FINANCIAL STATEMENTS

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, 2011.

Directors

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

Ang Kong Hua
Tang Kin Fei
Goh Geok Ling
Evert Henkes
Bobby Chin Yoke Choong
Margaret Lui
Tan Sri Mohd Hassan Marican
Tham Kui Seng *(appointed on June 1, 2011)*

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 21/01/2012**	**At beginning of the year**	**At end of the year**	**At 21/01/2012**
Ang Kong Hua								
Sembcorp Industries Ltd	Ordinary shares		–	20,300	20,300	–	–	–
	Conditional award of:							
	– 20,300 restricted shares to be delivered in 2011 (Note 4)		20,300	–	–	–	–	–
Tang Kin Fei								
Sembcorp Industries Ltd	Ordinary shares		3,024,405	3,593,826	3,593,826	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.37 per share	02/07/2006 to 01/07/2015	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 21/01/2012**	**At beginning of the year**	**At end of the year**	**At 21/01/2012**
Tang Kin Fei *(cont'd)*								
Sembcorp Industries Ltd	Conditional award of:							
	– 400,000 performance shares to be delivered after 2010 (Note 1a)		Up to 600,000	–	–	–	–	–
	– 400,000 performance shares to be delivered after 2011 (Note 1b)		Up to 600,000	Up to 600,000	Up to 600,000	–	–	–
	– 400,000 performance shares to be delivered after 2012 (Note 1c)		Up to 600,000	Up to 600,000	Up to 600,000	–	–	–
	– 400,000 performance shares to be delivered after 2013 (Note 1d)		–	Up to 600,000	Up to 600,000	–	–	–
	– 128,596 restricted shares to be delivered after 2008 (Note 2(i))		27,861	–	–	–	–	–
	– 126,000 restricted shares to be delivered after 2009 (Note 3a(i))		82,320	41,160	41,160	–	–	–
	– 126,000 restricted shares to be delivered after 2010 (Note 3b(i))		Up to 189,000	100,800	100,800	–	–	–
	– 126,000 restricted shares to be delivered after 2011 (Note 3c)		Up to 189,000	Up to 189,000	Up to 189,000	–	–	–
	– 126,000 restricted shares to be delivered after 2012 (Note 3d)		–	Up to 189,000	Up to 189,000	–	–	–

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 21/01/2012	Other shareholdings in which director is deemed to have an interest: At beginning of the year	At end of the year	At 21/01/2012
Tang Kin Fei *(cont'd)*								
Sembcorp Marine Ltd	Ordinary shares		123,880	182,570	182,570	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.38 per share	03/10/2007 to 02/10/2011	24,500	–	–	–	–	–
	Conditional award of:							
	– 18,900 restricted shares to be delivered after 2008 (Note 2(ii))		8,190	–	–	–	–	–
	– 12,000 restricted shares to be delivered after 2009 (Note 3a(ii))		12,000	6,000	6,000	–	–	–
	– 17,000 restricted shares to be delivered after 2010 (Note 3b(ii))		Up to 25,500	17,000	17,000	–	–	–
	– 11,500 restricted shares to be delivered in 2011 (Note 5)		11,500	–	–	–	–	–
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes issued under the S$1.5 Billion Multicurrency Medium Term Note Programme (Note 6)		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	S$500,000	–	–	–
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		440,136	484,320	484,320	47,000	47,000	47,000
	Options to subscribe for ordinary shares at							
	– S$2.52 per share	10/06/2007 to 09/06/2011	17,500	–	–	–	–	–

Directors' Interests *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children: At beginning of the year / date of appointment	At end of the year	At 21/01/2012	Other shareholdings in which director is deemed to have an interest: At beginning of the year	At end of the year	At 21/01/2012
Goh Geok Ling *(cont'd)*								
Sembcorp Industries Ltd	Conditional award of:							
	– 13,982 restricted shares to be delivered after 2008 (Note 2(iii))		3,028	–	–	–	–	–
	– 13,700 restricted shares to be delivered after 2009 (Note 3a(iii))		8,950	4,474	4,474	–	–	–
	– 13,700 restricted shares to be delivered after 2010 (Note 3b(iii))		Up to 20,550	10,960	10,960	–	–	–
	– 13,700 restricted shares to be delivered in 2011 (Note 4)		13,700	–	–	–	–	–
Sembcorp Marine Ltd	Ordinary shares		127,694	293,040	293,040	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.38 per share	03/10/2007 to 02/10/2011	106,000	–	–	–	–	–
	Conditional award of:							
	– 30,800 restricted shares to be delivered after 2008 (Note 2(iv))		13,346	–	–	–	–	–
	– 22,000 restricted shares to be delivered after 2009 (Note 3a(iv))		22,000	11,000	11,000	–	–	–
	– 29,000 restricted shares to be delivered after 2010 (Note 3b(iv))		Up to 43,500	29,000	29,000	–	–	–
	– 20,500 restricted shares to be delivered in 2011 (Note 5)		20,500	–	–	–	–	–

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 21/01/2012	Other shareholdings in which director is deemed to have an interest: At beginning of the year	At end of the year	At 21/01/2012
Evert Henkes								
Sembcorp Industries Ltd	Ordinary shares		99,383	113,018	113,018	–	–	–
	Conditional award of:							
	– 7,144 restricted shares to be delivered after 2008 (Note 2(v))		1,548	–	–	–	–	–
	– 7,000 restricted shares to be delivered after 2009 (Note 3a(v))		4,573	2,286	2,286	–	–	–
	– 7,000 restricted shares to be delivered after 2010 (Note 3b(v))		Up to 10,500	5,600	5,600	–	–	–
	– 7,000 restricted shares to be delivered in 2011 (Note 4)		7,000	–	–	–	–	–
Bobby Chin Yoke Choong								
Sembcorp Industries Ltd	Ordinary shares		–	15,400	15,400	–	–	–
	Conditional award of:							
	– 11,000 restricted shares to be delivered after 2010 (Note 3b(vi))		Up to 16,500	8,800	8,800	–	–	–
	– 11,000 restricted shares to be delivered in 2011 (Note 4)		11,000	–	–	–	–	–
Margaret Lui		–	–	–	–	–	–	–
Tan Sri Mohd Hassan Marican		–	–	–	–	–	–	–
Tham Kui Seng		–	–	–	–	–	–	–

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 2008 to 2010*
b. Period from 2009 to 2011
c. Period from 2010 to 2012
d. Period from 2011 to 2013

* For this period, 300,000 Sembcorp Industries Ltd (SCI) shares were released to Tang Kin Fei on March 23, 2011. 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 from 2007 to 2008. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 130% will mean up to 1.3 times the number of conditional restricted shares awarded could be delivered.

i. For this period, 27,861 SCI shares (the final release of the 1/3 of the 83,587 shares) were vested under the award to Tang Kin Fei on March 23, 2011. The 1st and 2nd release of 27,863 shares each have been vested in 2009 and 2010 respectively.

ii. For this period, 8,190 Sembcorp Marine Ltd (SCM) shares (the final release of the 1/3 of the 24,570 shares) were vested under the award to Tang Kin Fei on March 15, 2011. The 1st and 2nd release of 8,190 shares each have been vested in 2009 and 2010 respectively.

iii. For this period, 3,028 SCI shares (the final release of the 1/3 of the 9,088 shares) were vested under the award to Goh Geok Ling on March 23, 2011. The 1st and 2nd release of 3,030 shares each have been vested in 2009 and 2010 respectively.

iv. For this period, 13,346 SCM shares (the final release of the 1/3 of the 40,040 shares) were vested under the award to Goh Geok Ling on March 15, 2011. The 1st and 2nd release of 13,347 shares each have been vested in 2009 and 2010 respectively.

v. For this period, 1,548 SCI shares (the final release of the 1/3 of the 4,644 shares) were vested under the award to Evert Henkes on March 23, 2011. The 1st and 2nd release of 1,548 shares each have been vested in 2009 and 2010 respectively.

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 shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

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

** i. For this period, 41,160 SCI shares (2nd release of the 1/3 of the 123,480 shares) were vested under the award to Tang Kin Fei on March 23, 2011 and the remaining 41,160 shares will be vested in year 2012. The 1st release of 41,160 shares has been vested on March 10, 2010.

ii. For this period, 6,000 SCM shares (2nd release of the 1/3 of the 18,000 shares) were vested under the award to Tang Kin Fei on March 15, 2011 and the remaining 6,000 shares will be vested in year 2012. The 1st release of 6,000 shares has been vested on March 12, 2010.

iii. For this period, 4,476 SCI shares (2nd release of the 1/3 of the 13,426 shares) were vested under the award to Goh Geok Ling on March 23, 2011 and the remaining 4,474 shares will be vested in year 2012. The 1st release of 4,476 shares has been vested on March 10, 2010.

iv. For this period, 11,000 SCM shares (2nd release of the 1/3 of the 33,000 shares) were vested under the award to Goh Geok Ling on March 15, 2011 and the remaining 11,000 shares will be vested in year 2012. The 1st release of 11,000 shares has been vested on March 12, 2010.

v. For this period, 2,287 SCI shares (2nd release of the 1/3 of the 6,860 shares) were vested under the award to Evert Henkes on March 23, 2011 and the remaining 2,286 shares will be vested in year 2012. The 1st release of 2,287 shares has been vested on March 10, 2010.

^ i. For this period, 50,400 SCI shares (1/3 of the 151,200 shares) were vested under the award to Tang Kin Fei on March 23, 2011 and the remaining 100,800 shares will be vested in year 2012/2013.

ii. For this period, 8,500 SCM shares (1/3 of the 25,500 shares) were vested under the award to Tang Kin Fei on March 15, 2011 and the remaining 17,000 shares will be vested in year 2012/2013.

iii. For this period, 5,480 SCI shares (1/3 of the 16,440 shares) were vested under the award to Goh Geok Ling on March 23, 2011 and the remaining 10,960 shares will be vested in year 2012/2013.

iv. For this period, 14,500 SCM shares (1/3 of the 43,500 shares) were vested under the award to Goh Geok Ling on March 15, 2011 and the remaining 29,000 shares will be vested in year 2012/2013.

v. For this period, 2,800 SCI shares (1/3 of the 8,400 shares) were vested under the award to Evert Henkes on March 23, 2011 and the remaining 5,600 shares will be vested in year 2012/2013.

vi. For this period, 4,400 SCI shares (1/3 of the 13,200 shares) were vested under the award to Bobby Chin Yoke Choong on March 23, 2011 and the remaining 8,800 shares will be vested in year 2012/2013.

Note 4: Shares were fully vested and released under the award on April 8, 2011.

Note 5: Shares were fully vested and released under the award on April 19, 2011.

Note 6: 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' 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.

Share-based Incentive Plans
The Company's Performance Share Plan (SCI PSP 2010) and Restricted Share Plan (SCI RSP 2010) (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000 and expired in 2010.

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 SCI RSP 2010 is the incentive scheme for directors and employees of the Group whereas the SCI PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts 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 2010 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.

The 2010 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 2010 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 2010 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.

Share-based Incentive Plans *(cont'd)*
The 2010 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 2010 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2010 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 2010 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.

Other information regarding the 2010 Share Plans and expired Share Plans is as follows:

a. Share Option Plan

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

Other information regarding the Share Option Plans 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 Securities Trading Limited (SGX-ST) 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 2011 and 2010, 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. There are no outstanding share options for non-executive directors.

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
2011

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2011	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2011	Options exercisable at Jan 1, 2011	Options exercisable at Dec 31, 2011	Exercise period
19/04/2001	S$1.19	111,100	(81,100)	(30,000)	–	111,100	–	20/04/2002 to 19/04/2011
07/05/2002	S$1.23	160,750	(3,500)	–	157,250	160,750	157,250	08/05/2003 to 07/05/2012
17/10/2002	S$0.62	87,000	(34,500)	–	52,500	87,000	52,500	18/10/2003 to 17/10/2012
02/06/2003	S$0.78	97,600	(65,475)	(1,125)	31,000	97,600	31,000	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	111,375	(37,375)	(2,000)	72,000	111,375	72,000	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	206,750	(29,000)	(3,500)	174,250	206,750	174,250	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	225,000	(44,250)	(2,125)	178,625	225,000	178,625	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	792,700	(391,175)	(17,875)	383,650	792,700	383,650	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	891,474	(222,349)	(23,125)	646,000	891,474	646,000	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	175,000	(175,000)	–	–	175,000	–	10/06/2007 to 09/06/2011
09/06/2006	S$2.52	1,735,790	(519,376)	(25,750)	1,190,664	1,735,790	1,190,664	10/06/2007 to 09/06/2016
		4,594,539	**(1,603,100)**	**(105,500)**	**2,885,939**	**4,594,539**	**2,885,939**	

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**	

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, 2011 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]	(2,386,293)	450,000
Goh Geok Ling	370,000	–	(370,000)	–
Evert Henkes	94,000	–	(94,000)	–
Bobby Chin Yoke Choong	–	–	–	–
Margaret Lui	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–
Tham Kui Seng	–	–	–	–
Other executives				
Group	149,771,742	(69,253,288)	(78,088,515)	2,429,939
Associated company	748,600	(215,100)	(533,500)	–
Parent Group[2]	378,500	(107,000)	(265,500)	6,000
Former directors of the Company	10,641,578	(2,383,328)	(8,258,250)	–
Total	**165,448,472**	**(72,566,475)**	**(89,996,058)**	**2,885,939**

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
2011

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2011	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2011	Options exercisable at Jan 1, 2011	Options exercisable at Dec 31, 2011	Exercise period
27/09/2001	S$0.47	54,810	(21,210)	(33,600)	–	54,810	–	28/09/2002 to 27/09/2011
07/11/2002	S$0.64	161,700	(31,500)	(4,550)	125,650	161,700	125,650	08/11/2003 to 07/11/2012
08/08/2003	S$0.71	216,470	(132,200)	(10,850)	73,420	216,470	73,420	09/08/2004 to 08/08/2013
10/08/2004	S$0.74	1,723,958	(1,427,648)	(55,300)	241,010	1,723,958	241,010	11/08/2005 to 10/08/2014
11/08/2005	S$2.11	4,213,877	(2,617,027)	(93,100)	1,503,750	4,213,877	1,503,750	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	191,750	(191,750)	–	–	191,750	–	03/10/2007 to 02/10/2011*
02/10/2006	S$2.38	4,918,409	(3,046,002)	(15,925)	1,856,482	4,918,409	1,856,482	03/10/2007 to 02/10/2016
		11,480,974	**(7,467,337)**	**(213,325)**	**3,800,312**	**11,480,974**	**3,800,312**	

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

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.

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

b. **Performance Share Plan**

Under the Performance Share Plan (SCI PSP 2010), 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.

To create alignment between senior management and other employees at the time of vesting, SCI PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2011 to 2013 will be vested to the senior management participants only if the restricted shares for the performance period 2012 to 2013 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 the movement of the 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	At Jan 1	Movements during the year: Conditional performance shares awarded	Conditional performance shares released	Conditional performance shares lapsed	At Dec 31
2011					
Director of the Company:					
Tang Kin Fei	1,200,000	400,000	(300,000)	(100,000)	1,200,000
Key executives of the Group	1,411,665	420,000	(292,500)	(105,832)	1,433,333
	2,611,665	**820,000**	**(592,500)**	**(205,832)**	**2,633,333**
2010					
Director of the Company:					
Tang Kin Fei	1,208,240	400,000	(142,884)	(265,356)	1,200,000
Key executives of the Group	1,432,622	600,000	(124,735)	(496,222)	1,411,665
	2,640,862	**1,000,000**	**(267,619)**	**(761,578)**	**2,611,665**

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2008 to 2010 (2010: performance period 2007 to 2009), a total of 592,500 (2010: 267,619) 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 2011, was 2,633,333 (2010: 2,611,665). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,950,000 (2010: 3,917,498) performance shares.

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

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

ii. Performance shares of a listed subsidiary

The details of the movement of the performance shares of Sembcorp Marine Ltd awarded during the year are as follows:

	2011	2010
At January 1	**1,970,000**	2,315,000
Conditional performance shares awarded	**585,000**	635,000
Conditional performance shares lapsed	**(242,916)**	–
Additional performance shares awarded arising from targets met	**385,000**	235,200
Conditional performance shares released	**(932,084)**	(1,215,200)
At December 31	**1,765,000**	1,970,000

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 2008 to 2010 (2010: performance period 2007 to 2009), a total of 932,084 (2010: 1,215,200) performance shares were released via the issuance of treasury shares.

In 2011, there were additional 385,000 (2010: 235,200) performance shares awarded for over-achievement of the performance targets for the performance period 2008 to 2010 (2010: performance period 2007 to 2009).

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, 2011, was 1,765,000 (2010: 1,970,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,647,500 (2010: 2,955,000) performance shares.

c. Restricted Share Plan

Under the Restricted Share Plan (SCI RSP 2010), 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 shares are calibrated based on Return on Total Assets (excluding Sembcorp Marine Ltd) and Group Profit from Operations (excluding Sembcorp Marine Ltd) for awards granted in 2011.

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 shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

The managerial participants of the Group will be awarded restricted shares under SCI RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Challenge Bonus.

A specific number of restricted shares 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.

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

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

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

For the year 2010, the awards granted under the SCI RSP 2010 to non-executive directors were time-based shares which vest 1 year from the date of grant.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCI RSP 2010.

For year 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees). The awards granted will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days immediately following the date of the Annual General Meeting (AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

i. Sembcorp Industries Ltd Restricted Shares

The details of the movement of the restricted shares of Sembcorp Industries Ltd awarded during the year are as follows:

		Movements during the year				
Restricted shares participants	At Jan 1	Conditional restricted shares awarded	Additional restricted shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	At Dec 31
2011						
Directors of the Company:						
Ang Kong Hua	20,300	–	–	(20,300)	–	–
Tang Kin Fei	362,181	126,000	25,200	(119,421)	–	393,960
Goh Geok Ling	39,378	–	2,740	(26,684)	–	15,434
Evert Henkes	20,121	–	1,400	(13,635)	–	7,886
Bobby Chin Yoke Choong	22,000	–	2,200	(15,400)	–	8,800
Margaret Lui	–	–	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–	–	–
Tham Kui Seng	–	–	–	–	–	–
Former directors of the Company	88,242	–	6,140	(94,382)	–	–
Other executives of the Group	4,963,224	2,179,800	361,880	(1,492,987)	(267,668)	5,744,249
	5,515,446	**2,305,800**	**399,560**	**(1,782,809)**	**(267,668)**	**6,170,329**

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

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

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

Restricted shares participants	At Jan 1	Movements during the year: Conditional restricted shares awarded	Additional restricted shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	At Dec 31
2010						
Directors of the Company:						
Ang Kong Hua	–	20,300	–	–	–	20,300
Tang Kin Fei	338,138	126,000	–	(99,437)	(2,520)	362,181
Goh Geok Ling	33,458	13,700	–	(7,506)	(274)	39,378
Richard Hale, OBE	41,518	17,000	–	(9,314)	(340)	48,864
Evert Henkes	17,096	7,000	–	(3,835)	(140)	20,121
Lee Suet Fern	33,458	13,700	–	(7,506)	(274)	39,378
Bobby Chin Yoke Choong	11,000	11,000	–	–	–	22,000
Margaret Lui	–	–	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–	–	–
Former director of the Company	57,393	13,725	–	(70,648)	(470)	–
Other executives of the Group	4,506,785	2,046,075	–	(1,263,026)	(326,610)	4,963,224
	5,038,846	**2,268,500**	**–**	**(1,461,272)**	**(330,628)**	**5,515,446**

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2010, a total of 872,309 restricted shares were released in 2011. For awards in relation to the performance period 2008 to 2009, a total of 548,312 (2010: 736,370) restricted shares were released in 2011. For awards in relation to the performance period 2007 to 2008, a total of 279,488 (2010: 359,706) restricted shares were released in 2011. For awards in relation to the performance period 2006 to 2007, nil (2010: 311,950) restricted shares were released in 2011. In 2011, there were 82,700 shares released to non-executive directors. In 2010, there were additional 53,246 restricted shares released to employees upon retirement. The restricted shares were released via the issuance of treasury shares.

