd
Ordinary shares
2009

Date of grant of options	Exercise price per share	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	Exercise period
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, 2010

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
2010

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2010	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2010	Options exercisable at Jan 1, 2010	Options exercisable at Dec 31, 2010	Exercise period
08/09/2000	S$0.50	191,170	(53,890)	(137,280)	–	191,170	–	08/09/2001 to 07/09/2010
27/09/2001	S$0.47	99,610	(42,000)	(2,800)	54,810	99,610	54,810	28/09/2002 to 27/09/2011
07/11/2002	S$0.64	308,450	(142,550)	(4,200)	161,700	308,450	161,700	08/11/2003 to 07/11/2012
08/08/2003	S$0.71	878,220	(661,550)	(200)	216,470	878,220	216,470	09/08/2004 to 08/08/2013
10/08/2004	S$0.74	2,598,278	(868,920)	(5,400)	1,723,958	2,598,278	1,723,958	11/08/2005 to 10/08/2004
11/08/2005	S$2.11	203,000	(203,000)	–	–	203,000	–	12/08/2006 to 11/08/2010*
11/08/2005	S$2.11	7,035,787	(2,790,560)	(31,350)	4,213,877	7,035,787	4,213,877	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	588,000	(396,250)	–	191,750	453,250	191,750	03/10/2007 to 02/10/2011*
02/10/2006	S$2.38	8,335,653	(3,311,179)	(106,065)	4,918,409	5,774,379	4,918,409	03/10/2007 to 02/10/2016
		20,238,168	**(8,469,899)**	**(287,295)**	**11,480,974**	**17,542,144**	**11,480,974**	

* Applicable to non-executive directors of the Company only.

Sembcorp Marine Ltd
Ordinary shares
2009

Date of grant of options	Exercise price per share	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	Exercise period
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**	

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.

* Applicable to non-executive directors of the Company only.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2010

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

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

Sembcorp Industries Ltd's options exercised in 2010 and 2009 were all settled by way of issuance of treasury shares. Sembcorp Industries Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S$4.26 (2009: S$3.02).

Sembcorp Marine Ltd's options exercised in 2010 resulted in 8,469,899 (2009: 5,364,666) ordinary shares being issued at a weighted average price of S$1.94 (2009: S$1.87). Sembcorp Marine Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S$4.12 (2009: S$2.67).

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.

From 2009 onwards, 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 2010 to 2012 will be vested to the senior management participants only if the restricted stocks for the performance period 2011 to 2012 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:

Performance shares participants	Conditional performance shares awarded during the year	Aggregate conditional performance shares awarded	Aggregate conditional performance shares released	Aggregate conditional performance shares lapsed	Aggregate conditional performance shares outstanding
2010					
Director of the Company:					
Tang Kin Fei	400,000	3,327,638	(1,343,918)	(783,720)	1,200,000
Key executives of the Group	600,000	6,976,821	(1,755,530)	(3,809,626)	1,411,665
	1,000,000	**10,304,459**	**(3,099,448)**	**(4,593,346)**	**2,611,665**

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

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

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

Performance shares participants	Conditional performance shares awarded during the year	Aggregate conditional performance shares awarded	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	2,927,638	(1,201,034)	(518,364)	1,208,240
Key executives of the Group	570,000	6,376,821	(1,630,795)	(3,313,404)	1,432,622
	970,000	**9,304,459**	**(2,831,829)**	**(3,831,768)**	**2,640,862**

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2009, a total of 267,619 (2009: 476,730) performance shares were released via the issuance of treasury shares.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2010, was 2,611,665 (2009: 2,640,862). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,917,498 (2009: 3,961,293) 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:

	2010	2009
Conditional performance shares awarded during the year	**635,000**	545,000
Aggregate conditional performance shares awarded	**7,737,500**	7,102,500
Additional performance shares awarded arising from targets met during the year	**235,200**	–
Aggregate conditional performance shares released	**(4,809,700)**	(3,594,500)
Aggregate conditional performance shares lapsed	**(1,193,000)**	(1,193,000)
Aggregate conditional performance shares outstanding	**1,970,000**	2,315,000

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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2009, a total of 1,215,200 (2009: 411,600) performance shares were released via the issuance of treasury shares.

In 2010, there were additional 235,200 (2009: nil) performance shares awarded for 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 2010 was 1,970,000 (2009: 2,315,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,955,000 (2009: 3,472,500) performance shares.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

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

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 8, 2010	Fair value of Sembcorp Industries Ltd performance shares granted on April 9, 2009	Fair value of Sembcorp Marine Ltd performance shares granted on April 19, 2010	Fair value of Sembcorp Marine Ltd performance shares granted on April 13, 2009
Fair value at measurement date	S$2.71	S$2.14	S$3.62	S$2.28
Assumptions under the Monte Carlo model				
Share price	S$4.19	S$2.67	S$4.36	S$2.26
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	32.1%	39.9%	31.8%	50.3%
Morgan Stanley Capital International ("MSCI")				
AC Asia Pacific excluding Japan Industrials Index	22.4%	33.9%	21.4%	33.9%
Correlation with MSCI	80.7%	77.5%	79.5%	76.2%
Risk-free interest rate	0.7%	0.7%	0.7%	0.7%
Expected dividend	3.8%	5.8%	3.4%	5.3%

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$3,790,000 (2009: S$4,284,000) 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 (excluding Sembcorp Marine Ltd) and Earnings Before Interest and Taxes (excluding Sembcorp Marine Ltd) for awards granted in 2010.

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.

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

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

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.

There is no performance condition for the conditional award of the restricted stocks granted to non-executive directors in 2010. Shares granted will be vested 1 year from the date of grant.

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:

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate conditional restricted stocks awarded	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2010					
Directors of the Company:					
Ang Kong Hua	20,300	20,300	–	–	20,300
Tang Kin Fei	126,000	597,842	(188,132)	(47,529)	362,181
Goh Geok Ling	13,700	55,082	(10,536)	(5,168)	39,378
Richard Hale, OBE	17,000	68,350	(13,074)	(6,412)	48,864
Evert Henkes	7,000	28,144	(5,383)	(2,640)	20,121
Lee Suet Fern	13,700	55,082	(10,536)	(5,168)	39,378
Bobby Chin Yoke Choong	11,000	22,000	–	–	22,000
Margaret Lui	–	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–	–
Former director of the Company	13,725	84,709	(75,845)	(8,864)	–
Other executives of the Group	2,046,075	9,138,836	(2,345,485)	(1,830,127)	4,963,224
	2,268,500	**10,070,345**	**(2,648,991)**	**(1,905,908)**	**5,515,446**
2009					
Directors of the Company:					
Peter Seah Lim Huat	23,500	70,984	(5,197)	(8,394)	57,393
Tang Kin Fei	126,000	471,842	(88,695)	(45,009)	338,138
Goh Geok Ling	13,700	41,382	(3,030)	(4,894)	33,458
Richard Hale, OBE	17,000	51,350	(3,760)	(6,072)	41,518
Evert Henkes	7,000	21,144	(1,548)	(2,500)	17,096
Lee Suet Fern	13,700	41,382	(3,030)	(4,894)	33,458
Bobby Chin Yoke Choong	11,000	11,000	–	–	11,000
Other executives of the Group	2,012,500	7,092,761	(1,082,459)	(1,503,517)	4,506,785
	2,224,400	**7,801,845**	**(1,187,719)**	**(1,575,280)**	**5,038,846**

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

4. 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 2008 to 2009, a total of 736,370 restricted stocks were released. For awards in relation to the performance period 2007 to 2008, a total of 359,706 (2009: 392,617) restricted stocks were released in 2010. For awards in relation to the performance period 2006 to 2007, a total of 311,950 (2009: 355,501) restricted stocks were released in 2010. In 2010, there were additional 53,246 restricted stocks released to employees upon retirement. The restricted stocks were released via the issuance of treasury shares.

The total number of restricted stocks outstanding, including award(s) achieved but not released, as at end 2010, was 5,515,446 (2009: 5,038,846). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,097,300 (2009: 4,077,962). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,145,950 (2009: 6,116,943) 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 2008 to 2009, a total of S$1,511,000, equivalent to 358,784 (2009: S$584,000, equivalent to 252,989) notional restricted stocks, were paid.

A total of 600,000 (2009: 600,000) notional restricted stocks of Sembcorp Industries Ltd's shares were awarded in 2010 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 2010, was 1,200,000 (2009: 1,200,000). Based on the multiplying factor, the number of notional restricted stocks to be converted into the funding pool could range from zero to a maximum of 1,800,000 (2009: 1,800,000).

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:

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate conditional restricted stocks awarded	Additional conditional restricted stocks awarded arising from targets met during the year	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2010						
Directors of the Company:						
Tang Kin Fei	11,500	65,070	6,000	(22,380)	–	48,690
Goh Geok Ling	20,500	111,540	11,000	(37,694)	–	84,846
Richard Hale, OBE	14,700	36,700	–	–	–	36,700
Other participants	3,447,500	17,845,838	1,658,250	(7,262,565)	(1,031,456)	11,210,067
	3,494,200	**18,059,148**	**1,675,250**	**(7,322,639)**	**(1,031,456)**	**11,380,303**

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

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

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

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate conditional restricted stocks awarded	Additional conditional restricted stocks awarded arising from targets met during the year	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2009						
Directors of the Company:						
Tang Kin Fei	17,000	47,900	5,670	(8,190)	–	45,380
Goh Geok Ling	29,000	81,800	9,240	(13,347)	–	77,693
Richard Hale, OBE	22,000	22,000	–	–	–	22,000
Other participants	3,358,330	13,231,015	1,167,323	(3,372,147)	(764,302)	10,261,889
	3,426,330	**13,382,715**	**1,182,233**	**(3,393,684)**	**(764,302)**	**10,406,962**

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2008 to 2009, a total of 1,791,238 Sembcorp Marine Ltd's restricted stocks were released via the issuance of treasury shares. For awards in relation to the performance period 2007 to 2008, a total of 1,561,953 (2009: 1,956,117) restricted stocks were released in 2010. For awards in relation to the performance period 2006 to 2007, a total of 575,764 (2009: 729,439) restricted stocks were released in 2010. The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

In 2010, additional 1,675,250 (2009: 1,182,233) restricted stocks were awarded for the over-achievement of the performance targets for the performance period 2008 to 2009 (2009: 2007 to 2008).

The total number of Sembcorp Marine Ltd's restricted stocks outstanding, including award(s) achieved but not released, as at end 2010, was 11,380,303 (2009: 10,406,962). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,615,930 (2009: 6,709,730). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 9,923,895 (2009: 10,064,595) restricted stocks.

Challenge Bonus of a listed subsidiary

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2008 to 2009, a total of S$3,785,714 (2009: S$1,679,000), equivalent to 1,030,600 (2009: 1,203,602) notional restricted stocks, were paid.

A total of 1,234,400 (2009: 1,130,050) notional restricted stocks of Sembcorp Marine Ltd's shares were awarded in 2010 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 2010, was 2,149,950 (2009: 1,928,700). 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 3,224,925 (2009: 2,893,050).

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2010

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

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

Fair value of restricted stocks

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

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

	Fair value of Sembcorp Industries Ltd restricted stocks granted on April 8, 2010	Fair value of Sembcorp Industries Ltd restricted stocks granted on April 9, 2009	Fair value of Sembcorp Marine Ltd restricted stocks granted on April 19, 2010	Fair value of Sembcorp Marine Ltd restricted stocks granted on April 13, 2009
Fair value at measurement date	S$2.48	S$2.28	S$2.62	S$1.98
Assumptions under the Monte Carlo model				
Share price	S$4.19	S$2.67	S$4.36	S$2.26
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	32.1%	39.9%	31.8%	50.3%
Risk-free interest rate	0.6%-0.9%	0.4%-1.0%	0.5%-0.8%	0.4%-1.0%
Expected dividend	3.8%	5.8%	3.4%	5.3%

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$17,839,000 (2009: S$18,200,000) 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$11,580,000 (2009: S$4,491,000) 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 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Reserve for own shares	(a)	**(5,668)**	(21,236)	**(5,668)**	(21,236)
Currency translation reserve	(b)	**(230,754)**	(120,110)	**–**	–
Other reserves	(c)	**393,010**	344,915	**15,537**	20,405
		156,588	203,569	**9,869**	(831)

a. Reserve for Own Shares

At December 31, 2010, the Company held 1,231,692 (2009: 5,122,674) of its own uncancelled shares as treasury shares.

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

b. Currency Translation Reserve

The currency translation reserve comprises:

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

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

iii. gains or losses on instruments used to hedge the Company's net investment in foreign operations that are determined to be effective hedges.

c. Other Reserves

	Group Capital reserve S$'000	Group Merger reserve S$'000	Group Share-based payments reserve S$'000	Group Fair value reserve S$'000	Group Hedging reserve S$'000	Group Total S$'000	Company Share-based payments reserve S$'000
At January 1, 2010	332,988	29,201	22,676	34,651	(74,601)	344,915	20,405
Share-based payments	–	–	15,829	–	–	15,829	7,364
Treasury shares transferred to employees	–	–	(12,232)	–	–	(12,232)	(12,232)
Treasury shares of a subsidiary	15,498	–	(13,520)	–	–	1,978	–
Acquisition of non-controlling interests without a change in control	(10,486)	–	–	–	–	(10,486)	–
Net change in fair value of cash flow hedges	–	–	–	–	(7,458)	(7,458)	–
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	(6,570)	(6,570)	–
Net change in fair value of cash flow hedges transferred to initial carrying value of hedged items	–	–	–	–	2,798	2,798	–
Net change in fair value of available-for-sale financial assets	–	–	–	61,565	–	61,565	–
Share of other comprehensive income of associates and joint ventures	152	–	–	–	2,519	2,671	–
At December 31, 2010	338,152	29,201	12,753	96,216	(83,312)	393,010	15,537

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

c. Other Reserves *(cont'd)*

	Group						Company
	Capital reserve S$'000	Merger reserve S$'000	Share-based payments reserve S$'000	Fair value reserve S$'000	Hedging reserve S$'000	Total S$'000	Share-based payments reserve S$'000
At January 1, 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 of 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)*

Other reserves include:

i. Capital reserve comprises acquisitions and disposals with non-controlling interests that do not result in a change of control, 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, and treasury shares of a subsidiary.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2010

6. Property, Plant and Equipment

	Note	Leasehold and freehold land, buildings and wet berthage S$'000	Improvements to premises S$'000	Quays and dry docks S$'000	Infrastructure S$'000	Plant and machinery S$'000	Marine vessels S$'000	Tools and workshop equipment S$'000	Furniture, fittings and office equipment S$'000	Motor vehicles S$'000	Capital work-in-progress S$'000	Total S$'000
Group												
Cost / Valuation												
Balance at January 1, 2010		787,356	38,969	329,794	–	2,614,767	16,219	36,234	112,317	54,399	336,381	4,326,436
Translation adjustments		(12,699)	(149)	(13)	(4,431)	(66,089)	–	(94)	(1,204)	(463)	(37,568)	(122,710)
Additions		2,858	169	26,451	5,912	17,746	305	668	6,214	6,095	592,389	658,807
Reclassification		(93,978)	2,091	–	(418)	172,390	309	3,276	1,273	(1,435)	(83,508)	–
Transfer to assets held for sale	21	–	–	–	–	(80,864)	–	–	–	–	–	(80,864)
Disposals / Write-offs		(3,062)	(60)	–	(853)	(16,526)	(95)	(180)	(2,343)	(9,731)	(2,997)	(35,847)
Acquisition of subsidiaries	38	111,082	–	–	251,072	96,522	–	–	4,094	4,643	3,283	470,696
Balance at December 31, 2010		791,557	41,020	356,232	251,282	2,737,946	16,738	39,904	120,351	53,508	807,980	5,216,518
Accumulated Depreciation and Impairment Losses												
Balance at January 1, 2010		272,509	22,965	148,964	–	1,012,667	8,674	28,797	93,385	41,527	2,872	1,632,360
Translation adjustments		(2,647)	(70)	(9)	(203)	(20,759)	–	(69)	(868)	(273)	(36)	(24,934)
Depreciation for the year	35(b)	27,328	2,463	19,313	4,337	165,598	809	3,377	9,909	3,263	–	236,397
Reclassification		(9,137)	77	–	39	8,772	–	–	(824)	1,073	–	–
Transfer to assets held for sale	21	–	–	–	–	(44,648)	–	–	–	–	–	(44,648)
Disposals / Write-offs		(2,913)	(60)	–	(684)	(9,059)	(7)	(167)	(2,231)	(8,520)	(2,836)	(26,477)
Allowance made for impairment – net	35(b)	2,031	152	–	–	477	–	–	(470)	3,051	–	5,241
Balance at December 31, 2010		287,171	25,527	168,268	3,489	1,113,048	9,476	31,938	98,901	40,121	–	1,777,939
Carrying Amount												
At December 31, 2010		504,386	15,493	187,964	247,793	1,624,898	7,262	7,966	21,450	13,387	807,980	3,438,579

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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

	Note	Leasehold and freehold land, buildings and wet berthage S$'000	Improvements to premises S$'000	Quays and dry docks S$'000	Plant and machinery S$'000	Marine vessels S$'000	Tools and workshop equipment S$'000	Furniture, fittings and office equipment S$'000	Motor vehicles S$'000	Capital work-in-progress S$'000	Total S$'000
Group											
Cost / Valuation											
Balance at January 1, 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	760	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, 2010

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

	Leasehold and freehold land, buildings and wet berthage S$'000	Improvements to premises S$'000	Quays and dry docks S$'000	Plant and machinery S$'000	Furniture, fittings and office equipment S$'000	Motor vehicles S$'000	Capital work-in-progress S$'000	Total S$'000
Company								
Cost								
Balance at January 1, 2010	19,832	2,193	8,280	492,874	9,777	929	16,967	550,852
Additions	–	1	–	2,553	1,475	–	2,634	6,663
Reclassification	–	110	–	16,329	621	–	(17,060)	–
Disposals / Write-offs	(4)	(61)	–	(1,261)	(385)	–	(563)	(2,274)
Balance at December 31, 2010	19,828	2,243	8,280	510,495	11,488	929	1,978	555,241
Accumulated Depreciation and Impairment Losses								
Balance at January 1, 2010	1,801	2,099	814	55,768	7,415	280	–	68,177
Depreciation for the year	966	58	408	31,042	1,681	175	–	34,330
Disposals / Write-offs	(2)	(60)	–	(166)	(382)	–	–	(610)
Balance at December 31, 2010	2,765	2,097	1,222	86,644	8,714	455	–	101,897
Carrying Amount								
At December 31, 2010	17,063	146	7,058	423,851	2,774	474	1,978	453,344
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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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	
	2010	2009
	S$'000	S$'000
Freehold land and buildings	**24,506**	27,758
Leasehold land and buildings	**39,627**	106,617
Plant and machinery	**438,912**	854,385
Capital work-in-progress	**368,496**	43,378
Other assets	**1,241**	1,992
	872,782	1,034,130

ii. Assets with net book value of S$14,485,000 (2009: S$1,383,000) 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 as 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$28,767,000 (2009: S$1,037,000) and S$5,133,000 (2009: S$982,000), respectively were capitalised as capital work-in-progress.

7. Investment Properties

		Group	
		2010	2009
	Note	S$'000	S$'000
Cost			
Balance at January 1		**46,703**	44,408
Translation adjustments		**(901)**	842
Transfer from property, plant and equipment	6	**–**	1,453
Balance at December 31		**45,802**	46,703
Accumulated Depreciation and Impairment Losses			
Balance at January 1		**20,100**	18,449
Transfer from property, plant and equipment	6	**–**	642
Depreciation for the year	35(b)	**1,027**	1,009
Allowance made for impairment – net	35(b)	**563**	–
Balance at December 31		**21,690**	20,100
Carrying Amount			
At December 31		**24,112**	26,603

7. Investment Properties *(cont'd)*

Investment properties with net book value of S$9,392,000 (2009: S$10,293,000) 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$53,563,000 (2009: S$56,212,000). The fair values, if determined by independent professional valuers, are 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	
	2010	2009
	S$'000	S$'000
At cost and carrying value:		
Quoted equity shares	**713,048**	713,048
Unquoted equity shares	**453,912**	453,912
Preference shares	**387,500**	257,500
Share-based payments reserve	**8,786**	11,046
	1,563,246	1,435,506

The fair value of the equity interest of the listed subsidiary with carrying amount of S$713,048,000 (2009: S$713,048,000), amounts to S$6,795,041,002 (2009: S$4,681,871,827) based on the last transacted market price as at December 31, 2010 (December 31, 2009).

Details of significant subsidiaries are set out in Note 48.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

9. Interests in Associates

	Group	
	2010	2009
	S$'000	S$'000
Interests in associates	**686,601**	618,829

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

	Group	
	2010	2009
	S$'000	S$'000
Balance at beginning of the year	**55**	55
Addition during the year	**303**	–
Balance at end of the year	**358**	55

The fair value of the equity interest of a listed associate, with a carrying amount of S$203,240,000 (2009: S$201,689,000), amounts to S$282,758,000 (2009: S$181,773,000) based on the last transacted market price as at December 31, 2010 (December 31, 2009).

Summarised financial information of associates is as follows:

	Group	
	2010	2009
	S$'000	S$'000
Combined results		
Turnover	**5,080,801**	3,781,982
Profit for the year	**250,796**	177,972
Combined assets and liabilities		
Total assets	**10,392,303**	10,093,670
Total liabilities	**7,280,760**	7,216,412

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.

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

10. Interests in Joint Ventures

	Group	
	2010	2009
	S$'000	S$'000
Interests in joint ventures	**347,427**	311,721

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

	Group	
	2010	2009
	S$'000	S$'000
Balance at beginning of the year	**1,855**	1,919
Translation during the year	**(115)**	(64)
Balance at end of the year	**1,740**	1,855

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

	Group's share	
	2010	2009
	S$'000	S$'000
Combined results		
Turnover	**364,690**	346,182
Expenses	**(281,330)**	(275,145)
Profit before income tax	**83,360**	71,037
Income tax expense	**(8,900)**	(5,124)
Profit for the year	**74,460**	65,913
Combined assets and liabilities		
Non-current assets	**435,569**	419,666
Current assets	**286,584**	285,516
Current liabilities	**(131,298)**	(140,186)
Non-current liabilities	**(240,514)**	(269,570)
Non-controlling interests	**(4,654)**	(1,120)
Net assets	**345,687**	294,306
Capital commitments	**37,451**	39,743

The Group's interest in a joint venture with a carrying amount of S$55,439,000 (2009: S$54,015,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

11. Other Financial Assets

	Note	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
a. Non-current Assets					
Available-for-sale financial assets:					
– Equity shares		**291,512**	170,420	**–**	–
– Unit trusts and funds		**1,382**	1,528	**–**	–
		292,894	171,948	**–**	–
Financial assets at fair value through profit or loss, on initial recognition:					
– Forward foreign exchange contracts		**–**	110	**–**	–
– Equity shares		**12**	35	**–**	–
Cash flow hedges:					
– Forward foreign exchange contracts		**31,767**	71	**–**	–
– Interest rate swaps		**–**	20,279	**–**	–
– Fuel oil swaps		**256**	1,481	**–**	–
		324,929	193,924	**–**	–
b. Current Assets					
Financial assets at fair value through profit or loss, on initial recognition:					
– Forward foreign exchange contracts		**2,335**	1,707	**24**	–
– Foreign exchange swap contracts		**2,614**	655	**–**	–
Cash flow hedges:					
– Interest rate swaps		**–**	629	**–**	–
– Forward foreign exchange contracts		**38,653**	1,416	**–**	–
– Fuel oil swaps		**2,680**	20,874	**–**	–
– Forward electricity sale		**–**	1,647	**–**	–
	19	**46,282**	26,928	**24**	–

12. Long-Term Receivables and Prepayments

	Note	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Long-term trade receivables	13	**645**	196	**–**	–
Service concession receivables	(a)	**241,877**	231,481	**–**	–
Finance lease receivables due after 12 months	14	**10,832**	14,505	**–**	–
Amounts due from related parties	15	**79,311**	79,807	**–**	–
Staff loans		**125**	199	**–**	–
Recoverables		**–**	8	**–**	–
Loan and receivables	41(b)	**332,790**	326,196	**–**	–
Prepayments	(b)	**28,385**	23,358	**729**	821
Defined benefit assets	28(b)	**2,490**	–	**–**	–
		363,665	349,554	**729**	821

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

a. Service concession receivables

The service concession receivables pertain to i) 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; ii) a 30-year agreement between a subsidiary and the Instituto de Acueductos y Alcantarillados Nacionales (the grantor), for the construction and operation of a Drinking Water System ("DWS") to supply water to the Areas of La Chorrera, Arraijan and Capira. The project was finalised on July 2002 and the DWS started operation in September 2002. At the end of the concession period, unless the subsidiary is awarded with an extension or a new service period, it must transfer all the properties, land and plant to the Government of the Republic of Panama. This arrangement falls within the scope of INT FRS 112.