In 2011, additional 399,560 (2010: nil) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2009 to 2010 (2010: performance period 2008 to 2009).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2011, was 6,170,329 (2010: 5,515,446). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,244,200 (2010: 4,097,300). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,366,300 (2010: 6,145,950) restricted shares.

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

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

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

Sembcorp Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2010 (2010: performance period 2008 to 2009), a total of S$2,661,000, equivalent to 494,042 (2010: S$1,511,000, equivalent to 358,784) notional restricted shares, were paid. A total of 600,000 (2010: 600,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2011 for the Sembcorp Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2011, was 1,200,000 (2010: 1,200,000). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 1,800,000 (2010: 1,800,000).

ii. Restricted shares of a listed subsidiary

The details of the movement of the restricted shares of Sembcorp Marine Ltd awarded during the year are as follows:

Restricted shares participants	At Jan 1	Movements during the year: Conditional restricted shares awarded	Additional conditional restricted shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	At Dec 31
2011						
Directors of the Company:						
Tang Kin Fei	48,690	–	8,500	(34,190)	–	23,000
Goh Geok Ling	84,846	–	14,500	(59,346)	–	40,000
Former director of the Company	36,700	–	11,000	(25,700)	–	22,000
Other participants	11,210,067	3,085,800	1,607,205	(4,923,035)	(914,752)	10,065,285
	11,380,303	**3,085,800**	**1,641,205**	**(5,042,271)**	**(914,752)**	**10,150,285**
2010						
Directors of the Company:						
Tang Kin Fei	45,380	11,500	6,000	(14,190)	–	48,690
Goh Geok Ling	77,693	20,500	11,000	(24,347)	–	84,846
Richard Hale, OBE	22,000	14,700	–	–	–	36,700
Other participants	10,261,889	3,447,500	1,658,250	(3,890,418)	(267,154)	11,210,067
	10,406,962	**3,494,200**	**1,675,250**	**(3,928,955)**	**(267,154)**	**11,380,303**

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2010, a total of 1,888,581 restricted shares were released in 2011. For awards in relation to the performance period 2008 to 2009, a total of 1,531,500 (2010: 1,791,238) restricted shares were released in 2011. For awards in relation to the performance period 2007 to 2008, a total of 1,502,177 (2010: 1,561,953) restricted shares were released in 2011. For awards in relation to the performance period 2006 to 2007, a total of 16,413 (2010: 575,764) restricted shares were released in 2011. In 2011, there were 103,600 restricted shares released to non-executive directors. The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

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

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

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

In 2011, additional 1,641,205 (2010: 1,675,250) Sembcorp Marine Ltd's restricted shares were awarded for the over-achievement of the performance targets for the performance period 2009 to 2010 (2010: performance period 2008 to 2009).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2011, was 10,150,285 (2010: 11,380,303). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,242,400 (2010: 6,615,930). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 9,363,600 (2010: 9,923,895) restricted shares.

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 2009 to 2010 (2010: performance period 2008 to 2009), a total of S$7,336,725 (2010: S$3,785,714), equivalent to 1,373,250 (2010: 1,030,600) notional restricted shares, were paid.

A total of 1,122,200 (2010: 1,234,400) notional restricted shares were awarded on July 15, 2011 (2010: April 19, 2010) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares 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, 2011, was 2,167,200 (2010: 2,149,950). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 3,250,800 (2010: 3,224,925).

d. Maximum Number of Shares Issuable

The maximum number of performance shares and restricted shares 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:

Bobby Chin Yoke Choong *(Chairman)*
Tan Sri Mohd Hassan Marican
Evert Henkes

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).

Audit Committee *(cont'd)*

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 27, 2012

STATEMENT BY DIRECTORS

Year Ended December 31, 2011

In our opinion:

a. the financial statements set out on pages 134 to 259 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, 2011, 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 27, 2012

INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 2011

Independent Auditors' Report
Members of the Company
Sembcorp Industries Ltd

Report on the financial statements

We have audited the accompanying 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, 2011, 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 134 to 259.

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, 2011, 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 27, 2012

BALANCE SHEETS

As at December 31, 2011

		Group		Company	
		2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'000
Equity attributable to owners of the Company:					
Share capital	3	**565,572**	571,099	**565,572**	571,099
(Deficit) / Surplus in other reserves	5	**(46,322)**	156,588	**(9,884)**	9,869
Accumulated profits		**3,595,266**	3,087,523	**1,309,119**	1,089,251
		4,114,516	3,815,210	**1,864,807**	1,670,219
Non-controlling interests		**1,126,144**	1,205,050	**–**	–
Total equity		**5,240,660**	5,020,260	**1,864,807**	1,670,219
Non-current assets					
Property, plant and equipment	6	**4,249,575**	3,438,579	**450,265**	453,344
Investment properties	7	**23,007**	24,112	**–**	–
Investments in subsidiaries	8	**–**	–	**1,561,239**	1,563,246
Interests in associates	9	**843,127**	686,601	**–**	–
Interests in joint ventures	10	**501,573**	347,427	**–**	–
Other financial assets	11	**145,280**	324,929	**–**	–
Long-term receivables and prepayments	12	**380,464**	345,705	**7,730**	729
Intangible assets	16	**331,883**	311,834	**19,515**	19,097
Deferred tax assets	17	**60,655**	48,162	**–**	–
		6,535,564	5,527,349	**2,038,749**	2,036,416
Current assets					
Inventories and work-in-progress	18	**1,078,269**	915,933	**9,101**	7,417
Trade and other receivables	19	**1,090,259**	760,537	**100,864**	70,927
Tax recoverable		**12,073**	116,751	**–**	105,544
Assets held for sale	21	**24,437**	36,813	**–**	–
Other financial assets	11	**16,545**	46,282	**–**	24
Cash and cash equivalents	22	**2,995,478**	3,487,876	**629,074**	310,342
		5,217,061	5,364,192	**739,039**	494,254
Current liabilities					
Trade and other payables	23	**2,746,273**	2,268,116	**179,883**	155,101
Excess of progress billings over work-in-progress	18	**355,300**	664,109	**–**	–
Provisions	24	**117,522**	122,870	**20,766**	7,246
Other financial liabilities	27	**22,509**	17,109	**–**	–
Current tax payable		**269,822**	343,340	**17,178**	–
Interest-bearing borrowings	29	**186,073**	48,945	**94**	88
		3,697,499	3,464,489	**217,921**	162,435
Net current assets		**1,519,562**	1,899,703	**521,118**	331,819
		8,055,126	7,427,052	**2,559,867**	2,368,235
Non-current liabilities					
Deferred tax liabilities	17	**387,651**	419,539	**40,349**	40,535
Provisions	24	**37,087**	38,529	**593**	500
Other financial liabilities	27	**187,325**	54,608	**–**	–
Retirement benefit obligations	28	**17,740**	19,973	**–**	–
Interest-bearing borrowings	29	**1,856,365**	1,553,125	**156**	250
Other long-term liabilities	30	**328,298**	321,018	**653,962**	656,731
		2,814,466	2,406,792	**695,060**	698,016
		5,240,660	5,020,260	**1,864,807**	1,670,219

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

CONSOLIDATED INCOME STATEMENT

Year Ended December 31, 2011

		Group	
		2011	2010
	Note	S$'000	S$'000
Turnover	32	**9,047,066**	8,763,614
Cost of sales		**(7,692,621)**	(7,242,974)
Gross profit		**1,354,445**	1,520,640
General and administrative expenses		**(288,641)**	(341,065)
Operating profit		**1,065,804**	1,179,575
Other income		**112,060**	117,836
Non-operating expense (net)		**(12,190)**	(29,048)
Finance costs	33	**(65,668)**	(61,129)
Share of results (net of tax) of:			
– Associates		**90,627**	85,635
– Joint ventures		**79,946**	74,460
Profit before tax		**1,270,579**	1,367,329
Tax expense	34	**(124,769)**	(194,378)
Profit for the year	35	**1,145,810**	1,172,951
Attributable to:			
Shareholders of the Company		**809,282**	792,871
Non-controlling interests		**336,528**	380,080
Profit for the year		**1,145,810**	1,172,951
Earnings per share (cents):	36		
Basic		**45.32**	44.44
Diluted		**44.98**	44.11

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2011

	Note	Group 2011 S$'000	Group 2010 S$'000
Profit for the year		**1,145,810**	1,172,951
Foreign currency translation differences for foreign operations		**13,192**	(131,504)
Exchange differences on monetary items forming part of net investment in foreign operation		**(223)**	(3,663)
Net change in fair value of cash flow hedges		**(114,261)**	(1,843)
Net change in fair value of cash flow hedges transferred to profit or loss		**(27,451)**	(7,269)
Net change in fair value of cash flow hedges transferred to initial carrying value of hedged items		**–**	2,798
Net change in fair value of available-for-sale financial assets		**(132,220)**	101,099
Share of other comprehensive income of associates and joint ventures		**(5,869)**	2,520
Other comprehensive income for the year, net of tax	31	**(266,832)**	(37,862)
Total comprehensive income for the year		**878,978**	1,135,089
Attributable to:			
Shareholders of the Company		**644,457**	735,140
Non-controlling interests		**234,521**	399,949
Total comprehensive income for the year		**878,978**	1,135,089

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2011

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 owners of the Company							
At January 1, 2011	571,099	(5,668)	(230,754)	393,010	3,087,523	3,815,210	1,205,050	5,020,260
Total comprehensive income for the year								
Profit for the year	–	–	–	–	809,282	809,282	336,528	1,145,810
Other comprehensive income								
Foreign currency translation differences for foreign operations	–	–	7,536	–	–	7,536	5,656	13,192
Exchange differences on monetary items forming part of net investment in foreign operation	–	–	(223)	–	–	(223)	–	(223)
Net change in fair value of cash flow hedges	–	–	–	(58,836)	–	(58,836)	(55,425)	(114,261)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	(27,112)	–	(27,112)	(339)	(27,451)
Net change in fair value of available-for-sale financial assets	–	–	–	(80,331)	–	(80,331)	(51,889)	(132,220)
Share of other comprehensive income of associates and joint ventures	–	–	–	(5,859)	–	(5,859)	(10)	(5,869)
Total other comprehensive income for the year	–	–	7,313	(172,138)	–	(164,825)	(102,007)	(266,832)
Total comprehensive income for the year	–	–	7,313	(172,138)	809,282	644,457	234,521	878,978

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2011

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 owners of the Company							
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Cancellation of shares	(5,527)	5,527	–	–	–	–	–	–
Issue of shares to non-controlling interests	–	–	–	–	–	–	14,537	14,537
Share-based payments	–	–	–	19,564	–	19,564	6,995	26,559
Purchase of treasury shares	–	(37,771)	–	–	–	(37,771)	–	(37,771)
Issue of treasury shares under Share Option Plan	–	7,942	–	–	–	7,942	–	7,942
Issue of treasury shares under Performance Share Plan	–	2,913	–	–	–	2,913	–	2,913
Issue of treasury shares under Restricted Share Plan	–	8,602	–	–	–	8,602	–	8,602
Treasury shares transferred to employees	–	–	–	(15,976)	–	(15,976)	–	(15,976)
Treasury shares of a subsidiary	–	–	–	(25,856)	–	(25,856)	(16,701)	(42,557)
Realisation of reserve upon disposal of investments and changes in group structure	–	–	(5,899)	2,869	2,490	(540)	496	(44)
Final one-tier tax exempt dividend paid of 15.0 cents per share in respect of year 2010	–	–	–	–	(268,261)	(268,261)	–	(268,261)
Final bonus one-tier tax exempt dividend paid of 2.0 cents per share in respect of year 2010	–	–	–	–	(35,768)	(35,768)	–	(35,768)
Dividend paid to non-controlling interests	–	–	–	–	–	–	(318,754)	(318,754)
Total contributions by and distributions to owners of the Company	(5,527)	(12,787)	(5,899)	(19,399)	(301,539)	(345,151)	(313,427)	(658,578)
At December 31, 2011	565,572	(18,455)	(229,340)	201,473	3,595,266	4,114,516	1,126,144	5,240,660

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

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 owners 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 of associates and joint ventures	–	–	–	2,671	(151)	2,520	–	2,520
Total other comprehensive income for the year	–	–	(110,644)	53,006	(93)	(57,731)	19,869	(37,862)
Total comprehensive 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).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2011

	Attributable to owners of the Company							
	Share capital	Reserve for own shares	Currency translation reserve	Other reserves	Accumulated profits	Total	Non-controlling interests	Total equity
Group	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'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 Share 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

	Group	
	2011	2010
	S$'000	S$'000
Cash flows from operating activities		
Profit for the year	**1,145,810**	1,172,951
Adjustments for:		
Dividend and interest income	**(69,218)**	(36,020)
Finance costs	**65,668**	61,129
Depreciation and amortisation	**234,816**	242,139
Share of results of associates and joint ventures	**(170,573)**	(160,095)
Gain on disposal of property, plant and equipment	**(980)**	(1,576)
Gain on disposal of investment properties	**(822)**	–
Gain on disposal of assets held for sale and investments (net)	**(455)**	(141)
Full and final settlement of disputed foreign exchange transactions	**–**	(52,640)
Changes in fair value of financial instruments	**7,280**	(12,428)
Equity settled share-based compensation expenses	**26,559**	21,085
Allowance made for impairment in value of assets and assets written off (net)	**17,922**	11,433
Tax expense (Note 34)	**124,769**	194,378
Operating profit before working capital changes	**1,380,776**	1,440,215
Changes in working capital:		
Inventories and work-in-progress	**(471,233)**	449,259
Receivables	**(364,748)**	77,255
Payables	**514,820**	(185,479)
	1,059,615	1,781,250
Net payment from banks for Unauthorised Transactions (Note 35(e))	**–**	52,640
Tax paid	**(84,605)**	(131,525)
Net cash from operating activities	**975,010**	1,702,365

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

	Group 2011 S$'000	Group 2010 S$'000
Cash flows from investing activities		
Dividends and interest received	**140,392**	97,306
Proceeds from disposal of interests in subsidiaries	**(2,428)**	–
Proceeds from sale of investments	**1,685**	59
Proceeds from sale of property, plant and equipment	**3,621**	7,619
Proceeds from sale of investment properties	**850**	–
Proceeds from sale of intangible assets	**–**	10
Proceeds from sale of assets held for sale	**759**	–
Cash paid to non-controlling interests upon liquidation of a subsidiary	**–**	(542)
Acquisition of / additional investments in associates and joint ventures	**(197,566)**	(18,758)
Acquisition of subsidiaries, net of cash acquired (Note 38)	**–**	(197,003)
Acquisition of non-controlling interests	**–**	(15,766)
Acquisition of other financial assets	**–**	(2,005)
Purchase of property, plant and equipment (Note (a))	**(1,051,626)**	(629,357)
Payment for intangible assets	**(38,578)**	(2,960)
Net cash used in investing activities	**(1,142,891)**	(761,397)
Cash flows from financing activities		
Proceeds from share issue to non-controlling interests of subsidiaries	**14,537**	16,162
Proceeds from share options exercised with issue of treasury shares	**3,481**	6,802
Proceeds from share options exercised with issue of treasury shares of a subsidiary	**496**	3,248
Purchase of treasury shares	**(37,771)**	(3,466)
Purchase of treasury shares by subsidiary	**(43,053)**	–
Proceeds from borrowings	**476,715**	948,146
Repayment of borrowings	**(50,556)**	(538,206)
Payment on finance leases	**(2,785)**	(2,336)
Net (decrease) / increase in other long-term liabilities	**(31)**	626
Dividends paid to owners of the Company	**(304,029)**	(267,607)
Dividends paid to non-controlling interests of subsidiaries	**(318,754)**	(147,078)
Interest paid	**(61,706)**	(45,807)
Net cash used in financing activities	**(323,456)**	(29,516)
Net (decrease) / increase in cash and cash equivalents	**(491,337)**	911,452
Cash and cash equivalents at beginning of the year	**3,487,876**	2,597,512
Effect of exchange rate changes on balances held in foreign currency	**(1,061)**	(21,088)
Cash and cash equivalents at end of the year (Note 22)	**2,995,478**	3,487,876

(a) During the year, the Group acquired property, plant and equipment with an aggregate cost of S$1,053,314,000 (2010: S$658,807,000) of which S$851,000 (2010: S$4,432,000) was acquired by means of finance lease, and S$837,000 (2010: S$25,018,000) relates to provision for restoration costs (Note 24).

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on February 27, 2012.

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. **Integrated Urban Development** *(formerly known as 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 (together 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 the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

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

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

With effect from January 1, 2011, 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. Measurement of non-controlling interests in business combinations

From January 1, 2011, the Group has applied the amendments to FRS 103 *Business Combinations* resulting from the *Improvements to FRSs 2010* in measuring at the acquisition date, non-controlling interests that are not present ownership interests and do not entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Such non-controlling interests are now measured at fair value (see Note 2(b)(i)).

Previously, the Group has elected on a transaction-by-transaction basis whether to measure non-controlling interests that are not present ownership interests and do not entitle holders to proportionate share of the acquiree's net assets on liquidation at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date.

ii. Identification of related party relationships and related party disclosures

From January 1, 2011, the Group has applied the revised FRS 24 *Related Party Disclosures* (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) has resulted in additional parties being identified as related to the Group. Transactions and outstanding balances, including commitments, with these related parties for the current and comparative years have been disclosed accordingly in Note 40 to the financial statements.

The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of FRS 24 (2010) has no impact on earnings per share.

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

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 profit or loss.

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 profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

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 profit or loss 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.

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

b. Consolidation *(cont'd)*

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 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.

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 profit or loss. 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 profit or loss 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.

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

b. Consolidation *(cont'd)*

vii. Joint Ventures

Joint ventures are those entities over 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.

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 profit or loss 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 measured 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 assets and liabilities 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.

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

c. Foreign Currencies *(cont'd)*

ii. Foreign Currency Transactions and Balances (cont'd)

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

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 profit or loss, foreign exchange differences arising from these items are recognised directly in profit or loss.

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 foreign 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 profit or loss 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 profit or loss.

iv. Net Investment in a Foreign Operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. 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.

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

d. Property, Plant and Equipment

i. Owned Assets

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

The cost of self-constructed asset includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

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 profit or loss. A decrease in value is recognised in profit or loss 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 profit or loss.

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 profit or loss 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 profit or loss.