Under the terms of the agreements, the subsidiaries will receive a minimum guaranteed sum from the grantors in exchange for services performed. The subsidiaries recognised these service concession receivables as they have contractual rights under the concession arrangements. The financial receivables are measured on initial recognition at their 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 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Trade receivables including work completed but unbilled		**314,440**	327,005	**24,810**	26,489
Allowance for doubtful receivables		**(19,061)**	(16,442)	**–**	–
		295,379	310,563	**24,810**	26,489
Trade receivables due within 1 year	19	**(294,734)**	(310,367)	**(24,810)**	(26,489)
	12	**645**	196	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

14. Finance Lease Receivables

	Note	Minimum lease payment S$'000	Estimated residual value S$'000	Total gross investment in lease S$'000	Unearned interest income S$'000	Net value of lease receivables S$'000
Group						
2010						
Within 1 year		4,218	–	4,218	(545)	3,673
After 1 year but within 5 years		8,438	3,000	11,438	(606)	10,832
		12,656	3,000	15,656	(1,151)	14,505
Amount due within 1 year	19	(4,218)	–	(4,218)	545	(3,673)
	12	8,438	3,000	11,438	(606)	10,832
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

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 2010 S$'000	Associates 2009 S$'000	Joint ventures 2010 S$'000	Joint ventures 2009 S$'000	Related companies 2010 S$'000	Related companies 2009 S$'000	Non-controlling interests 2010 S$'000	Non-controlling interests 2009 S$'000	Total 2010 S$'000	Total 2009 S$'000
Group											
Amounts due from:											
Trade		**4,888**	6,063	**6,860**	1,540	**–**	1	**38**	43	**11,786**	7,647
Non-trade		**3,091**	3,135	**13,702**	15,900	**–**	–	**–**	–	**16,793**	19,035
Loans		**46,225**	64,678	**38,426**	20,560	**–**	–	**–**	–	**84,651**	85,238
		54,204	73,876	**58,988**	38,000	**–**	1	**38**	43	**113,230**	111,920
Allowance for doubtful receivables		**(7,928)**	(10,491)	**(13,219)**	(13,219)	**–**	–	**–**	–	**(21,147)**	(23,710)
		46,276	63,385	**45,769**	24,781	**–**	1	**38**	43	**92,083**	88,210
Amount due within 1 year	19	**(5,391)**	(4,138)	**(7,343)**	(4,221)	**–**	(1)	**(38)**	(43)	**(12,772)**	(8,403)
	12	**40,885**	59,247	**38,426**	20,560	**–**	–	**–**	–	**79,311**	79,807

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, 2010

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

		Subsidiaries		Associates		Joint ventures		Total	
	Note	2010 S$'000	2009 S$'000	2010 S$'000	2009 S$'000	2010 S$'000	2009 S$'000	2010 S$'000	2009 S$'000
Company									
Amounts due from related parties		**5,738**	30,818	**523**	627	**119**	107	**6,380**	31,552
Allowance for doubtful receivables		**–**	–	**–**	–	**–**	–	**–**	–
	19	**5,738**	30,818	**523**	627	**119**	107	**6,380**	31,552

The amounts due from subsidiaries are unsecured, repayable on demand and interest-free.

16. Intangible Assets

	Note	Goodwill S$'000	Service Concession Arrangement S$'000	Others S$'000	Total S$'000
Group					
Cost					
Balance at January 1, 2010		109,896	–	7,910	117,806
Translation adjustments		(2,491)	(6,490)	168	(8,813)
Acquisition of subsidiaries	38	34,303	132,241	43,818	210,362
Additions		–	1,998	962	2,960
Disposals		–	–	(10)	(10)
Write-offs	35(b)	–	–	(107)	(107)
Balance at December 31, 2010		141,708	127,749	52,741	322,198
Accumulated Amortisation and Impairment Losses					
Balance at January 1, 2010		–	–	3,567	3,567
Translation adjustments		–	(401)	508	107
Amortisation charge for the year	35(b)	–	3,176	1,539	4,715
Impairment loss	35(b)	1,980	–	–	1,980
Write-offs	35(b)	–	–	(5)	(5)
Balance at December 31, 2010		1,980	2,775	5,609	10,364
Carrying Amount					
At December 31, 2010		139,728	124,974	47,132	311,834

16. Intangible Assets *(cont'd)*

	Note	Goodwill S$'000	Service Concession Arrangement S$'000	Others S$'000	Total S$'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

	Goodwill S$'000	Others S$'000	Total S$'000
Company			
Cost			
Balance at January 1, 2009 and January 1, 2010	18,946	90	19,036
Additions	–	170	170
Write-offs	–	(81)	(81)
Balance at December 31, 2010	18,946	179	19,125
Accumulated Amortisation and Impairment Losses			
Balance at January 1, 2009 and January 1, 2010	–	–	–
Amortisation charge for the year	–	28	28
Balance at December 31, 2010	–	28	28
Carrying Amount			
At December 31, 2010	18,946	151	19,097
Carrying Amount			
At December 31, 2009	18,946	90	19,036

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

16. Intangible Assets *(cont'd)*

Impairment Testing for Goodwill

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

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

		Group	
		2010	2009
	Note	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
Water Segment comprising South Africa, United Kingdom and The Americas	(e)	**31,889**	–
Multiple units of insignificant goodwill		**16,135**	18,192
		139,728	109,896

The recoverable amounts are determined based on calculations of the value-in-use. These calculations use cash flow projections from years 2011 to 2019, 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 flow in 2015. 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 the CGUs' business. Discount rates ranging from 5.60% to 12.0% have been used. At the balance sheet date, based on the following key assumptions, the recoverable amounts exceed their carrying amounts.

a. SUT Division

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

ii. Cash flows are estimated based on offtake contracts with its customers in the captive market in which it operates.

b. Sembcorp Cogen Pte Ltd

i. Demand and supply for electricity and electricity margin are updated for changes in market conditions;

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

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

iv. Cash flows are estimated based on plant availability and load factors as well as changes in operating costs due to normal wear and tear, maintenance cycles and inflation.

16. Intangible Assets *(cont'd)*

Impairment Testing for Goodwill *(cont'd)*

c. Sembcorp Gas Pte Ltd

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

ii. Gross profit margin is expected to remain stable as the pricing of both customer and supplier contracts are pegged to HSFO prices;

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

iv. Cash flows 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.

e. Water Segment comprising South Africa, United Kingdom and The Americas

i. These calculations use cash flow projections from years 2011 to 2015, which are based on financial budgets / forecasts approved by management. Terminal value is assumed based on cash flow in 2015 with nil growth. Where service concession arrangements are in place, cash flow is determined till the expiry of the concession instead of till perpetuity.

ii. Tariff increases ranging from 0% to 9%. Where tariff increases are not certain as to timing and / or amount, assumptions are based on local management's judgement.

iii. Prevailing inflation rates in local economies ranging from 2% to 6% have been used as the assumption for growth in most cost categories.

iv. Energy costs increase ranging from 11% to 26%.

v. Staff cost increases at rate ranging from 2% to 8%.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

17. Deferred Tax Assets and Liabilities

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

	At Jan 1 S$'000	Recognised in income statement (Note 34) S$'000	Recognised in equity S$'000	Acquisition of subsidiaries (Note 38) S$'000	Translation adjustments S$'000	At Dec 31 S$'000
Group						
2010						
Deferred tax liabilities						
Property, plant and equipment	296,758	(36,795)	(812)	111,637	(13,633)	357,155
Interests in associates	2,488	2,160	–	(281)	20	4,387
Fair value adjustments	70,984	(26,760)	19,754	–	–	63,978
Trade and other receivables	368	3,551	–	1,997	(124)	5,792
Trade and other payables	364	(191)	–	–	(173)	–
Other items	7,751	7,919	(3,323)	30	(897)	11,480
Total	378,713	(50,116)	15,619	113,383	(14,807)	442,792
Deferred tax assets						
Property, plant and equipment	(237)	(2,951)	–	(7,685)	790	(10,083)
Inventories	–	2	–	–	(25)	(23)
Trade receivables	–	(253)	–	(378)	2	(629)
Trade and other payables	(897)	4,302	145	(11,340)	270	(7,520)
Tax losses	(150)	851	–	(2,188)	(132)	(1,619)
Capital allowances	(15,476)	(98)	–	–	–	(15,574)
Provisions	(15,037)	11,245	–	(8,221)	671	(11,342)
Fair value adjustments	(39,722)	26,446	13,276	–	–	–
Other items	(19,214)	762	(7,586)	(98)	1,511	(24,625)
Total	(90,733)	40,306	5,835	(29,910)	3,087	(71,415)
2009						
Deferred tax liabilities						
Property, plant and equipment	275,958	13,990	–	–	6,810	296,758
Interests in associates	6,054	(3,566)	–	–	–	2,488
Fair value adjustments	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)
Capital allowances	(15,551)	75	–	–	–	(15,476)
Provisions	(13,083)	(1,183)	–	–	(771)	(15,037)
Fair value adjustments	(53,526)	–	13,804	–	–	(39,722)
Other items	(19,424)	(95)	504	–	(199)	(19,214)
Total	(104,826)	1,243	13,821	–	(971)	(90,733)

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

	At Jan 1, 2009 S$'000	Recognised in income statement S$'000	At Dec 31, 2009 S$'000	Recognised in income statement S$'000	At Dec 31, 2010 S$'000
Company					
Deferred tax liabilities					
Property, plant and equipment	50,671	6,177	56,848	(14,764)	42,084
Deferred tax assets					
Provisions	–	–	–	1,549	1,549

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 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Deferred tax liabilities	**419,539**	315,505	**40,535**	56,848
Deferred tax assets	**(48,162)**	(27,525)	**–**	–
	371,377	287,980	**40,535**	56,848

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

	Group 2010 S$'000	Group 2009 S$'000
Deductible temporary differences	**8,498**	17,404
Tax losses	**32,906**	38,920
Capital allowances	**20,903**	26,110
	62,307	82,434

Tax losses of the Group amounting to S$9,957,000 (2009: S$13,697,000) will expire between 2011 and 2015 (2009: 2010 and 2014). The deductible temporary differences and capital allowances do not expire under current tax legislation.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

18. Inventories and Work-In-Progress

	Note	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Raw materials		**95,291**	104,352	**2,354**	4,330
Finished goods		**86,324**	83,570	**5,063**	5,005
		181,615	187,922	**7,417**	9,335
Allowance for inventory obsolescence		**(8,123)**	(9,005)	**–**	–
		173,492	178,917	**7,417**	9,335
Work-in-progress	(a)	**742,441**	1,236,338	**–**	–
		915,933	1,415,255	**7,417**	9,335
a. Work-in-progress:					
Costs and attributable profits		**3,302,290**	5,274,160	**1,343**	1,343
Allowance for foreseeable losses		**(300)**	(300)	**–**	–
		3,301,990	5,273,860	**1,343**	1,343
Progress billings		**(3,223,658)**	(4,754,931)	**(1,343)**	(1,343)
		78,332	518,929	**–**	–
Comprising:					
Work-in-progress		**742,441**	1,236,338	**–**	–
Excess of progress billings over work-in-progress		**(664,109)**	(717,409)	**–**	–
		78,332	518,929	**–**	–

19. Trade and Other Receivables

	Note	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Trade receivables	13	**294,734**	310,367	**24,810**	26,489
Current portion of finance lease	14	**3,673**	3,520	**–**	–
Amounts due from related parties	15	**12,772**	8,403	**6,380**	31,552
Other receivables and deposits	20	**362,384**	352,306	**33,739**	34,969
Loans and receivables	41(b)	**673,563**	674,596	**64,929**	93,010
Other financial assets	11	**46,282**	26,928	**24**	–
Prepayments	20	**65,582**	48,632	**5,549**	6,185
Advance to suppliers		**3,432**	571	**449**	–
		788,859	750,727	**70,951**	99,195

20. Other Receivables, Deposits and Prepayments

	Note	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Deposits		**17,977**	6,247	**1,040**	1,106
Sundry receivables		**47,556**	60,803	**1,248**	800
Unbilled receivables		**293,202**	283,645	**31,335**	31,192
Loan receivables		**4,231**	4,281	**–**	–
Recoverable		**5,032**	3,170	**524**	2,192
Interest receivable		**446**	311	**–**	–
		368,444	358,457	**34,147**	35,290
Allowance for doubtful receivables		**(6,060)**	(6,151)	**(408)**	(321)
Other receivables and deposits	19	**362,384**	352,306	**33,739**	34,969
Prepayments	19	**65,582**	48,632	**5,549**	6,185
		427,966	400,938	**39,288**	41,154

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

21. Assets Held For Sale

	Note	Group 2010 S$'000	Group 2009 S$'000
Property, plant and equipment	6	**36,813**	597
Other intangible asset	16	**–**	60
		36,813	657

According to the contractual agreement with a customer of a subsidiary, certain property, plant and equipment were classified to assets held for sale pending finalising of the transfer consideration.

22. Cash and Cash Equivalents

	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Fixed deposits with banks	**2,846,963**	1,778,995	**–**	–
Cash and bank balances	**640,913**	818,517	**310,342**	261,367
Cash and cash equivalents in the consolidated statement of cash flows	**3,487,876**	2,597,512	**310,342**	261,367

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of S$303.4 million (2009: S$255.5 million) placed with a bank under a cash pooling arrangement by a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

23. Trade and Other Payables

	Note	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Trade payables		**1,377,298**	1,594,791	**7,702**	5,859
Advance payments from customers		**50,227**	25,617	**618**	305
Other financial liabilities	24	**17,109**	30,069	**–**	–
Amounts due to related parties	25	**11,046**	18,011	**50,438**	45,873
Other payables and accrued charges	26	**829,545**	776,057	**96,343**	101,092
		2,285,225	2,444,545	**155,101**	153,129

24. Other Financial Liabilities

	Note	Group 2010 S$'000	Group 2009 S$'000
a. Current Liabilities			
Financial liabilities at fair value through profit or loss, on initial recognition:			
– Interest rate swaps		**101**	–
– Forward foreign exchange contracts		**4**	25
– Foreign exchange swap contracts		**1,392**	1,054
Cash flow hedges:			
– Interest rate swaps		**7,878**	5,148
– Forward foreign exchange contracts		**7,658**	23,842
– Fuel oil swaps		**76**	–
	23	**17,109**	30,069
b. Non-current Liabilities			
Financial liabilities at fair value through profit or loss, on initial recognition:			
– Interest rate swaps		**–**	527
Cash flow hedges:			
– Interest rate swaps		**54,401**	10,373
– Forward foreign exchange contracts		**130**	19,548
– Fuel oil swaps		**77**	–
	30	**54,608**	30,448

25. Amounts Due to Related Parties

	Note	Associates 2010 S$'000	Associates 2009 S$'000	Joint ventures 2010 S$'000	Joint ventures 2009 S$'000	Non-controlling interests 2010 S$'000	Non-controlling interests 2009 S$'000	Total 2010 S$'000	Total 2009 S$'000
Amounts due to:									
Trade		**3,129**	3,328	**3,839**	2,107	**68**	11,391	**7,036**	16,826
Non-trade		**388**	775	**2,798**	2,835	**10**	–	**3,196**	3,610
Loans		**–**	–	**–**	–	**140,457**	86,593	**140,457**	86,593
		3,517	4,103	**6,637**	4,942	**140,535**	97,984	**150,689**	107,029
Amounts due after 1 year	30	**–**	(3,328)	**–**	–	**(139,643)**	(85,690)	**(139,643)**	(89,018)
	23	**3,517**	775	**6,637**	4,942	**892**	12,294	**11,046**	18,011

25. Amounts Due to Related Parties *(cont'd)*

Loans from non-controlling interests of S$139,643,000 (2009: S$85,690,000) bear interest at rates ranging from 3.53% to 8.35% (2009: 3.53% to 8.35%) 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 2010 S$'000	Subsidiaries 2009 S$'000	Joint ventures 2010 S$'000	Joint ventures 2009 S$'000	Total 2010 S$'000	Total 2009 S$'000
Company							
Amounts due to related parties	(i)	**50,434**	45,870	**4**	3	**50,438**	45,873
Loans from a related party	(ii)	**646,700**	646,700	**–**	–	**646,700**	646,700
		697,134	692,570	4	3	697,138	692,573
Amounts due after 1 year	30	(646,700)	(646,700)	–	–	(646,700)	(646,700)
	23	**50,434**	45,870	**4**	3	**50,438**	45,873

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

ii. The loans from a related party of S$646,700,000 (2009: S$646,700,000) bear effective interest rate of 3.14% (2009: 3.31%) per annum, are unsecured and repayable from December 31, 2013 onwards.

26. Other Payables and Accrued Charges

	Note	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Accrued operating expenses		**738,366**	699,206	**90,606**	91,003
Deposits		**21,955**	14,594	**342**	–
Accrued interest payable		**12,165**	6,759	**–**	–
Other payables		**57,059**	55,498	**5,395**	10,089
	23	**829,545**	776,057	**96,343**	101,092

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

27. Provisions

	Loan undertakings S$'000	Obligations relating to disposal of business S$'000	Claims S$'000	Onerous contracts S$'000	Restoration costs S$'000	Warranty S$'000	Total S$'000
Group							
2010							
Balance at beginning of the year	14,748	11,454	15,349	7,180	6,493	60,124	115,348
Translation adjustments	–	–	(191)	–	(55)	(1,291)	(1,537)
Provisions (written back) / made during the year, net	–	(1,706)	35,394	–	25,018	(1,585)	57,121
Provisions utilised during the year	–	(8,738)	(932)	(3,040)	–	(334)	(13,044)
Acquisition of subsidiaries	–	–	3,511	–	–	–	3,511
Balance at end of the year	14,748	1,010	53,131	4,140	31,456	56,914	161,399
Provisions due:							
– within 1 year	14,748	1,010	49,620	2,579	–	54,913	122,870
– after 1 year	–	–	3,511	1,561	31,456	2,001	38,529
	14,748	1,010	53,131	4,140	31,456	56,914	161,399

	Loan undertakings S$'000	Obligations relating to disposal of business S$'000	Claims S$'000	Onerous contracts S$'000	Restoration costs S$'000	Warranty S$'000	Others S$'000	Total S$'000
2009								
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

27. Provisions *(cont'd)*

	Obligations relating to disposal of business S$'000	Claims S$'000	Restoration costs S$'000	Total S$'000
Company				
2010				
Balance at beginning of the year	11,454	1,424	500	13,378
Provisions (written back) / made during the year, net	(1,706)	5,715	–	4,009
Provisions utilised during the year	(8,738)	(903)	–	(9,641)
Balance at end of the year	1,010	6,236	500	7,746
Provisions due:				
– within 1 year	1,010	6,236	–	7,246
– after 1 year	–	–	500	500
	1,010	6,236	500	7,746
2009				
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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2010

27. Provisions *(cont'd)*

Restoration Costs

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

Warranty

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

28. Retirement Benefit Obligations

	Note	Group 2010 S$'000	Group 2009 S$'000
Provision for retirement gratuities	(a)	**1,110**	1,500
Defined benefit obligations	(b)	**18,863**	11,016
		19,973	12,516
Non-current		**19,973**	12,516

a. Provision for Retirement Gratuities

	Group 2010 S$'000	Group 2009 S$'000
Balance at beginning of the year	**1,500**	1,932
Provision utilised during the year	**–**	(36)
Less: Amount due within 12 months	**(390)**	(396)
Balance at end of the year	**1,110**	1,500

b. Defined Benefit Obligations

Certain subsidiaries provide pension arrangements to its full time employees through defined benefit plans and the related costs are assessed in accordance with the advice of professionally qualified actuaries.

One of the pension schemes has been closed to future accruals from April 1, 2010 with all active members at the closure date becoming entitled to leaving service benefits. Following the closure of the scheme, a curtailment gain of S$11,390,000 was recognised.

The numbers shown below have been based on calculations carried out by qualified independent actuaries to take into account of the requirements of FRS 19 in order to assess the liabilities of the schemes at December 31, 2010.

28. Retirement Benefit Obligations *(cont'd)*

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

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 schemes are as follows:

	Group 2010 S$'000	Group 2009 S$'000
Present value of funded defined benefit obligations	**318,015**	209,474
Fair value of plan assets	**(307,617)**	(187,686)
Deficit in scheme	**10,398**	21,788
Unrecognised actuarial gains / (losses)	**5,975**	(10,772)
Net liability recognised in the balance sheet	**16,373**	11,016

The amounts included in the balance sheet are as follows:

	Note	Group 2010 S$'000	Group 2009 S$'000
Defined benefit obligations		**18,863**	11,016
Defined benefit assets	12	**(2,490)**	–
		16,373	11,016

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

	Group 2010 %	Group 2009 %
Equity instruments	**37.24**	38.03
Debt instruments	**53.69**	53.56
Other assets	**9.07**	8.41
	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, 2010

28. Retirement Benefit Obligations *(cont'd)*
b. Defined Benefit Obligations *(cont'd)*
Changes in the present value of defined benefit obligations are as follows:

	Note	Group 2010 S$'000	Group 2009 S$'000
Opening defined benefit obligations		**209,474**	151,053
Translation adjustments		**(21,054)**	13,175
Current service cost		**1,302**	2,483
Past service cost		**132**	–
Interest cost		**14,217**	9,985
Actuarial (gains) / losses		**(616)**	44,268
Curtailment		**(11,390)**	–
Acquisition of subsidiaries	38	**140,246**	–
Benefits paid		**(14,470)**	(11,695)
Employee contributions		**174**	205
		318,015	209,474

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

	Note	Group 2010 S$'000	Group 2009 S$'000
Opening fair value of plan assets		**187,686**	158,761
Translation adjustments		**(19,333)**	14,345
Expected return on plan assets		**14,260**	9,617
Actuarial gains		**15,198**	12,656
Contributions by employer		**4,999**	3,797
Acquisition of subsidiaries	38	**119,103**	–
Benefits paid		**(14,470)**	(11,695)
Employee contributions		**174**	205
		307,617	187,686

Expenses recognised in the income statement are as follows:

	Group 2010 S$'000	Group 2009 S$'000
Current service cost	**1,302**	2,483
Past service cost	**132**	–
Interest cost	**14,217**	9,985
Expected return on plan assets	**(14,260)**	(9,617)
Curtailment	**(11,390)**	–
Net actuarial losses / (gains) recognised during the year	**586**	(418)
	(9,413)	2,433

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 2010 S$'000	Group 2009 S$'000
Cost of sales	**1,080**	1,987
Administrative expenses	**354**	496
Other expenses (include curtailment gain)	**(10,847)**	(50)
	(9,413)	2,433
Actual return in value of plan assets	**29,458**	22,273

Principal actuarial assumptions

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

	Group 2010 %	Group 2009 %
Discount rate at December 31	**5.4 – 5.5**	5.7
Expected return on plan assets at December 31	**5.9 – 6.4**	6.1
Future rate of annual salary increases	**4.2 – 4.4**	5.1
Future rate of pension increases	**2.5 – 2.8**	2.8

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 (2009: 9 years).