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 for the current and comparative years 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 80 years
Plant and machinery	3 to 40 years
Marine vessels	3 to 20 years
Tools and workshop equipment	3 to 10 years
Furniture, fittings and office equipment	1 to 10 years
Motor vehicles	2 to 10 years

The assets' depreciation methods, 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 profit or loss 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 profit or loss. The cost of maintenance, repairs and minor improvements is charged to profit or loss when incurred.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

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 profit or loss.

Goodwill is measured 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 profit or loss 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 profit or loss 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 profit or loss 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 only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as an expense as incurred.

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

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

f. Intangible Assets *(cont'd)*

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 profit or loss on a straight-line basis over the estimated useful lives of 25 to 30 years.

v. Other Intangible Assets

Other intangible assets with a finite life are measured at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally generated goodwill is recognised in profit or loss 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 measured 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 non-derivative financial assets into 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.

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

g. Financial Assets *(cont'd)*

i. Financial Assets at Fair Value Through Profit or Loss

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

ii. Held to Maturity Investments

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

iii. Loans and Receivables

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

Loans and receivables comprise cash and cash equivalents, trade and other receivables, 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)).

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

g. Financial Assets *(cont'd)*

iv. Available-for-Sale Financial Assets

Other financial assets held by the Group that are either designated in this category or not classified in any other category, are classified as being available-for-sale. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences are recognised directly in other comprehensive income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income, or part thereof, is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

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.

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

An impairment loss once recognised in profit or loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. 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 profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

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

h. Derivatives

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

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss 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 profit or loss. 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, together with the methods that will be used to assess the effectiveness of the hedge relationship, 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.

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 profit or loss. The hedged item is also measured at fair value in respect of the risk being hedged, with any gain or loss recognised in profit or loss.

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 profit or loss. 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 profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

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 profit or loss.

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

i. Hedging Activities *(cont'd)*

iii. Hedge of Monetary Assets and Liabilities

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

iv. Hedge of Net Investment in a Foreign Operation

The gain or loss on a financial instrument used to hedge a net investment in a foreign operation is recognised in the Company's profit or loss. 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 profit or loss on disposal of the foreign operation.

v. Separable Embedded Derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

j. Inventories

i. Finished Goods and Components

Inventories are measured 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 or 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 "Advance payments from customers".

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

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 profit or loss.

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 profit or loss 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.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

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.

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 profit or loss 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.

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.

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

m. Impairment – Non-financial Assets *(cont'd)*

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.

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 profit or loss 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.

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

p. Employee Benefits

i. Defined Contribution Plans

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

ii. Defined Benefit Plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each defined benefit plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on high quality bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary on a regular basis using a relevant actuarial method. In the intervening years the calculation is updated based on information received from the actuary.

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

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 profit or loss, 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 profit or loss 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.

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

p. Employee Benefits *(cont'd)*

iv. Staff Retirement Benefits

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff retirement benefit plan or, in respect of unionised employees of a subsidiary who joined on or before December 31, 1988, based on an agreement with the union.

The Group's net obligation in respect of retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected future salary increase and is discounted to its present value and the fair value of any related assets is deducted.

v. Equity and Equity-related Compensation Benefits

Share Option Plan

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

The proceeds received net of any directly attributable transaction costs are credited to share capital when 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. 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 amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. The compensation cost is charged to profit or loss 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.

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

p. Employee Benefits *(cont'd)*

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

Restricted Share 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 amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, non-market-based performance conditions are taken into account. The compensation cost is charged to profit or loss 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.

At the balance sheet date, the Company revises its estimates of the number of performance-based restricted shares 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.

The share-based payments reserve relating to the restricted 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.

In the Company's separate financial statements, the fair value of options, performance shares and restricted shares 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 profit or loss for the period.

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

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. Tax Expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or 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 or receivable on the taxable income or loss 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 or loss, 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 taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised 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.

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

s. Share Capital *(cont'd)*

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

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. Dividends on ordinary shares are recognised when they are approved for payments.

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

ii. Contract Revenue

Revenue from repair work, engineering, overhaul, service work and marine and civil construction contracts is recognised based on percentage of completion. The percentage of completion is assessed by reference to surveys of work performed, or by reference to the ratio of costs incurred to-date to the estimated total costs for each contract, with due consideration given to the inclusion of only those costs that reflect work performed.

When the outcome of a long-term contract can be estimated reliably, contract revenue and costs are recognised as income and expense respectively using the percentage of completion method. When the outcome of a long-term contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that can probably be recovered and contract costs are recognised as an expense in the period in which they are incurred.

iii. Sale of Electricity, Utilities 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.

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

u. Revenue Recognition *(cont'd)*

iv. Service Concession Revenue

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 profit or loss 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 profit or loss on the date that the Group's right to receive payment is established.

Interest income is recognised as it accrues in profit or loss, 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 profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss 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 measured at cost less accumulated depreciation and impairment losses. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

ii. Finance Lease

When entities within the Group are lessors of a finance lease

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

x. Finance Costs

Interest expense and similar charges are expensed in profit or loss 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 profit or loss using the effective interest rate method.

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

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 gains or losses on remeasurement are recognised in profit or loss. Subsequent increases in fair value less costs to sell are recognised in profit or loss (not exceeding the accumulated impairment loss that has been previously recognised).

aa. Financial Guarantee Contracts

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

3. Share Capital

	Note	Group and Company No. of ordinary shares 2011	2010
Issued and fully paid, with no par value:			
At the beginning of the year		**1,788,981,732**	1,785,351,540
Issue of shares	(b)	**–**	3,630,192
Cancellation of shares		**(1,434,000)**	–
At the end of the year		**1,787,547,732**	1,788,981,732

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. In 2010, 3,630,192 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 Performance Share Plan (SCI PSP 2010) and Restricted Share Plan (SCI RSP 2010) (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000 and expired in 2010.

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 SCI RSP 2010 is the incentive scheme for directors and employees of the Group whereas SCI PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts 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 2010 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.

The 2010 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 2010 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 2010 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 2010 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 2010 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2010 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.

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

A participant's awards under the 2010 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.

Other information regarding the 2010 Share Plans and expired Share Plans is as follows:

a. Share Option Plan

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

Other information regarding the Share Option Plans 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 Securities Trading Limited (SGX-ST) 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 2011 and 2010, 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. There are no outstanding share options for non-executive directors.

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

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

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

Sembcorp Industries Ltd
Ordinary shares
2011

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2011	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2011	Options exercisable at Jan 1, 2011	Options exercisable at Dec 31, 2011	Exercise period
19/04/2001	S$1.19	111,100	(81,100)	(30,000)	–	111,100	–	20/04/2002 to 19/04/2011
07/05/2002	S$1.23	160,750	(3,500)	–	157,250	160,750	157,250	08/05/2003 to 07/05/2012
17/10/2002	S$0.62	87,000	(34,500)	–	52,500	87,000	52,500	18/10/2003 to 17/10/2012
02/06/2003	S$0.78	97,600	(65,475)	(1,125)	31,000	97,600	31,000	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	111,375	(37,375)	(2,000)	72,000	111,375	72,000	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	206,750	(29,000)	(3,500)	174,250	206,750	174,250	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	225,000	(44,250)	(2,125)	178,625	225,000	178,625	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	792,700	(391,175)	(17,875)	383,650	792,700	383,650	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	891,474	(222,349)	(23,125)	646,000	891,474	646,000	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	175,000	(175,000)	–	–	175,000	–	10/06/2007 to 09/06/2011
09/06/2006	S$2.52	1,735,790	(519,376)	(25,750)	1,190,664	1,735,790	1,190,664	10/06/2007 to 09/06/2016
		4,594,539	**(1,603,100)**	**(105,500)**	**2,885,939**	**4,594,539**	**2,885,939**	

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**	

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
2011

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2011	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2011	Options exercisable at Jan 1, 2011	Options exercisable at Dec 31, 2011	Exercise period
27/09/2001	S$0.47	54,810	(21,210)	(33,600)	–	54,810	–	28/09/2002 to 27/09/2011
07/11/2002	S$0.64	161,700	(31,500)	(4,550)	125,650	161,700	125,650	08/11/2003 to 07/11/2012
08/08/2003	S$0.71	216,470	(132,200)	(10,850)	73,420	216,470	73,420	09/08/2004 to 08/08/2013
10/08/2004	S$0.74	1,723,958	(1,427,648)	(55,300)	241,010	1,723,958	241,010	11/08/2005 to 10/08/2014
11/08/2005	S$2.11	4,213,877	(2,617,027)	(93,100)	1,503,750	4,213,877	1,503,750	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	191,750	(191,750)	–	–	191,750	–	03/10/2007 to 02/10/2011*
02/10/2006	S$2.38	4,918,409	(3,046,002)	(15,925)	1,856,482	4,918,409	1,856,482	03/10/2007 to 02/10/2016
		11,480,974	**(7,467,337)**	**(213,325)**	**3,800,312**	**11,480,974**	**3,800,312**	

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

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.

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

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

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

Sembcorp Industries Ltd's options exercised in 2011 and 2010 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$4.65 (2010: S$4.26).

Sembcorp Marine Ltd's options exercised in 2011 resulted in 7,467,337 (2010: 8,469,899) ordinary shares being issued at a weighted average price of S$1.93 (2010: S$1.94). Sembcorp Marine Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S$3.84 (2010: S$4.12).

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 (SCI PSP 2010), 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.

To create alignment between senior management and other employees at the time of vesting, SCI PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2011 to 2013 will be vested to the senior management participants only if the restricted shares for the performance period 2012 to 2013 are vested, subject to the achievement of the performance conditions for the respective performance periods.

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

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

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

i. Sembcorp Industries Ltd Performance Shares

The details of the movement of the performance shares of Sembcorp Industries Ltd awarded during the year are as follows:

	2011	2010
At January 1	**2,611,665**	2,640,862
Conditional performance shares awarded	**820,000**	1,000,000
Conditional performance shares lapsed	**(205,832)**	(761,578)
Conditional performance shares released	**(592,500)**	(267,619)
At December 31	**2,633,333**	2,611,665

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2008 to 2010 (2010: performance period 2007 to 2009), a total of 592,500 (2010: 267,619) 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 2011, was 2,633,333 (2010: 2,611,665). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,950,000 (2010: 3,917,498) performance shares.

ii. Performance shares of a listed subsidiary

The details of the movement of the performance shares of Sembcorp Marine Ltd awarded during the year are as follows:

	2011	2010
At January 1	**1,970,000**	2,315,000
Conditional performance shares awarded	**585,000**	635,000
Conditional performance shares lapsed	**(242,916)**	–
Additional performance shares awarded arising from targets met	**385,000**	235,200
Conditional performance shares released	**(932,084)**	(1,215,200)
At December 31	**1,765,000**	1,970,000

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 2008 to 2010 (2010: performance period 2007 to 2009), a total of 932,084 (2010: 1,215,200) performance shares were released via the issuance of treasury shares.

In 2011, there were additional 385,000 (2010: 235,200) performance shares awarded for over-achievement of the performance targets for the performance period 2008 to 2010 (2010: performance period 2007 to 2009).

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, 2011, was 1,765,000 (2010: 1,970,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,647,500 (2010: 2,955,000) performance shares.

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 29, 2011	Fair value of Sembcorp Industries Ltd performance shares granted on April 8, 2010	Fair value of Sembcorp Marine Ltd performance shares granted on July 15, 2011	Fair value of Sembcorp Marine Ltd performance shares granted on April 19, 2010
Fair value at measurement date	S$3.44	S$2.71	S$3.40	S$3.62
Assumptions under the Monte Carlo model				
Share price	S$5.40	S$4.19	S$5.28	S$4.36
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	33.4%	32.1%	29.8%	31.8%
Morgan Stanley Capital International (MSCI) AC Asia Pacific excluding Japan Industrials Index	38.1%	22.4%	24.1%	21.4%
Correlation with MSCI	85.8%	80.7%	85.1%	79.5%
Risk-free interest rate	0.5%	0.7%	0.4%	0.7%
Expected dividend	3.4%	3.8%	2.9%	3.4%

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

During the year, the Group charged S$4,579,000 (2010: S$3,790,000) to the profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

c. Restricted Share Plan

Under the Restricted Share Plan (SCI RSP 2010), 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 shares are calibrated based on Return on Total Assets (excluding Sembcorp Marine Ltd) and Group Profit from Operations (excluding Sembcorp Marine Ltd) for awards granted in 2011.

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 shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

The managerial participants of the Group will be awarded restricted shares under SCI RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Challenge Bonus.

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

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

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

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

For the year 2010, the awards granted under the SCI RSP 2010 to non-executive directors were time-based shares which vest 1 year from the date of grant.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCI RSP 2010.

For year 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees). The awards granted will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days immediately following the date of the Annual General Meeting (AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

i. Sembcorp Industries Ltd Restricted Shares

The details of the movement of the restricted shares of Sembcorp Industries Ltd awarded during the year are as follows:

	2011	2010
At January 1	**5,515,446**	5,038,846
Conditional restricted shares awarded	**2,305,800**	2,268,500
Conditional restricted shares lapsed	**(267,668)**	(330,628)
Additional restricted shares awarded arising from targets met	**399,560**	–
Conditional restricted shares released	**(1,782,809)**	(1,461,272)
At December 31	**6,170,329**	5,515,446

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

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

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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2010, a total of 872,309 restricted shares were released in 2011. For awards in relation to the performance period 2008 to 2009, a total of 548,312 (2010: 736,370) restricted shares were released in 2011. For awards in relation to the performance period 2007 to 2008, a total of 279,488 (2010: 359,706) restricted shares were released in 2011. For awards in relation to the performance period 2006 to 2007, nil (2010: 311,950) restricted shares were released in 2011. In 2011, there were 82,700 shares released to non-executive directors. In 2010, there were additional 53,246 restricted shares released to employees upon retirement. The restricted shares were released via the issuance of treasury shares.

In 2011, additional 399,560 (2010: nil) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2009 to 2010 (2010: performance period 2008 to 2009).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2011, was 6,170,329 (2010: 5,515,446). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,244,200 (2010: 4,097,300). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,366,300 (2010: 6,145,950) restricted shares.

Sembcorp Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2010 (2010: performance period 2008 to 2009), a total of S$2,661,000, equivalent to 494,042 (2010: S$1,511,000, equivalent to 358,784) notional restricted shares, were paid. A total of 600,000 (2010: 600,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2011 for the Sembcorp Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2011, was 1,200,000 (2010: 1,200,000). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 1,800,000 (2010: 1,800,000).

ii. Restricted shares of a listed subsidiary

The details of the movement of the restricted shares of Sembcorp Marine Ltd awarded during the year are as follows:

	2011	2010
At January 1	**11,380,303**	10,406,962
Conditional restricted shares awarded	**3,085,800**	3,494,200
Conditional restricted shares lapsed	**(914,752)**	(267,154)
Additional restricted shares awarded arising from targets met	**1,641,205**	1,675,250
Conditional restricted shares released	**(5,042,271)**	(3,928,955)
At December 31	**10,150,285**	11,380,303

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

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

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

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2010, a total of 1,888,581 restricted shares were released in 2011. For awards in relation to the performance period 2008 to 2009, a total of 1,531,500 (2010: 1,791,238) restricted shares were released in 2011. For awards in relation to the performance period 2007 to 2008, a total of 1,502,177 (2010: 1,561,953) restricted shares were released in 2011. For awards in relation to the performance period 2006 to 2007, a total of 16,413 (2010: 575,764) restricted shares were released in 2011. In 2011, there were 103,600 restricted shares released to non-executive directors. The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

In 2011, additional 1,641,205 (2010: 1,675,250) Sembcorp Marine Ltd's restricted shares were awarded for the over-achievement of the performance targets for the performance period 2009 to 2010 (2010: performance period 2008 to 2009).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2011, was 10,150,285 (2010: 11,380,303). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,242,400 (2010: 6,615,930). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 9,363,600 (2010: 9,923,895) restricted shares.

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 2009 to 2010 (2010: performance period 2008 to 2009), a total of S$7,336,725 (2010: S$3,785,714), equivalent to 1,373,250 (2010: 1,030,600) notional restricted shares, were paid.

A total of 1,122,200 (2010: 1,234,400) notional restricted shares were awarded on July 15, 2011 (2010: April 19, 2010) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares 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, 2011, was 2,167,200 (2010: 2,149,950). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 3,250,800 (2010: 3,224,925).

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

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

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

Fair value of restricted shares

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

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

	Fair value of Sembcorp Industries Ltd restricted shares granted on April 29, 2011	Fair value of Sembcorp Industries Ltd restricted shares granted on April 8, 2010	Fair value of Sembcorp Marine Ltd restricted shares granted on July 15, 2011	Fair value of Sembcorp Marine Ltd restricted shares granted on April 19, 2010
Fair value at measurement date	S$3.94	S$2.48	S$4.36	S$2.62
Assumptions under the Monte Carlo model				
Share price	S$5.40	S$4.19	S$5.28	S$4.36
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	33.4%	32.1%	29.8%	31.8%
Risk-free interest rate	0.4%–0.7%	0.6%–0.9%	0.3%–0.5%	0.5%–0.8%
Expected dividend	3.4%	3.8%	2.9%	3.4%

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

During the year, the Group charged S$21,980,000 (2010: S$17,839,000) to the profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

Fair value of Sembcorp Challenge Bonus

During the year, the Group charged S$6,761,000 (2010: S$11,580,000) to the profit or loss 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 shares awarded for Sembcorp Challenge Bonus and the market price at the vesting date.

5. (Deficit) / Surplus in Other Reserves

		Group		Company	
		2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'000
Reserve for own shares	(a)	**(18,455)**	(5,668)	**(18,455)**	(5,668)
Currency translation reserve	(b)	**(229,340)**	(230,754)	**–**	–
Other reserves	(c)	**201,473**	393,010	**8,571**	15,537
		(46,322)	156,588	**(9,884)**	9,869

a. Reserve for Own Shares

At December 31, 2011, the Company held 3,929,773 (2010: 1,231,692) of its own uncancelled shares as treasury shares.

5. (Deficit) / Surplus in Other Reserves

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						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, 2011	338,152	29,201	12,753	96,216	(83,312)	393,010	15,537
Share-based payments	–	–	19,564	–	–	19,564	9,010
Treasury shares transferred to employees	–	–	(15,976)	–	–	(15,976)	(15,976)
Treasury shares of a subsidiary	(6,413)	–	(19,443)	–	–	(25,856)	–
Realisation of reserve upon disposal of investments	2,846	–	14	9	–	2,869	–
Net change in fair value of cash flow hedges	–	–	–	–	(58,836)	(58,836)	–
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	(27,112)	(27,112)	–
Net change in fair value of available-for-sale financial assets	–	–	–	(80,331)	–	(80,331)	–
Share of other comprehensive income of associates and joint ventures	–	–	–	–	(5,859)	(5,859)	–
At December 31, 2011	334,585	29,201	(3,088)	15,894	(175,119)	201,473	8,571

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

c. Other Reserves *(cont'd)*

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

5. (Deficit) / Surplus 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 shares. 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.

6. Property, Plant and Equipment

	Note	Leasehold and freehold land, wet berthage and buildings 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, 2011		791,557	41,020	356,232	251,282	2,737,946	16,738	39,904	120,351	53,508	807,980	5,216,518
Translation adjustments		(4,156)	(218)	(1)	(7,151)	(2,088)	–	(27)	(352)	(843)	4,741	(10,095)
Additions		5,462	2,745	520	14,697	88,924	496	4,318	9,186	8,948	918,018	1,053,314
Reclassification		22,741	1,464	–	387	183,011	116	(506)	525	305	(208,043)	–
Transfer from / (to) intangible assets	16	3,858	–	–	822	(573)	–	–	23	88	(214)	4,004
Disposals / Write-offs		(10,824)	(491)	(257)	(7,803)	(22,259)	–	(309)	(6,160)	(5,463)	(384)	(53,950)
Balance at December 31, 2011		808,638	44,520	356,494	252,234	2,984,961	17,350	43,380	123,573	56,543	1,522,098	6,209,791
Accumulated Depreciation and Impairment Losses												
Balance at January 1, 2011		287,171	25,527	168,268	3,489	1,113,048	9,476	31,938	98,901	40,121	–	1,777,939
Translation adjustments		(2,430)	(271)	–	(1,424)	(2,871)	–	(13)	(245)	(448)	–	(7,702)
Depreciation for the year	35(b)	26,613	2,581	20,244	7,226	146,476	847	3,637	10,840	3,955	–	222,419
Reclassification		(1,143)	(8)	–	79	1,283	–	(236)	5	20	–	–
Transfer from / (to) intangible assets	16	1,864	–	–	146	(1,253)	–	–	(4)	(3)	–	750
Disposals / Write-offs		(8,990)	(486)	(49)	(6,345)	(21,177)	–	(306)	(5,828)	(5,158)	–	(48,339)
Allowance (reversed) / made for impairment – net	35(b)	(186)	–	–	–	15,335	–	–	–	–	–	15,149
Balance at December 31, 2011		302,899	27,343	188,463	3,171	1,250,841	10,323	35,020	103,669	38,487	–	1,960,216
Carrying Amount												
At December 31, 2011		505,739	17,177	168,031	249,063	1,734,120	7,027	8,360	19,904	18,056	1,522,098	4,249,575

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

	Note	Leasehold and freehold land, wet berthage and buildings 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

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

	Note	Leasehold and freehold land, wet berthage and buildings 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, 2011		19,828	2,243	8,280	510,495	11,488	929	1,978	555,241
Additions		29	1,759	–	10,460	1,405	–	19,319	32,972
Reclassification		–	–	–	1,431	201	–	(1,632)	–
Transfer to intangible assets	16	–	–	–	–	(113)	–	(100)	(213)
Intercompany transfer		–	–	–	–	(2)	–	–	(2)
Disposals / Write-offs		(37)	(5)	(54)	(287)	(504)	–	(187)	(1,074)
Balance at December 31, 2011		19,820	3,997	8,226	522,099	12,475	929	19,378	586,924
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2011		2,765	2,097	1,222	86,644	8,714	455	–	101,897
Depreciation for the year		965	356	405	31,390	1,707	170	–	34,993
Transfer to intangible assets	16	–	–	–	–	(3)	–	–	(3)
Intercompany transfer		–	–	–	–	(1)	–	–	(1)
Disposals / Write-offs		(7)	–	(8)	(101)	(505)	–	–	(621)
Allowance made for impairment – net		–	–	–	394	–	–	–	394
Balance at December 31, 2011		3,723	2,453	1,619	118,327	9,912	625	–	136,659
Carrying Amount									
At December 31, 2011		16,097	1,544	6,607	403,772	2,563	304	19,378	450,265
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

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

Group

During the year, management noted indications of impairment with respect to a plant due to changes in projected operating costs updated based on market movements and management expectations. The Group tested the plant for impairment. The recoverable amount of the plant was based on calculations of its value-in-use (VIU) and was determined by discounting the future cash flows generated from the continuing use of the plant. These calculations use cash flow projections from years 2012 to 2021, which are based on financial budgets / forecasts approved by management. No terminal value was assumed and a pre-tax discount rate of 5.6% has been used. Forward HSFO rates were used to estimate the variable revenue and costs of direct materials for the cash flow projections. The impairment loss of S$14,935,000 was recognised in cost of sales.

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

	Group	
	2011	2010
	S$'000	S$'000
Freehold land and buildings	**23,152**	24,506
Leasehold land and buildings	**40,481**	39,627
Plant and machinery	**548,963**	438,912
Capital work-in-progress	**635,020**	368,496
Other assets	**1,091**	1,241
	1,248,707	872,782

ii. Assets with net book value of S$10,868,000 (2010: S$14,485,000) 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 (2010: S$120,866,000, S$100,900,000 and S$667,000) respectively which were measured 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 (2010: S$25,152,000) which was measured 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$64,729,000 (2010: S$28,767,000) and S$8,225,000 (2010: S$5,133,000), respectively were capitalised as capital work-in-progress.

7. Investment Properties

		Group	
		2011	2010
	Note	S$'000	S$'000
Cost			
Balance at January 1		**45,802**	46,703
Translation adjustments		**(153)**	(901)
Disposals		**(28)**	–
Balance at December 31		**45,621**	45,802
Accumulated Depreciation and Impairment Losses			
Balance at January 1		**21,690**	20,100
Depreciation for the year	35(b)	**924**	1,027
Allowance made for impairment – net	35(b)	**–**	563
Balance at December 31		**22,614**	21,690
Carrying Amount			
At December 31		**23,007**	24,112

Investment properties with net book value of S$9,211,000 (2010: S$9,392,000) have been pledged to secure loan facilities granted to a subsidiary. See Note 29 for details on pledge on investment properties.

The fair value of the investment properties as at the balance sheet date is S$54,485,000 (2010: S$53,563,000). The fair values are mostly determined by independent professional valuers. 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 or Directors' valuation. A yield that reflects the specific risks inherent in the cash flows is then applied to the net annual cash flows to obtain the fair values.

8. Investments in Subsidiaries

	Company	
	2011	2010
	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**	387,500
Share-based payments reserve	**6,779**	8,786
	1,561,239	1,563,246

The fair value of the equity interest of the listed subsidiary with carrying amount of S$713,048,000 (2010: S$713,048,000), amounts to S$4,833,716,318 (2010: S$6,795,041,002) based on the last transacted market price as at December 31, 2011 (December 31, 2010).

Details of significant subsidiaries are set out in Note 48.

9. Interests in Associates

	Group	
	2011	2010
	S$'000	S$'000
Interests in associates	**843,127**	686,601

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

	Group	
	2011	2010
	S$'000	S$'000
Balance at beginning of the year	**358**	55
Addition during the year	**–**	303
Balance at end of the year	**358**	358

The fair value of the equity interest of a listed associate, with a carrying amount of S$205,025,000 (2010: S$203,240,000), amounts to S$138,494,000 (2010: S$282,758,000) based on the last transacted market price as at December 31, 2011 (December 31, 2010).

Summarised financial information of associates is as follows:

	Group	
	2011	2010
	S$'000	S$'000
Combined results		
Turnover	**6,444,647**	5,080,801
Profit for the year	**266,272**	250,796
Combined assets and liabilities		
Total assets	**11,928,662**	10,392,303
Total liabilities	**8,478,677**	7,280,760

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	
	2011	2010
	S$'000	S$'000
Interests in joint ventures	**501,573**	347,427

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

	Group	
	2011	2010
	S$'000	S$'000
Balance at beginning of the year	**1,740**	1,855
Translation during the year	**(5)**	(115)
Balance at end of the year	**1,735**	1,740

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

	Group's share	
	2011	2010
	S$'000	S$'000
Combined results		
Turnover	**458,402**	364,690
Expenses	**(364,900)**	(281,330)
Profit before tax	**93,502**	83,360
Tax expense	**(13,556)**	(8,900)
Profit for the year	**79,946**	74,460
Combined assets and liabilities		
Non-current assets	**598,262**	435,569
Current assets	**406,943**	286,584
Current liabilities	**(164,980)**	(131,298)
Non-current liabilities	**(331,961)**	(240,514)
Non-controlling interests	**(8,426)**	(4,654)
Net assets	**499,838**	345,687
Capital commitments	**65,892**	37,451

The Group's interest in a joint venture with a carrying amount of S$56,736,000 (2010: S$55,439,000) 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.

11. Other Financial Assets

	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
a. Non-current Assets				
Available-for-sale financial assets:				
– Equity shares	**131,607**	291,512	**–**	–
– Unit trusts and funds	**1,300**	1,382	**–**	–
	132,907	292,894	**–**	–
Financial assets at fair value through profit or loss, on initial recognition:				
– Interest rate swaps	**11,412**	–	**–**	–
– Equity shares	**17**	12	**–**	–
Cash flow hedges:				
– Forward foreign exchange contracts	**885**	31,767	**–**	–
– Fuel oil swaps	**59**	256	**–**	–
	145,280	324,929	**–**	–
b. Current Assets				
Financial assets at fair value through profit or loss, on initial recognition:				
– Forward foreign exchange contracts	**330**	2,335	**–**	24
– Foreign exchange swap contracts	**3,914**	2,614	**–**	–
Cash flow hedges:				
– Forward foreign exchange contracts	**7,842**	38,653	**–**	–
– Fuel oil swaps	**4,459**	2,680	**–**	–
	16,545	46,282	**–**	24

12. Long-term Receivables and Prepayments

	Note	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Long-term trade receivables	13	**881**	645	**–**	–
Service concession receivables	(a)	**253,438**	223,917	**–**	–
Finance lease receivables due after 12 months	14	**6,999**	10,832	**–**	–
Amounts due from related parties	15	**79,483**	79,311	**–**	–
Staff loans		**92**	125	**–**	–
Loan and receivables	41(b)	**340,893**	314,830	**–**	–
Prepayments	(b)	**36,080**	28,385	**7,730**	729
Defined benefit assets	28(b)	**3,491**	2,490	**–**	–
		380,464	345,705	**7,730**	729

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

a. Service concession receivables

The subsidiaries in Singapore, Chile and Panama each has entered into service concession arrangements with the local Governments. Under these arrangements, the subsidiaries are to supply treated water to the local Governments for periods ranging from 25 years to 30 years. All of these arrangements fall within the scope of INT FRS 112.

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

i. The service concession agreements entered into with the respective local Governments ranges from 25 years to 30 years;

ii. 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 as financial receivables as they have contractual rights under the concession arrangements. The financial receivables are measured on initial recognition at their fair value using interest rates ranging from 3.5% to 12.0%; and

iii. Upon expiry of the concession arrangements, the assets are to be transferred to the local Governments.

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 profit or loss on a straight-line basis over the period of prepayments.

13. Trade Receivables

	Note	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Trade receivables including work completed but unbilled		**563,153**	314,440	**33,686**	24,810
Allowance for doubtful receivables		**(19,195)**	(19,061)	**–**	–
		543,958	295,379	**33,686**	24,810
Trade receivables due within 1 year	19	**(543,077)**	(294,734)	**(33,686)**	(24,810)
	12	**881**	645	**–**	–

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						
2011						
Within 1 year		4,219	–	4,219	(386)	3,833
After 1 year but within 5 years		4,219	3,000	7,219	(220)	6,999
		8,438	3,000	11,438	(606)	10,832
Amount due within 1 year	19	(4,219)	–	(4,219)	386	(3,833)
	12	4,219	3,000	7,219	(220)	6,999
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

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 2011 S$'000	Associates 2010 S$'000	Joint ventures 2011 S$'000	Joint ventures 2010 S$'000	Related companies 2011 S$'000	Related companies 2010 S$'000	Non-controlling interests 2011 S$'000	Non-controlling interests 2010 S$'000	Total 2011 S$'000	Total 2010 S$'000
Group											
Amounts due from:											
Trade		4,028	4,888	18,966	6,860	986	–	31	38	24,011	11,786
Non-trade		1,719	3,091	13,582	13,702	–	–	–	–	15,301	16,793
Loans		31,365	46,225	49,154	38,426	–	–	–	–	80,519	84,651
		37,112	54,204	81,702	58,988	986	–	31	38	119,831	113,230
Allowance for doubtful receivables		(1,709)	(7,928)	(13,246)	(13,219)	38	–	–	–	(14,917)	(21,147)
		35,403	46,276	68,456	45,769	1,024	–	31	38	104,914	92,083
Amount due within 1 year	19	(5,074)	(5,391)	(19,302)	(7,343)	(1,024)	–	(31)	(38)	(25,431)	(12,772)
	12	30,329	40,885	49,154	38,426	–	–	–	–	79,483	79,311

The non-trade amount due from related parties are unsecured, repayable on demand and interest-free.

The loans to associates are unsecured, not expected to be repaid in the next 12 months and bear interest rates of 0.88% (2010: 0.39% to 0.93%) per annum.

The loan to a joint venture is unsecured, not expected to be repaid in the next 12 months and bears interest at floating rates of 0.14% to 0.39% (2010: 0.56%) per annum.

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

		Subsidiaries		Associates		Joint ventures		Related companies		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company											
Amounts due from related parties		**8,435**	5,738	**104**	523	**304**	119	**232**	–	**9,075**	6,380
	19	**8,435**	5,738	**104**	523	**304**	119	**232**	–	**9,075**	6,380

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

16. Intangible Assets

	Note	Goodwill S$'000	Service concession arrangement S$'000	Intellectual property rights S$'000	Others S$'000	Total S$'000
Group						
Cost						
Balance at January 1, 2011		141,708	127,749	–	52,741	322,198
Translation adjustments		(1)	(2,900)	–	(2,434)	(5,335)
Additions		–	3,740	33,559	1,279	38,578
Transfer (to) / from property, plant and equipment	6	–	(4,336)	–	332	(4,004)
Reclassification		–	24,013	–	(24,013)	–
Write-offs	35(b)	–	–	–	(86)	(86)
Balance at December 31, 2011		141,707	148,266	33,559	27,819	351,351
Accumulated Amortisation and Impairment Losses						
Balance at January 1, 2011		1,980	2,775	–	5,609	10,364
Translation adjustments		(79)	(489)	–	(993)	(1,561)
Amortisation charge for the year	35(b)	–	6,394	2,685	2,394	11,473
Impairment loss	35(b)	–	–	–	5	5
Transfer (to) / from property, plant and equipment	6	–	(758)	–	8	(750)
Reclassification		–	2,183	–	(2,183)	–
Write-offs	35(b)	–	–	–	(63)	(63)
Balance at December 31, 2011		1,901	10,105	2,685	4,777	19,468
Carrying Amount						
At December 31, 2011		139,806	138,161	30,874	23,042	331,883

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, 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

	Note	Goodwill S$'000	Others S$'000	Total S$'000
Company				
Cost				
Balance at January 1, 2011		18,946	179	19,125
Additions		–	410	410
Transfer from property, plant and equipment	6	–	213	213
Balance at December 31, 2011		18,946	802	19,748
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2011		–	28	28
Amortisation charge for the year		–	202	202
Transfer from property, plant and equipment	6	–	3	3
Balance at December 31, 2011		–	233	233
Carrying Amount				
At December 31, 2011		18,946	569	19,515

16. Intangible Assets *(cont'd)*

	Goodwill S$'000	Others S$'000	Total S$'000
Company			
Cost			
Balance at 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, 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

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, Xinmin, 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 30 years. All of these arrangements fall within the scope of INT FRS 112.

In January 2011, a new agreement was signed by Qitaihe with the local Government for an additional period of 15 years and the Build-Own-Operate-Transfer (BOOT) arrangement was replaced with Build-Own-Operate (BOO) arrangement. This arrangement does not fall within the scope of INT FRS 112. As such, the assets with carrying amount of S$3,578,000 have been reclassified to property, plant and equipment.

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

- The arrangements are 25 to 30 years concession arrangements for water treatment with the respective municipal governments. The Group has a total of 3 BOOT arrangements and 3 concession contracts as at the end of the reporting period.

- 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.

- 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.

- Upon expiry of the concession, the assets are to be transferred to the local municipality at no cost.

16. Intangible Assets *(cont'd)*

Service concession arrangements (cont'd)

- The tariffs in the South Africa subsidiaries are subject to review every 5 years. The tariffs are adjusted annually with an escalation formula based on costs 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). Tariffs 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.

Goodwill

Group

Impairment Testing for Goodwill

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

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

	Note	Group 2011 S$'000	Group 2010 S$'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
Water Segment comprising South Africa, United Kingdom and The Americas	(d)	**31,765**	31,889
Multiple units of insignificant goodwill		**20,731**	20,529
		139,806	139,728

The recoverable amounts are determined using value-in-use calculations. Cash flow projections used in the value-in-use calculations were prepared with management's past experience in operating the business and forward market outlook over the long term nature of the business. Pre-tax discount rates ranging from 4.7% to 12.0% (2010: 5.6% to 12.0%) have been used.

At the balance sheet date, based on the following key assumptions, the recoverable amounts exceed their carrying amounts.

16. Intangible Assets *(cont'd)*

Goodwill (cont'd)

a. SUT Division

i. Use cash flow projections over a period of 10 years;

ii. Estimation of demand and supply for industrial utilities and services are computed based on long term secured contracts with customers updated with new contracts signed over the financial year;

iii. Scheduled plant maintenance and its associated costs have been accounted for in the forecast. Yearly maintenance cost is assumed to range from 3% to 4% of the asset value;

iv. Expected capital expenditure for replenishment of parts has been included in the forecasts in accordance with plant maintenance programme;

v. Inflation rate assumption ranging from 5% to 6% has been used to project overheads and other general expenses; and

vi. Cash flows are estimated based on the anticipated offtake with its secured customers over the remaining contractual period.

b. Sembcorp Cogen Pte Ltd

i. Use cash flow projections over a period of 10 years;

ii. Estimation of demand and supply of electricity and electricity margin is derived based on forecasted market conditions leading to pool price movement;

iii. Scheduled plant maintenance and its associated costs have been accounted for in the forecast. Yearly maintenance cost is assumed to range from 6% to 10% of the asset value;

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

v. Inflation rate assumption ranging from 5% to 6% has been used to project overheads and other general expenses.

c. Sembcorp Gas Pte Ltd

i. Use cash flow projections over a period of 10 years;

ii. Forward depreciating USD / SGD exchange rate and High Sulphur Fuel Oil prices against current financial year were assumed in the forecast performance;

iii. Projected maintenance cost to service the gas pipelines has been included in the forecast;

iv. Inflation rate assumption ranging from 5% to 6% has been used to project overheads and other general expenses; and

v. Cash flows are estimated based on the sale and purchases quantities of gas over the remaining contractual period of the existing contracts.

16. Intangible Assets *(cont'd)*

Goodwill (cont'd)

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

i. These calculations use cash flow projections from years 2012 to 2016, which are based on financial budgets / forecasts approved by management. Terminal value is assumed based on cash flow in 2016 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 2% to 15%. 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 7% have been used as the assumption for growth in most cost categories;

iv. Energy costs increase ranging from 4% to 29%; and

v. Staff cost increases at rate ranging from 3% to 7%.