Assumptions regarding future mortality are based on published statistics and mortality tables. The expected remaining life expectancy of an individual retiring at age 60 and 65 is 26.6 (2009: Nil) and 21 (2009: 21) for male and 28.9 (2009: Nil) and 24 (2009: 23) for female respectively.

The overall expected long-term rate of return on assets is 5.9% to 6.4% (2009: 6.1%). 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:

	2010 S$'000	2009 S$'000	2008 S$'000	2007 S$'000	2006 S$'000
Group					
Present value of funded defined benefit obligations	318,015	209,474	151,053	244,774	259,498
Fair value of plan assets	(307,617)	(187,686)	(158,761)	(253,504)	(239,537)
Deficit / (surplus) in scheme	10,398	21,788	(7,708)	(8,730)	19,961

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

29. Interest-Bearing Borrowings

	Note	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Current liabilities					
Secured term loans	(a)	32,454	56,554	–	–
Unsecured term loans	(b)	13,857	227,565	–	–
Finance lease liabilities	(c)	2,634	253	88	83
		48,945	284,372	88	83
Non-current liabilities					
Secured term loans	(a)	616,043	259,523	–	–
Unsecured term loans	(b)	927,730	335,388	–	–
Finance lease liabilities	(c)	9,352	506	250	339
		1,553,125	595,417	250	339
		1,602,070	879,789	338	422

Maturity of liabilities (excluding finance lease liabilities)

	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Within 1 year	46,311	284,119	–	–
After 1 year but within 5 years	575,247	542,281	–	–
After 5 years	968,526	52,630	–	–
Total borrowings	1,590,084	879,030	–	–

a. **Secured Term Loans**
The secured loans are collaterised by the following assets:

	Group Net Book Value 2010 S$'000	Group Net Book Value 2009 S$'000
Property, plant and equipment and investment property	882,174	1,044,423

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 S$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.

  In 2009, 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.

29. Interest-Bearing Borrowings *(cont'd)*

b. **Unsecured Term Loans** *(cont'd)*
During the year, SFS issued the following notes under the Programme:

	Nominal interest rate	Year of maturity	Principal amount S$'000
S$ medium term notes	3.7325%	2020	300,000
S$ medium term notes	4.25%	2025	100,000
S$ medium term notes	6 month SOR + 0.55%	2017	100,000
			500,000

- 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. The notes are redeemable at par.

  SCM issued medium term notes in prior periods which were repaid and capitalised issue expenses were fully amortised in 2009. No medium term notes were issued in 2010.

c. **Finance Lease Liabilities**
The Group has obligations under finance leases that are payable as follows:

	2010 Payments S$'000	2010 Interest S$'000	2010 Principal S$'000	2009 Payments S$'000	2009 Interest S$'000	2009 Principal S$'000
Group						
Within 1 year	2,716	82	2,634	294	41	253
After 1 year but within 5 years	9,452	100	9,352	559	53	506
Total	12,168	182	11,986	853	94	759

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 0.51% to 6.09% (2009: 2.50% to 7.42%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

29. Interest-Bearing Borrowings *(cont'd)*

c. Finance Lease Liabilities *(cont'd)*

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

	2010			2009		
	Payments S$'000	Interest S$'000	Principal S$'000	Payments S$'000	Interest S$'000	Principal S$'000
Company						
Within 1 year	**107**	**19**	**88**	107	24	83
After 1 year but within 5 years	**271**	**21**	**250**	377	38	339
Total	**378**	**40**	**338**	484	62	422

Under the terms of the lease agreements, no contingent rents are payable. The effective interest rate is 6.09% (2009: 6.09%) per annum.

30. Other Long-term Liabilities

		Group		Company	
	Note	2010 S$'000	2009 S$'000	2010 S$'000	2009 S$'000
Deferred income	(a)	**165,304**	103,508	**10,031**	10,809
Deferred grants	(b)	**3,743**	2,171	**–**	–
Other long-term payables	(c)	**12,328**	3,988	**–**	–
Other financial liabilities	24(b)	**54,608**	30,448	**–**	–
Amount due to related parties	25	**139,643**	89,018	**646,700**	646,700
		375,626	229,133	**656,731**	657,509

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

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

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

31. Other Comprehensive Income

Tax effects relating to each component of other comprehensive income

	Group 2010			Group 2009		
	Before tax S$'000	Tax expense S$'000	Net of tax S$'000	Before tax S$'000	Tax expense S$'000	Net of tax S$'000
Foreign currency translation differences for foreign operations	**(131,504)**	**–**	**(131,504)**	(10,562)	–	(10,562)
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	**(3,663)**	**–**	**(3,663)**	(2,145)	–	(2,145)
Share of other comprehensive income of associates and joint ventures	**2,520**	**–**	**2,520**	68,699	–	68,699
Cash flow hedges: net movement in hedging reserves	**(2,852)**	**(3,462)**	**(6,314)**	175,620	(26,622)	148,998
Available-for-sale financial assets: net movement in fair value reserve	**119,091**	**(17,992)**	**101,099**	38,993	(5,249)	33,744
Other comprehensive (loss) / income	**(16,408)**	**(21,454)**	**(37,862)**	268,861	(31,871)	236,990

	Group	
	2010 S$'000	2009 S$'000
Cash flow hedges:		
Net change in fair value of hedging instruments	**2,784**	149,743
Amount transferred to initial carrying amount of hedged items	**2,798**	(26)
Amount transferred to profit or loss	**(8,434)**	25,903
Income tax	**(3,462)**	(26,622)
Net movement in the hedging reserve during the year recognised in other comprehensive income	**(6,314)**	148,998
Available-for-sale financial assets:		
Changes in fair value	**119,091**	25,783
Amount transferred to profit or loss	**–**	13,210
Income tax	**(17,992)**	(5,249)
Net change in fair value during the year recognised in other comprehensive income	**101,099**	33,744

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2010

32. Turnover

	Group	
	2010	2009
	S$'000	S$'000
Sale of gas, water, electricity and related services	**3,647,162**	3,265,774
Ship and rig repair, building, conversion and related services	**4,514,248**	5,683,941
Construction and engineering related activities	**169,365**	131,240
Environment management and related services	**154,950**	185,044
Service concession revenue	**37,988**	184,295
Others	**239,901**	122,114
	8,763,614	9,572,408

33. Finance Costs

	Group	
	2010	2009
	S$'000	S$'000
Interest paid and payable to:		
– banks and others	**50,367**	39,925
Amortisation of capitalised transaction costs and transactions costs written off	**9,916**	1,467
Interest rate swap		
– fair value through profit or loss	**(426)**	(474)
– ineffectiveness of cash flow hedge	**1,272**	268
	61,129	41,186

34. Income Tax Expense

	Group	
	2010	2009
	S$'000	S$'000
Current tax expense		
Current year	**211,137**	190,410
(Over) / under provided in prior years	**(6,949)**	228
	204,188	190,638
Deferred tax expense		
Movements in temporary differences	**7,051**	19,168
(Over) / under provided in prior years	**(12,062)**	1,856
Changes in tax rates	**(4,799)**	(8,681)
	(9,810)	12,343
Income tax expense	**194,378**	202,981

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

	Group	
	2010	2009
	S$'000	S$'000
Reconciliation of effective tax rate		
Profit for the year	**1,172,951**	1,015,303
Total income tax expense	**194,378**	202,981
Share of results of associates and joint ventures	**(160,095)**	(109,542)
Profit before share of results of associates and joint ventures, and income tax expense	**1,207,234**	1,108,742
Income tax using Singapore tax rate of 17%	**205,230**	188,486
Effect of changes in tax rates	**(4,799)**	(8,681)
Effect of different tax rates in foreign jurisdictions	**6,814**	8,363
Tax incentives and income not subject to tax	**(19,786)**	(11,504)
Expenses not deductible for tax purposes	**29,630**	21,318
Utilisation of deferred tax benefits not previously recognised	**(2,402)**	(3,239)
(Over) / under provided in prior years	**(19,011)**	2,084
Deferred tax benefits not recognised	**3,039**	4,081
Others	**(4,337)**	2,073
Income tax expense	**194,378**	202,981

35. Profit For The Year

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

	Group	
	2010	2009
	S$'000	S$'000
a. **Staff costs**		
Staff costs	**736,467**	723,880
Included in staff costs are:		
Equity-settled share-based payments	**21,085**	23,501
Cash-settled share-based payments	**11,580**	4,495
Contributions to:		
– defined benefit plan	**1,434**	2,483
– defined contribution plan	**33,356**	31,608
Jobs Credit Scheme, offset against staff costs	**(3,205)**	(17,987)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

35. Profit For The Year *(cont'd)*

	Note	Group 2010 S$'000	Group 2009 S$'000
b. Other expenses			
Allowance made / (written back) for impairment losses			
– property, plant and equipment	6	**5,241**	13,900
– interests in other investments		**149**	13,206
– goodwill	16	**1,980**	–
– receivables		**(5,579)**	(53)
– investment properties	7	**563**	–
– inventory obsolescence		**(564)**	393
Allowance written back for foreseeable losses on construction contracts		**–**	(1,034)
Amortisation of intangible assets	16	**4,715**	199
Audit fees paid / payable			
– auditors of the Company		**1,483**	1,367
– other auditors		**1,289**	572
Non-audit fees paid / payable			
– auditors of the Company		**88**	143
– other auditors		**152**	207
Depreciation			
– property, plant and equipment	6	**236,397**	198,504
– investment properties	7	**1,027**	1,009
Professional fee paid to directors or a firm in which a director is a member		**130**	127
Operating lease expenses		**30,943**	21,094
Property, plant and equipment written off		**3,398**	6,091
Inventory written off		**–**	37
Intangible assets written off	16	**102**	42
Bad debts written off		**94**	503
c. Non-operating income / (expenses) (net)			
Net exchange loss		**(41,865)**	(2,494)
Net change in fair value of derivative instruments		**6,310**	3,168
Ineffectiveness of cash flow hedge		**6,118**	(693)
Grants received			
– income related		**1,225**	830
Gross dividend income		**3,544**	8,379
Gain / (loss) from disposal of			
– property, plant and equipment (net)		**1,576**	1,794
– subsidiaries		**–**	(14)
– associates		**–**	637
– joint ventures		**–**	(145)
– other investments and financial assets		**142**	3,375
– assets held for sale		**(1)**	–
Interest income			
– associates and joint ventures		**1,486**	2,456
– banks and others		**30,990**	31,518

35. Profit For The Year *(cont'd)*

	Note	Group 2010 S$'000	Group 2009 S$'000
d. Other significant items included in:			
Non-operating income (net)			
Full and final settlement of disputed foreign exchange transactions in a wholly-owned subsidiary of Sembcorp Marine Ltd	(i)	**52,640**	–
Less: Non-controlling interests		**(20,558)**	–
		32,082	–

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. In 2009, JSPL commenced action 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. In September 2010, JSPL has reached an agreement, strictly on a commercial basis with SG for a full and final amicable settlement of the disputed foreign exchange transactions. Arising from this settlement, SG had made a payment of US$40.0 million (S$52.64 million) to JSPL on the basis that there is no admission of liability by either party and S$52.64 million had been recognised in the consolidated income statement.

36. Earnings Per Share

	Group 2010 S$'000	Group 2009 S$'000
a. Basic earnings per share		
Basic earnings per share is based on:		
i. Profit attributable to shareholders of the Company	**792,871**	682,664

	No. of shares '000 (2010)	No. of shares '000 (2009)
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	**1,780,229**	1,776,974
Effect of share options exercised, performance shares and restricted stocks released	**3,487**	2,158
Effect of own shares held	**(58)**	–
Effect of shares issued as acquisition consideration	**605**	–
Weighted average number of ordinary shares at the end of the year	**1,784,263**	1,779,132

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

36. Earnings Per Share *(cont'd)*

	Group	
	2010	2009
	S$'000	S$'000
b. Diluted earnings per share		
Diluted earnings per share is based on:		
i. Profit attributable to shareholders of the Company	**792,871**	682,664

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

	No. of shares	No. of shares
	'000	'000
ii. Weighted average number of shares issued used in the calculation of basic earnings per share	**1,784,263**	1,779,132
Weighted average number of unissued ordinary shares from:		
– share options	**5,444**	8,808
– performance shares	**3,723**	3,668
– restricted stocks	**6,976**	6,335
Number of shares that would have been issued at fair value	**(2,757)**	(6,350)
Weighted average number of ordinary shares	**1,797,649**	1,791,593

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

For share options, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the 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 one-tier tax exempt dividend of 17.0 cents comprising a final ordinary one-tier tax exempt dividend of 15.0 cents per share and a final bonus one-tier tax exempt dividend of 2.0 cents (2009: one-tier tax exempt dividend of 15.0 cents) per share amounting to an estimated net dividend of S$303,918,000 (2009: S$267,034,000) in respect of the year ended December 31, 2010, based on the number of issued shares as at December 31, 2010.