Company

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

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$'000	Recognised in profit or loss (Note 34) S$'000	Recognised in equity S$'000	Translation adjustments S$'000	At Dec 31 S$'000
Group					
2011					
Deferred tax liabilities					
Property, plant and equipment	357,155	12,098	–	(5,431)	363,822
Interests in associates	4,387	2,916	–	1	7,304
Fair value adjustments	63,978	25	(33,681)	–	30,322
Trade and other receivables	5,792	(6)	–	(386)	5,400
Other items	11,480	(4,779)	–	1,379	8,080
Total	442,792	10,254	(33,681)	(4,437)	414,928
Deferred tax assets					
Property, plant and equipment	(25,657)	4,443	–	(1,482)	(22,696)
Inventories	(23)	(350)	–	–	(373)
Trade receivables	(629)	164	–	3	(462)
Trade and other payables	(7,520)	5,056	–	(16)	(2,480)
Tax losses	(1,619)	29	–	112	(1,478)
Provisions	(11,342)	(5,774)	–	934	(16,182)
Fair value adjustments	–	(52)	(14,381)	25	(14,408)
Retirement benefit obligations	–	(3,754)	–	(114)	(3,868)
Other items	(24,625)	(573)	–	(787)	(25,985)
Total	(71,415)	(811)	(14,381)	(1,325)	(87,932)

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

	At Jan 1 S$'000	Recognised in profit or loss (Note 34) S$'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	(15,713)	(3,049)	–	(7,685)	790	(25,657)
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)
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)

	At Jan 1, 2010 S$'000	Recognised in profit or loss S$'000	At Dec 31, 2010 S$'000	Recognised in profit or loss S$'000	At Dec 31, 2011 S$'000
Company					
Deferred tax liabilities					
Property, plant and equipment	56,848	(14,764)	42,084	(186)	41,898
Deferred tax assets					
Provisions	–	1,549	1,549	–	1,549

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

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 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Deferred tax liabilities	**387,651**	419,539	**40,349**	40,535
Deferred tax assets	**(60,655)**	(48,162)	**–**	–
	326,996	371,377	**40,349**	40,535

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

	Group 2011 S$'000	Group 2010 S$'000
Deductible temporary differences	**6,975**	8,498
Tax losses	**20,086**	32,906
Capital allowances	**6,287**	20,903
	33,348	62,307

Tax losses of the Group amounting to S$12,745,000 (2010: S$9,957,000) will expire between 2012 and 2017 (2010: 2011 and 2015). Deductible temporary differences of the Group amounting to S$1,865,000 (2010: S$1,608,000) will expire in 2012 (2010: between 2011 and 2015). The capital allowances, and the remaining tax losses and the deductible temporary differences 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.

18. Inventories and Work-In-Progress

	Note	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Raw materials		**89,317**	95,291	**3,306**	2,354
Finished goods		**101,149**	86,324	**5,466**	5,063
		190,466	181,615	**8,772**	7,417
Allowance for inventory obsolescence		**(16,139)**	(8,123)	**–**	–
		174,327	173,492	**8,772**	7,417
Work-in-progress	(a)	**903,942**	742,441	**329**	–
		1,078,269	915,933	**9,101**	7,417
a. Work-in-progress:					
Costs and attributable profits less allowance for foreseeable losses		**4,052,154**	3,301,990	**329**	1,343
Progress billings		**(3,503,512)**	(3,223,658)	**–**	(1,343)
		548,642	78,332	**329**	–
Comprising:					
Work-in-progress		**903,942**	742,441	**329**	–
Excess of progress billings over work-in-progress		**(355,300)**	(664,109)	**–**	–
		548,642	78,332	**329**	–

19. Trade and Other Receivables

	Note	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Trade receivables	13	**543,077**	294,734	**33,686**	24,810
Current portion of finance lease	14	**3,833**	3,673	**–**	–
Service concession receivables	12(a)	**10,686**	17,960	**–**	–
Amounts due from related parties	15	**25,431**	12,772	**9,075**	6,380
Other receivables and deposits	20	**433,295**	362,384	**52,239**	33,739
Loans and receivables	41(b)	**1,016,322**	691,523	**95,000**	64,929
Prepayments		**41,050**	65,582	**5,715**	5,549
Advance to suppliers		**32,887**	3,432	**149**	449
		1,090,259	760,537	**100,864**	70,927

20. Other Receivables and Deposits

	Note	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Deposits		**6,751**	17,977	**1,703**	1,040
Sundry receivables	(a)	**71,466**	47,556	**2,775**	1,248
Unbilled receivables	(b)	**348,386**	293,202	**46,758**	31,335
Loan receivables		**4,153**	4,231	**–**	–
Recoverable		**6,509**	5,032	**1,077**	524
Interest receivable		**499**	446	**–**	–
		437,764	368,444	**52,313**	34,147
Allowance for doubtful receivables		**(4,469)**	(6,060)	**(74)**	(408)
Other receivables and deposits	19	**433,295**	362,384	**52,239**	33,739

a. Sundry receivables represent mainly GST receivables.

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

21. Assets Held For Sale

	Group 2011 S$'000	Group 2010 S$'000
Property, plant and equipment	**24,437**	36,813

In 2010, according to the contractual agreement with a customer of a subsidiary, certain property, plant and equipment were classified to assets held for sale. In 2011, the carrying value of the assets is presented net of the provision of S$11.7 million made in previous year to reflect the agreed consideration amount.

22. Cash and Cash Equivalents

	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Fixed deposits with banks	**2,135,152**	2,846,963	**–**	–
Cash and bank balances	**860,326**	640,913	**629,074**	310,342
Cash and cash equivalents in the consolidated statement of cash flows	**2,995,478**	3,487,876	**629,074**	310,342

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of S$621.8 million (2010: S$303.4 million) placed with a bank under a Group's cash pooling arrangement by a subsidiary.

23. Trade and Other Payables

	Note	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Trade payables		**1,888,872**	1,377,298	**2,872**	7,702
Advance payments from customers		**40,640**	50,227	**17**	618
Amounts due to related parties	25	**41,508**	11,046	**51,220**	50,438
Other payables and accrued charges	26	**775,253**	829,545	**125,774**	96,343
		2,746,273	2,268,116	**179,883**	155,101

24. 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	Others S$'000	Total S$'000
Group								
2011								
Balance at beginning of the year	14,748	1,010	53,131	4,140	31,456	56,914	–	161,399
Translation adjustments	–	–	(29)	–	23	(459)	99	(366)
Provisions (written back) / made during the year, net	(14,748)	–	29,437	–	837	(7,144)	4,705	13,087
Provisions utilised during the year	–	–	(17,227)	–	–	(2,284)	–	(19,511)
Balance at end of the year	–	1,010	65,312	4,140	32,316	47,027	4,804	154,609
Provisions due:								
– within 1 year	–	1,010	65,312	2,528	–	46,855	1,817	117,522
– after 1 year	–	–	–	1,612	32,316	172	2,987	37,087
	–	1,010	65,312	4,140	32,316	47,027	4,804	154,609

24. Provisions *(cont'd)*

	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

	Obligations relating to disposal of business S$'000	Claims S$'000	Restoration costs S$'000	Total S$'000
Company				
2011				
Balance at beginning of the year	1,010	6,236	500	7,746
Provisions (written back) / made during the year, net	–	13,547	93	13,640
Provisions utilised during the year	–	(27)	–	(27)
Balance at end of the year	1,010	19,756	593	21,359
Provisions due:				
– within 1 year	1,010	19,756	–	20,766
– after 1 year	–	–	593	593
	1,010	19,756	593	21,359
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

24. Provisions *(cont'd)*

Loan Undertakings

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

Obligations Relating to Disposal of Business

This 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.

Restoration Costs

Restoration costs relate 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.

25. Amounts Due to Related Parties

		Associates		Joint ventures		Related companies		Non-controlling interests		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group											
Amounts due to:											
Trade		–	3,129	2,424	3,839	78	–	26	68	2,528	7,036
Non-trade		459	388	2,852	2,798	–	–	–	10	3,311	3,196
Advance payment											
– trade		2,341	–	32,510	–	–	–	–	–	34,851	–
Loans		–	–	–	–	–	–	140,410	140,457	140,410	140,457
		2,800	3,517	37,786	6,637	78	–	140,436	140,535	181,100	150,689
Amounts due after 1 year	30	–	–	–	–	(1)	–	(139,591)	(139,643)	(139,592)	(139,643)
	23	2,800	3,517	37,786	6,637	77	–	845	892	41,508	11,046

Loans from non-controlling interests of S$139,591,000 (2010: S$139,643,000) bear interest at rates ranging from 3.53% to 8.35% (2010: 3.53% to 8.35%) per annum, are unsecured and not expected to be repaid in the next 12 months.

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

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

		Subsidiaries		Joint ventures		Total	
		2011	2010	2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company							
Amounts due to related parties	(i)	51,220	50,434	–	4	51,220	50,438
Loans from a related party	(ii)	644,700	646,700	–	–	644,700	646,700
		695,920	697,134	–	4	695,920	697,138
Amounts due after 1 year	30	(644,700)	(646,700)	–	–	(644,700)	(646,700)
	23	51,220	50,434	–	4	51,220	50,438

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

ii. The loans from a related party of S$644,700,000 (2010: S$646,700,000) bear effective interest rate of 3.09% (2010: 3.14%) per annum, are unsecured and repayable from December 31, 2013 onwards.

26. Other Payables and Accrued Charges

		Group		Company	
		2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'000
Accrued operating expenses		667,536	738,366	122,146	90,606
Deposits		18,522	21,955	342	342
Accrued interest payable		11,334	12,165	–	–
Other payables		77,861	57,059	3,286	5,395
	23	775,253	829,545	125,774	96,343

27. Other Financial Liabilities

	Group	
	2011	2010
	S$'000	S$'000
Current Liabilities		
Financial liabilities at fair value through profit or loss, on initial recognition:		
– Interest rate swaps	–	101
– Forward foreign exchange contracts	67	4
– Foreign exchange swap contracts	4,359	1,392
Cash flow hedges:		
– Interest rate swaps	7,797	7,878
– Forward foreign exchange contracts	8,776	7,658
– Fuel oil swaps	1,510	76
	22,509	17,109
Non-current Liabilities		
Financial liabilities at fair value through profit or loss, on initial recognition:		
– Interest rate swaps	11,412	–
Cash flow hedges:		
– Interest rate swaps	161,477	54,401
– Forward foreign exchange contracts	13,664	130
– Fuel oil swaps	772	77
	187,325	54,608

28. Retirement Benefit Obligations

		Group	
		2011	2010
	Note	S$'000	S$'000
Provision for retirement gratuities	(a)	1,343	1,110
Defined benefit obligations	(b)	16,397	18,863
		17,740	19,973
Non-current		17,740	19,973

a. Provision for Retirement Gratuities

	Group	
	2011	2010
	S$'000	S$'000
Balance at beginning of the year	1,110	1,500
Provision made during the year	646	–
Less: Amount due within 12 months	(413)	(390)
Balance at end of the year	1,343	1,110

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

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 in 2010.

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, 2011.

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	
	2011	2010
	S$'000	S$'000
Present value of funded defined benefit obligations	327,785	318,015
Fair value of plan assets	(311,237)	(307,617)
Deficit in scheme	16,548	10,398
Unrecognised actuarial (losses) / gains	(3,642)	5,975
Net liability recognised in the balance sheet	12,906	16,373

The amounts included in the balance sheet are as follows:

		Group	
		2011	2010
	Note	S$'000	S$'000
Defined benefit obligations		16,397	18,863
Defined benefit assets	12	(3,491)	(2,490)
		12,906	16,373

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

	Group	
	2011	2010
	%	%
Equity instruments	35.20	37.24
Debt instruments	55.10	53.69
Other assets	9.70	9.07
	100.00	100.00

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

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

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group. Changes in the present value of defined benefit obligations are as follows:

	Note	Group 2011 S$'000	Group 2010 S$'000
Opening defined benefit obligations		**318,015**	209,474
Translation adjustments		**(4,904)**	(21,054)
Current service cost		**1,440**	1,302
Past service cost		**91**	132
Interest cost		**16,118**	14,217
Actuarial losses / (gains)		**11,214**	(616)
Curtailment		**–**	(11,390)
Acquisition of subsidiaries	38	**–**	140,246
Benefits paid		**(14,469)**	(14,470)
Employee contributions		**280**	174
		327,785	318,015

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

	Note	Group 2011 S$'000	Group 2010 S$'000
Opening fair value of plan assets		**307,617**	187,686
Translation adjustments		**(4,745)**	(19,333)
Expected return on plan assets		**16,605**	14,260
Actuarial gains		**1,529**	15,198
Contributions by employer		**4,420**	4,999
Acquisition of subsidiaries	38	**–**	119,103
Benefits paid		**(14,469)**	(14,470)
Employee contributions		**280**	174
		311,237	307,617

Expenses / (income) recognised in the profit or loss are as follows:

	Group 2011 S$'000	Group 2010 S$'000
Current service cost	**1,440**	1,302
Past service cost	**91**	132
Interest cost	**16,118**	14,217
Expected return on plan assets	**(16,605)**	(14,260)
Curtailment	**–**	(11,390)
Net actuarial losses recognised during the year	**–**	586
	1,044	(9,413)

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

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

The expense / (income) is recognised in the following line items in the profit or loss:

	Group 2011 S$'000	Group 2010 S$'000
Cost of sales	**1,200**	1,080
Administrative expenses	**331**	354
Other expenses (include curtailment gain)	**(487)**	(10,847)
	1,044	(9,413)
Actual return in value of plan assets	**18,134**	29,458

Principal actuarial assumptions

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

	Group 2011 %	Group 2010 %
Discount rate at December 31	**4.7**	5.4–5.5
Expected return on plan assets at December 31	**5.3–5.7**	5.9–6.4
Future rate of annual salary increases	**3.3**	4.2–4.4
Future rate of pension increases	**2.1–3.6**	2.5–2.8

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 to 12 years (2010: 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 65 is 22 (2010: 21) for male and 24 (2010: 24) for female. In 2010, the expected remaining life expectancy of an individual retiring at age 60 was 27 for male and 29 for female.

The overall expected long-term rate of return on assets is 5.3% to 5.7% (2010: 5.9% to 6.4 %). 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:

	2011 S$'000	2010 S$'000	2009 S$'000	2008 S$'000	2007 S$'000
Group					
Present value of funded defined benefit obligations	327,785	318,015	209,474	151,053	244,774
Fair value of plan assets	(311,237)	(307,617)	(187,686)	(158,761)	(253,504)
Deficit / (surplus) in scheme	16,548	10,398	21,788	(7,708)	(8,730)

29. Interest-bearing Borrowings

	Note	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Current liabilities					
Secured term loans	(a)	**40,822**	32,454	**–**	–
Unsecured term loans	(b)	**142,596**	13,857	**–**	–
Finance lease liabilities	(c)	**2,655**	2,634	**94**	88
		186,073	48,945	**94**	88
Non-current liabilities					
Secured term loans	(a)	**987,868**	616,043	**–**	–
Unsecured term loans	(b)	**861,384**	927,730	**–**	–
Finance lease liabilities	(c)	**7,113**	9,352	**156**	250
		1,856,365	1,553,125	**156**	250
		2,042,438	1,602,070	**250**	338

Maturity of liabilities (excluding finance lease liabilities)

	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Within 1 year	**183,418**	46,311	**–**	–
After 1 year but within 5 years	**618,388**	575,247	**–**	–
After 5 years	**1,230,864**	968,526	**–**	–
Total borrowings	**2,032,670**	1,590,084	**–**	–

a. Secured Term Loans

The secured loans are collaterised by the following assets:

	Note	Group Net book value 2011 S$'000	Group Net book value 2010 S$'000
Property, plant and equipment	6(i)	**1,248,707**	872,782
Investment property	7	**9,211**	9,392
Net assets of a subsidiary		**157,714**	277,562
		1,415,632	1,159,736

b. Unsecured Term Loans

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

A wholly-owned subsidiary of the Company, Sembcorp Financial Services Pte Ltd (SFS), has a S$1.5 billion Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme"), pursuant to which, 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 are fully guaranteed by the Company.

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

b. Unsecured Term Loans *(cont'd)*

SFS has issued the following notes under the Programme:

	Nominal interest rate	Year of issue	Year of maturity	Principal amount S$'000
S$ medium term notes	5.00%	2009	2014	200,000
S$ medium term notes	3.7325%	2010	2020	300,000
S$ medium term notes	4.25%	2010	2025	100,000
S$ medium term notes	6 month SOR + 0.55%	2010	2017	100,000
				700,000

In 2011, no new medium term notes were issued during the year.

A subsidiary, Sembcorp Marine Ltd (SCM) has a S$2 billion Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme") pursuant to which SCM, together with its subsidiaries, Jurong Shipyard Pte Ltd, Sembawang Shipyard Pte Ltd and SMOE 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 are fully guaranteed by SCM.

Under the Programme, SCM or any of the Issuing SCM Subsidiaries may from time to time issue notes in series or tranches in Singapore Dollars 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.

As at December 31, 2011 and 2010, there were no outstanding notes.

c. Finance Lease Liabilities

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

	2011 Payments S$'000	2011 Interest S$'000	2011 Principal S$'000	2010 Payments S$'000	2010 Interest S$'000	2010 Principal S$'000
Group						
Within 1 year	**2,699**	**44**	**2,655**	2,716	82	2,634
After 1 year but within 5 years	**7,150**	**37**	**7,113**	9,452	100	9,352
Total	**9,849**	**81**	**9,768**	12,168	182	11,986

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 0.51% to 6.09% (2010: 0.51% to 6.09%) per annum.

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

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

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

	2011			2010		
	Payments	Interest	Principal	Payments	Interest	Principal
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company						
Within 1 year	**107**	**13**	**94**	107	19	88
After 1 year but within 5 years	**164**	**8**	**156**	271	21	250
Total	**271**	**21**	**250**	378	40	338

Under the terms of the lease agreements, no contingent rents are payable. The effective interest rate is 6.09% (2010: 6.09%) per annum.

30. Other Long-term Liabilities

		Group		Company	
		2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'000
Deferred income	(a)	**162,607**	165,304	**9,262**	10,031
Deferred grants	(b)	**4,461**	3,743	**–**	–
Other long-term payables	(c)	**21,638**	12,328	**–**	–
Amounts due to related parties	25	**139,592**	139,643	**644,700**	646,700
		328,298	321,018	**653,962**	656,731

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, lease payables and deposits / advances from customers.

31. Other Comprehensive Income

Tax effects relating to each component of other comprehensive income:

	Group 2011			Group 2010		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Foreign currency translation differences for foreign operations	**13,192**	**–**	**13,192**	(131,504)	–	(131,504)
Exchange differences on monetary items forming part of net investment in a foreign operation	**(223)**	**–**	**(223)**	(3,663)	–	(3,663)
Share of other comprehensive income of associates and joint ventures	**(5,869)**	**–**	**(5,869)**	2,520	–	2,520
Cash flow hedges: net movement in hedging reserves (Note (a))	**(164,731)**	**23,019**	**(141,712)**	(2,852)	(3,462)	(6,314)
Available-for-sale financial assets: net movement in fair value reserve (Note (b))	**(156,177)**	**23,957**	**(132,220)**	119,091	(17,992)	101,099
Other comprehensive income	**(313,808)**	**46,976**	**(266,832)**	(16,408)	(21,454)	(37,862)

	Group	
	2011	2010
	S$'000	S$'000
a. Cash flow hedges:		
Net change in fair value of hedging instruments	**(131,658)**	2,784
Amount transferred to initial carrying amount of hedged items	**–**	2,798
Amount transferred to profit or loss	**(33,073)**	(8,434)
Tax	**23,019**	(3,462)
Net movement in the hedging reserve during the year recognised in other comprehensive income	**(141,712)**	(6,314)
b. Available-for-sale financial assets:		
Changes in fair value	**(156,177)**	119,091
Tax	**23,957**	(17,992)
Net change in fair value during the year recognised in other comprehensive income	**(132,220)**	101,099

32. Turnover

	Group 2011 S$'000	Group 2010 S$'000
Sale of gas, water, electricity and related services	**4,771,780**	3,909,799
Ship and rig repair, building, conversion and related services	**3,921,807**	4,514,248
Construction and engineering related activities	**152,519**	169,365
Service concession revenue	**87,475**	37,988
Others	**113,485**	132,214
	9,047,066	8,763,614

33. Finance Costs

	Group 2011 S$'000	Group 2010 S$'000
Interest paid and payable to:		
– banks and others	**60,977**	50,367
Amortisation of capitalised transaction costs and transactions costs written off	**4,793**	9,916
Interest rate swap		
– fair value through profit or loss	**(101)**	(426)
– ineffectiveness of cash flow hedge	**(1)**	1,272
	65,668	61,129

34. Tax Expense

	Group 2011 S$'000	Group 2010 S$'000
Current tax expense		
Current year	**185,798**	211,137
Over provided in prior years	**(70,472)**	(6,949)
	115,326	204,188
Deferred tax expense		
Movements in temporary differences	**18,451**	7,051
Under / (over) provided in prior years	**1,609**	(12,062)
Changes in tax rates	**(10,617)**	(4,799)
	9,443	(9,810)
Tax expense	**124,769**	194,378

34. Tax Expense *(cont'd)*

	Group 2011 S$'000	Group 2010 S$'000
Reconciliation of effective tax rate		
Profit for the year	**1,145,810**	1,172,951
Total tax expense	**124,769**	194,378
Share of results of associates and joint ventures	**(170,573)**	(160,095)
Profit before share of results of associates and joint ventures, and tax expense	**1,100,006**	1,207,234
Tax using Singapore tax rate of 17%	**187,001**	205,230
Effect of changes in tax rates	**(10,617)**	(4,799)
Effect of different tax rates in foreign jurisdictions	**5,092**	6,814
Tax incentives and income not subject to tax	**(11,384)**	(19,786)
Expenses not deductible for tax purposes	**22,742**	29,630
Utilisation of deferred tax benefits not previously recognised	**(1,091)**	(2,402)
Overprovided in prior years*	**(68,863)**	(19,011)
Deferred tax benefits not recognised	**4,547**	3,039
Others	**(2,658)**	(4,337)
Tax expense	**124,769**	194,378

* In 2011, a subsidiary of the Company had been allowed tax deduction of its losses from foreign exchange transactions for tax purposes for the Years of Assessment 2008 and 2009. Accordingly, the Group reversed tax provision of S$54,392,000 which had been provided for in 2007 and 2008.

35. Profit For The Year

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

	Group 2011 S$'000	Group 2010 S$'000
a. **Staff costs**		
Staff costs	**753,527**	736,467
Included in staff costs are:		
Equity-settled share-based payments	**26,559**	21,085
Cash-settled share-based payments	**6,761**	11,580
Contributions to:		
– defined benefit plan	**1,530**	1,434
– defined contribution plan	**36,063**	33,356
Jobs Credit Scheme, offset against staff costs	**–**	(3,205)

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

	Note	Group 2011 S$'000	Group 2010 S$'000
b. Other expenses			
Allowance made / (written back) for impairment losses			
– property, plant and equipment	6	**15,149**	5,241
– associate		**99**	–
– joint ventures		**921**	–
– interests in other investments		**82**	149
– goodwill	16	**–**	1,980
– receivables		**1,567**	(5,579)
– investment properties	7	**–**	563
– inventory obsolescence		**8,074**	(564)
– others	16	**5**	–
Amortisation of intangible assets	16	**11,473**	4,715
Audit fees paid / payable			
– auditors of the Company		**1,215**	1,483
– overseas affiliates of the auditors of the Company		**1,205**	342
– other auditors		**270**	947
Non-audit fees paid / payable			
– auditors of the Company		**329**	88
– overseas affiliates of the auditors of the Company		**81**	13
– other auditors		**318**	139
Depreciation			
– property, plant and equipment	6	**222,419**	236,397
– investment properties	7	**924**	1,027
Professional fee paid to directors or a firm in which a director is a member		**294**	130
Operating lease expenses		**28,529**	30,943
Property, plant and equipment written off		**1,643**	3,398
Intangible assets written off	16	**23**	102
Bad debts written off		**181**	94
c. Other income			
Grants received			
– income related		**2,491**	1,225
Gross dividend income		**4,650**	3,544
Interest income			
– associates and joint ventures		**1,345**	1,486
– banks and others		**63,223**	30,990

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

	Note	Group 2011 S$'000	Group 2010 S$'000
d. Non-operating expenses (net)			
Net exchange loss		**(6,569)**	(41,865)
Net change in fair value of derivative instruments		**(7,280)**	6,310
Ineffectiveness of cash flow hedge		**–**	6,118
Gain / (loss) from disposal of			
– property, plant and equipment (net)		**980**	1,576
– investment properties		**822**	–
– subsidiaries		**(63)**	–
– other investments and financial assets		**355**	142
– assets held for sale		**163**	(1)
e. Other significant items included in:			
Non-operating expenses (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. In 2010, a subsidiary of Sembcorp Marine Ltd (SCM), Jurong Shipyard Pte Ltd (JSPL), reached an agreement, strictly on a commercial basis with Societe Generale (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 in 2010.

36. Earnings Per Share

	Group 2011 S$'000	Group 2010 S$'000
a. Basic earnings per share		
Basic earnings per share is based on:		
i. Profit attributable to shareholders of the Company	**809,282**	792,871

	No. of shares '000	No. of shares '000
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	**1,787,750**	1,780,229
Effect of share options exercised, performance shares and restricted shares released	**3,192**	3,487
Effect of own shares held	**(4,739)**	(58)
Effect of shares issued as acquisition consideration	**–**	605
Effect of shares cancelled	**(532)**	–
Weighted average number of ordinary shares at the end of the year	**1,785,671**	1,784,263

	Group 2011 S$'000	Group 2010 S$'000
b. Diluted earnings per share		
Diluted earnings per share is based on:		
i. Profit attributable to shareholders of the Company	**809,282**	792,871

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

	No. of shares '000	No. of shares '000
ii. Weighted average number of shares issued used in the calculation of basic earnings per share	**1,785,671**	1,784,263
Weighted average number of unissued ordinary shares from:		
– share options	**3,277**	5,444
– performance shares	**3,642**	3,723
– restricted shares	**8,296**	6,976
Number of shares that would have been issued at fair value	**(1,501)**	(2,757)
Weighted average number of ordinary shares	**1,799,385**	1,797,649

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

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

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 shares.

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 shares, the weighted average number of ordinary shares in issue is adjusted as if all dilutive performance shares and restricted shares 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 (2010: one-tier tax exempt dividend of 17.0 cents comprising ordinary one-tier tax exempt dividend of 15.0 cents and bonus one-tier tax exempt dividend of 2.0 cents) per share amounting to an estimated net dividend of S$303,215,000 (2010: S$303,918,000) in respect of the year ended December 31, 2011, based on the number of issued shares as at December 31, 2011.

The proposed dividend of 17.0 (2010: 17.0) 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 was that of specialist investor and operator of water and wastewater systems. This acquisition was 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.

	2010 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

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

Acquisition of Subsidiary *(cont'd)*

	Note	2010 At fair value 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 and water rights	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	24	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

c. Acquisition-related costs

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

d. Acquired receivables

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

e. Non-controlling interests

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

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

Acquisition of Subsidiary *(cont'd)*

f. Goodwill

The goodwill of S$34,303,000 recognised on the acquisition was attributable to the value of the water segment comprising South Africa, United Kingdom and The Americas. It also included 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. 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 summarised the effect of the change in the Group's ownership interest in Cascal on the equity attributable to owners of the Company:

	2010 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. In 2010, 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 summarised the effect of the change in the Group's ownership interest in CWC on the equity attributable to owners of the Company:

	2010 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".

40. Related Parties

Group

a. Related party transactions

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

	Group	
	2011	2010
	S$'000	S$'000
Related Corporations		
Sales	**77,644**	106,917
Purchases including rental	**29,725**	17,545
Payment on behalf	**7,602**	19,588
Purchase of investment and property, plant and equipment	**3,141**	9,246
Associates and Joint Ventures		
Sales	**41,288**	48,003
Purchases including rental	**13,569**	8,077
Sale of investment and property, plant and equipment	**–**	3,400
Payment on behalf	**3,627**	475
Others	**–**	908

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 Vice President of ASEAN and Singapore (Utilities), the Executive Chairman of Sembcorp Industrial Parks Ltd, 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	
	2011	2010
	S$'000	S$'000
Directors' fees and remuneration	**6,191**	6,172
Other key management personnel remuneration	**10,580**	11,771
	16,771	17,943
Fair value of share-based compensation	**4,425**	3,876

40. Related Parties

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

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonus (which includes AWS, discretionary bonus and 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 performance shares and restricted shares granted that were charged to the profit or loss.

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

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

a. Market risk

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

i. Interest rate risk

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings.

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

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

Effective interest rates and repricing analysis

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

	Note	Effective interest rate %	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
Group							
2011							
Financial assets							
Finance lease receivables	14	4.25	3,833	–	6,999	–	10,832
Balances with related parties		0.50	30,537	50,410	–	–	80,947
Loan receivables		5.25	18	–	–	–	18
Other receivables		2.64	93	500	92	–	685
Fixed deposits and bank balances		0.45	1,519,258	1,395,089	–	–	2,914,347
			1,553,739	1,445,999	7,091	–	3,006,829
Financial liabilities							
Secured term loans:							
– Floating rate loans		4.64	(933,017)	–	–	–	(933,017)
– Effect of interest rate swaps		4.29	648,827	(17,597)	(164,873)	(466,357)	–
			(284,190)	(17,597)	(164,873)	(466,357)	(933,017)
– Fixed rate loans		8.10	–	(1,456)	(27,196)	(104,737)	(133,389)
Total secured term loans			(284,190)	(19,053)	(192,069)	(571,094)	(1,066,406)
Unsecured term loans:							
– Floating rate loans		1.41	(267,200)	–	–	–	(267,200)
– Effect of interest rate swaps		1.79	199,848	(106,218)	(93,630)	–	–
			(67,352)	(106,218)	(93,630)	–	(267,200)
– Fixed rate loans		1.70	–	(35,111)	–	(1,793)	(36,904)
Bonds & notes		3.70	(100,000)	–	(200,000)	(400,000)	(700,000)
– Effect of interest rate swaps		3.06	120,000	–	(120,000)	–	–
Total unsecured term loans			(47,352)	(141,329)	(413,630)	(401,793)	(1,004,104)
Lease liabilities	29	2.09	(6,463)	(1,114)	(2,191)	–	(9,768)
Balances with related parties		8.10	–	–	(139,842)	–	(139,842)
			(338,005)	(161,496)	(747,732)	(972,887)	(2,220,120)

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

Effective interest rates and repricing analysis *(cont'd)*

	Note	Effective interest rate %	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
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	29	2.06	(7,722)	(1,130)	(3,134)	–	(11,986)
Balances with related parties		8.10	(10)	–	(132,376)	(7,717)	(140,103)
			(323,579)	(28,851)	(767,715)	(658,672)	(1,778,817)

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 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)*

Effective interest rates and repricing analysis *(cont'd)*

	Profit before 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, 2011				
Variable rate financial instruments	12,157	(12,157)	75,297	(75,297)
December 31, 2010				
Variable rate financial instruments	3,170	(3,170)	72,530	(72,530)

Notional amount

At December 31, 2011, the Group had interest rate swaps with an aggregate notional amount of S$1,254,000,000 (2010: S$1,170,961,000) of which S$285,325,000 (2010: S$532,148,000) are interest rate swaps with forward starting date. The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.74% to 4.35% (2010: 2.56% to 6.1%) per annum on the notional amount. The Company designates these interest rate swaps as cash flow hedges.

	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
Company						
2011						
Financial assets						
Fixed deposits and bank balances	0.14	629,074	–	–	–	629,074
Financial liabilities						
Lease liabilities	6.09	–	(94)	(156)	–	(250)
Balances with related parties	3.09	(227,100)	–	(317,600)	(100,000)	(644,700)
		(227,100)	(94)	(317,756)	(100,000)	(644,950)
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)

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 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)*

Effective interest rates and repricing analysis *(cont'd)*

	Profit before 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, 2011				
Variable rate financial instruments	4,020	(4,020)	–	–
December 31, 2010				
Variable rate financial instruments	812	(812)	–	–

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 is as follows:

	SGD S$'000	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
Group					
2011					
Financial assets					
Cash and cash equivalents	68,474	691,729	124,347	1,450	19,503
Trade and other receivables	21,839	487,908	13,618	74,584	1,094
Other financial assets	–	–	–	–	28,884
	90,313	1,179,637	137,965	76,034	49,481
Financial liabilities					
Trade and other payables	175,872	336,470	54,451	2,444	25,802
Interest-bearing borrowings	–	314,649	–	–	10,597
	175,872	651,119	54,451	2,444	36,399
Net financial (liabilities) / assets	(85,559)	528,518	83,514	73,590	13,082
Less: Foreign exchange contract	–	–	–	(74,477)	–
Net currency exposure of financial (liabilities) / assets net of those denominated in the respective entities' functional currencies	(85,559)	528,518	83,514	(887)	13,082
Cash flow hedges for future dated transactions					
Foreign exchange forward contracts	289,478	(1,697,452)	139,757	–	29,035
Foreign exchange swap agreements	–	2,263	134,539	–	–
Fuel oil swap contracts	–	201,517	–	–	–
	289,478	(1,493,672)	274,296	–	29,035

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
Group					
2010					
Financial assets					
Cash and cash equivalents	68,255	418,242	88,359	1,722	21,467
Trade and other receivables	16,431	497,968	1,100	89,988	3,689
Other financial assets	–	–	–	–	46,705
	84,686	916,210	89,459	91,710	71,861
Financial liabilities					
Trade and other payables	173,611	392,902	59,266	3,696	10,756
Interest-bearing borrowings	–	106,196	–	–	13,235
	173,611	499,098	59,266	3,696	23,991
Net financial (liabilities) / assets	(88,925)	417,112	30,193	88,014	47,870
Less: Foreign exchange contract	–	–	–	(89,946)	–
Net currency exposure of financial (liabilities) / assets net of those denominated in the respective entities' functional currencies	(88,925)	417,112	30,193	(1,932)	47,870
Cash flow hedges for future dated transactions					
Foreign exchange forward contracts	111,000	(1,414,212)	46,749	–	–
Foreign exchange swap agreements	–	(95,780)	78	–	–
Fuel oil swap contracts	–	153,855	–	–	–
	111,000	(1,356,137)	46,827	–	–

The Company's gross exposure to foreign currencies is as follows:

	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
Company				
2011				
Financial assets				
Cash and cash equivalents	6,488	–	15	–
Trade and other receivables	17,589	–	–	–
	24,077	–	15	–
Financial liabilities				
Trade and other payables	22,279	17	–	39
Net financial assets / (liabilities)	1,798	(17)	15	(39)

41. Financial Instruments *(cont'd)*
a. Market risk *(cont'd)*
ii. Foreign currency risk *(cont'd)*

	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
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)
Foreign exchange contracts				
Foreign exchange forward contracts	25,269	–	–	–
Foreign exchange swap agreements	–	–	–	–
	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 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 2010.

	Group		Company	
	Equity S$'000	Profit before tax S$'000	Equity S$'000	Profit before tax S$'000
2011				
SGD	9,232	9,370	–	–
USD	(114,020)	40,047	–	180
EURO	11,536	19,384	–	(2)
GBP	–	(37)	–	2
Others	4,806	(1,579)	–	(4)
2010				
SGD	(5,217)	(8,995)	–	–
USD	(103,201)	34,797	–	986
EURO	4,203	4,551	–	(12)
GBP	10	(126)	–	(22)
Others	3,660	388	–	(78)

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.

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 tax will be:

	Group	
	2011	2010
	S$'000	S$'000
Equity	**13,291**	29,289
Profit before tax	**2**	1

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 2010 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 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 tax will be:

	Group	
	2011	2010
	S$'000	S$'000
Equity	**19,989**	12,476
Profit before 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 2010 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	
	2011	2010
	Notional	Notional
	amount	amount
	S$'000	S$'000
Fuel oil swap agreements	**238,594**	153,855

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	
		2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'000
By business activity					
Utilities		**804,942**	737,983	**95,000**	64,929
Marine		**518,780**	232,651	**–**	–
Integrated Urban Development		**7,864**	6,621	**–**	–
Others		**25,629**	29,098	**–**	–
		1,357,215	1,006,353	**95,000**	64,929
Loans and receivables					
Non-current	12	**340,893**	314,830	**–**	–
Current	19	**1,016,322**	691,523	**95,000**	64,929
		1,357,215	1,006,353	**95,000**	64,929

41. Financial Instruments *(cont'd)*

b. Credit risk *(cont'd)*

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

	Gross 2011 S$'000	Impairment 2011 S$'000	Gross 2010 S$'000	Impairment 2010 S$'000
Group				
Not past due	**843,378**	**303**	543,701	4,347
Past due 0 to 3 months	**122,004**	**1,389**	66,880	472
Past due 3 to 6 months	**18,083**	**1,762**	15,257	1,270
Past due 6 to 12 months	**11,185**	**2,488**	14,493	3,312
More than 1 year	**31,960**	**18,143**	41,398	22,319
	1,026,610	**24,085**	681,729	31,720
Company				
Not past due	**87,022**	**–**	61,876	131
Past due 0 to 3 months	**7,001**	**–**	2,534	–
Past due 3 to 6 months	**437**	**–**	358	–
Past due 6 to 12 months	**295**	**–**	40	–
More than 1 year	**319**	**74**	529	277
	95,074	**74**	65,337	408

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

	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Balance at beginning of the year	**46,268**	46,303	**408**	321
Currency translation difference	**(588)**	(694)	**–**	–
Allowance made	**4,648**	2,917	**–**	131
Allowance utilised	**(7,706)**	(1,883)	**(203)**	(44)
Allowance written back	**(3,081)**	(8,496)	**(131)**	–
Acquisition of subsidiaries	**–**	8,121	**–**	–
Balance at end of the year	**39,541**	46,268	**74**	408

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	Cash Flows: Less than 1 year S$'000	Cash Flows: Between 1 and 5 years S$'000	Cash Flows: Over 5 years S$'000
Group					
2011					
Derivatives					
Derivative financial liabilities	209,834				
– inflow		1,605,522	814,957	790,565	–
– outflow		(1,840,274)	(865,488)	(928,199)	(46,587)
Derivative financial assets	(28,901)				
– inflow		1,786,887	1,726,862	57,505	2,520
– outflow		(1,748,449)	(1,709,047)	(39,402)	–
Non-derivative financial liabilities					
Trade and other payables*	2,822,113	(2,707,130)	(2,535,025)	(148,813)	(23,292)
Interest-bearing borrowings	2,042,438	(2,703,184)	(253,792)	(862,048)	(1,587,344)
	5,045,484	(5,606,628)	(2,821,533)	(1,130,392)	(1,654,703)

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

	Carrying amount S$'000	Cash Flows: Contractual cash flow S$'000	Cash Flows: Less than 1 year S$'000	Cash Flows: Between 1 and 5 years S$'000	Cash Flows: 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)

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

41. Financial Instruments *(cont'd)*

c. Liquidity risk *(cont'd)*

	Carrying amount S$'000	Cash Flows: Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Company					
2011					
Trade and other payables*	823,774	(890,718)	(198,979)	(579,222)	(112,517)
Interest-bearing borrowings	250	(269)	(106)	(163)	–
	824,024	(890,987)	(199,085)	(579,385)	(112,517)
2010					
Trade and other payables*	797,948	(889,724)	(171,521)	(598,041)	(120,162)
Interest-bearing borrowings	338	(378)	(107)	(271)	–
	798,286	(890,102)	(171,628)	(598,312)	(120,162)

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

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

	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					
2011					
Derivative financial liabilities	193,996				
– inflow		1,262,951	472,386	790,565	–
– outflow		(1,472,328)	(517,280)	(910,981)	(44,067)
Derivative financial assets	(13,245)				
– inflow		1,430,964	1,390,677	40,287	–
– outflow		(1,417,719)	(1,378,317)	(39,402)	–
	180,751	(196,132)	(32,534)	(119,531)	(44,067)
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

41. Financial Instruments *(cont'd)*

c. Liquidity risk *(cont'd)*

	Carrying amount S$'000	Cash Flows: Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Company					
2011					
Derivative financial assets	–				
– inflow		–	–	–	–
– outflow		–	–	–	–
	–	–	–	–	–
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).