The proposed dividend of 17.0 (2009: 15.0) cents per share has not been included as a liability in the financial statements.

38. Acquisition of Subsidiary and Non-controlling Interests

Acquisition of Subsidiary

On July 9, 2010, the Group acquired 92.26% equity interest in Cascal N.V. ("Cascal"). Cascal was delisted from the New York Stock Exchange on August 5, 2010 and deregistered from the Securities and Exchange Commission on November 3, 2010. Squeeze-out proceedings under the Dutch Civil Code are now ongoing for the Group to achieve full ownership of the company.

The principal activity of Cascal is that of specialist investor and operator of water and wastewater systems. This acquisition is strategic to the Group and has transformed the Group into a global water player with enhanced capabilities to provide the total water and wastewater solutions to both industrial and municipal customers.

	S$'000
a. Effect on cash flows of the Group	
Cash paid	269,186
Less: Cash and cash equivalents in subsidiary acquired	(72,183)
Cash outflow on acquisition	197,003

		At fair value
	Note	S$'000
b. Identifiable assets acquired and liabilities assumed		
Cash and cash equivalents		72,183
Service concession arrangements	16	132,241
Financial assets		38,219
Other intangible assets	16	43,818
Property, plant and equipment	6	470,696
Interests in joint ventures		9,409
Interests in associates		24,773
Deferred tax assets	17	29,910
Tax recoverable		8,603
Inventories		3,543
Trade and other receivables		77,149
Total assets		910,544
Trade and other payables		71,345
Current tax payable		9,072
Borrowings		341,849
Finance lease liabilities		9,003
Deferred tax liabilities	17	113,383
Defined benefit obligations	28	21,143
Provisions	27	3,511
Deferred income		70,927
Total liabilities		640,233
Total net identifiable assets		270,311
Less: Non-controlling interests		(35,428)
Add: Goodwill	16	34,303
Consideration transferred for the business		269,186

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

38. Acquisition of Subsidiary and Non-controlling Interests *(cont'd)*

Acquisition of Subsidiary *(cont'd)*

c. Acquisition-related costs

Acquisition-related costs of S$11,417,000 are included in administrative expenses in the consolidated income statement.

d. Acquired receivables

The fair value of trade and other receivables is S$77,149,000 and includes trade receivables with a fair value of S$51,859,000. The gross contractual amount for trade receivables due is S$59,980,000, of which S$8,121,000 is expected to be uncollectible.

e. Non-controlling interests

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Cascal's net identifiable assets.

f. Goodwill

The goodwill of S$34,303,000 recognised on the acquisition is attributable to the value of the water segment comprising South Africa, United Kingdom and The Americas. It also includes the value of the industry and local market knowledge residing in the experienced workforce which cannot be separately recognised as intangible asset from goodwill.

g. Service concession arrangements

The subsidiaries in South Africa and China have service concession agreements with the local municipalities in Mbombela and Ilembe in South Africa; and Fuzhou, Xinming, Yanjiao and Qitaihe in People's Republic of China. Under these agreements, the subsidiaries are to supply drinking water to the local communities for periods of 25 to 39 years. All of these arrangements fall within the scope of INT FRS 112.

The significant aspects of the above service concession arrangements are as follows:

- The arrangements are 25 to 39 years concession arrangements for water treatment with the respective municipal governments. The Group has a total of 3 build-own-operate-transfer ("BOOT") arrangements and 3 concession contracts as at the end of the reporting period.
- Under the concession contract, the operator has a right of use of all assets of the local authority concerning water and sanitation. Concessional rights include rights to possess, use, operate, manage, maintain, rehabilitate, redesign, improve and expand existing assets and water services, as well as rights to own, design, construct any new assets and water services works within the geographical scope of concession.
- Under the BOOT arrangement, the operator is required to design, construct, own as well as operate, manage and maintain the assets and water services works for the supply of water.
- Upon expiry of the concession, the assets are to be transferred to the respective local municipality at no cost.
- The tariffs in the South Africa subsidiaries are subject to review every 5 years. Between the 5 years review, the tariffs are adjusted annually with an escalation formula based on costs as specified in the contract. Tariff adjustments have to be approved by the Local Municipality in the city where the project is located; the tariffs in China are regulated by the Administrative Measures on Pricing of Municipal Water Supply issued by the State Development and Reform Commission ("SDRC"). Tariff adjustments have to be approved by the Water Supply Company and Price Bureau, the local institution controlling prices under the SDRC, in the city where the project is located. The tariff adjustment is based on the previous year consumer price index as stipulated in the concession agreements.

38. Acquisition of Subsidiary and Non-controlling Interests *(cont'd)*

Acquisition of Subsidiary *(cont'd)*

h. Revenue and profit contribution

The acquired business contributed revenue of S$118,292,000 and profit for the year of S$11,744,000 to the Group for the period from July 9, 2010 to December 31, 2010.

Had Cascal been consolidated from January 1, 2010, consolidated revenue and consolidated profit for the year ended December 31, 2010 would have been S$8,870,454,000 and S$1,173,806,000 respectively.

Acquisition of Non-controlling Interests

i. On August 10, 2010, the Group acquired an additional 5.40% equity interest in Cascal. As a result of this acquisition, the Group's stake in Cascal rose to 97.66%.

The following summarises the effect of the change in the Group's ownership interest in Cascal on the equity attributable to owners of the Company:

	S$'000
Consideration paid for the acquisition of non-controlling interests	15,766
Decrease in equity attributable to non-controlling interests	(13,775)
Decrease in equity attributable to owners of the Company	1,991

ii. During the year, the Group acquired all remaining shares in The China Water Company Limited ("CWC") not already held by its municipal water subsidiary from Waterloo Industrial Limited, CWC's only other shareholder, for S$17,062,000. The consideration was satisfied by the allotment and issue of 3,630,192 new shares in the Company.

The following summarise the effect of the change in the Group's ownership interest in CWC on the equity attributable to owners of the Company:

	S$'000
Equity instruments issued (3,630,192 shares)	17,062
Repayment of Waterloo Industrial Limited's loan	(1,573)
Decrease in equity attributable to non-controlling interests	(6,994)
Decrease in equity attributable to owners of the Company	8,495

The fair value of the ordinary shares issued was based on the listed share price of the Company at October 22, 2010 of S$4.70 per share.

39. Non-controlling interests

On May 15, 2010, our subsidiary, Sembcorp Marine Ltd ("SCM") commenced proceedings in the High Court of Singapore against PPL Holdings Pte Ltd and its wholly-owned subsidiary E-Interface Holdings Limited to seek the transfer for the remaining 15 per cent of the shares in PPL Shipyard Pte Ltd ("PPLS") to SCM. Pending the outcome of the Court's decision, SCM has continued to consolidate its 85 per cent interest in PPLS and separately accounted for the 15 per cent as a "non-controlling interest".

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2010

40. Related Parties
Group

a. Related party transactions

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

	Group 2010 S$'000	Group 2009 S$'000
Related Corporations		
Sales	**2,960**	452
Purchases including rental	**4,206**	25,609
Associates and Joint Ventures		
Sales	**48,003**	47,894
Purchases including rental	**8,077**	4,054
Sale of investment and property, plant and equipment	**3,400**	–
Others	**908**	1,030

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 2010 S$'000	Group 2009 S$'000
Directors' fees and remuneration	**6,172**	5,787
Other key management personnel remuneration	**11,771**	6,543
	17,943	12,330
Fair value of share-based compensation	**3,876**	3,912

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonus (which includes AWS, discretionary bonus, performance targets bonus).

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.

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

Company

a. The Company has provided corporate guarantees to a subsidiary, Sembcorp Cogen Pte Ltd ("SembCogen") for the following:

i. long-term contract ("End User Agreement") dated January 15, 1999 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.

ii. two long-term agreements entered during the year for the purchase of a total 42 BBtud (Billion British thermal units per day) of liquefied natural gas ("LNG") from BG Singapore Gas Marketing Pte Ltd ("BG"). The agreements have a term of 10 years and SembCogen has an option to extend the term by 2 successive periods of 5 years each subject to fulfilment of conditions set in the agreements. The obligations of SembCogen under the LNG purchase agreements are currently secured by corporate guarantees issued by the Company in favour of BG.

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 42 to the financial statements.

41. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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.

Effective interest rates and repricing analysis

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

	Note	Effective interest rate %	Floating Interest S$'000	Fixed Interest Rate Repricing: Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000	Total S$'000
Group							
2010							
Financial assets							
Finance lease receivables	14	4.25	–	3,673	10,832	–	14,505
Balances with related parties		0.72	41,195	–	–	–	41,195
Loan receivables		5.25	–	45	–	–	45
Other receivables		2.95	12	575	125	–	712
Fixed deposits and bank balances		2.40	599,413	2,360,693	–	–	2,960,106
			640,620	2,364,986	10,957	–	3,016,563
Financial liabilities							
Secured term loans:							
– Floating rate loans		4.69	(613,324)	–	–	–	(613,324)
– Effect of interest rate swaps		3.94	310,375	(12,884)	(96,056)	(201,435)	–
			(302,949)	(12,884)	(96,056)	(201,435)	(613,324)
– Fixed rate loans		5.83	–	(4,877)	(15,711)	(47,726)	(68,314)
Total secured term loans			(302,949)	(17,761)	(111,767)	(249,161)	(681,638)
Unsecured term loans:							
– Floating rate loans		1.94	(241,336)	–	–	–	(241,336)
– Effect of interest rate swaps		1.08	208,438	(8,000)	(200,438)	–	–
			(32,898)	(8,000)	(200,438)	–	(241,336)
– Fixed rate loans		5.59	–	(1,960)	–	(1,794)	(3,754)
Bonds & notes		3.78	(100,000)	–	(200,000)	(400,000)	(700,000)
– Effect of interest rate swaps		2.49	120,000	–	(120,000)	–	–
Total unsecured term loans			(12,898)	(9,960)	(520,438)	(401,794)	(945,090)
Lease liabilities		2.06	(7,722)	(1,130)	(3,135)	–	(11,987)
Balances with related parties		8.10	(10)	–	(132,376)	(7,717)	(140,103)
			(323,579)	(28,851)	(767,716)	(658,672)	(1,778,818)

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

i. Interest rate risk *(cont'd)*

	Note	Effective interest rate %	Floating Interest S$'000	Fixed Interest Rate Repricing: Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000	Total 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	309,243	(133,709)	(111,934)	(63,600)	–
Total secured term loans			(11,522)	(133,709)	(111,934)	(63,600)	(320,765)
Unsecured term loans:							
– Floating rate loans		1.79	(350,203)	–	–	–	(350,203)
– Effect of interest rate swaps		1.65	330,094	(212,000)	(118,094)	–	–
			(20,109)	(212,000)	(118,094)	–	(350,203)
– Fixed rate loans		4.31	–	(13,628)	–	–	(13,628)
Bonds & notes		5.00	–	–	(200,000)	–	(200,000)
Total unsecured term loans			(20,109)	(225,628)	(318,094)	–	(563,831)
Lease liabilities		4.29	–	(253)	(506)	–	(759)
Balances with related parties		8.15	–	–	(85,690)	–	(85,690)
			(31,631)	(359,590)	(516,224)	(63,600)	(971,045)

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

i. Interest rate risk *(cont'd)*

	Profit before income tax		Equity	
	100 bp Increase S$'000	100 bp Decrease S$'000	100 bp Increase S$'000	100 bp Decrease S$'000
Group				
December 31, 2010				
Variable rate financial instruments	3,170	(3,170)	72,530	(72,530)
December 31, 2009				
Variable rate financial instruments	5,978	(5,978)	62,173	(62,173)

Notional amount

At December 31, 2010, the Group had interest rate swaps with an aggregate notional amount of S$1,170,961,000 (2009: S$1,377,901,000) of which S$532,148,000 (2009: 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 2.56% to 6.1% (2009: 2.57% to 6.1%) per annum on the notional amount. The Company classifies these interest rate swaps as cash flow hedges.

	Effective interest rate %	Floating Interest S$'000	Fixed Interest Rate Repricing: Within 1 year S$'000	Fixed Interest Rate Repricing: Between 1 to 5 years S$'000	Fixed Interest Rate Repricing: After 5 years S$'000	Total S$'000
Company						
2010						
Financial assets						
Fixed deposits and bank balances	0.07	310,342	–	–	–	310,342
Financial liabilities						
Lease liabilities	6.09	–	(88)	(250)	–	(338)
Balances with related parties	3.14	(229,100)	–	(317,600)	(100,000)	(646,700)
		(229,100)	(88)	(317,850)	(100,000)	(647,038)
2009						
Financial assets						
Fixed deposits and bank balances	0.20	261,367	–	–	–	261,367
Financial liabilities						
Lease liabilities	6.09	–	(83)	(339)	–	(422)
Balances with related parties	3.31	(229,100)	–	(417,600)	–	(646,700)
		(229,100)	(83)	(417,939)	–	(647,122)

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.

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

i. Interest rate risk *(cont'd)*

	Profit before income tax		Equity	
	100 bp Increase S$'000	100 bp Decrease S$'000	100 bp Increase S$'000	100 bp Decrease S$'000
Company				
December 31, 2010				
Variable rate financial instruments	812	(812)	–	–
December 31, 2009				
Variable rate financial instruments	323	(323)	–	–

ii. Foreign currency risk

The Group operates globally and is exposed to foreign currency exchange rate volatility primarily for Singapore dollars ("SGD"), United States dollars ("USD"), euros ("EURO") and pounds sterling ("GBP") 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 gross exposure to foreign currencies before forward contracts is as follows:

	SGD S$'000	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
Group					
2010					
Financial assets					
Cash and cash equivalents	68,255	418,242	88,359	1,722	21,467
Trade and other receivables	8,469	68,883	1,028	307	3,689
Other financial assets	–	–	–	–	46,705
	76,724	487,125	89,387	2,029	71,861
Financial liabilities					
Trade and other payables	107,833	247,262	58,744	3,670	9,390
Interest-bearing borrowings	–	106,196	–	–	13,235
	107,833	353,458	58,744	3,670	22,625
Net financial (liabilities) / assets	(31,109)	133,667	30,643	(1,641)	49,236

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

	SGD S$'000	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
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	–	–	–	–	28,438
	101,825	267,157	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)	(250,023)	44,628	5,618	28,159

	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
Company				
2010				
Financial assets				
Cash and cash equivalents	1,849	–	3	–
Trade and other receivables	886	–	–	–
	2,735	–	3	–
Financial liabilities				
Trade and other payables	18,168	117	226	778
Net financial liabilities	(15,433)	(117)	(223)	(778)

The Company's financial assets and liabilities are predominantly denominated in Singapore dollars as at December 31, 2009.

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

Notional amount

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

	Group 2010 Notional amount S$'000	Group 2009 Notional amount S$'000	Company 2010 Notional amount S$'000	Company 2009 Notional amount S$'000
Foreign exchange forwards				
– SGD	**111,000**	313,518	**–**	–
– USD	**1,783,063**	1,621,252	**25,269**	–
– EURO	**51,719**	256,943	**–**	–
	1,945,782	2,191,713	**25,269**	–
Foreign exchange swap agreements				
– USD	**104,171**	266,774	**–**	–
– EURO	**78**	–	**–**	–
– GBP	**89,946**	–	**–**	–
	194,195	266,774	**–**	–
	2,139,977	2,458,487	**25,269**	–

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 2009.

	Group Equity S$'000	Group Profit before income tax S$'000	Company Equity S$'000	Company Profit before income tax S$'000
2010				
SGD	(5,217)	(8,995)	–	–
USD	(114,144)	34,797	–	986
EURO	4,203	4,551	–	(12)
Others	3,670	262	–	(100)
2009				
SGD	(13,854)	(525)	–	–
USD	(72,983)	3,092	–	–
EURO	16,779	4,971	–	–
Others	2,354	613	–	–

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

iii. Price risk

Equity securities price risk

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

Sensitivity analysis

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

	Group	
	2010	2009
	S$'000	S$'000
Equity	**29,289**	17,195
Profit before income tax	**1**	4

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 2009 and assumes that all other variables remain constant.

Commodity risk

The Group hedges against fluctuations in commodity prices that affect revenue and cost. Exposures are managed via swaps, options, contracts for differences, 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	
	2010	2009
	S$'000	S$'000
Equity	**8,238**	18,584
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 2009 and assumes that all other variables remain constant.

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

iii. Price risk *(cont'd)*

Notional amount

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

	Group	
	2010 Notional amount S$'000	2009 Notional amount S$'000
Fuel oil swap agreements	**96,471**	188,785
Power swap contracts	**–**	7,072
	96,471	195,857

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	
	2010	2009	2010	2009
	S$'000	S$'000	S$'000	S$'000
By business activity				
Utilities	**737,983**	674,161	**64,929**	89,801
Marine	**232,651**	298,955	**–**	–
Industrial parks	**6,621**	6,325	**–**	–
Others	**29,098**	21,351	**–**	3,209
	1,006,353	1,000,792	**64,929**	93,010

		Group		Company	
		2010	2009	2010	2009
	Note	S$'000	S$'000	S$'000	S$'000
Loans and receivables					
Non-current	12	**332,790**	326,196	**–**	–
Current	19	**673,563**	674,596	**64,929**	93,010
		1,006,353	1,000,792	**64,929**	93,010

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

41. Financial Instruments *(cont'd)*

b. Credit risk *(cont'd)*

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

	Gross 2010 S$'000	Impairment 2010 S$'000	Gross 2009 S$'000	Impairment 2009 S$'000
Group				
Not past due	**543,701**	**4,347**	554,307	5,007
Past due 0 to 3 months	**66,880**	**472**	97,517	1,740
Past due 3 to 6 months	**15,257**	**1,270**	9,614	5,295
Past due 6 to 12 months	**14,493**	**3,312**	8,021	918
More than 1 year	**41,398**	**22,319**	26,995	18,725
	681,729	**31,720**	696,454	31,685
Company				
Not past due	**61,876**	**131**	90,071	–
Past due 0 to 3 months	**2,534**	**–**	2,435	–
Past due 3 to 6 months	**358**	**–**	35	–
Past due 6 to 12 months	**40**	**–**	64	–
More than 1 year	**529**	**277**	726	321
	65,337	**408**	93,331	321

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

	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Balance at beginning of the year	**46,303**	53,338	**321**	247
Currency translation difference	**(694)**	(148)	**–**	–
Allowance made	**2,917**	7,103	**131**	74
Allowance utilised	**(1,883)**	(6,834)	**(44)**	–
Allowance written back	**(8,496)**	(7,156)	**–**	–
Acquisition of subsidiaries	**8,121**	–	**–**	–
Balance at end of the year	**46,268**	46,303	**408**	321

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.

41. Financial Instruments *(cont'd)*

c. Liquidity risk *(cont'd)*

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 S$'000	Cash Flows: Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
2010					
Derivatives					
Derivative financial liabilities	71,717				
– inflow		273,925	272,463	1,462	–
– outflow		(352,812)	(305,508)	(53,123)	5,819
Derivative financial assets	(75,369)				
– inflow		2,034,316	1,281,378	752,938	–
– outflow		(1,958,947)	(1,237,776)	(721,171)	–
Non-derivative financial liabilities					
Trade and other payables*	2,351,742	(2,394,731)	(2,211,183)	(164,128)	(19,420)
Interest-bearing borrowings	1,602,070	(2,225,243)	(116,568)	(818,257)	(1,290,418)
	3,950,160	(4,623,492)	(2,317,194)	(1,002,279)	(1,304,019)
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*	2,463,437	(2,463,940)	(2,373,759)	(90,181)	–
Interest-bearing borrowings	879,789	(980,445)	(314,152)	(607,806)	(58,487)
	3,397,508	(3,525,839)	(2,726,423)	(736,008)	(63,408)
Company					
2010					
Trade and other payables*	799,931	(891,707)	(173,504)	(598,041)	(120,162)
Interest-bearing borrowings	338	(378)	(107)	(271)	–
	800,269	(892,085)	(173,611)	(598,312)	(120,162)
2009					
Trade and other payables*	795,971	(881,659)	(169,892)	(711,767)	–
Interest-bearing borrowings	422	(484)	(107)	(377)	–
	796,393	(882,143)	(169,999)	(712,144)	–

* Excludes advance payments from customers, accrued interest, deferred income, deferred grants, Goods and Services Tax and share of net liability of an associate.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

41. 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.

	Carrying amount S$'000	Cash Flows: Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
2010					
Derivative financial liabilities	70,220				
– inflow		211,631	210,169	1,462	–
– outflow		(289,021)	(241,717)	(53,123)	5,819
Derivative financial assets	(73,356)				
– inflow		1,755,218	1,002,024	753,194	–
– outflow		(1,681,862)	(960,691)	(721,171)	–
	(3,136)	(4,034)	9,785	(19,638)	5,819
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
Company					
2010					
Derivative financial assets	(24)				
– inflow		25,293	25,293	–	–
– outflow		(25,269)	(25,269)	–	–
	(24)	24	24	–	–

d. Estimation of fair values

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).

41. Financial Instruments *(cont'd)*

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

Securities

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

Derivatives

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

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

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

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

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

Non-derivative financial liabilities

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

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

41. Financial Instruments *(cont'd)*

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 at fair value on a recurring basis as of December 31, 2010. 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 using:			
	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
Group				
At December 31, 2010				
Available-for-sale financial assets	285,089	6,396	–	291,485
Financial assets at fair value through profit or loss	12	–	–	12
Derivative financial assets	–	78,305	–	78,305
	285,101	84,701	–	369,802
Derivative financial liabilities	–	(71,717)	–	(71,717)
	285,101	12,984	–	298,085
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 sound 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 non-controlling interests. Management also monitors the level of dividends paid 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. Capital is defined as equity attributable to the equity holders. The Group records a net cash position as at December 31, 2010 (2009: net cash position).

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

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

42. Contingent Liabilities (Unsecured)

	Group	
	2010	2009
	S$'000	S$'000
Guarantees given to banks to secure banking facilities provided to:		
– Associates	**28,026**	31,450
– Others	**8,269**	7,238
Performance guarantees granted for contracts awarded to the Group	**23,652**	34,037

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.

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 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$1,918 million (2009: S$1,640 million), which includes S$700 million drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company	
	2010	2009
	S$'000	S$'000
Less than 1 year	**1,218,125**	1,439,622
Between 1 to 5 years	**200,000**	200,000
More than 5 years	**500,000**	–
	1,918,125	1,639,622

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

42. Contingent Liabilities (Unsecured) *(cont'd)*

Company *(cont'd)*

b. The Company has provided corporate guarantees to a subsidiary, Sembcorp Cogen Pte Ltd ("SembCogen") for the following:

i. long-term contract ("End User Agreement") dated January 15, 1999 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.

ii. two long-term agreements entered during the year for the purchase of a total 42 BBtud (Billion British thermal units per day) of liquefied natural gas ("LNG") from BG Singapore Gas Marketing Pte Ltd ("BG"). The agreements have a term of 10 years and SembCogen has an option to extend the term by 2 successive periods of 5 years each subject to fulfilment of conditions set in the agreements. The obligations of SembCogen under the LNG purchase agreements are currently secured by corporate guarantees issued by the Company in favour of BG.