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.

41. Financial Instruments *(cont'd)*

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

Derivatives

The fair value of forward exchange contracts is accounted for based on the difference between the contractual price and the current market price.

The fair value of interest rate swaps, based on current interest rates curves, is the indicative amount that the Company 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 accounted for based on the difference between the contractual strike price with the counterparty and the current market 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.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Company may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate the fair value for medium term notes for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. Where discounted cash flow techniques are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the balance sheet date.

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, 2011. 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, 2011				
Available-for-sale financial assets	126,514	6,314	–	132,828
Financial assets at fair value through profit or loss	17	–	–	17
Derivative financial assets	–	28,901	–	28,901
	126,531	35,215	–	161,746
Derivative financial liabilities	–	(209,834)	–	(209,834)
	126,531	(174,619)	–	(48,088)
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

41. Financial Instruments *(cont'd)*

f. Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheets are as follows:

	Note	Designated at fair value S$'000	Fair value – hedging instruments S$'000	Available for sale S$'000	Loans and receivables S$'000	Other financial liabilities within the scope of FRS 39 S$'000	Other financial liabilities outside the scope of FRS 39 S$'000	Total carrying amount S$'000	Fair value S$'000
Group									
December 31, 2011									
Cash and cash equivalents	22	–	–	–	2,995,478	–	–	2,995,478	2,995,478
Trade receivables	13	–	–	–	543,958	–	–	543,958	543,958
Service concession receivables	12,19	–	–	–	264,124	–	–	264,124	264,124
Finance lease receivables	14	–	–	–	10,832	–	–	10,832	10,832
Amounts due from related parties	15	–	–	–	104,914	–	–	104,914	104,914
Staff loans	12	–	–	–	92	–	–	92	92
Other receivables and deposits	20	–	–	–	433,295	–	–	433,295	433,295
Available-for-sale financial assets:									
– Equity shares	11	–	–	131,607	–	–	–	131,607	131,607
– Unit trusts and funds	11	–	–	1,300	–	–	–	1,300	1,300
Financial assets at fair value through profit or loss, on initial recognition									
– Forward foreign exchange contracts	11	330	–	–	–	–	–	330	330
– Equity shares	11	17	–	–	–	–	–	17	17
– Interest rate swaps	11	11,412	–	–	–	–	–	11,412	11,412
– Foreign exchange swap contracts	11	3,914	–	–	–	–	–	3,914	3,914
Cash flow hedges:									
– Forward foreign exchange contracts	11	–	8,727	–	–	–	–	8,727	8,727
– Fuel oil swaps	11	–	4,518	–	–	–	–	4,518	4,518
		15,673	13,245	132,907	4,352,693	–	–	4,514,518	4,514,518
Trade payables	23	–	–	–	–	1,888,872	–	1,888,872	1,888,872
Amounts due to related parties*	25	–	–	–	–	146,249	–	146,249	146,249
Other payables*		–	–	–	–	765,354	–	765,354	765,354
Other long-term payables	30	–	–	–	–	21,638	–	21,638	21,638
Financial liabilities at fair value through profit or loss, on initial recognition									
– Interest rate swaps	27	11,412	–	–	–	–	–	11,412	11,412
– Forward foreign exchange contracts	27	67	–	–	–	–	–	67	67
– Foreign exchange swap contracts	27	4,359	–	–	–	–	–	4,359	4,359
Cash flow hedges:									
– Forward foreign exchange contracts	27	–	22,440	–	–	–	–	22,440	22,440
– Interest rate swaps	27	–	169,274	–	–	–	–	169,274	169,274
– Fuel oil swaps	27	–	2,282	–	–	–	–	2,282	2,282
Interest-bearing borrowings									
– Short Term Borrowings	29	–	–	–	–	183,418	–	183,418	183,418
– Long Term Borrowings	29	–	–	–	–	1,849,252	–	1,849,252	1,874,308
– Finance lease liabilities	29	–	–	–	–	–	9,768	9,768	9,787
		15,838	193,996	–	–	4,854,783	9,768	5,074,385	5,099,460

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

41. Financial Instruments *(cont'd)*

f. Fair value versus carrying amounts *(cont'd)*

	Note	Designated at fair value S$'000	Fair value – hedging instruments S$'000	Available for sale S$'000	Loans and receivables S$'000	Other financial liabilities within the scope of FRS 39 S$'000	Other financial liabilities outside the scope of FRS 39 S$'000	Total carrying amount S$'000	Fair value S$'000
Group									
December 31, 2010									
Cash and cash equivalents	22	–	–	–	3,487,876	–	–	3,487,876	3,487,876
Trade receivables	13	–	–	–	295,379	–	–	295,379	295,379
Service concession receivables	12,19	–	–	–	241,877	–	–	241,877	241,877
Finance lease receivables	14	–	–	–	14,505	–	–	14,505	14,505
Amounts due from related parties	15	–	–	–	92,083	–	–	92,083	92,083
Staff loans	12	–	–	–	125	–	–	125	125
Other receivables and deposits	20	–	–	–	362,384	–	–	362,384	362,384
Available-for-sale financial assets:									
– Equity shares	11	–	–	291,512	–	–	–	291,512	291,512
– Unit trusts and funds	11	–	–	1,382	–	–	–	1,382	1,382
Financial assets at fair value through profit or loss, on initial recognition									
– Forward foreign exchange contracts	11	2,335	–	–	–	–	–	2,335	2,335
– Equity shares	11	12	–	–	–	–	–	12	12
– Foreign exchange swap contracts	11	2,614	–	–	–	–	–	2,614	2,614
Cash flow hedges:									
– Forward foreign exchange contracts	11	–	70,420	–	–	–	–	70,420	70,420
– Fuel oil swaps	11	–	2,936	–	–	–	–	2,936	2,936
		4,961	73,356	292,894	4,494,229	–	–	4,865,440	4,865,440
Trade payables	23	–	–	–	–	1,377,298	–	1,377,298	1,377,298
Amounts due to related parties*	25	–	–	–	–	150,689	–	150,689	150,689
Other payables*		–	–	–	–	823,592	–	823,592	823,592
Other long-term payables	30	–	–	–	–	12,328	–	12,328	12,328
Financial liabilities at fair value through profit or loss, on initial recognition									
– Interest rate swaps	27	101	–	–	–	–	–	101	101
– Forward foreign exchange contracts	27	4	–	–	–	–	–	4	4
– Foreign exchange swap contracts	27	1,392	–	–	–	–	–	1,392	1,392
Cash flow hedges:									
– Forward foreign exchange contracts	27	–	7,788	–	–	–	–	7,788	7,788
– Interest rate swaps	27	–	62,279	–	–	–	–	62,279	62,279
– Fuel oil swaps	27	–	153	–	–	–	–	153	153
Interest-bearing borrowings									
– Short Term Borrowings	29	–	–	–	–	46,311	–	46,311	46,311
– Long Term Borrowings	29	–	–	–	–	1,543,773	–	1,543,773	1,541,465
– Finance lease liabilities	29	–	–	–	–	–	11,986	11,986	12,026
		1,497	70,220	–	–	3,953,991	11,986	4,037,694	4,035,426

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

41. Financial Instruments *(cont'd)*

f. Fair value versus carrying amounts *(cont'd)*

	Note	Designated at fair value S$'000	Fair value – hedging instruments S$'000	Available for sale S$'000	Loans and receivables S$'000	Other financial liabilities within the scope of FRS 39 S$'000	Other financial liabilities outside the scope of FRS 39 S$'000	Total carrying amount S$'000	Fair value S$'000
Company									
December 31, 2011									
Cash and cash equivalents	22	–	–	–	629,074	–	–	629,074	629,074
Trade receivables	13	–	–	–	33,686	–	–	33,686	33,686
Amounts due from related parties	15	–	–	–	9,075	–	–	9,075	9,075
Other receivables and deposits	20	–	–	–	52,239	–	–	52,239	52,239
		–	–	–	724,074	–	–	724,074	724,074
Trade payables	23	–	–	–	–	2,872	–	2,872	2,872
Amounts due to related parties	25	–	–	–	–	695,920	–	695,920	762,864
Other payables*		–	–	–	–	124,982	–	124,982	124,982
Interest-bearing borrowings									
– Finance lease liabilities	29	–	–	–	–	–	250	250	269
		–	–	–	–	823,774	250	824,024	890,987
December 31, 2010									
Cash and cash equivalents	22	–	–	–	310,342	–	–	310,342	310,342
Trade receivables	13	–	–	–	24,810	–	–	24,810	24,810
Amounts due from related parties	15	–	–	–	6,380	–	–	6,380	6,380
Other receivables and deposits	20	–	–	–	33,739	–	–	33,739	33,739
Financial assets at fair value through profit or loss, on initial recognition									
– Forward foreign exchange contracts	11	24	–	–	–	–	–	24	24
		24	–	–	375,271	–	–	375,295	375,295
Trade payables	23	–	–	–	–	7,702	–	7,702	7,702
Amounts due to related parties	25	–	–	–	–	697,138	–	697,138	788,914
Other payables*		–	–	–	–	93,108	–	93,108	93,108
Interest-bearing borrowings									
– Finance lease liabilities	29	–	–	–	–	–	338	338	378
		–	–	–	–	797,948	338	798,286	890,102

* Excludes advance payments from customers and Goods and Services Tax.

g. 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, 2011 (2010: 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	
	2011	2010
	S$'000	S$'000
Guarantees given to banks to secure banking facilities provided to:		
– Associates	**28,713**	28,026
– Joint venture	**595,323**	–
– Others	**26,261**	8,269
Performance guarantees granted for contracts awarded to the Group	**717**	23,652

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

b. A Power and Water Purchase Agreement (PWPA) was entered into between Sembcorp Salalah Power & Water Company SAOC (SSPWC) and a Buyer to purchase power and water for a period of 15 years from the date of commercial operations as defined in the PWPA. Around the same time, a Turnkey Engineering, Procurement and Construction Contract (EPC) was entered into with a Contractor for the construction of the power and desalination plant. Through the EPC, SSPWC has contracted out all risks of construction of the plant to the Contractor.

   As a result of delays in achieving various phases of commencement dates for the plants, the Buyer had sought for claims on liquidated damages and compensation for revenue losses from SSPWC under the PWPA.

   Taking into consideration the PWPA and the EPC contractual terms, SSPWC is confident that the final settlement should at least result in a neutral position. In addition, SSPWC had received a bankers' guarantee as performance bond from the Contractor which is adequately sized to cover SSPWC's potential liquidated damages payment to the Buyer when or if any claim arises. These claims and disputes are expected to be settled in 2012.

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.

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

Company *(cont'd)*

a. Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to S$1,738 million (2010: S$1,918 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	
	2011	2010
	S$'000	S$'000
Less than 1 year	**1,037,780**	1,218,125
Between 1 to 5 years	**200,000**	200,000
More than 5 years	**500,000**	500,000
	1,737,780	1,918,125

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	
	2011	2010
	S$'000	S$'000
Capital expenditure for:		
– Commitments in respect of contracts placed	**855,814**	1,083,712
– Uncalled capital and commitments to subscribe for additional shares in investments	**261,225**	888,206
	1,117,039	1,971,918

43. Commitments *(cont'd)*

At the balance sheet date, commitments in respect of payments for non-cancellable operating leases with a term of more than one year are as follows:

	Group		Company	
	2011	2010	2011	2010
	S$'000	S$'000	S$'000	S$'000
Lease payments due:				
Within 1 year	**31,344**	27,644	**8,294**	6,683
Between 1 and 5 years	**90,306**	82,049	**31,720**	13,066
After 5 years	**372,749**	351,710	**54,153**	35,770
	494,399	461,403	**94,167**	55,519

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 taken place in 2011.

In 2010, 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	
	2011	2010
	S$'000	S$'000
Lease receivable:		
Within 1 year	**3,408**	3,723
Between 1 and 5 years	**2,612**	3,252
	6,020	6,975

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.

44. Segment Reporting

a. Operating Segments *(cont'd)*

iii. The Integrated Urban Development (formally known as 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.

The Group operates in seven principal geographical areas: Singapore, China, Rest of Asia & Australia, Middle East & Africa, UK, Rest of Europe 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.

	Utilities	Marine	Integrated Urban Development	Others / Corporate	Elimination	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
2011						
Turnover						
External sales	4,893,451	3,956,312	8,862	188,441	–	9,047,066
Inter-segment sales	44,033	3,918	3,969	21,650	(73,570)	–
Total	4,937,484	3,960,230	12,831	210,091	(73,570)	9,047,066
Results						
Segment results	355,663	739,121	(246)	6,568	–	1,101,106
Interest income	3,836	59,977	143	40,786	(40,174)	64,568
Finance costs	(59,854)	(2,491)	(47)	(43,450)	40,174	(65,668)
	299,645	796,607	(150)	3,904	–	1,100,006
Share of results of associates	32,552	46,695	11,380	–	–	90,627
Share of results of joint ventures	32,581	6,580	35,005	5,780	–	79,946
	364,778	849,882	46,235	9,684	–	1,270,579
Tax (expense) / credit	(43,839)	(80,958)	(90)	118	–	(124,769)
Non-controlling interests	(16,575)	(312,696)	(7,398)	141	–	(336,528)
Profit for the year	304,364	456,228	38,747	9,943	–	809,282
Assets						
Segment assets	5,331,221	4,671,541	169,787	1,714,706	(1,552,058)	10,335,197
Interests in associates	161,440	332,657	349,030	–	–	843,127
Interests in joint ventures	243,072	63,294	129,830	65,377	–	501,573
Tax assets	65,949	2,261	1,560	2,958	–	72,728
Total assets	5,801,682	5,069,753	650,207	1,783,041	(1,552,058)	11,752,625

44. Segment Reporting *(cont'd)*

a. Operating Segments *(cont'd)*

	Utilities S$'000	Marine S$'000	Integrated Urban Development S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2011						
Liabilities						
Segment liabilities	3,736,114	2,281,758	50,331	1,338,347	(1,552,058)	5,854,492
Tax liabilities	376,638	262,336	9,826	8,673	–	657,473
Total liabilities	4,112,752	2,544,094	60,157	1,347,020	(1,552,058)	6,511,965
Capital expenditure	611,335	471,499	698	8,360	–	1,091,892
Significant non-cash items						
Depreciation and amortisation	141,719	86,706	1,430	4,961	–	234,816
Other non-cash items (including provisions, loss on disposal and exchange differences)	39,401	22,438	2,083	1,061	–	64,983
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
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

44. Segment Reporting *(cont'd)*

a. Operating Segments *(cont'd)*

	Utilities S$'000	Marine S$'000	Integrated Urban Development S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2010 *(cont'd)*						
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)*

b. Geographical Segments

	Singapore S$'000	China S$'000	Rest of Asia & Australia S$'000	Middle East & Africa S$'000	UK S$'000	Rest of Europe S$'000	Others S$'000	Consolidated S$'000
2011								
Revenue from external customers	4,595,732	87,659	518,514	111,812	964,366	1,971,252	797,731	9,047,066
Total assets	7,751,533	947,856	595,345	1,259,582	917,494	70,912	209,903	11,752,625
Non-current assets	2,948,139	885,639	551,067	1,151,478	755,738	62,682	180,821	6,535,564
Capital expenditure	638,309	23,606	16,132	351,118	39,824	–	22,903	1,091,892
2010								
Revenue from external customers	4,228,900	63,259	690,066	348,509	825,480	1,628,319	979,081	8,763,614
Total assets	7,563,771	845,580	420,156	865,631	908,496	88,472	199,435	10,891,541
Non-current assets	2,625,613	793,195	339,069	798,501	731,402	74,877	164,692	5,527,349
Capital expenditure	112,679	28,626	7,535	454,196	54,705	–	4,026	661,767

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 *(cont'd)*

b. Taxes

The Group is subject to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for 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 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 profit or loss.

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 80 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 that 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.

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

Critical accounting judgements in applying the Group's accounting policies

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

a. Revenue recognition

The Group has recognised revenue on construction contract, ship and rig repair, building and conversion based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition.

b. Impairment of investments and financial assets

The Group follows the guidance of FRS 39 Financial Instruments: Recognition and Measurement 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.

46. Subsequent Events

Subsequent to year end, the Group increased its shareholdings in Sembcorp Utilities (Netherlands) N.V. (formerly known as Cascal N.V.) from 97.66% to 98.31% following the completion of the transfer of 200,000 shares from WAGCAP Advisors LLC to the Group. The consideration of US$6.75 per share is the same as the price paid by the Group under the voluntary tender offer under which it acquired the 97.66% stake.

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, 2012 or later periods and which the Group has not early adopted:

Amendments to FRS 101 – Secured Hyperinflation and Removal of Fixed Prices of First-time Adopters
Amendments to FRS 107 Disclosures – Transfer of Financial Assets

The management anticipates that the adoption of the above amendments 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.