43. Commitments

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

	Group	
	2010	2009
	S$'000	S$'000
Capital expenditure for:		
– Commitments in respect of contracts placed	**1,083,712**	1,348,777
– Uncalled capital and commitments to subscribe for additional shares in investments	**888,206**	146,348
	1,971,918	1,495,125

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	
	2010	2009	2010	2009
	S$'000	S$'000	S$'000	S$'000
Lease payments due:				
Within 1 year	**27,644**	21,538	**6,683**	6,092
Between 1 and 5 years	**82,049**	48,089	**13,066**	14,118
After 5 years	**355,067**	289,410	**35,770**	31,947
	464,760	359,037	**55,519**	52,157

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.

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.

43. Commitments *(cont'd)*

During the year, SembCogen entered into two long-term agreements to purchase liquefied natural gas ("LNG"), usage of LNG Terminal and other charges over a period of 10 years and has the option to extend the term by two successive periods of 5 years.

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

	Group	
	2010	2009
	S$'000	S$'000
Lease receivable:		
Within 1 year	**3,723**	2,625
Between 1 and 5 years	**3,252**	3,375
	6,975	6,000

44. Segment Reporting

a. Operating Segments

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

i. The Utilities segment's principal activities are in the provision of energy, water and on-site logistics & solid waste management. Key activities in the energy sector include power generation and retail, process steam production and supply, as well as natural gas import, supply and retail. In the water sector, the business offers wastewater treatment as well as the production and supply of reclaimed, desalinated and potable water and water for industrial use.

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

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

iv. Others / Corporate segment comprises businesses mainly 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.

* Previously five operating segments. The Environment business has been re-classified under the Utilities business (as solid waste management) due to internal restructuring. Comparatives have been changed from the previous year to be consistent with the current year's presentation.

b. Geographical Segments

The Group operates in six principal geographical areas: Singapore, China, Rest of Asia & Australia, Middle East & Africa, UK and Other Countries. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

44. Segment Reporting *(cont'd)*

a. Operating Segments

	Utilities S$'000	Marine S$'000	Industrial Parks S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2010						
Turnover						
External sales	3,993,208	4,553,341	16,226	200,839	–	8,763,614
Inter-segment sales	38,810	1,522	3,504	1,563	(45,399)	–
Total	4,032,018	4,554,863	19,730	202,402	(45,399)	8,763,614
Results						
Segment results	244,009	998,160	2,681	(8,963)	–	1,235,887
Interest income	3,597	28,795	209	34,949	(35,074)	32,476
Finance costs	(50,480)	(7,134)	–	(38,589)	35,074	(61,129)
	197,126	1,019,821	2,890	(12,603)	–	1,207,234
Share of results of associates	33,645	43,490	8,500	–	–	85,635
Share of results of joint ventures	35,876	3,362	29,229	5,993	–	74,460
	266,647	1,066,673	40,619	(6,610)	–	1,367,329
Income tax (expense) / credit	(30,187)	(172,999)	2,479	6,329	–	(194,378)
Non-controlling interests	(5,212)	(368,748)	(6,235)	115	–	(380,080)
Profit for the year	231,248	524,926	36,863	(166)	–	792,871
Assets						
Segment assets	4,672,147	4,974,816	176,706	1,429,179	(1,560,248)	9,692,600
Interests in associates	105,636	274,687	306,278	–	–	686,601
Interests in joint ventures	133,456	48,155	99,575	66,241	–	347,427
Tax assets	56,883	47	1,560	106,423	–	164,913
Total assets	4,968,122	5,297,705	584,119	1,601,843	(1,560,248)	10,891,541
Liabilities						
Segment liabilities	3,083,796	2,206,359	30,102	1,348,393	(1,560,248)	5,108,402
Tax liabilities	372,199	384,636	11,105	(5,061)	–	762,879
Total liabilities	3,455,995	2,590,995	41,207	1,343,332	(1,560,248)	5,871,281
Capital expenditure	561,761	98,150	53	1,803	–	661,767
Significant non-cash items						
Depreciation and amortisation	151,275	83,625	2,053	5,186	–	242,139
Other non-cash items (including provisions, loss on disposal and exchange differences)	36,084	59,639	3,767	3,242	–	102,732

44. Segment Reporting *(cont'd)*

a. Operating Segments (cont'd)

	Utilities S$'000	Marine S$'000	Industrial Parks S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2009						
Turnover						
External sales	3,680,456	5,723,061	14,971	153,920	–	9,572,408
Inter-segment sales	34,316	1,681	3,504	37,977	(77,478)	–
Total	3,714,772	5,724,742	18,475	191,897	(77,478)	9,572,408
Results						
Segment results	246,666	858,331	11,383	(426)	–	1,115,954
Interest income	4,822	28,806	777	27,499	(27,930)	33,974
Finance costs	(37,867)	(5,329)	–	(25,920)	27,930	(41,186)
	213,621	881,808	12,160	1,153	–	1,108,742
Share of results of associates	26,538	12,078	5,013	–	–	43,629
Share of results of joint ventures	34,170	7,218	17,658	6,867	–	65,913
	274,329	901,104	34,831	8,020	–	1,218,284
Income tax expense	(45,581)	(144,276)	(2,477)	(10,647)	–	(202,981)
Non-controlling interests	(2,012)	(326,654)	(4,022)	49	–	(332,639)
Profit for the year	226,736	430,174	28,332	(2,578)	–	682,664
Assets						
Segment assets	3,709,041	4,421,099	187,587	1,219,278	(1,394,458)	8,142,547
Interests in associates	80,523	240,033	298,273	–	–	618,829
Interests in joint ventures	119,919	43,627	86,661	61,514	–	311,721
Tax assets	34,373	1,752	1,560	219,596	–	257,281
Total assets	3,943,856	4,706,511	574,081	1,500,388	(1,394,458)	9,330,378
Liabilities						
Segment liabilities	2,255,757	2,402,539	31,092	1,103,810	(1,394,458)	4,398,740
Tax liabilities	276,901	323,575	13,127	82,500	–	696,103
Total liabilities	2,532,658	2,726,114	44,219	1,186,310	(1,394,458)	5,094,843
Capital expenditure	337,209	66,994	362	2,876	–	407,441
Significant non-cash items						
Depreciation and amortisation	116,320	75,621	2,166	5,596	–	199,703
Other non-cash items (including provisions, loss on disposal and exchange differences)	22,481	63,584	2,388	276	–	88,729

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

44. Segment Reporting *(cont'd)*

b. Geographical Segments

	Singapore S$'000	China S$'000	Rest of Asia & Australia S$'000	Middle East & Africa S$'000	UK S$'000	Others S$'000	Consolidated S$'000
2010							
Revenue from external customers	4,228,900	63,259	690,066	348,509	825,480	2,607,400	8,763,614
Total assets	7,563,771	845,580	420,156	865,631	908,496	287,907	10,891,541
Non-current assets	2,638,955	793,195	339,069	798,501	731,402	244,187	5,545,309
Capital expenditure	112,679	28,626	7,535	454,196	54,705	4,026	661,767
2009							
Revenue from external customers	3,915,779	72,464	1,281,432	1,001,406	532,175	2,769,152	9,572,408
Total assets	7,059,045	652,096	368,646	406,291	686,999	157,301	9,330,378
Non-current assets	2,546,867	639,118	305,035	198,043	500,043	147,365	4,336,471
Capital expenditure	92,002	30,869	7,584	253,847	23,046	93	407,441

45. 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 amounts 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.

45. Significant Accounting Estimates and Judgements

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 100 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.

b. **Impairment of investments and financial assets**
The Group follows the guidance of FRS 39 Financial Instruments: Recognition and Measurement in 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 or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

46. Subsequent Events

i. During the year, Sembcorp Utilities Pte Ltd ("Sembcorp Utilities") signed a joint venture agreement with Gayatri Energy Ventures ("GEVL") to acquire a 49% stake in Thermal Powertech Corporation India ("TPCIL"), which is set to build, own and operate a 1,320 megawatt coal-fired power plant in Krishnapatnam, SPSR Nellore District, Andhra Pradesh, India.

Subsequent to year end, Sembcorp Utilities injected the first tranche of its equity into TPCIL to complete its acquisition of 49% of TPCIL's shares. The total consideration for this equity stake is Rs 1,042 crores (S$293 million).

ii. Subsequent to year end, a subsidiary signed an engineering, procurement and construction contract with a contractor for the construction of a new cogeneration plant on Jurong Island in Singapore. The construction is expected to commence in the second half of the next financial year.

47. New or Revised Accounting Standards and Interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting period beginning on or after January 1, 2011 or later periods and which the Group has not early adopted:

Amendments to FRS 24 – Related party disclosures
Amendments to FRS 32 Financial instruments: Presentation – Classification of rights issues
Amendments to INT FRS 114 – Prepayments of a minimum funding requirement
INT FRS 119 Extinguishing financial liabilities with equity instruments
Improvements to FRSs 2010

The management anticipates that the adoption of the above FRSs, INT FRS, amendments and improvements to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption, except for the amendments to FRS 24 – Related party disclosures.

The amendments to FRS 24 will become effective for the Group's financial statements for the year ending December 31, 2011. The amendment simplifies the disclosure requirements for government-related entities. It also clarifies and simplifies the definition of a related party. However, the revised definition of a related party will also mean that some entities will have more related parties and will be required to make additional disclosures.

Management is currently considering the revised definition to determine whether any additional disclosures will be required.

48. Subsidiaries

Details of significant subsidiaries are as follows:

Name of significant subsidiaries	Country of incorporation	Effective equity held by the Group 2010 %	Effective equity held by the Group 2009 %
Utilities			
Sembcorp Utilities Pte Ltd [1]	Singapore	**100**	100
Sembcorp Cogen Pte Ltd [1]	Singapore	**100**	100
Sembcorp Gas Pte Ltd [1]	Singapore	**70**	70
Sembcorp Air Products (Hyco) Pte Ltd [1]	Singapore	**60**	60
Sembcorp Utilities (UK) Limited [2]	United Kingdom	**100**	100
Sembcorp Gulf Holding Co Ltd [1]	British Virgin Island	**100**	100
Cascal N.V. [3]	The Netherlands	**97.66**	–
Sembcorp Holdings Ltd [3]	United Kingdom	**97.66**	–
Sembcorp Bournemouth Water Limited [4]	United Kingdom	**97.66**	–
Sembcorp Utilities (South Africa) Pty Limited [5]	South Africa	**97.66**	–
Sembcorp Silulumanzi (Pty) Limited [5]	South Africa	**97.66**	–
Sembcorp Environment Pte. Ltd. [1]	Singapore	**100**	100
SembWaste Pte Ltd [1]	Singapore	**100**	100
Sembcorp Tay Paper Recycling Pte. Ltd. [1]	Singapore	**60**	60
SembRamky Environmental Management Private Limited [6]	India	**51**	51
Marine			
Sembcorp Marine Ltd [1]	Singapore	**60.90**	61.30
Jurong Shipyard Pte Ltd [1]	Singapore	**60.90**	61.30
PPL Shipyard Pte Ltd [1]	Singapore	**51.77**	52.11
Sembawang Shipyard Pte Ltd [1]	Singapore	**60.90**	61.30
SMOE Pte Ltd [1]	Singapore	**60.90**	61.30
Industrial Parks			
Sembcorp Industrial Parks Ltd [1]	Singapore	**100**	100
Vietnam Singapore Industrial Park Pte Ltd [1]	Singapore	**79.29**	79.29
Others			
Sembcorp Design and Construction Pte Ltd [1]	Singapore	**100**	100
Singapore Precision Industries Pte Ltd [1]	Singapore	**100**	100

1. Audited by KPMG LLP, Singapore.
2. Audited by KPMG LLP, Newcastle, United Kingdom.
3. Audited by PricewaterhouseCoopers LLP, Gatwick, United Kingdom.
4. Audited by PricewaterhouseCoopers LLP, Southampton, United Kingdom.
5. Audited by PricewaterhouseCoopers Inc, Nelspruit, South Africa.
6. Audited by BSR & Co., member firm of KPMG International.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

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 2010 %	Effective equity held by the Group 2009 %
	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
^^	SembSITA Pacific Pte Ltd	Singapore	**40.00**	40.00
	Marine			
@@	COSCO Shipyard Group	People's Republic of China	**18.27**	18.39
	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
@@@	Singapore Intelligent Eco Island Development Pte. Ltd.	Singapore	**43.00**	30.00

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.

@@@ Audited by Deloitte & Touche LLP.