48. Subsidiaries

Details of significant subsidiaries are as follows:

Name of significant subsidiaries	Country of incorporation	Effective equity held by the Group 2011 %	Effective equity held by the Group 2010 %
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 Salalah Power and Water Company SAOC[2]	Oman	**60**	60
Sembcorp Utilities (UK) Limited[2]	United Kingdom	**100**	100
Sembcorp Utilities (Netherlands) N.V.[2] *(Previously known as Cascal N.V.)*	The Netherlands	**97.66**	97.66
Sembcorp Holdings Ltd[2]	United Kingdom	**97.66**	97.66
Sembcorp Utilities Services Limited[2]	United Kingdom	**97.66**	97.66
Sembcorp Bournemouth Water Limited[2]	United Kingdom	**97.66**	97.66
Sembcorp Utilities (South Africa) Pty Limited[2]	South Africa	**97.66**	97.66
Sembcorp Silulumanzi (Pty) Limited[2]	South Africa	**97.66**	97.66
Sembcorp Environment Pte. Ltd.[1]	Singapore	**100**	100
SembWaste Pte Ltd[1]	Singapore	**100**	100
Marine			
Sembcorp Marine Ltd[1]	Singapore	**60.76**	60.90
Jurong Shipyard Pte Ltd[1]	Singapore	**60.76**	60.90
PPL Shipyard Pte Ltd[1]	Singapore	**51.65**	51.77
Sembawang Shipyard Pte Ltd[1]	Singapore	**60.76**	60.90
SMOE Pte Ltd[1]	Singapore	**60.76**	60.90
Integrated Urban Development			
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 overseas affiliates of KPMG LLP.

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 2011 %	Effective equity held by the Group 2010 %
	Utilities			
^	Phu My 3 BOT Power Company Ltd.	Vietnam	**33.33**	33.33
#	Shanghai Cao Jing Co-generation 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
^^^	Thermal Powertech Corporation India Ltd	India	**49.00**	–
	Marine			
@@	COSCO Shipyard Group	People's Republic of China	**18.23**	18.27
	Integrated Urban Development			
**	Gallant Venture Ltd	Singapore	**23.92**	23.92
^^^	Vietnam Singapore Industrial Park J.V. Co., Ltd.	Vietnam	**40.44**	40.44
^^^	Wuxi-Singapore Industrial Park Development Co., Ltd	People's Republic of China	**45.36**	45.36
###	Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd	People's Republic of China	**21.50**	21.50

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 Ernst & Young LLP.
@@ Audited by Zhongrui Yuehua Certified Public Accountants Co., Ltd.
** 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 overseas affiliates of KPMG LLP.
Audited by Jiangsu GongZheng Tain Ye Certified Public Accountant Co., Ltd, China.

See Note 9 and 10 for details on pledge on the Company's interests in its associate and joint venture.

(Under SGX-ST Listing Manual requirements)

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

Summary compensation table for the year ended December 31, 2011

Name of Director	Salary[1] S$'000	Bonus Earned S$'000	Fair value of share-based compensation granted for the year[3] S$'000	Directors' fees: Cash-based[5] S$'000	Directors' fees: Share-based[6] S$'000	Brought Forward Bonus Bank[2] S$'000
Payable by Company						
Ang Kong Hua	–	–	–	188	80	–
Tang Kin Fei	1,094	3,957	1,872	–	–	6,107
Goh Geok Ling	–	–	–	112	48	–
Evert Henkes	–	–	–	145	62	–
Bobby Chin Yoke Choong	–	–	–	120	51	–
Margaret Lui	–	–	–	113	48	–
Tan Sri Mohd Hassan Marican	–	–	–	118	51	–
Tham Kui Seng[4]	–	–	–	39	17	–
Payable by Subsidiaries						
Goh Geok Ling	–	–	–	279	83	–
Richard Hale, OBE	–	–	–	136	58	–
Tang Kin Fei[5]	–	–	–	282	62	–

Name of Key Executive	Salary[1] S$'000	Bonus Earned S$'000	Fair value of share-based compensation granted for the year[3] S$'000	Directors' fees: Cash-based[5] S$'000	Directors' fees: Share-based[6] S$'000	Brought Forward Bonus Bank[2] S$'000
Low Sin Leng	573	759	482	–	–	984
Tan Cheng Guan[5]	561	1,311	482	32	–	671
Koh Chiap Khiong[5]	467	1,034	482	164	19	228
Ng Meng Poh	484	1,265	482	–	–	571
Wong Weng Sun	750	5,564	1,286	–	–	10,921

Notes:

1. The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
2. The Brought Forward Bonus Bank is the outstanding balance of bonus as at December 31, 2011 (excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and the payouts made from the Bonus Bank.
3. The fair value of the share plans granted for the year is disclosed. The shares granted to key executives are contingent upon meeting performance measures. If these performance measures are not met, the key executive will not be vested with any shares.
4. A sum of $90,000 was paid to Tham Kui Seng in 2011 for consultancy services rendered.
5. Directors' fees in cash from subsidiaries for Mr Tang Kin Fei, Mr Tan Cheng Guan and Mr Koh Chiap Khiong are payable to SCI.

(Under SGX-ST Listing Manual requirements)

A. Directors' and Key Executives' Remuneration Earned for the Year *(cont'd)*

Notes:

6. To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Industries Restricted Share Plan 2010.

   For year 2011, the awards granted under the Sembcorp Industries Restricted Share Plan 2010 to all directors as part of their directors' fees (except for Mr Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently S$65,000); any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

   The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited (SGX-ST) over the 14 trading days immediately following the date of the Annual General Meeting (AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

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

SUPPLEMENTARY INFORMATION

Year Ended December 31, 2011

(Under SGX-ST Listing Manual requirements)

B. Interested Person Transactions

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

	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S$100,000) 2011 S$'000
Sale of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– PSA International Pte Ltd and its Associates	3,606
– Singapore Power Ltd and its Associates	2,058
– Temasek Capital (Private) Limited and its Associates	1,876
– Singapore Technologies Telemedia Pte Ltd and its Associates	575
	8,115
SMRT Corporation Ltd and its Associates	65,773
Starhub Ltd and its Associates	1,791
SATS Ltd and its Associates	210
	75,889
Purchase of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates[1]	911,440
– Singapore Power Ltd and its Associates	4,032
– Certis CISCO Security Pte Ltd	218
	915,690
SMRT Corporation Ltd and its Associates	1,204
Singapore Technologies Engineering Ltd and its Associates	230
	917,124
Management and support services	
– Temasek Capital (Private) Limited and its Associates	2,260
Total interested person transactions	995,273

Note:

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

There were no transactions which were not conducted under the shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual during the period January 1, 2011 to December 31, 2011.

EVA STATEMENT

Year Ended December 31, 2011

	Note	2011 S$'000	2010 S$'000
Net operating profit before tax expense		**1,100,006**	1,207,234
Adjust for:			
Share of associates' and joint ventures' profits		**205,619**	191,606
Interest expense	1	**69,337**	58,540
Others	2	**(6,849)**	(3,452)
Adjusted profit before interest and tax		**1,368,113**	1,453,928
Cash operating taxes	3	**(160,805)**	(244,863)
Net operating profit after tax (NOPAT)		**1,207,308**	1,209,065
Average capital employed	4	**8,120,351**	6,773,662
Weighted average cost of capital	5	**5.9%**	5.9%
Capital charge		**479,101**	399,646
Economic Value Added (EVA)		**728,207**	809,419
Non-controlling share of EVA		**(255,857)**	(314,722)
EVA attributable to shareholders		**472,350**	494,697
Less: Unusual Items (UI) Gains	6	**–**	142
EVA attributable to shareholders (exclude UI)		**472,350**	494,555

Notes:

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

	2011 S$'000	2010 S$'000
Major Capital Components:		
Property, plant and equipment	**4,045,713**	3,266,548
Investments	**1,546,745**	1,277,821
Other long-term assets	**690,313**	532,771
Net working capital and long-term liabilities	**1,837,580**	1,696,522
Average capital employed	**8,120,351**	6,773,662

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

   i. Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0% (2010: 6.0%);
   ii. Risk-free rate of 2.69% (2010: 2.61%) based on yield-to-maturity of Singapore Government 10-year Bonds;
   iii. Ungeared beta ranging from 0.5 to 1.0 (2010: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and
   iv. Cost of Debt rate at 2.63% (2010: 4.15%).

6. Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major property, plant and equipment.

SHAREHOLDERS' INFORMATION

Statistics of Shareholders as of March 5, 2012

Issued and fully Paid-up capital:	S$565,571,683.28
Number of issued shares:	1,787,547,732
Number / percentage of treasury shares:	3,710,023 (0.21%)
Number of shareholders:	26,856
Class of shares:	Ordinary shares with equal voting rights@

Shareholdings Held by the Public

Based on information available to the company as of March 5, 2012, 50.45%* of the issued ordinary shares of the company is held by the public and therefore, the company has complied with Rule 723 of the SGX-ST Listing Manual.

Substantial Shareholders	Direct Interest	Indirect Interest	Total	%*
Temasek Holdings (Private) Limited	871,200,328	12,718,760**	883,919,088	49.55

Top 20 Shareholders as of March 5, 2012

No.	Name	No. of Ordinary Shares Held	%*
1	Temasek Holdings (Private) Limited	871,200,328	48.84
2	Citibank Nominees Singapore Pte Ltd	189,377,894	10.62
3	DBSN Services Pte Ltd	163,429,261	9.16
4	DBS Nominees Pte Ltd	152,344,201	8.54
5	HSBC (Singapore) Nominees Pte Ltd	121,318,411	6.80
6	United Overseas Bank Nominees Pte Ltd	44,663,677	2.51
7	Raffles Nominees (Pte) Ltd	26,171,580	1.47
8	Startree Investments Pte Ltd	9,400,000	0.53
9	OCBC Nominees Singapore Pte Ltd	6,091,416	0.34
10	BNP Paribas Securities Services	5,756,378	0.32
11	DB Nominees (S) Pte Ltd	4,342,124	0.24
12	Merrill Lynch (Singapore) Pte Ltd	4,304,749	0.24
13	Tang Kin Fei	3,593,826	0.20
14	Bank Of Singapore Nominees Pte Ltd	3,558,915	0.20
15	BNP Paribas Nominees Singapore Pte Ltd	2,705,667	0.15
16	UOB Kay Hian Pte Ltd	2,701,765	0.15
17	Phillip Securities Pte Ltd	2,613,418	0.15
18	DBS Vickers Securities (S) Pte Ltd	1,535,961	0.09
19	OCBC Securities Private Ltd	1,465,030	0.08
20	Low Sin Leng	1,460,987	0.08
		1,618,035,588	90.71

@ Ordinary shares purchased and held as treasury shares by the company will have no voting rights.
* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as of March 5, 2012 excluding 3,710,023 ordinary shares held as treasury shares as at that date.
** Temasek is deemed to be interested in the 12,718,760 Shares in which its subsidiaries and / or associated companies have or are deemed to have an interest pursuant to Section 7 of the Companies Act.

Analysis of Shareholdings as of March 5, 2012

Range of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares Held	%
1 – 999	2,969	11.05	1,603,330	0.09
1,000 – 10,000	21,215	79.00	68,636,271	3.84
10,001 – 1,000,000	2,647	9.86	90,968,056	5.09
1,000,001 and above	25	0.09	1,626,340,075	90.98
	26,856	100.00	1,787,547,732	100.00

CORPORATE INFORMATION

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

Board of Directors
Ang Kong Hua
Chairman

Tang Kin Fei
Group President & CEO

Goh Geok Ling
Evert Henkes
Bobby Chin Yoke Choong
Margaret Lui
Tan Sri Mohd Hassan Marican
Tham Kui Seng

Executive Committee
Ang Kong Hua
Chairman

Goh Geok Ling
Tang Kin Fei
Margaret Lui

Audit Committee
Bobby Chin Yoke Choong
Chairman

Tan Sri Mohd Hassan Marican
Evert Henkes

Executive Resource & Compensation Committee
Ang Kong Hua
Chairman

Goh Geok Ling
Margaret Lui

Nominating Committee
Ang Kong Hua
Chairman

Goh Geok Ling
Margaret Lui

Risk Committee
Evert Henkes
Chairman

Bobby Chin Yoke Choong
Tan Sri Mohd Hassan Marican

Company Secretary
Kwong Sook May

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

Principal Bankers
Australia and New Zealand Banking Group Limited
10 Collyer Quay #21-00
Ocean Financial Centre
Singapore 049315

CIMB Bank Berhad
50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623

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

Maybank
2 Battery Road
Maybank Tower
Singapore 049907

Mizuho Corporate Bank
168 Robinson Road
#11-01 Capital Tower
Singapore 068912

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

Oversea-Chinese Banking Corporation
65 Chulia Street
OCBC Centre
Singapore 049513

Standard Chartered Bank
8 Marina Boulevard
#27-01 Marina Bay Financial Centre
Tower 1
Singapore 018981

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

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

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

United Overseas Bank
1 Raffles Place #10-00
One Raffles Place
Singapore 048616

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

Partner-in-Charge: Lau Kam Yuen
(Appointed during the financial year ended December 31, 2010)

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

Notice is hereby given that the Fourteenth Annual General Meeting of Sembcorp Industries Ltd (the "**Company**") will be held at the Multi-function Room, Sembcorp Industries Ltd, Level 1, 30 Hill Street, Singapore 179360 on Tuesday, April 24, 2012 at 11.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2011 and the Auditors' Report thereon. **Resolution 1**

2. To declare a final tax exempt 1-Tier dividend of 17 cents per ordinary share comprising final ordinary dividend of 15 cents per ordinary share and final bonus dividend of 2 cents per ordinary share for the year ended December 31, 2011. **Resolution 2**

3. To re-elect the following directors, each of whom will retire by rotation pursuant to Article 93 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:

   a. Evert Henkes *(Independent Member of Audit Committee)* **Resolution 3**
   b. Bobby Chin Yoke Choong *(Independent Chairman of Audit Committee)* **Resolution 4**

4. To re-elect Tham Kui Seng, a director retiring pursuant to Article 99 of the Company's Articles of Association and who, being eligible, will offer himself for re-election. **Resolution 5**

5. To re-appoint Goh Geok Ling, a director retiring under Section 153 of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **Resolution 6**

6. To approve directors' fees of S$1,280,613 for the year ended December 31, 2011, comprising: **Resolution 7**

   a. S$896,429 to be paid in cash (2010: S$937,626); and

   b. S$384,184 to be paid in the form of restricted share awards under the Sembcorp Industries Restricted Share Plan 2010 (2010: 224,564*), with the number of shares to be awarded rounded down to the nearest hundred and any residual balance settled in cash.

      * *2010 values based on fair value (of $2.48 per share on December 31, 2010) of shares awarded to non-executive directors under the previous SembCorp Industries Restricted Stock Plan in recognition of their contributions for 2010. This amount did not form part of the directors' fees for 2010, and is for comparison purposes only. These shares vested on April 8, 2011.*

7. To re-appoint KPMG LLP as Auditors of the Company and to authorise the directors to fix their remuneration. **Resolution 8**

Special Business

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

8. That authority be and is hereby given to the directors to: **Resolution 9**

   a. i. issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and / or

      ii. make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

   provided that:

   (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 5% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (2) below);

   (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time this Resolution is passed, after adjusting for:

      (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

      (ii) any subsequent bonus issue or consolidation or subdivision of shares;

   (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

   (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

9. That approval be and is hereby given to the directors to: **Resolution 10**

   a. grant awards in accordance with the provisions of the Sembcorp Industries Performance Share Plan 2010 (the "**SCI PSP 2010**") and / or the Sembcorp Industries Restricted Share Plan 2010 (the "**SCI RSP 2010**") (the SCI PSP 2010 and SCI RSP 2010, together the "**Share Plans**"); and

   b. allot and issue from time to time such number of fully paid-up ordinary shares in the capital of the Company as may be required to be delivered pursuant to the vesting of awards under the Share Plans;

   provided that:

   (1) the aggregate number of (i) new ordinary shares allotted and issued and / or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and / or to be delivered, and (iii) ordinary shares released and / or to be released in the form of cash in lieu of ordinary shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued ordinary shares in the capital of the Company (excluding treasury shares) from time to time; and

   (2) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued ordinary shares in the capital of the Company (excluding treasury shares) from time to time.

10. To transact any other business.

By Order of the Board

Kwong Sook May
Company Secretary
March 29, 2012

Explanatory Notes:
Resolutions 3 to 6 – Detailed information on these directors can be found under the Board of Directors and Corporate Governance Report sections in the Annual Report 2011.

If re-elected, Mr Evert Henkes will remain as a member of the Audit Committee and the Chairman of the Risk Committee. Mr Henkes is an independent director.

If re-elected, Mr Bobby Chin Yoke Choong will remain as the Chairman of the Audit Committee and a member of the Risk Committee. Mr Chin is an independent director.

Resolution 7 – is to approve the payment of directors' fees, comprising a cash component and a share component. Detailed information on compensation to the non-executive directors can be found under the Corporate Governance Report section in the Annual Report 2011.

The directors' fees will only be paid after shareholders' approval has been obtained at the forthcoming Annual General Meeting ("**AGM**") of the Company. To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Industries Restricted Share Plan 2010.

For year 2011, the awards granted under the Sembcorp Industries Restricted Share Plan 2010 to all directors as part of their directors' fees (except for Mr Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently S$65,000); any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days immediately following the date of the AGM. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

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

Resolution 10 – is to empower the directors to offer and grant awards pursuant to the Sembcorp Industries Performance Share Plan 2010 and the Sembcorp Industries Restricted Share Plan 2010 (collectively, the "**Share Plans**") and to issue ordinary shares in the capital of the Company pursuant to the vesting of awards granted pursuant to the Share Plans provided that: (a) the aggregate number of (i) new ordinary shares allotted and issued and / or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and / or to be delivered, and (iii) ordinary shares released and / or to be released in the form of cash in lieu of ordinary shares, pursuant to the Share Plans shall not exceed 7% of the total number of issued ordinary shares in the capital of the Company (excluding treasury shares) from time to time; and (b) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting to the next Annual General Meeting shall not exceed 1% of the total number of issued ordinary shares in the capital of the Company (excluding treasury shares) from time to time. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

Notice of Books Closure and Dividend Payment Date

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on May 2, 2012 to determine the shareholders' entitlements to the proposed dividend. Duly completed transfers of shares received by the Company's Share Registrar, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 p.m. on April 30, 2012 (the "**Book Closure Date**") will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Book Closure Date will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Annual General Meeting, will be paid on May 15, 2012.

Glue and seal along the edge

PROXY FORM

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

Fourteenth Annual General Meeting

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

I / We, ______________________________(Name), ____________ (NRIC / Passport No.)

of ____ (Address)

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

Name	Address	NRIC / Passport No.	% of Shareholdings

and / or (delete as appropriate)

Name	Address	NRIC / Passport No.	% of Shareholdings

as my / our proxy / proxies to attend and vote for me / us on my / our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held on Tuesday, April 24, 2012 at 11.00 a.m. at the Multi-function Room, Sembcorp Industries Ltd, Level 1, 30 Hill Street, Singapore 179360 and at any adjournment thereof.

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

	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To adopt the Directors' Report and Accounts		
2.	To declare a final dividend		
3.	To re-elect Evert Henkes		
4.	To re-elect Bobby Chin Yoke Choong		
5.	To re-elect Tham Kui Seng		
6.	To re-appoint Goh Geok Ling		
7.	To approve directors' fees for financial year ended December 31, 2011		
8.	To re-appoint KPMG LLP as Auditors and to fix their remuneration		
	SPECIAL BUSINESS		
9.	To approve the renewal of Share Issue Mandate		
10.	To authorise the directors to grant awards and issue shares under the Sembcorp Industries' Share Plans		

Total Number of Shares Held

______________________________ ____________

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

Glue and seal along the edge

Notes:

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

1st FOLD

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

2nd FOLD

sembcorp

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

BUSINESS REPLY SERVICE
PERMIT NO. 06735

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

3rd FOLD